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This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offence.

Public Offering

Prospectus Date: September 14, 1994
Effective Date: September 15, 1994

CanQuest

CANQUEST RESOURCE CORPORATION

(the "Issuer")
830-470 Granville Street
Vancouver, B.C. V6C 1V5

Offering: 3,000,000 Units

(The Offering may be increased by up to 15% (450,000 Units) to meet oversubscriptions.)

NON FLOW-THROUGH UNIT OFFERING: 1,500,000 Non Flow-Through Units at $0.50 per Unit, each Non Flow-Through Unit consisting of one non flow-through Class "A" voting common share and one Series "G" Warrant. Two Series "G" Warrants entitle the holder to purchase one additional non flow-through Class "A" voting common share for a period of one year from the Listing Day at $0.50 per share.

	Price to Public(1)	Agent's Commission(2)	Proceeds to Issuer(3)
Per Non Flow-Through Unit	$ 0.50(4)	$ 0.0375	$ 0.4625
Total Offering	$ 750,000	$ 56,250	$ 693,750

FLOW-THROUGH UNIT OFFERING: 1,500,000 Flow-Through Units at $0.60 per Unit, each Flow-Through Unit consisting of one flow-through Class "A" voting common share and one Series "G" Warrant. Two Series "G" Warrants entitle the holder to purchase one **non flow-through Class "A" voting common share** for a period of one year from the Listing Day at $0.50 per share.

	Price to Public(1)	Agent's Commission(5)	Proceeds to Issuer
Per Flow-Through Unit	$ 0.60(4)	Nil	$ 0.60
Total Offering	$ 900,000	Nil	$ 900,000

(1) The price of the Non Flow-Through and Flow-Through Units has been determined by negotiation with the Agent.

(2) In addition, the Agent will be granted an Agent's Warrant in consideration of it agreeing to purchase any Non Flow-Through and Flow-Through Units not sold on conclusion of the Offering. Refer to "Unit Offering and Plan of Distribution".

(3) Before deduction of the remaining costs of the Offering payable by the Issuer in connection with this Prospectus, estimated not to exceed $50,000.

(4) The Offering Price per Unit will be allocated entirely to the Class "A" voting common share. No portion of the Offering Price will be allocated to the Series "G" Warrant.

(5) The Issuer will pay the Agent a fee of $ 67,500 from working capital for the sale of the Flow-Through Units.

The Class "A" voting common shares of the Issuer are quoted on the Canadian Dealing Network ("CDN") in Ontario.

The Vancouver Stock Exchange has conditionally listed the securities being offered pursuant to this Prospectus. Listing is subject to the Issuer fulfilling all the listing requirements of the Vancouver Stock Exchange, including prescribed distribution and financial requirements, on or before the day which is 180 days after the Effective Date.

A purchase of the securities offered by this Prospectus must be considered a speculation. All of the properties in which the Issuer has an interest are in the exploration stage only and are without a known body of commercial ore. Some of the properties of the Issuer have not been surveyed and therefore in accordance with the laws of the jurisdiction in which they are situate, their area could be in doubt. In addition, there are industry related risks and risks related to legal proceedings. Refer to "Risk Factors".

When all of the Non Flow-Through and Flow-Through Units offered by this Prospectus are sold to the public, the issue will represent 23.8% of the Class "A" voting common shares then outstanding as compared to 11.3% that will then be owned by the directors and senior officers of the Issuer. The Offering Price of $0.50 per Non Flow-Through Unit and $0.60 per Flow-Through Unit for the 1,500,000 Non Flow-Through and 1,500,000 Flow-Through Units offered under this Prospectus exceeds the net tangible book value per Class "A" voting common share by $0.30 and $0.40 respectively after giving effect to the Offering hereunder, representing an immediate dilution of 60% for the purchasers of Non Flow-Through Units and 67% for the purchasers of Flow-Through Units. Refer to "Risk Factors".

The Agent has agreed to purchase (the "Guarantee") any of the Non Flow-Through and Flow-Through Units offered hereby which have not been sold at the conclusion of this Offering and in consideration thereof the Issuer has agreed to grant to the Agent warrants (the "Agent's Warrants") which will entitle the Agent to acquire up to an aggregate of 750,000 Class "A" voting common shares for a period of twelve months from the date of listing of the Class "A" voting common shares on the Vancouver Stock Exchange at a price of $0.50 per share. The Agent has agreed to act as the Issuer's sponsor and has assisted in the pre-listing review process of the Vancouver Stock Exchange. In consideration thereof, the Issuer has agreed to issue to the Agent 120,000 Class "A" voting common shares (the "Sponsorship Shares"). Refer to "Unit Offering and Plan of Distribution".

