

IBK Capital Corp.

From the desk of:

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→ STEFAN GARBE, INFT

RECEIVED MAY 08 1996
CANQUEST RESOURCE

WE LOOK FORWARD TO
SEEING YOU ON TUESDAY,
MAY 7th AT 10:00 AM.

ATTACHED IS AN ADDITIONAL
PACKAGE ON CANQUEST.

Done 7B. →

 Erik Williams

→ Colin Burge.
Texada Island may be
with thinking about 50% option or
in light of your property 7B. Cotnambit.
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→ Stump Lake ?? what do we know 7B

CANQUEST RESOURCE CORPORATION

- **CanQuest has or is acquiring a 100% interest in four large, advanced precious metals and poly-metallic base metal properties.**
- **All the properties are located in southern British Columbia.**
- **Three of the properties have major tonnage potential - two have existing reserves.**
- **All the projects are at or very near the drilling stage, and the two currently most important properties, the Cottonbelt and the Microgold, will be extensively drilled this year.**
- **Microgold property displays standard epithermal mineralization - CanQuest is searching for "bonanza" type gold occurrences that typically underlay higher level epithermal mineralization. The Company believes that the Microgold property has the potential to host a multi-million ounce gold deposit.** H
- **The polymetallic Cottonbelt property contains a mineralized, tightly folded, synform. Surface mineralization on the Cottonbelt has a strike length of over 10 kilometres.**
- **Observations by the Company have been made between the Cottonbelt and the Broken Hill deposit in Australia in terms of age, tectonic setting, metamorphic grade, mineral assemblage and the persistent and lengthy mineralization.** }
- **The Company believes that the Cottonbelt property could contain a potential multi million tonne ore deposit with economical grades of copper, zinc, lead and silver with accessory gold.**

CANQUEST RESOURCE CORPORATION

EXECUTIVE SUMMARY

April 1996

PREAMBLE

The information contained in this Executive Summary is confidential. The Executive Summary has been prepared to assist interested parties in making their own assessment of the Company and its mineral properties and does not purport to contain all of the information that a prospective investor may desire. In all cases, interested parties should conduct their own investigation and analyses of the Company, its assets and the information provided in this Executive Summary. Any and all statements, forecasts, projections and estimates contained in this Executive Summary are based on management's current knowledge and no representation or warranty is made as to their accuracy and/or reliability.

IBK Capital Corp. has not independently verified any of the information contained herein. IBK Capital Corp. makes no representation or warranty as to its accuracy and completeness and shall not be liable to any recipients of this Executive Summary if such information or any part thereof is untrue or misleading or if any information is omitted therefrom which is necessary to make any information contained herein not false or misleading in light of the circumstances in which it is presented.

note: all amounts are in Canadian dollars, unless otherwise indicated

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A. THE COMPANY

CanQuest Resource Corporation ("CanQuest" or, the "Company"), is a gold and metals exploration company based in Vancouver B.C. 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. All the properties are located in southern British Columbia; are road accessible; are non-seasonal with one partial exception; and, all are in areas with existing commercial activity. None of the properties are in or contain provincial parks, aboriginal reserves, spawning rivers or designated areas of land use. Three of the properties have major tonnage potential, two have existing reserves. One or more of these projects could be at a pre-feasibility stage in two years. CanQuest has experienced, competent management and a sound shareholder base that includes several Canadian and international investment institutions. CanQuest trades on the Vancouver Stock Exchange under the symbol CQ.

The Microgold property is 52 square kilometres in size and encompasses all or part of an extensive epithermal mineralizing system featuring several principal areas of alteration, silicification, brecciation and associated gold enrichment. CanQuest is currently searching for "bonanza" type gold occurrences that typically underlie the higher level epithermal mineralization. Epithermal indicator minerals abound over extensive areas of the property and grab samples taken from these zones have assayed up to 0.69 ounces of gold per ton. **The Company believes that the Microgold property has the potential to host a multi-million ounce gold deposit.**

The Cottonbelt property is 104 square kilometres in size and contains stratiform horizons of significant copper, lead, zinc, silver and gold mineralization. Currently established surface mineralization on the property has a cumulative strike length of approximately 10 kilometres in three separate horizons. These mineralized horizons are contained within a tightly folded syncline structure that traverses the Cottonbelt property for nearly 18 kilometres. Shallow underground workings from small scale high grade lead-silver mining earlier this century on a limited portion of the property, established a reserve of 725,000 tonnes grading 5% lead, 6% zinc and 50 grams of silver per tonne. Observations by the Company have been made of the similarity between the Cottonbelt property and the Broken Hill deposit in Australia including its age, tectonic setting, metamorphic grade, mineral assemblage and the persistent and lengthy surface mineralization. **The Company believes that the Cottonbelt property could contain a potential multi million tonne ore deposit with economical grades of copper, zinc, lead and silver with accessory gold.**

The Magnolia property contains a number of areas demonstrating skarn type copper-gold mineralization or brecciated, quartz-flooded structures containing high grade gold. The OK

property contains a geological resource of 155 million tonnes grading 0.39% copper and 0.024% molybdenite.

The Company is seeking a financing of \$3.3 million to carry out exploration and development work on its properties in British Columbia. The majority of these funds will be spent on major drilling programs to be conducted on the Microgold and Cottonbelt properties. The financing may take the form of an offering of common shares of the Company or another mutually acceptable arrangement (the "Financing").

B. MICROGOLD PROPERTY

1. Location and Ownership

The Microgold property is located at Stump Lake in southwestern British Columbia, 40 kilometres northeast of the town of Merritt and about 40 kilometres south of Kamloops. A paved highway cuts through the southern boundary of the property and dirt and gravel roads provide good local access.

The Company holds a 100% interest in the property. Of the 203 claim unit property, 45 claim units were purchased from another company in July, 1989 for \$50,000 plus 100,000 Class "A" voting common shares of the Company. These 45 claims units are subject to a 2.5% net smelter return royalty held by the property vendor. The remaining area making up the Microgold property was staked on behalf of CanQuest.

The property covers 52 square kilometres of rolling, semi-arid mixed grasslands and forest with sparse undergrowth. The property lies in the interior dry belt of the province and climate conditions are moderate. Water is easily accessed from the many lakes on the property and the many run-off streams and gullies. The property is workable on a year round basis. Please refer to the *Microgold Gold Project* map located in the accompanying corporate profile.

2. Geology

Regionally, the area north of Stump Lake is underlain by intermediate to mafic volcanoclastic rocks of the Late Triassic Nicola Group. These are bordered on the west by the Triassic Nicola Horst complex, unconformably overlain on the east by Eocene clastic and volcanic rocks of the Kamloops group and obscured on the north by Miocene olivine basalts. Small Tertiary intrusions of mainly intermediate composition have been noted.

Structurally, the area is dominated by major faults trending north to northeasterly. The major Tertiary Quilchena-Moore Creek fault passes within the west boundary of the property. This fault trends north northeast for about 50 kilometres. The north northwest trending Stump Lake fault cuts through the eastern edge of the property and appears to mark the contact of the Nicola and Kamloops formations. This fault joins with the Quilchena-Moore Creek fault to the north of the property and to the south of the property bounding an elliptical 25 kilometre long block of Nicola Group rocks which is cut numerous times by smaller northerly trending faults. The Microgold property covers an eleven kilometre length of this block.

Locally, the Kullagh Lake area in the eastern portion of the property is underlain mainly by Triassic Nicola Group intermediate to mafic volcanoclastic rocks. This package consists of augite porphyry, red and green pyroclastics and hematitic conglomerates. The most common rock type on the property is an andesitic flow breccia. This Nicola Group extends to the west

with an increasing sedimentary content where argillite is found interbedded with tuffs.

At the southern tip of the Kullagh Lake area, mudstone, siltstone and multilithic conglomerate occur in a small sedimentary basin thought to be a structural trap for the more extensive Lower Eocene basin which covered the area. Basaltic flows of the Upper Eocene Kamloops group outcrop to the east of Stump Lake near the eastern property boundary.

Angular slabs of granitic float can be found on the claims. A buried intrusive could be present beneath the Kullagh Lake area which might be the heat source driving the epithermal system. The only known intrusive body on the property was mapped in 1985 about 3.5 kilometres southwest of Kullagh Lake. Derived from the results of an extensive, low-level helicopter-borne aerial geophysical survey conducted on the property for CanQuest by Dighem Geophysics, a large magnetic "high" anomaly occurs to the north of Kullagh Lake, between the two regional faults on the property. This magnetic anomaly may be indicative of a deep seated heat source.

