



INSIDE

HIGHLIGHTS

THE PROPERTIES

OK PROPERTY 92K 008
 COTTONBELT PROPERTY 082M086
 MICROGOLD PROPERTY 9215E134
 MAGNOLIA PROPERTY 092F274

MICROGOLD UPDATE

COTTONBELT UPDATE

PERSPECTIVE on COTTONBELT

MANAGEMENT

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CANQUEST RESOURCE CORPORATION

Corporate Profile

HIGHLIGHTS

- CanQuest has a 100% interest in **three large**, advanced precious metals and poly-metallic base metal properties, plus an option to purchase a 100% interest in a fourth such property. One or more of these projects could be at a **pre-feasibility stage within 2 years**.
- All the properties are located in southern British Columbia and are accessible by road (no high cost logistics). With one partial exception, the properties are non-seasonal.
- Three of the properties have **major tonnage potential**: two have existing reserves.
- Excepting one prospect where trenching is planned, all the projects are at the drilling stage.
- All the properties are in areas with existing commercial activity; **none** are in provincial parks, aboriginal reserves or designated areas of land use study.
- The Company has experienced, competent **management** and a **sound** shareholder base that includes a number of Canadian and international investment institutions.
- The majority of foreseeable exploration funding will be used to advance the status of the **OK Project**.

92K008

THE PROPERTIES



OK PROPERTY

The Company's flagship OK Property is a large, porphyry-type copper-molybdenum-silver-(gold) open-pit prospect in an intermediate stage of exploration. A production pre-feasibility stage of development could be reached within eighteen months.

Located on a rolling plateau overlooking the Strait of Georgia, this 10 x 4 km property is situated on tidewater 25 km northwest of, and connected by road to, the town of Powell River, B.C., which in turn is located 120 km north of Vancouver. As a consequence of over 20 years of logging activities on the property, road development on the claims themselves is considerable, although in many cases requiring varying degrees of rehabilitation.



At an annual cost of \$20,000, CanQuest has an option to purchase the OK claims for \$2,000,000 using funds from production revenue at the rate of \$0.10 per ton of ore delivered to the treatment plant.

Prior drilling over portions of the property between 1966 and 1982 has partially outlined a number of loosely identified zones of mineralization in altered granodiorite at the periphery of a central quartz feldspar porphyry intrusion ('QFP') which is approximately 500m wide and 5 km long.

Most of these drilled zones contain large tonnages of low-grade "porphyry-type" copper-molybdenum-silver mineralization with the exception of the South Breccia Zone where demonstrably elevated grades of these minerals occur in highly altered and brecciated rock. None of these zones was delimited and drilling has only superficially tested them.

A geostatistical study in 1982 of all drill hole data that included seven mineralized zones for which sufficient data were available, estimated that drill indicated and geological potential resources combined were 450,000,000 tons of greater than 0.24% copper and 0.015% molybdenite. The study also indicated a remarkable uniformity of copper grades, while molybdenum appeared to have a less understood distribution. It was suggested that selective mining could possibly upgrade millheads to the 0.50% copper range, although it is readily apparent that much more work is necessary to establish such potential. Other contemporary studies suggested that tonnages of similar low grades may be in the order of 1,000,000,000 tons, and that the possibility of developing mineable reserves of 0.4 % to 0.5% copper within that mass was considered to be high. The foregoing tonnages are contained in discrete areas over a distance of 5 km and the estimates did not take into account any mining parameters.