This Prospectus also qualifies the issuance of the Sponsorship Shares and the Agent's Warrants and the sale at the market price at the time of sale of Sponsorship Shares and any shares acquired by the Agent pursuant to the Guarantee. The Agent may sell the Sponsorship Shares and any Class "A" voting common shares acquired on the exercise of the Agent's Warrants without further qualification. The exercise price payable on the exercise of any of the Agent's Warrants will be paid to the Issuer and used for its corporate purposes. The Agent will receive the proceeds from any subsequent sale of such shares and none of such proceeds will accrue to the Issuer. Refer to "Unit Offering and Plan of Distribution".

In accordance with the rules of the Vancouver Stock Exchange, the Agent hereby advises that it may reserve for purchase by way of Professional Trades (as defined in those rules), up to 15% of the Units being offered pursuant to this Offering. **As such, the Agent, including any employees or associates of the Agent, may purchase, in preference to client's orders, up to 15% of the Units and any Units purchased thereby will not be available for purchase by clients.** The Agent hereby advises each of its clients, who are placing an order or expressing an intention to place an order for the Units, that the Agent may reserve up to 15% of the Units.

No person is authorized by the Issuer to provide any information or to make any representations other than those contained in this Prospectus in connection with the issue and sale of the securities offered by the Issuer.

We, as Agent, conditionally offer these securities subject to prior sale, if, as and when issued by the Issuer and accepted by us in accordance with the terms and conditions contained in the Agency Agreement referred to under "Unit Offering and Plan of Distribution". Subscriptions may, in the Issuer's discretion, be accepted or rejected in whole or in part.

CANACCORD CAPITAL CORPORATION
2200-609 Granville Street
Vancouver, British Columbia V7Y 1H2

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PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering. More detailed information is contained in the body of the Prospectus.

The Issuer: The Issuer was incorporated in Ontario on November 20, 1954 under the name Pleno Mines Ltd. The Issuer was continued in Alberta on May 27, 1986 under the name CanQuest Resource Corporation, and was registered as an extra-provincial company in British Columbia on December 11, 1989. This Issuer is engaged in the business of acquiring, exploring and developing natural resource properties.

Non Flow-Through Unit Offering: The Agent, pursuant to this Prospectus, offers for primary distribution to the public through the facilities of the Vancouver Stock Exchange 1,500,000 Non Flow-Through Units of the Issuer at $0.50 per Non Flow-Through Unit, each Non Flow-Through Unit consisting of one non flow-through Class "A" voting common share and one Series "G" Warrant. The Issuer will pay a commission of $0.0375 per Non Flow-Through Unit to the Agent. The proceeds to the Issuer before deduction of Offering expenses will be $693,750.

Flow-Through Unit Offering: The Agent, pursuant to this Prospectus, also offers for primary distribution to the public through the facilities of the Vancouver Stock Exchange 1,500,000 Flow-Through Units of the Issuer at $0.60 per Flow-Through Unit, each Flow-Through Unit consisting of one flow-through Class "A" voting common share and one Series "G" Warrant. In respect of the sale of the Flow-Through Units, the Issuer will pay to the Agent a fee of $67,500 from its working capital. Subscribers for Flow-Through Units will receive a renunciation of Canadian Exploration Expense ("CEE") from the Issuer, deductible for income tax purposes, in accordance with the Flow-Through Share Participation Agreement attached to and forming part of this Prospectus.

Series "G" Warrants: The Series "G" Warrants forming part of the Non Flow-Through Units and the Flow-Through Units will be transferable and in bearer form and two Series "G" Warrants entitle the holder thereof to purchase one non flow-through Class "A" voting common share in the capital stock of the Issuer at a price of $0.50 per share at any time up to the close of business one year from the date the Class "A" voting common shares are listed on the Vancouver Stock Exchange.

Agent's Warrants: In consideration of the Agent guaranteeing the sale of all of the Non Flow-Through and Flow-Through Units, the Issuer will grant to the Agent warrants entitling it to purchase up to 750,000 Class "A" voting common shares of the Issuer at a price of $0.50 per share at any time up to the close of business one year from the date the Issuer's Class "A" voting common shares are listed on the Vancouver Stock Exchange.

Use of the Proceeds: The net proceeds of $1,476,250, after deducting the Agent's commission and the estimated balance of the costs of the Offering and the fee payable to the Agent on the sale of the Flow-Through Units, will be used to eliminate the Issuer's working capital deficit, to carry out exploration programs on the Issuer's four mineral properties in accordance with the recommendations of the Issuer's consulting geologists at an estimated cost, exclusive of GST, of 902,011, to provide for option and royalty payments due within 12 months and to provide working capital of $330,673. The net proceeds attributed to the Flow-Through Class "A" voting common shares will be solely applied towards the foregoing exploration expenditures on the Issuer's properties. (Refer to "Use of Proceeds".)

Management:	John Bissett	President, Chief Executive Officer and Director
	Ian deW. Semple	Executive Vice President, Chief Financial Officer, Secretary, & Director
	M. Norman Anderson	Director
	Shirley-Mae Bissett	Director

Further particulars of the Management are disclosed under "Directors and Officers".