Silification is widespread, occurring as finely laminated or brecciated veins. Chalcedony veins are extensive and persistent. Individual veins of this type can be traced for more than 250 metres with a thickness up to 2 metres. There are both flat and vertical siliceous veins and although their exact relationship is unknown, it is obvious that it is a multi-phased system.

One of the main features of the Kullagh Lake area is a broad "X" shaped, gossanous, bleached alteration envelope which is probably controlled by two main structures. Trending approximately northwest and northeast, two limbs of the "X" intersect south of Kullagh Lake where three drill holes intersected the highest average gold values on the property. The presence of secondary silification in Eocene sediments dates some of the alteration and mineralized events as late Tertiary.

3. Previous Exploration

Recorded mineral exploration history in the Stump Lake area dates from the 1800's. Narrow quartz veins at Mineral Hill, southeast of Stump Lake, were mined primarily between 1916 and 1941. Total production is reported at about 8,500 ounces of gold and 26,500 ounces of silver with associated copper, lead and zinc.

During the 1960's and 1970's, sporadic base metal oriented exploration targeted areas west and northwest of the Microgold property. Most of this work investigated copper and copper-molybdenum showings along the fault contact between the Nicola Horst and regional volcanic assemblages. No commercial deposits were found.

The area north of Stump Lake on the Microgold property has been explored by several companies and individuals during the 1980's and 1990's. This work has covered about 50% of

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the property and has located two main zones of silification and mineralization including the Kullagh Lake zone and part of the West zone.

On the Kullagh Lake zone, Chevron Canada carried out a limited geological mapping and geochemical soil sampling followed by four diamond drill holes totalling 666 metres. Narrow drill intersections in siliceous veins and brecciated volcanics returned values of 0.03 ounces of gold per ton but were not pursued.

Over portions of what is now known as the West zone, exploration was carried out by Canadian Nickel Company ("Canico") in 1983. Exploration work consisted of geological, geochemical and geophysical surveys and outlined two areas of interest. One of these areas in the north end of the West zone outlined anomalous gold, silver, arsenic, molybdenum and copper.

In June, 1984, Goldbrae Developments optioned two of the claims in the West zone and conducted detailed ground magnetometer, electro-magnetic and induced potential surveys. Despite recommendations to drill, the work completed by Goldbrae and Canico was never followed up on.

In 1985, 3 claims in the immediate Kullagh Lake area were optioned by BP Minerals Canada. A grid was completed along with geological mapping, soil geochemistry and limited magnetometer and electro-magnetic surveys. BP followed-up this work with 22 drill holes widely clustered in two areas. BP's objective was to outline a near-surface gold reserve suitable for open pit extraction. 49% of their holes were drilled vertical and results were presented as averages over entire drill hole lengths. Even the angled holes were short and were not designed to test for "Bonanza" gold mineralization in high angle structurally controlled veins. The average length of the drill holes was less than 100 metres. The highest average came from a hole south of Kullagh Lake which averaged 0.006 ounces of gold per ton over 129.76 metres. BP'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 numerous, more steeply dipping vein and fault systems on the Microgold property were thus largely ignored. BP Minerals dropped the option on the property because the company was wound up by the parent BP Oil Ltd.

In 1986, the property was optioned by Asamera which carried out limited electro-magnetic work over a small portion of the southern half of the three claims. Three holes totalling 917.7 metres were drilled but failed to give Asamera sufficient mineralization to continue.

In 1987, Lectus Developments optioned the claims previously held by Goldbrae, as well as a number of surrounding claims in order to test the anomalies discovered in 1984. Drill holes discovered graphite which appeared to correlate with electro-magnetic conductors. No further work was performed. The area now known as the West zone was staked by the Company in

1993.

Limited work was performed by CanQuest from 1989 to 1993. This work was sufficient enough to successfully extend the geophysical and geochemical anomalies in the Kullagh Lake zone. Late in January, 1994, the Company conducted, at a cost of \$33,443, an airborne geophysical survey of all the claims then held by the Company. The objective was to highlight previously unrecognized zones of silification and sulphide enrichment, help trace structures under drift cover, investigate the relationship between the Kullagh Lake and West zones and refine area targets for detailed investigation. As a consequence of the survey, and the extensive magnetic and resistivity anomalies that were revealed to the west and north of the Kullagh Lake area, the current boundaries of CanQuest's Microgold property were established.

In excess of \$465,000 has been spent on exploration and development of the Microgold property.

4. Mineralization

Work done by BP in the Kullagh Lake area has highlighted extraordinary widespread gold enrichment, associated with secondary silification, over an area of 2 square kilometres. Anomalous gold values in the West zone are also widespread, but are less well defined from work done to date. In many instances in the West zone, the existence of an epithermal system has been derived from anomalous indicator elements such as fluorine, arsenic and molybdenum. From sampling the Kullagh Lake and West zones, anomalous gold values are found to occur under a variety of conditions: within flat-lying chalcedonic or siliceous veins; within siliceous quartz-carbonate breccia; and, in steeply dipping quartz veins. The exact mode and distribution of gold occurrences remain uncertain, but may be multi-episodic.

Geochemistry performed on the property in both the West and Kullagh zones has outlined extensive areas of anomalous fluorine and arsenic suggesting that epithermal activity with possible associated gold mineralization is much more widespread than currently recognized.

On the Kullagh Lake zone, closely spaced soil samples tested by BP defined a major gold anomaly extending from the west side of Kullagh Lake to a silicified knoll 2 kilometres to the south. CanQuest has reviewed BP's previous work in the Kullagh Lake area and intermittently re-sampled this zone. Consequently, the Company has confirmed the Kullagh Lake area as a zone with widespread surface gold mineralization in an epithermal deposit environment. CanQuest's grab samples assayed as high as 0.237 ounces of gold per ton. The lack of significant silver and base metal values and the existence of certain indicator minerals suggest the Kullagh Lake area represents an upper level epithermal system, possibly underlain by "bonanza" vein feeder systems.

Glacial or other natural dispersions of rock and soil are not considered to be serious factors

in the interpretation of the size and shape of the geochemical anomaly. BP found residual amounts of bedrock in the soil.

The results of the aerial geophysics survey conducted for the Company confirm and possibly enlarge the known zones of gold bearing silification on the property. The survey appears to outline some faults crossing the regional north-south trending fault systems. These potential cross faults may explain the apparent offset of the two main zones of silification (the Kullagh and West zones). Resistivity results also suggest the presence of previously unknown zones of silification under a cover in the northwest part of the property.

Geochemical sampling and mapping in the West zone area resulted in the discovery of several epithermal style quartz veins hosted by northeast to southeast striking dilatant structures in nearly flat lying Nicola Group volcanic mudstones and overlying clastic sediments. Samples assayed up to 0.13 ounces of gold per ton with anomalous silver.

The Microgold property contains several types of gold exploration targets. The numerous steeply dipping vein and fault systems on the Microgold property have been largely ignored to date. It is these systems that may prove to have been the feeder conduits for the shallow emplacement of the extensive, flat-lying to domed siliceous veins from a deep-seated heat source. Both of these environments on the property are known to carry anomalous gold mineralization.

The prime target is these structurally hosted, gold mineralized, "bonanza" type, epithermal vein systems. The immediate apparent target areas lie in the Kullagh Lake area and in the West zone. There is also possible potential in the 1.8 kilometre east-west zone that separates the Kullagh and West zones, and in which only limited sampling has been conducted but with anomalous results.

The distribution of anomalous gold sampling results from the Kullagh Lake and West zones, as well as anomalous gold values from the intermittent sampling in the intervening area, suggests a minimum area of 8 square kilometres on the Microgold property, over which an epithermal gold system may exist. Please refer to the *Microgold Project* insert located in the accompanying corporate profile.

The extensive resistivity anomalies and observed silicified rocks to the west and northwest of the West zone and abutting on the Moore Creek fault, have yet to be explored in detail.

The Company believes that the Microgold property has the potential to host a multi-million ounce gold deposit.