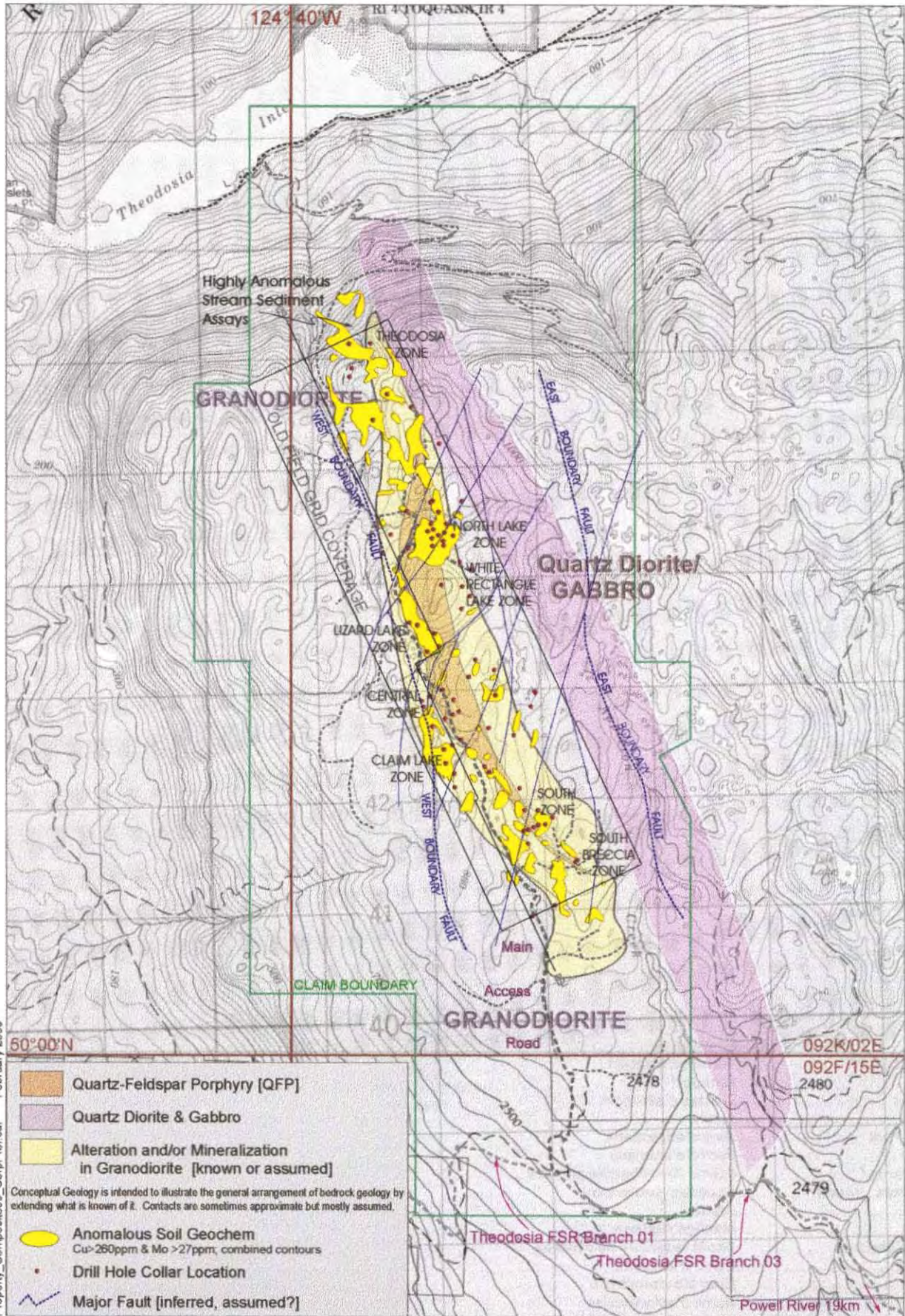
A report prepared in 1989 for CanQuest further refined the 1982 geostatistical analysis to provide what is considered to be an "inferred resource", as follows:

Cut-off Grade (%Cu Equiv)	Tonnage Resource (tonnes)	Copper (%)	Molybdenum (%)
0.2	228,400,000	0.32	0.020
0.3	155,000,000	0.39	0.024
0.4	104,900,000	0.46	0.028
0.5	72,000,000	0.54	0.033
0.6	50,000,000	0.61	0.037

The results of recent geological mapping by CanQuest suggest that the notion of a series of discrete mineralized zones is probably obsolete, and that the entire 500m by 5km contact zone of the QFP is potentially mineralized, and should be considered as a single target for exploration. CanQuest's consulting mining engineer is of the opinion that if the brecciation and alteration occupies a continuous zone concentric to the QFP then the potential for economic tonnage is huge.

Most deposits of this type require a higher-grade zone for a "starter pit" to render the overall project economic. The South Breccia Zone is a still incompletely defined example of such a higher grade zone. A chip sample collected from a trench across a 12 m width within this zone yielded values of 2.4% copper and 0.52% molybdenite with byproduct silver values. Other grab samples in the South Breccia Zone have yielded assays up to 3.2% copper, 0.1% molybdenum, and 18 grams silver per tonne.

Recent work has revealed other areas of brecciation and intense alteration on the property with observed but as yet undefined mineral potential. In fact, this same work has lead to the hypothesis, yet to be verified from detailed mapping, that brecciation and alteration may be more or less continuous along the immediate contact area of the 5 km long QFP intrusion into the mineralized granodiorite.