The Properties: The Issuer has four mineral properties located in British Columbia: Cottonbelt Property - 100% ownership of 7 Crown granted claims and 48 mineral claims comprised of 275 units in the Kamloops Mining Division; Microgold Property - 100% ownership of 98 mineral claims comprised of 201 units at the border of the Nicola and Kamloops Mining Divisions; Magnolia Property - 100% ownership of 43 mineral claims comprised of 77 units in the Nanaimo mining division; OK Property - option to acquire 100% ownership of 8 contiguous claims comprised of 143 units in the Vancouver Mining District. (Refer to "Properties of the Issuer".)

Risk Factors: A purchase of the securities offered by this Prospectus must be considered a speculation. All of the properties in which the Issuer has an interest are in the exploration stage only and are without a known body of commercial ore. Some of the properties of the Issuer have not been surveyed and therefore, in accordance with the laws of the jurisdiction in which they are situate, their area could be in doubt. In addition, there are industry related risks and risks related to legal proceedings. (Refer to " Risk Factors".)

Dilution: The issue prices to the public per Non Flow-Through Unit and per Flow-Through Unit exceed the net tangible book value per Class "A" voting common share calculated as at June 30, 1994 after giving effect to the Offering, by $0.30 or 60% and $0.40 or 67%, respectively. (Refer to "Risk Factors".)

Dividend Record: The Issuer has not, since incorporation, paid any dividends on any of its shares. The Issuer has no present intention to pay dividends but the future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

THE ISSUER

Name and Incorporation

The Issuer was incorporated by Letters Patent under the *Corporation Act, 1953* (Ontario) on November 30, 1954 under the name Pleno Mines Ltd. The Issuer was continued by Articles of Continuance under the *Business Corporations Act* (Alberta) on May 27, 1986 under the name CanQuest Resource Corporation, and was registered as an extra-provincial company under the *Company Act* (British Columbia) on December 11, 1989.

The Issuer's head office is located at #830 - 470 Granville Street, Vancouver, British Columbia, V6C 1V5. The Issuer's registered office is located at #1410, 1122 - 4th Street SW, Calgary, Alberta, T2R 1M1.

Description of Business

The Issuer is engaged in the acquisition, exploration and development of natural resource properties. The Issuer has an interest in the properties described under "PROPERTIES OF THE ISSUER" and intends to seek out and acquire additional properties.

THE ISSUE

Unit Offering and Plan of Distribution

Offering

The Issuer, by its Agent, hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange (the "Exchange") 1,500,000 non flow-through units (the "Non Flow-Through Units") and 1,500,000 flow-through units (the "Flow-Through Units") (hereinafter together referred to as the "Units") at a price of $0.50 per Non Flow-Through Unit and $0.60 per Flow-Through Unit. Each Non Flow-Through Unit consists of one non flow-through Class "A" voting common share (the "Non Flow-Through Share") and one Series "G" Class "A" voting common share purchase warrant (the "Series "G" Warrant") and each Flow-Through Unit consists of one flow-through Class "A" voting common share (the "Flow-Through Share") and one Series "G" Warrant. The offering price of $0.50 per Non Flow-Through Unit will be allocated as to $0.50 per Non Flow-Through Share and Nil per Series "G" Warrant. The offering price of $0.60 per Flow-Through Unit will be allocated as to $0.60 per Flow-Through Share and Nil per Series "G" Warrant. The Offering will be made in accordance with the Exchange's Initial Distribution Rule B.5.00 on a day (the "Offering Day") determined by the Agent and the Issuer, with the consent of the Exchange, within a period which is on or before the earlier of 180 days from the date upon which the Class "A" voting common shares of the Issuer are conditionally listed on the Exchange and April 29, 1995, being 12 months after the date of issue of a receipt for the preliminary prospectus by the Superintendent of Brokers for British Columbia.

The Agent reserves the right to accept or reject subscriptions for the Flow-Through Units and the Non Flow-Through Units and to allocate the Flow-Through Units among subscribers for the Flow-Through Units as it sees fit.

Appointment of Agent

The Issuer, by an agreement dated for reference September 14, 1994 (the "Agency Agreement") appointed Canaccord Capital Corporation as its agent (the "Agent") to offer the Units to the public.

The Agent will, upon selling all the Units, receive a commission of $0.0375 per Non Flow-Through Unit and will further receive a fee of $67,500 to be paid from the Issuer's working capital for the sale of the Flow-Through Units.

The Agent reserves the right to offer selling group participation in the normal course of the brokerage business to selling groups of other licensed broker dealers, brokers and investment dealers, who may or may not be offered part of the commissions or bonuses derived from the Offering.