5. Area Play

British Columbia government geologists have identified only ten major Tertiary epithermal

gold-silver depositional systems in British Columbia and Washington State, including the Microgold epithermal system. With the exception of the Microgold system, all of the nine other systems and deposits have had significant exploration and development done on them. Six of these nine properties are or have been producing gold mines. Another, the Misty Mountain's Specogna deposit (formerly the Cinola deposit), has encountered a rich, bonanza-vein feeder system that is responsible for widespread epithermal mineralization on that property. An underground mine will likely result. The other producing or past-producing Tertiary epithermal systems include: Black Dome, Golden Bear, Premier, Republic, Toodoggone and Wenatchee.

Area play near the property include: the Nicola horst area immediately to the west of the down-faulted block comprising the Microgold property; Teck's Afton and Ajax mines which lie 30 kilometres to the north of the Microgold property; and, Fairfield Minerals which is currently mining a high-grade gold deposit at its Siwash property 30 kilometres south of the Microgold property.

The Nicola Horst area has undergone intermittent exploration in the pursuit of porphyry copper deposits of the type and magnitude of the Valley Copper operation located 30 kilometres to the west of the Microgold property.

6. Program and Budget

The Company's consultant has formulated a budget of \$1 million for immediate exploration on the Microgold property. This includes extensive diamond drilling, mapping, sampling, ground geophysics and geochemistry and fluid inclusion studies. The initial areas to be targeted will be the Kullagh Lake zone and West zone. In particular, exploration work will focus on drilling deeper, angled holes to explore for the feeder systems (bonanza veins) that may underlie the extensive, flat-lying surface and shallow depth, gold bearing siliceous zones. Drilling will also concentrate on defining tonnages of economic mineralization amenable to open-pit mining. The budget is detailed as follows:

Project preparation	\$20,000
Geological mapping and trenching	25,000
Surface geochemistry and geophysics	40,000
Petrographic lithochemical studies	45,000
Diamond drilling	710,000
Core logging and sampling	70,000
Logistical support	15,000
Site management	10,000
Final report	15,000
Working Capital	<u>50,000</u>
	<u>\$1,000,000</u>

C. COTTONBELT PROPERTY

1. Location and Ownership

The Cottonbelt property is located in the Mt. Grace area of southeastern British Columbia about 26 kilometres northeast of the village of Seymour Arm and 60 kilometres northwest of the Town of Revelstoke. The Company owns a 100% interest in the 426 claim units, 104 square kilometre property of which 7 claim units were bought in 1987 from a private corporation for \$47,500. The balance of the property was staked on behalf of CanQuest from 1989 to 1994.

The claims lie on Mt. Grace at elevations of between 730 and 1,985 metres. The property is covered by rolling, sparsely treed, sub-alpine meadow bounded by steep sloping valleys. Logging roads originating at Seymour Arm supply access to the claims. Please refer to the *Cottonbelt Polymetallic Project* map located in the accompanying corporate profile.

In 1994, the Company granted to Bethlehem Resources Corporation (now a division of Imperial Metals Corporation) and Goldnev Resources an option to earn a 50% interest in the Cottonbelt property in consideration that Imperial and Goldnev make their existing Goldstream milling facility available to process Cottonbelt ores at no capital cost and at 120% of operating costs.

Furthermore, to earn the 50% interest in the Cottonbelt property, Bethlehem and Goldnev must commence the following within 180 days of receiving CanQuest's properly constituted, positive pre-feasibility study: arrange and finance an independent, bankable feasibility study; refund to CanQuest 50% of all exploration funds spent on the property by the Company; and, arrange for 100% of the capital costs and working capital called for in the feasibility study.

Concurrent with the signing of the option agreement, Bethlehem and Goldnev loaned CanQuest \$250,000, the loan to be satisfied through the issuing of 1,000,000 CanQuest shares and through the expenditure of \$200,000 by CanQuest on exploration on the Cottonbelt property. The repayment terms of the loan were satisfied in 1995.

2. Geology

Regionally, the Cottonbelt property lies within the Shuswap Metamorphic Complex - a belt of high grade and intensely deformed metamorphic and intrusive rocks in the core of the Columbian Orogenic belt in southeastern British Columbia. Unconformably overlying the gneissic core complexes, a very distinctive assemblage of calcsilicate and pelitic gneisses, quartzite and marble of late Proterozoic to possible Early Cambrian age is host to several important stratabound lead-zinc deposits. The Cottonbelt deposit is one of these stratibound deposits occupying part of the northwest flank of the Frenchman Cap gneiss dome. Further south, the Jordan River and Big Ledge deposits reside in stratigraphy that is broadly correlative with the Cottonbelt host sequence.

Locally, the Cottonbelt property contains the hinge of the Mt. Grace Syncline which is an early recumbent isoclinal fold that trends northwest and can be traced for 30 kilometres along the north and west flanks of the Frenchman Cap dome. The hinge is contained within a 600 to 700 metre thick sequence of metasedimentary rocks and plunges to the southeast. Contained in this stratigraphy is at least one lead-zinc-silver-magnetite massive sulphide-oxide horizon which varies in thickness and has to date been traced for 3 kilometres, in the western limb of the syncline, from the upper middle portion of the property to the northwest. Here, the massive sulphide-oxide layer (the Cottonbelt-Bass horizon) has a thickness which varies from 15 centimetres to approximately 3 metres with an average width of 1 to 2 metres. It is believed, that beyond this 3 kilometre mark, the horizon continues for a further 1.8 kilometres and downward 500 metres. Mapping suggests that the structure in which the mineralized layer is contained continues to the northwest edge of CanQuest's property and perhaps beyond.

From stratigraphic consideration, the Cottonbelt-Bass layer is thought to be repeated in the east limb of the Mt. Grace syncline in the form of the McLeod-Complex layer, which has been traced on the property's surface for a distance of over 2 kilometres. Lying just above this layer, in distinctly different lithology, is a copper bearing unit (the Copper King horizon) that is estimated to have a surface trace of at least 2 kilometres on the Cottonbelt property.

The Company believes that the 18 kilometre section of the Mt. Grace Syncline encompassed by the Cottonbelt property represents an extensive mineralized system for zinc, lead, silver, copper and by-product gold.

3. Previous Exploration

Prospecting interest in the Grace Mountain area dates back to the early 1900's. The Cottonbelt area was first staked for Crown granted claims in 1905 and the first recorded assessment work was done on the Cottonbelt lead-zinc-silver layer by Cottonbelt Mines in 1912. Meanwhile, work on the nearby McLeod-Complex copper-lead-zinc showings by independent operators revealed outcrop extending over 300 metres.

By 1923, the Minister of Mines Report indicates that the Cottonbelt horizon had an average width of over 1 metre but was quite variable being as much as 2 metres at the Bass shaft. Development work included a 12 metre shaft, a shallow shaft and a 45 metre tunnel on the old Crown granted claims which follow the massive sulphide-oxide horizon. Some metallurgical test work carried out at that time indicated that flotation was a suitable method of treatment and that the silver was mainly associated with the lead. It should be noted that during that time, zinc metal was not considered to be a commodity of commercial value.

In 1925, the horizon at Cottonbelt was traced for about 5 kilometres and had a variable width from 5 centimetres to 2 metres. In 1926, Cottonbelt Mines conducted a trenching and 3,333

foot diamond drill program. Sixteen holes were drilled along 2 kilometres of strike length.

By 1927, four tunnels and a shaft had been worked on the property and the Cottonbelt zone had indicated five or six lenses within the main structure. It was suggested that the Cottonbelt zone, down to the level of the No. 4 tunnel, might contain a million tons of metallic mineralization.

Beyond 1927, further exploration and exploitation in the area was prevented by lack of adequate access and logistics, and the unwillingness of government to provide such.

From the period of 1960 to 1973, two Vancouver based junior mining companies, through magnetometer work, indicated the possible presence of two additional mineralized zones (the McLeod-Complex and Copper King) and an extension to the known mineralized Cottonbelt-Bass structure. Geophysical and geological work was completed but never followed up by the companies.

In 1976, Metallgesellschaft Canada conducted an extensive geological study of the Grace Mountain area. The study included detailed geological mapping and structural analysis of the area and an examination of the sulphide-bearing zones including the Cottonbelt zone and the neighbouring McLeod zone. The detailed geological work lead to the conclusion that both of the known mineralized horizons, Cottonbelt and McLeod, are part of the single folded horizon. The geophysical surveys also conducted appeared to support the geological interpretation that a synformal structure connects the outcrops of the two zones. The ability to drill the synclinal structure from only two claim units prevented Metallgesellschaft from materially advancing the exploration status of the area.