Little is known regarding precious metal values over the property as a whole. It is probable that no analyses for gold or silver were carried out during earlier drilling of the property and, unfortunately, no core remains for re-sampling. The South Breccia Zone contains silver, and previous soil sampling indicates that higher silver values are coincident with areas of anomalous copper over much of the area sampled. Results from sampling representative rock outcrops during 1997 and 1998 suggest that copper and silver have a strong spatial relationship and that they occur principally in strongly altered zones closest to the QFP. While molybdenum also occurs with copper and silver, the more elevated molybdenum values appear to occur primarily in less altered rocks peripheral to the copper-silver zones.

Research has also shown that BHP's former Island Copper copper-molybdenum-silver-gold open-pit operation, located on Vancouver Island and some 200 km from the OK Property, has a geological setting for its mined-out deposit that shows striking similarities to the OK deposit. Particularly arresting is the similarity in the geometry and description of the porphyry intrusion. Furthermore, the arrangement of what at Island Copper was called 'marginal hydrothermal breccias', appears to have a nearly exact analogue at the OK. While detailed data that can only come from years (1971 - 1995) of mining the Island Copper deposit is obviously lacking at the OK deposit, it can be shown, importantly, that the mode of occurrence for both chalcopyrite (copper) and molybdenite (molybdenum) observed at the OK Property matches that at Island Copper.

A major program of exploration, including diamond drilling, has been devised to take place over a continuous twelve to eighteen month period. The program will focus on delineating the extent of mineralization amenable to open-pit operations, as well as identifying zones of higher grade mineralization suitable for a "starter" open-pit. At a cost of approximately one million dollars, the program has been designed to take the project to the stage where detailed grid drilling to define mineable reserves to engineering standards would take place, and pre-feasibility production studies would be initiated.

COTTONBELT PROPERTY

082M 086

100 % owned by CanQuest, this large (104 sq. km) property is located 60 km northwest of Revelstoke and is accessible by road from the Trans-Canada Highway. The property encompasses the Mt. Grace Syncline, a regional northwest trending, tightly folded, overturned U-shaped structure wherein are located stratiform horizons containing significant mineralization of copper, lead, zinc, silver and accessory gold. The surface extent of mineralization as presently known on the property has a strike length of over 10 km, and is contained in several separate horizons over a surface elevation difference on strike of nearly 900 meters. Evidence exists that these mineralized layers may extend for another cumulative distance of 6.5 km. The longest exposure of mineralization is the 4.8 km long Cottonbelt-Bass lead-zinc-silver layer, which occurs, in the southwest limb of the fold. Surface widths range up to 4 meters and average about 2 meters. These widths do not however represent the much greater thickness of mineralization that might be expected to occur in sub-surface areas of dilation in the crest and trough areas of the folded structures on the property.

An extensive low-level aerial geographical survey over the property has revealed evidence of possible new mineralized horizons in both the northern and southern parts of the property, in areas where overburden and tree cover may be masking outcrop. These new anomalies are stronger and more extensive than those over the known mineralized horizons.

Shallow underground workings developed as part of a then remote, high grade lead-silver project early this century, on a very small area now enveloped by the present property, established a reserve of 725,000 mt of 5% lead, 6% zinc, and 50 grams silver/mt. The separate copper horizon the northeast limb of the fold is known to assay up to 4% copper along its presently defined 2.4 km length.

Observation has been made of the striking similarity between the Cottonbelt mineralization and that of the famous Broken Hill deposit in Australia, with such similarities extending to age and tectonic setting, metamorphic grade, mineral assemblage and the impressively persistent and lengthy surface mineralization. Similarly, on the Cottonbelt property, potential thickening of mineralization in the fold limbs and keel of the folded structure will be explored by extensive drilling. Like the Broken Hill orebody, it is in these zones where commercial quantities of mineralization are likely to occur.

Bethlehem Resources Corporation (now a wholly subsidiary of Imperial Metals Corporation) and Goldnev Resources hold an option to earn 50% interest in the property by obtaining a bankable feasibility study, arranging all capital costs of production and related working capital, and refunding to CanQuest 50% of the latter's total exploration expenditures on the Cottonbelt property.