The obligations of the Agent under the Agency Agreement may be terminated at the Agent's discretion at any time before the day the Class "A" voting common shares of the Issuer are listed, posted and called for trading on the Exchange (the "Listing Day"), on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events.

The Issuer has granted the agent a right of first refusal to provide future equity financing from the public to the Issuer for a period of 12 months from the "Effective Date", which is the date on which the final receipt for this Prospectus is issued by the Superintendent of Brokers.

The directors, officers and other insiders of the Issuer may purchase Units from this Offering.

Conditional Listing

The Vancouver Stock Exchange has conditionally listed the securities being offered pursuant to this Prospectus. Listing is subject to the Issuer fulfilling all the listing requirements of the Vancouver Stock Exchange, including prescribed distribution and financial requirements, on or before the day which is 180 days after the Effective Date.

Series "G" Warrants

The Series "G" Warrants will be transferable and in bearer form and two Series "G" Warrants will entitle the holder thereof to purchase one **non flow-through Class "A" voting common share** in the capital stock of the Issuer at any time up to the close of business one year from the Listing Day at a price of $0.50 per share.

Agent's Warrants

The Agent has agreed to purchase any Units not sold at the conclusion of the Offering (the "Guarantee"). In consideration therefor, the Agent will be granted, within 10 business days following the conclusion of the Offering, a non-transferable Class "A" voting common share purchase warrant (the "Agent's Warrant") entitling it to purchase up to 750,000 Class "A" voting common shares of the Issuer at any time up to the close of business one year from the Listing Day at a price of $0.50 per share.

The Agent's Warrants will have the same terms and conditions as the Series "G" Warrants except that they will be non-transferable.

Terms and Conditions of Warrants

The terms and conditions governing the Series "G" Warrants and the Agent's Warrants will include anti-dilution provisions and provision for appropriate adjustment of the class, number and price of shares issuable pursuant to any exercise thereof upon the consolidation or reclassification of the shares, the payment of stock dividends or the amalgamation of the Issuer.

Greenshoe Option

The Agent is entitled to overallot the Units under this Offering and, in such case, the Agent may, by notice in writing to the Issuer within 60 calendar days of the Offering Day, require the Issuer to issue to the agent's order, at the Offering Price, that number of Units of the Issuer which is equal to the lesser of 15% of the Offering or the actual number of Units subscribed for by way of an oversubscription during the Offering (the "Greenshoe Option"). The number of Units subject to the Greenshoe Option will be determined at the conclusion of the Offering Day.

Sponsorship

Pursuant to Vancouver Stock Exchange Listings Policy Statement No. 19 "Member Sponsorship", the Agent has agreed to act as the Issuer's sponsor and to assume the obligations of sponsor. The Issuer has also assisted in the Vancouver Stock Exchange pre-listing review process. In consideration thereof, the Issuer has agreed to issue to the Agent 120,000 Class "A" voting common shares (the "Sponsorship Shares").

Additional Offering

This Prospectus qualifies the issuance of Units upon the exercise of the Greenshoe Option, the issuance of the Sponsorship Shares, the issuance of the Agent's Warrants and the sale at the market price at the time of sale of the Sponsorship Shares and any shares acquired by the Agent pursuant to the Guarantee. The Agent may sell the Sponsorship Shares and any Class "A" voting common shares acquired on the exercisc of Agent's Warrants without further qualification. The exercise price payable on the exercise of any of the Agent's Warrants will be paid to the Issuer and used for its corporate purposes. The Agent will receive the proceeds from the sale of Sponsorship Shares and any subsequent sale of Class "A" voting common shares acquired on the exercise of Agent's Warrants and none of such proceeds will accrue to the Issuer.

Reservation for Professional Trades

In accordance with the rules of the Exchange, the Agent hereby advises that it may reserve for purchase by way of Professional Trades (as defined in those rules), up to 15% of the Units being offered pursuant to this Offering. **As such, the Agent, including any employees or associates of the Agent, may purchase, in preference to client's orders, up to 15% of the Units and any Units purchased thereby will not be available for purchase by clients.** The Agent hereby advises each of its clients, who are placing an order or expressing an intention to place an order for the Units, that the Agent may reserve up to 15% of the Units.

Subscription for Flow-Through Units

The offering price per Flow-Through Unit will be allocated between the Flow-Through Share and the Series "G" Warrant forming part of the Flow-Through Units as to $0.60 and Nil respectively.