The Company began picking up claims in 1987 after a brief exploration program was completed by a Vancouver junior mining company. By 1992, CanQuest had brought, for the first time, under the control of one company, all the metallic showings on the Crown granted claims as well as extensive tracts of surrounding ground with similarly favourable exploration potential.

4. Current Exploration

In 1991, the Company constructed a 7.8 kilometre baseline which is intended to give a precise spatial control over exploration activities in the central portion of the property. Maps and charts were created and the area was pegged for additional crosscuts. Trail clearing and preliminary access routes were cut and surveyed to prepare the property claims for planned geological, geophysical and drilling programs.

In 1994, a helicopter airborne geophysical survey encompassing 453 line kilometres was conducted over the property. Using as a reference the position and strength of "signature"

anomalies measured over known surface mineralization, extensive magnetic and conductive anomalies occur in an apparent strike relationship to the northwest and, in particular, to the southeast of the surface mineralization. Verification of these anomalies as metallic mineralization, would extend the sulphide-oxide horizons by an additional 7 kilometres of strike length.

A large, intense anomaly, *Anomaly "A"*, was also measured and may represent mineralization in a mirror image anticlinal structure that is thought to occur to the west of the Mt. Grace syncline. Please refer to the *Cottonbelt Polymetallic Project* map located in the accompanying corporate profile.

A follow-up magnetometer survey was undertaken in 1995 to compare the ground magnetic response to the results of the 1994 airborne geophysics in the area. Results show that the mineralized horizon develops intense but discontinuous magnetic highs along its length. These highs are separated by areas of lower magnetic relief where the horizon likely thins or is depleted in magnetite.

In the fall of 1995, CanQuest conducted a small diamond drill program. The primary objective of this program was to determine the attitude of the syncline hosting the mineralization as well as the relationship of mineralization to that attitude.

Twenty-four shallow holes, totalling 1,937 metres, were completed in the vicinity of the old underground workings located on the Crown granted claims of the Cottonbelt property. Results from drilling indicate that the syncline in this area plunges to the south-southeast at an inclination of about 20 degrees and that mineralization in its limbs is concurrent with this attitude. Furthermore, the drilling results revealed that the mineralization varies in width not only along strike but also down-dip on the flanks of the fold over the shallow depths that were explored. This preliminary drilling did not encounter commercial widths of sulphides but did encounter a thick section of iron formation. The significance of this and other elements of sub-surface mineralization encountered in the drilling program are further discussed in the "Mineralization" section.

Diamond drilling in 1995 only tested, at shallow depths, a small part of the known lateral extent of base metal mineralization on the Cottonbelt property. Ongoing drilling in 1996 is scheduled to probe the projected hinge area of the Mt. Syncline north of the Bass shaft where thickened zones of mineralization may occur. As well, drill testing some of the many new geophysical anomalies revealed elsewhere on the property will be carried out.

The Company has spent in excess of \$740,000 on exploration of the Cottonbelt property.

5. Mineralization

Only a small portion of the known mineralized horizon has been explored in detail. This portion is located on the seven Crown granted claims of the Cottonbelt property in the northern central area of the property. Still, in this localized area, early engineers in the 1920's estimated the zone could contain a potential reserve of 1,000,000 tons of ore grading 9% lead, 12% zinc and 2 ounces of silver per ton with a value per ton.

In 1987, that same area was suggested by the Geological Survey Branch of the B.C. Ministry of Energy, Mines and Petroleum Resources to contain potential reserves of 725,000 metric tonnes of ore grading 6% lead, 5% zinc and 50 grams of silver per tonne.

As a consequence of the small drilling program conducted in the area of the Bass and Cottonbelt workings, a new structural model has been proposed to explain the occurrences of thickened mineralization (greater than 1.5 metres) in the limbs of the syncline in that region of the fold. Elongate ruler shaped zones of thickened mineralization plunge at 20 degrees, parallel to the hinge line of the mount Grace syncline. The zones, which are up to 100 metres wide in the plane of the fold limb are thought to be related to dextral shearing and minor fold development in the upper limb of the main fold. They are mirrored by smaller scale features measured on the surface including dramatic rod and mullion fabrics in mineralized exposures and a weak but pervasive first phase mineral stretching lineation in footwall rocks. The model can be used to optimize the position of future drill holes.

cigars.

} thick

The apparent continuity of these ruler shaped zones along their plunge in combination with geophysical anomalies to the southeast suggest that the mineralized layers may also continue to the southeast for at least 3 kilometres beyond the Cottonbelt-Bass zone.

The prime locus for mineralization within the synclinal structure on the Cottonbelt property may lie in areas of dilation within the syncline. Such areas, in particular the hinge region of the fold, may have acted as zones of low pressure, receptive to the deposition of sulphide-oxide mineralization that has been re-mobilized from the limb areas of the fold under conditions of extremely high temperatures and pressures that are known to have affected the stratigraphic sequence on the property. In this regard, the last hole drilled in the 1995 CanQuest program may represent the most important discovery on the property to date.

recent drills
whr found?

A diamond drill penetration into the structural footwall of the Cottonbelt mineralized horizon encountered 6.1 metres of coarse, pale grey arkosic quartzite underlain by more than 13.6 metres of dark iron-rich amphibolite. The quartzite, which carries up to 3% coarsely disseminated pyrite with less than 1% chalcopyrite, may be an upper-limb equivalent of host units of the stratabound Copper King occurrence located about 1 kilometre to the northwest in the east limb of the syncline. The underlying amphibolite (believed to be of sedimentary origin) contains 10% magnetite. This unit, therefore, may have formed by the same syn-

white
+ Cu King

sedimentary process that deposited iron-zinc-lead-copper-silver sulphide-oxide mineralization elsewhere on the property. The significance of this iron rich amphibolite is several fold: it is of significant thickness and is the thickest metalliferous section ever encountered on the property; it is deeper into the core area of the syncline which remains the principal target area for significant thickness and tonnages of base metal mineralization; and, it may represent a distal equivalent of one or more nearby base metal mineral zones.

From isopach evidence, together with the inferred geometry of the amphibolite unit, it is now thought that the Cottonbelt and Bass mineralized horizon may be present in the fold hinge at considerably shallower depths than previously assumed and that this hinge area can be accessed by drill set ups at the lower topographic elevations some 2.5 kilometres to the north of the Bass zone. Additionally, it is probable that the syncline, as it occurs on the Cottonbelt property, contains more zones of base metal mineralization than just the Cottonbelt, Bass, McLeod-Complex and Copper King horizons. The hinge area of the syncline, therefore, remains the prime target on the property as does the possible zone of a mirror image anticlinal structure to the west of the syncline in the central portion of the property.

Of further significant importance are the Company's observations of the property's geological similarities to, among others, the Rammelsberg deposits in Germany and to the 300 million tonne silver-lead-zinc Broken Hill Deposit in Australia. Of particular relevance are the analogies between the latter deposit and the Cottonbelt. These include the fact that:

- the deposits are of the same general age, with an apparent similar original deposition environment;
- mineralization occurs in 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, plus the presence of persistent manganese;
- a similar setting exists for mineralization, i.e. in a number of distinct and separate horizons in which ore grade mineralization occurs over mineable widths (at Broken Hill); and,
- surface mineralization at Broken Hill is similarly thin but impressively persistent over great lengths, and 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.

This phenomenon of tectonic thickening of the massive sulphide-oxide horizons on the property also occurs in neighbouring deposits in the Kootenay Terrain and Selkirk Allochthon (see "Area Play").

The Company believes that the Cottonbelt property could contain a potential multi million tonne ore deposit with economical grades of copper, zinc, lead and silver with accessory gold.

6. Area Play

The Rift deposit, the Ruddock Creek Deposit and Bethlehem's Goldstream mine are massive sulphide deposits located respectively 50 kilometres northeast, 35 kilometres north and 30 kilometres east of the Cottonbelt property. At Cominco's Ruddock Creek, the 5 million tonne "E" zone occupies the core of an interference fold. The Goldstream deposit is ruler shaped along a mineralized horizon that contains several high grade plumes. The deposit is a 3.1 million tonne "Besshi-type" massive sulphide orebody grading 4% copper and 3% zinc. It was originally developed by Noranda but has been put back into production by the Bethlehem Resources division of Imperial Metals Corporation and by Goldnev Resources.