MICROGOLD PROPERTY

100% owned by CanQuest, this large (52 sq. km) property is located at Stump Lake, B.C., midway between Kamloops and Merritt and is bordered by Highway 5A, which connects these municipalities. The property encompasses all or part of an extensive epithermal mineralizing system featuring at least several principal areas of alteration, silicification, brecciation and associated gold enrichment, perhaps controlled by cross faulting in this classic interior belt, block-faulted geologic environment. Two such zones on the property encompass an area of 6 square km. Typical epithermal indicator minerals such as chalcedony and fluorite as well as important geochemical indicators abound in these silicified zones. Grab samples assaying up to 0.69 oz/ton have been taken from these areas and limited, shallow drilling has produced anomalous gold values below the surface. The "plumbing system", likely one or more key faults, that are conduits for this extensive mineralization, and wherein can occur high grade "bonanza"-type gold occurrences that typically underlie the higher level epithermal mineralization, have yet to be discovered on the property, and will be the focus of the future drilling. Results from a low-level aerial geophysical survey over the entire property have revealed strong evidence of cross structures that could form controls for both the deeper "bonanza" as well as the surface mineralization on the property. Other anomalies have also been exposed in areas of the property where silicification and alteration are known to occur.

British Columbia government geologists have identified only ten major Tertiary epithermal gold-silver depositional systems in British Columbia and Washington State. With the exception of CanQuest's Microgold system, a relatively recent discovery, all of the nine other systems and deposits noted on the map have had significant exploration and development done on them. Excepting the Dusty Mac and Engineer properties, the balance of those nine deposits are, or have been producing gold mines, or have achieved advanced development status. As an example of the latter, recent drilling at the Specogna (formerly Cinola) deposit has encountered a rich, bonanza-vein feeder system responsible for at least part of the extensive, low grade mineralization occurring at or near the surface of the property. In like fashion, CanQuest's drilling program will in part focus on locating the bonanza-vein feeder system(s) responsible for the major epithermal gold-silver system that has been identified on the Microgold property.

MAGNOLIA PROPERTY (TEXADA ISLAND)

This 100% owned property adjoins the former magnetite-copper-gold producing mines of Texada Iron Mines. Aerial geophysics, geochemistry, and prospecting have outlined on the property a number of areas conducive to skarn-type copper-gold mineralization or quartz-flooded brecciated structures containing high-grade gold mineralization. Two mineral skarn occurrences will be trenched and hopefully connected for continuity prior to drill testing. Grab samples from these occurrences have assayed as high as 8% copper and 0.258 oz/mt gold. A number of other anomalous areas on the property will also be followed up.

MICROGOLD PROJECT UPDATE

A recent exploration program carried out over a limited portion of CanQuest's 20 square mile (52 square kilometre) Microgold gold property by two of the Company's consultants focused on several prime objectives:

- 1) to confirm the previous work done in the Kullagh Lake area by BP Minerals;
- 2) to confirm that the resistivity anomalies that were measured in an aerial geophysical survey done for CanQuest, and which occur over widespread areas to the west of Kullagh Lake, were reflective of an additional epithermal environment conducive to gold deposition;
- 3) to define targets for a major drill program to be initiated on the property by CanQuest. A secondary program of sampling for fluid inclusion studies was also completed.

The results of this field program have fully met these objectives. The Kullagh Lake area has been confirmed as an area with widespread surface gold mineralization occurring in an epithermal depositional environment. Earlier work in this area had seen 368 rock chip samples collected for assay. The results of these assays defined a large zone of highly anomalous gold mineralization. Subsequent re-sampling of this zone on an intermittent but representative basis by CanQuest has confirmed these anomalous results, with gold assays ranging as high as 8.12 g/t (0.237 oz/t).

Limited work in the West Zone area has defined a large, but still not fully delimited zone of faulting, brecciation, siliceous and carbonaceous alteration, and associated epithermal veining and gold mineralization. Rock chip sampling in this area returned a large number of anomalous gold values, ranging up to 4.1 g/t (0.132 oz/t).

This area, not fully delimited, returned anomalous gold values from a siliceous epithermal vein system within brecciated volcanics, and just north of a sinuous fault that bounds a geophysical aeromagnetic "high" (heat source?) to the south and an anomalous resistivity "high" (siliceous alteration and veining) to the north. This area is also proximate to an important steeply dipping, north-south and northeast trending fault system that may lead to a heat source and high-grade gold mineralization.