The Issuer will issue the Flow-Through Units to the investors in the denominations and in the names provided to it by the Agent. All investors who subscribe for Flow-Through Units must execute a power of attorney in the form attached to this Prospectus as Schedule "B". The power of attorney authorizes JOHN BISSETT, President, or alternatively IAN deWOLFE SEMPLE, Executive Vice-President and Secretary, to execute on behalf of the investor a Flow-Through Share Participation Agreement in the form attached to this Prospectus as Schedule "A" (the "Participation Agreement"), in order for the investor to receive "Flow-Through" tax treatment for his subscription, as described under the heading "Canadian Federal Income Tax Considerations". **If the Agent does not receive a duly executed power of attorney from such an investor within 28 days after the Offering Day, that investor will not be entitled to receive any "Flow-Through" tax treatment for his subscription.**

Proceeds from the Sale of the Flow-Through Shares

The Issuer will receive gross proceeds of $900,000 from the sale of the Flow-Through Units, all of which will be allocated to the Flow-Through Shares and will be available for incurring Canadian Exploration Expense ("CEE") as defined in the *Income Tax Act* (Canada) (the "Act"). The proceeds of $900,000 for the Flow-Through Shares will constitute an Exploration Fund to be used by the Issuer as set out below. Until expended, the Issuer will hold the Exploration Fund in an interest bearing account with a Canadian chartered bank or trust company separate from the Issuer's other funds. Any interest accruing on this account will be solely for the benefit of the Issuer and will be added to working capital.

Exploration Fund

The Issuer will use the Exploration Fund to incur expenditures which will qualify as CEE before the expiration of 24 months after the Flow-Through Share Participation Agreements are entered into. The Issuer will renounce to investors the CEE so incurred by it from expenditures from the Exploration Fund as soon as it is reasonably practicable but in any event before March of the first calendar year beginning after that 24-month period. Refer to "Canadian Federal Income Tax Considerations" for particulars of income tax treatment of expenditures made from the Exploration Fund, and of the renunciation of CEE by the Issuer to investors.

Participation Agreement

The Flow-Through Share Participation Agreement, which provides for the issuance of the Flow-Through Units and the renunciation of CEE by the Issuer to investors and other provisions, is, by the act of an investor executing the respective Participation Agreements and participating in the purchase of the Flow-Through Units, binding upon the Investor and the Issuer.

Completion of Exploration Programs and Renunciation

The Issuer intends to incur all of the CEE from the expenditure of the Exploration Fund by February 28, 1995 and it is further intended that the CEE so incurred will be renounced on or before March 31, 1995 with an effective date of December 31, 1994. Any funds remaining after February 28, 1995 will be spent within 24 months of the respective dates of the Flow-Through Share Participation Agreements and renounced before March of the first calendar year beginning after that 24-month period.

Government Grants

Any governmental exploration assistance funds which may be available in respect of any work programs conducted by the use of CEE funds shall accrue exclusively to the Issuer and the Issuer will apply for such funds on its own behalf.

Use of Proceeds

The gross proceeds of $1,650,000 will be used for the following purposes:

1.	To pay the Agent's fees:	$ 123,750
2.	To pay the balance of the estimated costs of this Offering:	$ 50,000
3.	To eliminate the Issuer's working capital deficit of $150,480 as at August 31, 1994:	$ 150,480
4.	To carry out Phase 1 of the exploration program on the Issuer's Microgold property, as recommended in the Microgold Report:	$ 278,200
5.	To carry out Phase 2 of the exploration program on the Issuer's Microgold property:	$ 200,090
6.	To carry out the program on the Issuer's Cottonbelt property, as recommended in the Cottonbelt Report:	$ 306,180
7.	To carry out the program on the Issuer's Magnolia property as recommended in the Magnolia Report:	$ 62,127
8.	To carry out the Phase I program on the Issuer's OK property as recommended in the OK Report:	$ 53,500
9.	To initiate the Phase II program on the OK property. (Refer to "Cost Estimate - Phase II" on page 75.)	$ 65,000
10.	To provide for option payments on the OK property and royalty payments on the Magnolia property which fall due within 12 months from the date of this Prospectus:	$ 30,000
11.	To provide working capital:	$ 330,673
	TOTAL:	$1,650,000

Note: Goods and Services Tax totalling $63,087 is included in the cost estimates for the recommended work programs on the properties. Since the Issuer anticipates that this tax will be recoverable, it will not qualify as a flow-through tax credit.

The Issuer may, pursuant to the written recommendations of a qualified engineer, abandon in whole or any part of any of its properties or may alter, as work progresses, the work program recommended, or may make such arrangements for the performance for all or any portion of such work by other persons or companies and may use any money so diverted for the purpose of conducting work or examining the other properties acquired by the Issuer after the date of this Prospectus, although the Issuer has no present plans in this regard. If any such event occurs during the primary distribution of the securities referred to in this Prospectus, an amendment to this Prospectus will be filed. If any such event occurs after primary distribution of the securities, the shareholders will be notified.

No part of the unallocated proceeds will be used to invest, underwrite, or trade in securities, other than those that qualify as an investment in which trust funds may be invested under the laws of the jurisdiction in which the securities offered by this Prospectus may be lawfully sold. Should the Issuer intend to use the proceeds to acquire other than trustee-type securities after the distribution of the securities offered by this Prospectus, approval of the shareholders of the Issuer must first be obtained and notice of the intention must be filed with the regulatory bodies having jurisdiction over the sale of the securities offered by this Prospectus.