7. Program and Budget

The Company's consultant has budgeted \$1,000,000 for the continued diamond drilling of the Cottonbelt property. Drilling will be conducted to the north of the Bass shaft and on a number of anomalies occurring to the south and west of the syncline, including a large and intense magnetic and conductive anomaly that may represent the hinge zone of an anticline to the west of the Mt. Grace Syncline. Additional programs of mapping, sampling and ground geophysics will be carried out in the central and southern area of the mineralized structure. The program is budgeted as follows:

Diamond drilling	805,000
Geological mapping and core logging	34,500
Grid preparation and support	55,250
Geochemical analysis	7,500
Report preparation	5,000
Working Capital	<u>92,750</u>
	<u>\$1,000,000</u>

D. OTHER PROPERTIES

1. Magnolia Property

*Skarn + L³ st.
on Texada.*

The Magnolia property is located on Texada Island, British Columbia, one kilometre north of the town of Gillies Bay, 110 kilometres northwest of Vancouver. The site is accessible from Vancouver by road and ferry connections. The 19 square kilometre, copper-gold property is 100% owned by CanQuest. Key claims in the area were purchased for a combined \$15,000 and 150,000 Class "A" CanQuest shares and are subject to various net smelter return and net profits royalties. The remaining claims were staked on behalf of the Company.

Texada Island is located along the eastern margin of both the Insular tectono-stratigraphic belt and the Wrangellia Terrane of the Canadian Cordillera. The property contains exposed island arc volcanoclastics which are unconformably overlain to the north by pillowed to massive basaltic flows which are in turn overlain by limestones further to the north and in some minor cases on the southeast areas of the property. These sequences are intruded by various stocks and minor intrusions. The area has been deformed into folds that plunge to the north. One large fault and two smaller ones seem to have controlled the emplacement of the intrusives.

From 1896 to 1952, three mines produced in excess of 76,000 ounces of gold, 515,000 ounces of silver and 9,700 tons of copper from skarn mineralized zones. Between 1885 and 1976, Texada Iron Mines produced over 11,000,000 tons of iron concentrate, 28,500 ounces of gold, 760,000 ounces of silver and 29,500 tons of copper from a series of skarn deposits on ground which adjoins the Magnolia property.

On the Magnolia property, numerous pits, trenches, adits and at least one shaft confirm historical workings. The 27 metre shaft was sunk in 1914, but much of the other early work was never recorded until 1975 when Longbar Minerals conducted geophysical surveys and geological mapping and diamond drilled three short holes. Assay results from the drill holes returned 0.18 ounces of gold per ton and 1.58 ounces of silver. Various companies, including BP Minerals completed exploration work on the property involving geological, geochemical and geophysical work between 1984 and 1990.

Starting in 1990, CanQuest began securing claims to create what is now the Magnolia property.

Through aerial geophysics, geochemistry and prospecting, CanQuest has outlined a number of areas conducive to both skarn-type copper-gold mineralization and gold-quartz flooded shear zones on the property.

There are two styles of mineralization present on the property including: a) pyritized, carbonate-silica altered, sheared basalts, and b) magnetite-garnet-sulphide skarn zones within the limestone and volcanic interlayers. Lead, zinc and silver mineralization may also be

present. Samples from two magnetite-garnet-sulphide showings have been fire assayed. The Capsheaf showing assayed between 0.053 and 0.139 ounces of gold per ton and 1.71% to 2.14% copper. The Southcap showing assayed between 0.026 and 0.258 ounces of gold per ton and 1.09% to 7.98% copper.

The Company has budgeted \$27,000 for the Magnolia property. General exploration work will be carried out to maintain the claims for two additional years. This work will involve mapping, sampling and possibly trenching in the Capsheaf and Southcap zones and their intervening area.

2. OK Property

*porphyry Cu Mo
155 @ .47% Cu .024% MoS₂*

The OK property is situated 25 kilometres northwest of the Powell River municipality in the southwest coast area of British Columbia, 120 kilometres north of Vancouver. The mineral property is 36 square kilometres in size and is accessed from Powell River via 30 kilometres of highway and logging roads. CanQuest has, for a cash payment of \$20,000 per year, an option in perpetuity to purchase a 100% interest in the property for \$2 million, payable out of production at a rate of \$0.10 per ton of ore delivered to the mill.

The property is located on an upland plateau. Country rocks are granite rocks of the Coast Plutonic Complex and are of mid-Cretaceous age. These have been intruded by a probable mid-Tertiary multiple phase complex which hosts copper, molybdenum and silver mineralization. Several mineralized phases are evident and an intrusive, hydrothermal, breccia containing higher grade copper and molybdenum occurs in the southern part of the property. Several other breccia occurrences are known to exist on the property.

The first recorded discovery of copper-molybdenum mineralization on the OK property was in 1965. Between 1966 and 1982, eight companies carried out various exploration programs on the property including geophysical and geochemical surveys, mechanical trenching and 14,000 metres of drilling. Exploration continued and roads were constructed on the property to facilitate the increased need for mechanical access to areas of the property. In 1989, the Company executed a reconnaissance geological mapping and sampling. The program was designed to examine the recently logged areas and areas of pyrite-rich bedrock outcrops and breccia zones. To date, CanQuest has spent in excess of \$260,000 on exploration and property payments.

Metallic mineralization on the OK property consists of pyrite, chalcopyrite and molybdenum with lesser bornite, sphalerite and magnetite and silver minerals. The mineralization principally occurs in a stockwork of quartz veinlets which have a predominant east to northeast trend. The best copper-molybdenum mineralization is hosted by granodiorite adjacent to the quartz-feldspar porphyry dyke, suggesting that this phase is probably the mineralizer.

The mineralized zones that have been drilled to date contain a combined geological resource of 155 million tonnes of ore grading 0.39% copper and 0.024% molybdenite using a 0.3% copper cut-off grade. All mineralized zones have broad anomalous copper signatures with coincident molybdenum and silver anomalies. A number of untested anomalies are present in both the northern and southern grid areas and a few discrete anomalous silver areas appear to correspond with the South Breccia zone. Those zones that have had drilling conducted on them are considered to be "open" both laterally and to depth.

The Company has budgeted \$35,000 for the OK property. General exploration work will be carried out to maintain the claims for two additional years. This work will concentrate on enlarging the known boundaries of the high grade copper, molybdenum, and silver South Breccia zone and examining, mapping and sampling other known breccia zones on the property. CanQuest hopes to more accurately define an area of higher grade mineralization.

E. PROGRAM

CanQuest is seeking \$3.3 million to advance the exploration and development of its properties in Southern British Columbia.

The proposed program is as follows:

Microgold Property	\$1,000,000
Cottonbelt Property	1,000,000
Contingency (Microgold and Cottonbelt)	500,000
Other Properties	122,000
Consulting	100,000
Working Capital and Financing Costs	<u>578,000</u>
	<u>\$3,300,000</u>

G. MANAGEMENT

Mr. John Bissett, President, Chief Executive Officer and Director, is a geologist with an extensive background in mineral exploration and investment finance. He formerly owned Brockton Securities, a member firm of the Alberta Stock exchange. The firm serviced the capital needs of mainly public oil exploration companies. Mr. Bissett is a graduate in geology and geophysics from the University of Manitoba.

Mr. Ian de W. Semple, Executive Vice President and Director, is a geologist with extensive international experience in mineral exploration and development. Mr. Semple also has a considerable background in mining investment finance. Prior to forming a consultancy, he was Vice President and Senior Mining Analyst with Pemberton Securities. He is a graduate in Economic Geology from Beloit College in Wisconsin and conducted graduate studies in Mineral Exploration and Development at McGill University in Montreal.

Mr. M. Norman Anderson, Director, is a geological engineer and a consultant. He was formerly the Chairman and Chief Executive Officer of Cominco and is currently a director of a number of large corporations including Homestake Mining, Finning and the Toronto Dominion Bank. He received a degree in geological engineering from the University of Manitoba.

H. INFORMATION AND FOLLOW-UP

Attached is additional information about the Company including:

- (i) the CanQuest Resource Corporation, *Corporate Profile*.

Interested parties may arrange interviews with management and site visits through IBK Capital Corp. Parties who do not wish to proceed to the due diligence phase are hereby requested to return the attached materials to IBK Capital Corp.



News Release

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CANQUEST TO DRILL MAJOR EPITHERMAL GOLD SYSTEM

Vancouver, April 15, 1996 - Recent surface rock sampling has served to further define a portion of what represents a major epithermal gold system on CanQuest's 100% owned, 57 square kilometre, road accessible **MICROGOLD** property, located 40 km. south of Kamloops at Stump Lake, B.C.