Aside from, and even including some of the West Zone, much of the areas defined by geophysical resistivity anomalies to the west, southwest and northwest of Kullagh Lake have yet to be examined in detail for their economic gold mineralization potential. However, in conjunction with an equal area of high resistivity geophysical anomalies, approximately 7.5 square kilometres of gold-prone, heavily siliceous, and in many cases brecciated rock, have to date been identified on surface, covering the Kullagh Lake Zone and West Zone on the Microgold property. An additional minimum of 5.5 square kilometres of resistivity anomalies, many of them still "open" to the west, are presently known to represent in major part, areas of similarly siliceous rock on the property, but which have not yet been properly investigated.

The Kullagh Lake area has been confirmed as presently the best area for CanQuest to commence its drilling program on the Microgold property. Earlier work by BP Minerals was mandated solely to probe the shallow, flat-lying quartz veins in the area just south of Kullagh Lake, with the view to defining only a deposit with surface tonnage. The report of BP Minerals, based on only one summer's work (thereafter the company was wound up when the parent oil company withdrew from the mineral exploration business) stated that...."regardless of what kind of epithermal system the Microgold is, the greatest potential is in the vertical component, and a better idea of the third dimension is needed to understand the mineralizing system. The flat-lying veins may be of economical importance, but at this point they do not have the best potential." Lending further credence to that statement is the fact that many of BP Mineral's best drilling results, particularly in the Kullagh Lake area, came at or near the bottom of the largely shallow, and mostly vertical drill holes. The orientation of the latter were not designed to intersect the steeply to vertically dipping faults known to occur on the Microgold property.

The numerous, more steeply dipping vein and fault systems on the Microgold property have thus been largely ignored to date. It is these systems that may prove to have been the feeder conduits from a deep-seated heat source, for the shallow emplacement of the extensive, flat-lying to domed siliceous veins carrying anomalous gold values on the property's surface. It is within these feeder veins where high-grade gold "bonanza" vein systems can occur.

CanQuest's initial drilling program at the Microgold project will probe the steeply dipping faults and vein systems in Zone A to explore for both the feeder systems responsible for the flat-lying veins on surface, and the high-grade, "bonanza" veins associated with these deep-seated feeder conduits.

COTTONBELT PROJECT UPDATE

The most recent drilling program at the Cottonbelt Project resulted in the first drill holes ever to pass completely through the Mount Grace Syncline. As such they have provided valuable information on the fold geometry of the syncline. This in turn has resulted in an estimate of the position of the COTTONBELT – BASS sulphide – oxide mineralized layer at the main fold hinge. The apparent absence of the MCLEOD – COMPLEX horizon in the most recent drill core suggests disruption of the lower limb of the main folded structure, possibly by a low angle thrust fault.

Preliminary calculations indicate that the sulphide – oxide hinge line could be reached by drill holes in the 750 – 950 m depth range from set-ups located on roads downslope and south of diamond drill hole CB96-03.

Additional information from the most recent drilling program suggests that the upper portion of the deepest drill hole passed through what may be the apex of the mirror-image anticline or arch-shaped fold that is thought to lie immediately to the west of the Mount Grace Syncline. (The image of a small portion of a corrugated paper board with its continuous, undulating, arch and u-shaped folds is roughly analogous to the pattern of regional folds on the Mount Grace property, only much amplified in scale). In an area further to the south and west of this most recent drilling, and inferred to be in the apex area of the aforementioned anticline, are the strongest magnetic, resistivity and conductive geophysical anomalies so far measured on the property from the aerial geophysical survey carried out for CanQuest in 1994. These anomalies may represent classic areas of dilation and potential loci for mineral accumulation in the same pattern as may occur in the trough portion of the Mt. Grace Syncline.

The next stage of exploration on the Cottonbelt property will focus on both drilling the trough area of the Mt. Grace Syncline and determining the origin of the strong anomalies to the west of this structure. Encouraging results would be followed by an intensive drilling program.

SOME PERSPECTIVE ON THE COTTONBELT PROJECT

The following is intended to lend some added perspective to the geological and mineralogical setting of the Cottonbelt deposit, as well as to the results of CanQuest's 1995 and 1996 drilling programs.