Risk Factors

The securities offered by this Prospectus must be considered speculative, generally because of the nature of the Issuer's business. In particular:

1. there is no known body of ore on the Issuer's mineral properties. The parpose of the present Offering is to raise funds to carry out further exploration with the objective of determining the presence of one or more economic bodies of ore. If the Issuer's exploration programs are successful, additional funds will be required for the development of one or more economic bodies of ore and to plaoe them in commercial production. The only sources of future funds presently available to the Issuer are the sale of equity capital, or the offering by the Issuer of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof;

2. exploration for minerals is a speculative venture necessarily involving some substantial risk. There is no certainty that the expenditures to be made by the Issuer in the properties described herein will result in discoveries of commercial quantities of ore;

3. resource exploration and development is a speculative business and involves a high degree of risk. The marketability of natural resources which may be acquired or discovered by the Issuer will be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors may result in the Issuer not receiving an adequate return on invested capital;

4. mining operations generally involve a high degree of risk. Hazards such as nnusual or unexpected formations and other conditions are involved. The Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Issuer's financial position;

5. while the Issuer has obtained the usual industry standards title report with respect to its properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. Legal issues may arise affecting ownership. (Refer to "Legal Proceedings".);

6. the Issuer's properties consist in part of recorded mineral claims which have not been surveyed and, therefore, the precise area and location of such claims may be in doubt;

7. after the issuance of the securities offered by this Prospectus and prior to the exercise of any outstanding share purchase options or warrants, the Issuer will have a book value per common share, based on the net tangible assets of the Issuer at June 30, 1994, of $0.20. Accordingly, purchasers of the securities offered by this Prospectus will experience an

immediate and substantial dilution in the net tangible book value of their investment. The dilution will be \$0.30 per share (60%) for purchasers of Non Flow-Through Units and \$0.40 per share (67%) for purchasers of Flow-Through Units;

8. reference is made to the section headed "Conflicts of Interest" on page 17 concerning possible conflicts of interest involving directors and officers of the Issuer;

9. the securities offered by this Prospectus (excluding any securities acquired by the underwriters, directors or employees for the exercise of share purchase options or warrants) will represent 23.8% of the outstanding shares of the Issuer on completion of the Offering, as compared to 11.3% held by directors, officers and substantial security holders.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Radelet & White, Vancouver, special counsel to the Issuer, the following is a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to investors who acquire Non Flow-Through Units or Flow-Through Units pursuant to this Offering.

This summary is based on the current provisions of the *Income Tax Act* (Canada) (the "Act"), the regulations thereunder, counsel's understanding of the current administrative practices of Revenue Canada, and all specific proposals to amend the Act and the regulations thereunder publicly announced by the Canadian Federal government before the date of this Prospectus. (Prospective investors should note in particular the discussion in Item 1.4 below regarding proposed changes to the lifetime capital gains exemption provided by the Act.) It is assumed that all such amendments will be enacted substantially in the form proposed, although no assurance can be given in this respect. This summary does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative or executive action, nor does it take into account provincial, territorial or foreign laws.

In this summary comment is restricted to the case of an investor who is an individual but not a trust resident in Canada, who deals at arm's length with the Issuer, and who holds and will hold the securities comprising his Non Flow-Through Units or Flow-Through Units (as the case may be) as capital property, all within the meaning of the Act. Such a security generally will constitute capital property to an investor unless the investor holds the security in the course of carrying on a business of trading or dealing in securities, or otherwise has acquired the security in a transaction considered to be an adventure in the nature of trade. This summary does not apply to an investor whose business includes trading or dealing in resource property.

It is assumed that at all relevant times the Issuer will be a "principal-business corporation" for the purposes of the Act, that the Issuer will make all necessary tax filings in respect of the issue of the Flow-Through Shares and the renunciation of Canadian Exploration Expense ("CEE") in the manner and within the time required by the Act, that the Issuer will incur sufficient qualifying CEE to enable it to renounce to investors all of the CEE covenanted to be renounced by the Issuer pursuant to all Flow-Through Share Participation Agreements effective on the day or days set out in such agreements, and that the Flow-Through Shares will not be "prescribed shares" for the purpose of the definition of "flow-through share" in the Act.

This summary is of a general nature only, and is not exhaustive of all possible Canadian federal income tax considerations. It is not intended to be, and it should not be construed to be, legal or tax advice to any particular investor. Prospective investors should consult their own tax advisors with respect to their particular tax positions.