Adding to observations gleaned from geological mapping, geophysical and geochemical surveys, 621 rock grab samples have been intermittently taken from outcrops over a 4 km by 2 km area encompassing the Kullagh Lake and West zones. Of these samples, 596 were assayed as being anomalous in gold over normal background values. Of the 253 samples taken directly by CanQuest, 128 are deemed as highly anomalous in gold, ranging from 35 times normal background values up to what might be considered as potential ore grade values for deposits of this type. The balance of samples taken as a group from previous work done on the Kullagh Lake area, have defined a smaller but intensely gold anomalous zone within the larger area noted above. This smaller zone measures 1.2 km long, ranges from 800 m. to 200 m. in width, and is defined by anomalous gold assays ranging upwards from 35 times background values to potential ore grade. The gold is associated with numerous other indicator elements representative of an epithermal gold system. The area on the property explored to date is in the south central and east central portion of CanQuest's ground. Gold mineralization in this area occurs in a variety of settings: within extensive, thick, flat-lying to domal, highly siliceous layers and altered zones in volcanic rocks; within quartz-carbonate filled fracture zones; and in steeply dipping siliceous veins. This area, as is the entire property, is characterized by a number of major intersecting geological fracture structures that may have formed the conduits for gold-bearing solutions rising from a deeper heat source. It is in such fracture systems that high-grade "bonanza vein" gold mineralization is often found.

Two other large areas on the Microgold property that have yet to be properly explored and sampled, are known to contain broad expanses of siliceous and altered rock similar to the gold-bearing Kullagh Lake and West Zones. One of these areas measures 6 km by 2 km, while the other covers a 5 km by 1.5 km portion of the property.

The Microgold epithermal system is bounded by two major regional fractures that appear to entirely contain and confine the epithermal gold mineralization. These regional fractures lie within the CanQuest property boundaries. The three large areas of silicification described above, in turn surround a fault-bounded, major geophysical magnetic anomaly that may represent a deep-seated heat source, and the source of gold mineralization on the property.

The Microgold Tertiary epithermal gold system is one of only ten such major systems that have been identified in British Columbia and Washington State. Seven of these ten are, have been, or are in the process of becoming, commercial mining operations. The Microgold also shares similarities with a number of the Nevada epithermal gold systems, such as the Sleeper deposit. The Microgold system, as a relatively recent discovery, has never been owned and explored as a complete entity prior to CanQuest developing its present property boundaries. The geological, geophysical, and geochemical setting, and the style of mineralization all indicate that the Microgold epithermal system has major potential to host one or more substantial gold deposits, both as large tonnage, lower grade surface and shallow deposits amenable to open-pit mining, and as high-grade "bonanza-vein" deposits accessible by underground mining.

The next phase of work on the project will involve a major program of drilling, scheduled to commence within the next several months. Initial emphasis will focus on probing the fracture systems for "bonanza-vein" gold mineralization in the Kullagh Lake and West zones. Subsequent drilling will involve pattern drilling to define reserves amenable to open pit mining. At the same time, the gold potential of the rest of the property will be evaluated.

Private placement financing is presently being secured to fund the Microgold work, as well as to finance the resumption of diamond drilling at the large, 100% owned **COTTONBELT** stratabound, polymetallic base and precious metal project near Revelstoke, B.C.

A handwritten signature in black ink, appearing to read "John Bissett".

John Bissett
President

A handwritten signature in black ink, appearing to read "Ian de W. Semple".

Ian de W. Semple
Executive Vice-President

The Vancouver Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release. Stock symbol **CQ (V)**.



CANQUEST RESOURCE CORPORATION

830-470 Granville Street
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Symbol: CQ (V)

Tel: (604) 687-8768
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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 in 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.

* All the projects are at or very near the drilling stage, and the two presently most important, the **Cottonbelt** and the **Microgold**, will both have extensive drilling programs conducted on them this year.

* 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 several Canadian and International investment institutions.



THE PROPERTIES

MICROGOLD PROPERTY

100% owned by CanQuest, this large (20 sq. miles) 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 2 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 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 extensive drilling that is planned for later this year. Results from a recent 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.

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 this year 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.

OK PROPERTY

CanQuest has an option to purchase a 100% interest in this 10x4 km porphyry copper-molybdenum-silver prospect situated 25 km northwest of and connected by road to the town of Powell River, B.C., 120 km north of Vancouver. Prior drilling over portions of the property between 1966 and 1982 have partially outlined a number of zones of mineralization with a combined geological resource of 155 million tonnes of 0.39% copper and 0.024 molybdenite. A preliminary program to more accurately define at least one known area of higher grade mineralization will be initiated this year.

THE PROPERTIES

COTTONBELT PROPERTY

100 % owned by CanQuest, this large (40 sq. miles) 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.

A recent, 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 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.

CANQUEST RESOURCE CORPORATION

MICROGOLD PROJECT UPDATE (Refer to maps opposite and overleaf)

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 (Zone A on the map opposite) 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 (Zone B on map) 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).

Zone C, also 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. Zone C is also proximate to an important steeply dipping, north-south and northeast trending fault system which may lead to a heat source and high grade gold mineralization.

Aside from Zones B and C, 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.

Zone A 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 disbanded 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.

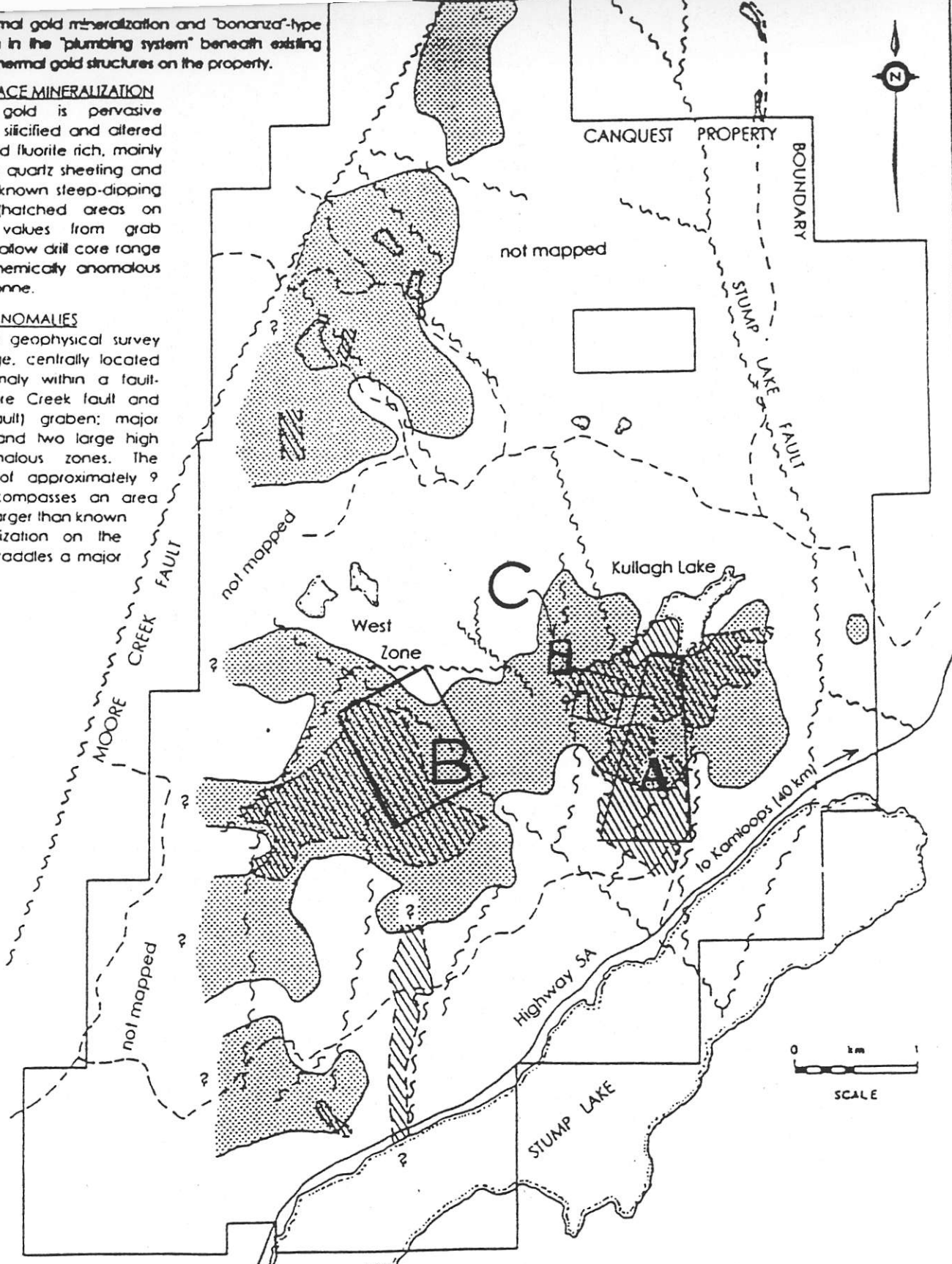
Shallow epithermal gold mineralization and "bonanza"-type gold deposition in the "plumbing system" beneath existing upper level epithermal gold structures on the property.