Quite simply, diamond drill hole CB-95-24, located about 300m southeast of the Bass shaft and in an area with no apparent geophysical anomalies, intersected a new and previously unknown mineral horizon deeper than has ever been penetrated in the axial core area of the folded structure (known as the Mt. Grace syncline) that encompasses stratabound copper-lead-zinc-silver-gold mineralization. The Cottonbelt mineral deposit, not yet defined as a commercial ore deposit after only 6,000 ft. of initial drilling into a structure that is 17 km (10.2 mi.) long in its traverse through the 40 sq. mi. Cottonbelt property, has a number of unique and discerning features. Not the least of these is the associations of banded iron formation (magnetite) rock with base metal mineralization such as zinc, lead, silver and possibly copper. The new horizon in CB-95-24 is approximately 78 feet thick. The first 15 feet of this section feature disseminated copper and iron sulphides in a quartz-rich rock. This unit grades into 63 feet of banded to nodular iron formation carrying minor amounts of manganese, zinc, lead and silver. In the extremely early stage of exploration and drilling of this large structure, the primary importance of this new zone however, is that it represents a thick horizon of metal deposition that together with the known, extensive surface mineralization, reflects an environment on the Cottonbelt property where, rather than being scarce and localized, metal deposition is abundant and widespread; occurs in a number of different horizons; and has a multiplicity of characteristics.

One of the ways in which the general potential of a mining property may be assessed, particularly in the very early stages of its development when a large amount of specific exploration and drilling data is still lacking, is to compare its essential characteristics with those of commercial mining operations having a similar ore depositional environment and where related data is abundant. While all ore deposits are specifically unique, they can be grouped into different types according to common origins and formational conditions. Thus, certain critical features common to a particular group of commercial deposits and a development prospect such as the Cottonbelt property, can greatly augment the potential of the latter to uncover a similar mineral depositional environment of commercial consequence. Analogies therefore between, for example, the Rammelsberg deposits in Germany or the 300 million tonne Broken Hill deposit in Australia and the geology of the Cottonbelt property are relevant. In particular, comparisons of the mineral depositional environment of the Broken Hill with the known geology of the Cottonbelt property are close, scientifically valid and relevant to the development program being carried out by CanQuest.

Accordingly, some remarkable similarities between what is presently known about the Cottonbelt geology and the Broken Hill deposit are noted below:

- the deposits are of the same general age, with an apparent similar original depositional environment.
- mineralization occurs in the same setting as conformable layers, often in lens-shaped zones in similar types of rock, within a complex, tightly folded structure that has been subjected to a similar high degree of temperature and pressure change. This has led to the formation of a very similar suite of major minerals representing these common chemical conditions, including, of particular

relevance, anomalous amounts of banded iron formation in, or proximal to base metal mineralization;

- a similar setting exists for the mineralization, i.e. in a number of distinct and separate horizons in which ore grade mineralization occurs over mineable widths (at the Broken Hill), separated by zones where the mineralization, plastic-like compared to its enveloping rocks, may or may not be ore grade but has been squeezed and smeared on the fold limbs to often only inches in width. Like the Cottonbelt property, surface mineralization at the Broken Hill is thin but impressively persistent over great lengths. At the Broken Hill operation, mining widths and ore grade mineralization are found only at depth in the axial core portion of crests and troughs of folds and associated drag folds on the limbs;
- work over many years at the Broken Hill mine has noted that "the mineralized horizons, where they are all but devoid of sulphides away from the ore lenses on the same horizon, appear as siliceous layers, usually weakly but persistently with manganese."

The new zone in CB-95-24 is such a siliceous layer containing persistent banded iron formation. Profiles of mineralization in similar deposits being mined in Canada and elsewhere, have shown that zones containing high-grade iron formation are often indicators of nearby economic base and precious metal mineralization.

MANAGEMENT

The principal officers and directors of CanQuest are:

Ian de Wolfe Semple, President, CEO and Director.

A geologist with extensive international experience in mineral exploration and development, Semple also has a considerable background in mining investment finance. Most recently, prior to forming a consultancy, he was Vice-President and Senior Mining Analyst with Pemberton Securities.

M. Norman Anderson, Director.

Geological engineer and business consultant, Anderson was formerly Chairman and CEO of Cominco Ltd. and is currently a director of a number of large corporations, including Homestake Mining, Finning Ltd. and the Toronto Dominion Bank. He is a principal in Norman Anderson & Associates Ltd.

Robin J. V. Fielding, Director.

Fielding is President of Pente Investment Management Ltd., of Toronto, Ontario, a firm specializing in the management of individual client investment portfolios. With over thirty years in the investment management field, Fielding has extensive experience in all aspects of corporate finance, growth and development.