1. Non Flow-Through Units and Flow-Through Units

1.1 Allocation of Purchase Price

In order to determine for the purposes of the Act separate costs for the Class "A" voting common share of the Issuer and the Series "G" Warrant comprising each Non Flow-Through Unit or Flow-Through Unit acquired under this Offering, the holder must allocate the purchase price of the Unit on a reasonable basis between the Class "A" voting common share and the Series "G" Warrant. The Issuer intends to allocate 100% of the proceeds of each Unit to the Class "A" voting common share and Nil to the Series "G" Warrant, which the Issuer considers reasonable. This allocation is not binding on investors or on Revenue Canada, although it is the position of Revenue Canada that allocations made by the Issuer and by investors should be the same and must be reasonable.

1.2 Exercise or Expiry of Series "G" Warrants

No gain or loss will be realized by the holder of a Series "G" Warrant on the exercise thereof. The cost of a Class "A" voting common share acquired through the exercise of Series "G" Warrants will be the total of the adjusted cost bases of the Series "G" Warrants and the price paid on exercise for the Class "A" voting common share.

On the expiry of an unexercised Series "G" Warrant, the holder will realize a capital loss equal to the adjusted cost base thereof.

1.3 Averaging Rule for Identical Properties

An investor who acquires a Class "A" voting common share of the Issuer pursuant to this Offering or on the exercise of Series "G" Warrants and who holds or acquires other Class "A" voting common shares normally will be required to average the cost of all such shares held by him. An investor who acquires a Series "G" Warrant pursuant to this Offering and who holds or acquires other Series "G" Warrants may similarly be required to average the cost of all such warrants held by him.

1.4 Disposition of Class "A" Voting Common Shares or Series "G" Warrants

On the disposition of a Class "A" voting common share of the Issuer or a Series "G" Warrant (other than on the exercise of a Series "G" Warrant), the holder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, less reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the security disposed of. On August 8, 1994 the Canadian federal government released draft legislation to amend the Act by eliminating the $100,000 lifetime capital gains exemption for capital gains realized on dispositions of property occurring after February 22, 1994. If the Act is so amended, the lifetime capital gains exemption currently provided by the Act will not be available to shelter any capital gain realized on the disposition of a Class "A" voting common share of the Issuer or a Series "G" Warrant.

1.5 Alternative Minimum Tax

The Act provides that tax payable by an individual is the greater of the tax otherwise determined and an alternative minimum tax. The federal minimum tax is 17% of the individual's "adjusted taxable income" for the year in excess of a basic exemption of $40,000, less certain tax credits. Whether and to what extent the tax liability of a particular investor will be increased by these provisions will depend on the amount of his income, the sources from which it is derived, and the nature and amounts of any deductions he claims. Any additional tax payable for a year by reason of the alternative minimum tax provisions is recoverable to the extent that tax otherwise payable exceeds alternative minimum tax for any of the seven following years.

1.6 Interest Expense

Reasonable interest expense incurred by an investor on money borrowed to acquire Class "A" voting common shares of the Issuer pursuant to this Offering or on the exercise of Series "G" Warrants generally will be deductible during the year in which such interest is paid or payable, according to the method regularly followed by the investor in computing his income, provided that the investor holds such shares for the purpose of gaining or producing income therefrom for the entire period during which the interest in respect of which a deduction is claimed accrues.

1.7 Dividends

Any dividends paid on a Class "A" voting common share of the Issuer to an investor will be subject to the normal dividend gross-up and tax credit rules.

2. Flow-Through Units

The following summary applies only to investors who acquire Flow-Through Units pursuant to this Offering, and qualifies the foregoing discussion.

2.1 Cost of Flow-Through Shares

Notwithstanding the allocation referred to Item 1.1 of this summary, the adjusted cost base of Flow-Through Shares acquired pursuant to this Offering will be deemed to be nil, subject to the averaging rule referred to in Item 1.3. This will affect the calculation of any capital gain or capital loss realized on a disposition of such a share, as described in Item 1.4.

2.2 Renunciation of Canadian Exploration Expense

The Issuer will be entitled to renounce to investors CEE incurred by it after the day the Flow-Through Share Participation Agreements are entered into and within 24 months thereafter, less (i) any previous renunciations with respect to such CEE, (ii) any portion of such CEE which is prescribed as relating to overhead expenses, and (iii) any assistance that the Issuer has received, is entitled to receive, or may reasonably be expected to receive at any time which is reasonably related to such CEE. The Issuer may not renounce to investors CEE in excess of the portion of the purchase price for Flow-Through Units that is allocable to Flow-Through Shares.

CEE incurred in a calendar year and renounced to investors effective on or before December 31 of that year will be deemed to have been CEE incurred by such investors on the effective date of the renunciation. Qualifying CEE incurred by the Issuer within 60 days after the end of a calendar year may be renounced effective December 31 of that year to investors who throughout that 60-day period deal at arm's length with the Issuer.

An investor who disposes of his Flow-Through Shares will retain the entitlement to receive renunciations of CEE from the Issuer as described above, and the purchaser of such Flow-Through Shares will not be entitled to any such renunciation.