PROPERTY SURFACE MINERALIZATION





Disseminated gold is pervasive throughout the silicified and altered chaledony and fluorite rich, mainly shallow-dipping quartz sheeting and less commonly known steep-dipping quartz veins (hatched areas on map). Gold values from grab samples and shallow drill core range from lithochemically anomalous to 0.69 oz. per tonne.

GEOFYSICAL ANOMALIES

A recent aerial geophysical survey outlined: a large, centrally located magnetic anomaly within a fault-bounded (Moore Creek fault and Stump Lake fault) graben; major cross faulting; and two large high resistivity anomalous zones. The largest zone of approximately 9 square km encompasses an area over four times larger than known surface mineralization on the property, and straddles a major cross-structure.



SYMBOLS

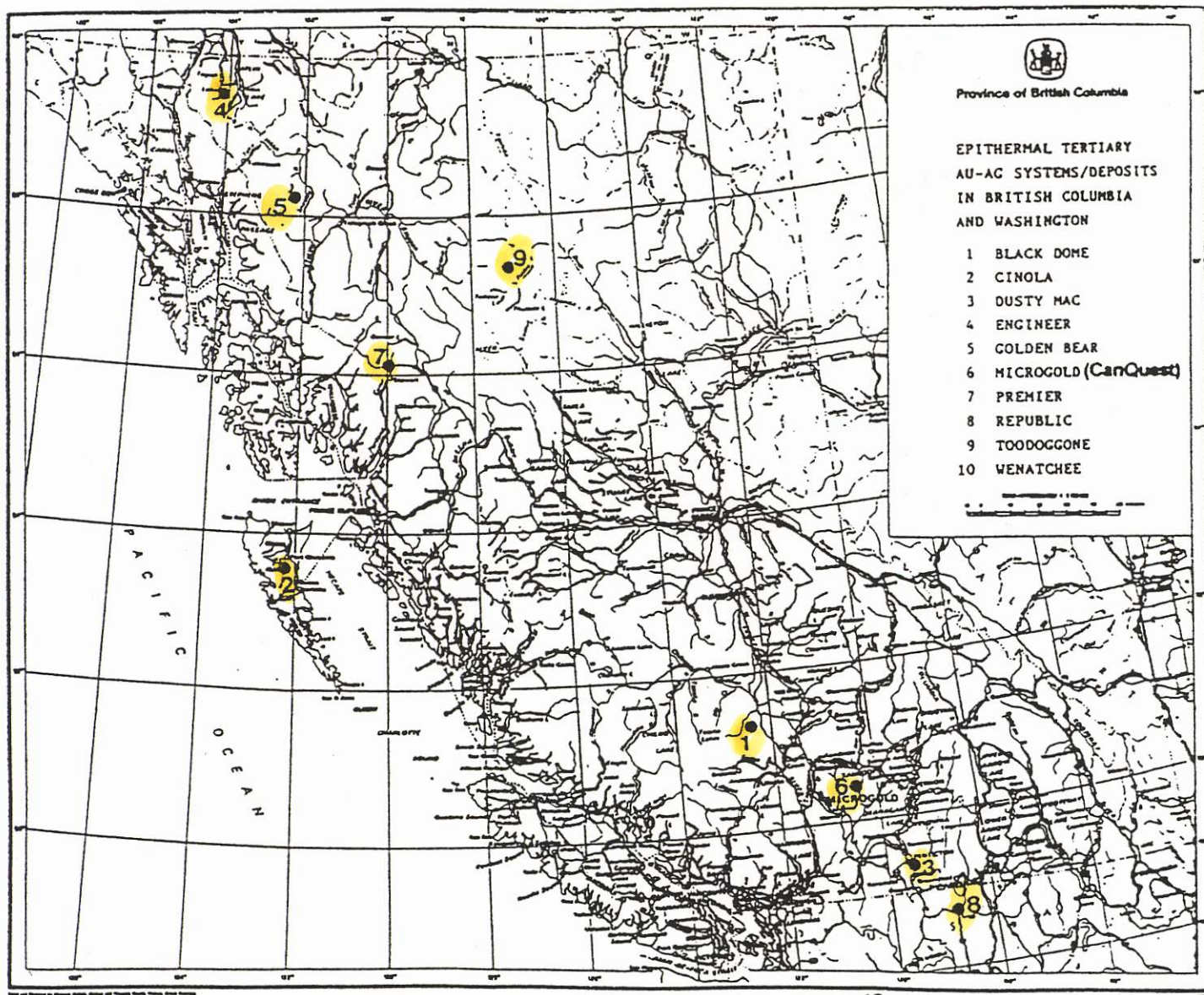
-  Tertiary rusty, gossanous, bleached alteration envelope with abundant silicification, quartz and quartz-carbonate veining, domal sheeting and brecciation; with chaledony, fluorite and gold mineralization; and soil geochemically anomalous zones of gold and gold indicator minerals.
-  High resistivity anomaly.
-  Fault
-  Highway, road

CANQUEST RESOURCE CORPORATION
 Microgold Gold Project
 Stump Lake (Kamloops), B.C. in Columbia

MICROGOLD PROJECT UPDATE continued

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.

As shown on the map below, 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.



CANQUEST RESOURCE CORPORATION

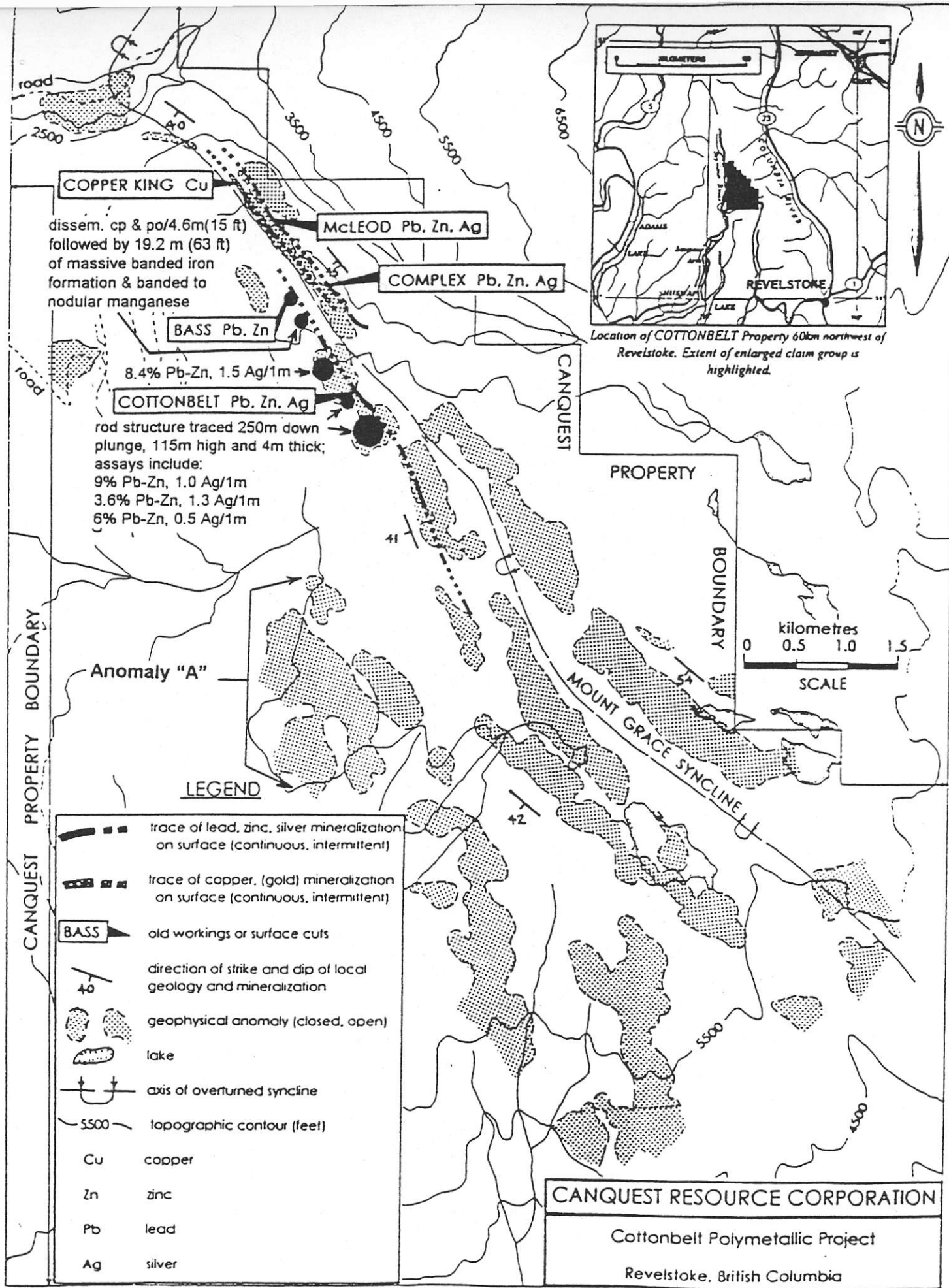
COTTONBELT PROJECT UPDATE (Refer to map overleaf)

The following summarizes a preliminary report with respect to the most recent exploration program carried out on the property by Gordon Gibson of G. Gibson & Associates, CanQuest's Chief Consultant for the COTTONBELT PROJECT.

- Work on the COTTONBELT project during the period Aug. 21 – Nov. 26, 1995 was conducted from a base camp located 1.2 km northwest of Mount Grace (camp elevation 1,800 m).
- Twenty-four BQ core drill holes ranging in depth from 28.96 m to 145.43 m (total: 1,936.80m) were completed. All drill moves of the Boyles BBS-500 drill made use of helicopters operating from Revelstoke.
- A total of 18,575 m of IP-standard grid was established (23 sight-picketed lines spaced at 100m intervals along the 1991 surveyed baseline). Preliminary MAG surveys (2,550m) and limited geological mapping were also completed in 1995.
- All drilling was in the inverted southwestern limb of the Mount Grace Syncline in mixed calc-silicate gneiss, pelitic and quartzo-feldspathic schist, marble, quartzite, and stratiform carbonatite rock units. Drilling took place in the immediate vicinity of historical underground workings on the COTTONBELT property. Diamond drilling in 1995 has tested the COTTONBELT-BASS lead-zinc-silver-iron sulphide-oxide horizon for 1.4 km along strike and approximately 150 m down dip (over an elevational range of 250 m). Thicknesses of the composite mineralized interval varied from <0.10 to 2.93 m. The results of the drilling are summarized on the map opposite.
- A new structural model is proposed to explain the disposition of >1.5m mineralization within the lateral and vertical regime of the COTTONBELT-BASS sulphide-oxide sheet. Elongate ruler shaped zones of thickened mineralization plunge at 20° toward azimuth 167°, parallel to the hinge line of the Mount Grace Syncline. The zones, which are up to 110 m wide (measured across their width in the plane of the sulphide-oxide layer) are thought to be related to dextral shearing and minor fold development in the upper limb of the main fold. They are mirrored by smaller scale features measured on the surface including dramatic rod and mullion fabrics in mineralized exposures and a weak but pervasive 1st-phase mineral stretching lineation in footwall rocks. The model can be used to optimize the positioning of future drill holes, as >1.5m mineralization is traced to depth. The main effect of this shearing action in the upper southwestern limb has been to stretch and generally thin the mineralization, albeit into relatively thicker, rod-like zones (the "elongate ruler shaped zones" referred to above) separated by thin zones and/or zones where the mineralization has been nearly squeezed away entirely. What has been impressive is the apparent continuity of these ruler shaped zones along their plunge. This factor, plus the extensive distribution of apparently related geophysical anomalies to the south east along the trace of both limbs of the fold, lends credence to the observation that this 18 km. section of the Mt. Grace Syncline encompassed by the CanQuest Cottonbelt property, represents an extensive mineralized system for zinc, lead, silver, copper and possibly by-product gold.
- Deep penetration into the structural footwall of the COTTONBELT-BASS mineralized horizon in DDH CB95-24 encountered 6.1 m of coarse pale grey feldspathic quartzite underlain by [and interlayered with] more than 13.6 m of dark iron-rich amphibolite. The quartzite which carries up to 3% coarsely disseminated pyrite with <1% chalcopyrite may be an upper-limb lateral equivalent of host units at the stratabound COPPER KING (copper) occurrence located approximately 1.0 km to the northwest. The underlying amphibolite contains up to 10% magnetite (iron oxide). The textures and mineralogy of this iron-rich amphibolite are suggestive of a sedimentary and not volcanic origin. This unit may therefore have formed by the same syn-sedimentary processes that deposited iron-zinc-lead-copper-silver sulfide-oxide mineralization elsewhere on the property. The significance of this iron-rich amphibolite is therefore severalfold: 1) it is of significant thickness, and is the thickest metalliferous section ever encountered on the property; 2) it is deeper into the core area of the syncline which remains the principal target area for significant thicknesses and tonnages of base metal mineralization; 3) it may represent a distal equivalent of one or more nearby base metal mineral zones.
- The inferred geometry of the amphibolite unit, together with isopach evidence and fabric measurements taken in 1995, serve to further define the position of the Mount Grace syncline. It is now thought that the COTTONBELT-BASS mineralized horizon may be present in the fold hinge at considerably shallower depths than previously assumed, and that this hinge area might be expected to emerge on the property at the lower topographic elevations between the BASS showing and Blais Creek, 2 1/2 km. to the northwest along the structure from the BASS. Additionally, it is possible, even probable that the syncline, as it occurs on the COTTONBELT property, contains more zones of base metal mineralization than just the COTTONBELT-BASS and COPPER KING horizons. The hinge area of the syncline remains the prime target for base metal deposition on the property as does the possible core zone of a mirror image (anticlinal) structure that may be present to the west of the syncline in the west-central portion of the property. A major geophysical anomaly (Anomaly "A" on map) occurs in this area.

Recommendations

- Work in 1995 tested only a small part of the known lateral extent of base metal mineralization on the COTTONBELT property. In addition to drill testing the larger geophysical anomalies on the property, ongoing drilling in 1996 should target the heavily wooded area north of the BASS shaft and south of Blais Creek where attainable drill depths of 250-450 m can be expected to explore sulfide-oxide mineralization in both limbs of the fold as well as the possible hinge area of the syncline. A recently extended logging road and clear-cut at 1,125 m ASL is well positioned for skid-mounted drill access and setups.



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 drilling program.

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 association 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 features 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 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.

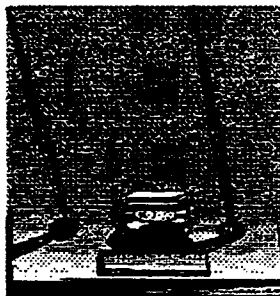
MANAGEMENT

The principal officers and directors of CanQuest are:

John Bissett, President, CEO and Director. A geologist, Bissett has an extensive background in mineral exploration and investment finance, the latter including the ownership of Brockton Securities, a member firm of the Alberta Stock Exchange in Calgary. The firm serviced the capital needs of public, mainly oil exploration companies.

Ian de Wolfe Semple, Executive Vice-President 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.

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.



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COMPANY : IBK Capital	cc : F. Balint
FROM : Colin Burge	DATE : 22-May /96
SUBJECT : CANQUEST	REF :

Number of Pages Transmitted (incl. cover page): 1 + 0 Pages

MESSAGE / SPECIAL INSTRUCTIONS:

Dear Mr. Williams:

Thank you for bringing the CANQUEST RESOURCE CORPORATION property portfolio to our attention. Although the properties certainly are of merit, we are unable to commit financing funds at the present time. However, certain individual properties are in areas we are currently exploring and, if warranted, we trust that CANQUEST would consider an option or form an exploration joint venture with INMET should the opportunity arise.

Please call if you have any questions.

Sincerely,



Colin Burge
Senior Geologist