2.3 Deduction of Cumulative CEE

CEE that is renounced by the Issuer to an investor as described above will be deemed to be CEE incurred by the investor on the effective date of the renunciation, and will be included in the investor's "cumulative Canadian exploration expense" account.

In computing his income for tax purposes from all sources for a taxation year, an investor may deduct up to 100% of his cumulative CEE account at the end of the year. An investor's cumulative CEE account is reduced by any amounts so deducted by him.

To the extent that an investor does not deduct the balance of his cumulative CEE account at the end of a taxation year, the balance will be carried forward and the investor will be entitled to claim deductions in respect thereof in subsequent taxation years.

If at the end of a taxation year of an investor the reductions in calculating his cumulative CEE account exceed the additions thereto, the excess must be included in computing his income for that year, and his cumulative CEE account will then have a nil balance.

2.4 Alternative Minimum Tax

In calculating a taxpayer's "adjusted taxable income" for the purpose of computing minimum tax as described in item 1.5, certain deductions and credits otherwise available are disallowed or restricted, and certain amounts not otherwise included in income are included. The disallowed items include deductions claimed by the taxpayer in respect of cumulative CEE for a particular taxation year to the extent that such deductions exceed the taxpayer's resource income for the year.

THE MANAGEMENT

Directors and Officers

The names, addresses, and principal occupations in which each of the directors and officers of the Issuer have been engaged during the immediately preceding five years are as follows:

Name and Address	Position with the Issuer
John Bissett 3890 Selkirk Street Vancouver, B.C. V6H 2Z3	Director, President and Chief Executive Officer
Ian de Wolfe Semple* 21C Barbary Coast Marina Box 48896, Bentall Centre Vancouver, B.C. V7X 1A8	Director, Executive Vice-President, Secretary and Chief Financial Officer
Myles Norman Anderson* #72 - 4900 Cartier Street Vancouver, B.C. V6M 4H2	Director
Shirley-Mae Bissett* 3890 Selkirk Street Vancouver, B.C. V6H 2Z3	Director

* Member of the Audit Committee

John Bissett, geologist and financial consultant, has been President, Chief Executive Officer and a director of the Issuer since 1985. It is anticipated that he will devote 100% of his time to the affairs of the Issuer during the one-year period following the date of this Prospectus, dealing with mineral property matters, reviewing and advising on exploration programs and generally attending to the business of the Issuer. In 1985, Mr. Bissett retired from a 23-year career in the investment business, first as a mining analyst and then in increasingly more responsible executive positions in several national stockbroking firms. From 1981 - 1985, until it was sold, he was the founder, sole owner and President of a member firm of the Alberta Stock Exchange. At present, he is not a director of any public company other than the Issuer.

Ian de Wolfe Semple, geologist and busiuess consultant, has been Executive Vice-President, Secretary and director of the Issuer since 1989. From 1984 to 1989, Mr. Semple was Vice-President and Senior Mining Analyst with Pemberton Securities Inc. (now RBC Dominion Securities Pemberton Inc.) in Vancouver, British Columbia. Since January, 1989, he has acted as an independent business consultant in addition to his present position with the Issuer. It Is anticipated that Mr. Semple will devote as much time as required to properly attend to his significant part in the management of the affairs of the Issuer, which he estimates will be at least 50% of his time in the next year.

Myles Norman Anderson, geological engineer and business consultant, has been a director of the Issuer since 1989. Mr. Anderson is President of Norman Anderson & Associates Ltd. of Vancouver, British Columbia, which provides technical and economic evaluations of existing and developing mine projects. In 1987, he took early retirement from a distinguished career with Cominco Ltd., having been Chairman and Chief Executive Officer since 1980. Mr. Anderson presently is a director of Homestake Mining Company, Finning Ltd., Gulf Canada Resources Inc., Solv-Ex Corporation, the Toronto Dominion Bank and Prime Resources Group Inc. All of the foregoing are public companies. It is anticipated that Mr. Anderson will devote less than 10% of his time to the affairs of the Issuer in the next year.

Shirley-Mae Bissett, business woman, was Secretary and director of the Issuer from 1985 to 1989 and re-elected a director in 1990. During the five years ended 1988, Mrs. Bissett was Secretary and a director of two privately-owned oil and gas exploration companies based in Calgary, Alberta. Since 1981, she has been and remains, a director and Secretary-Treasurer of Tierra Financial Resources Limited of Vancouver, British Columbia, which provides management and consulting services to a variety of businesses. Mrs. Bissett is not presently and has not been during the past five years a director of any public company other than the Issuer. It is anticipated that Mrs. Bissett will devote less than 10% her time to the affairs of the Issuer in the next yaar.

Statement of Executive Compensation

The Issuer has two executive officers:

1. John Bissett, the Chief Executive Officer, President and director of the Issuer;
2. Ian de Wolfe Semple, the Executive Vice-President, Chief Financial Officer, Secretary and director of the Issuer.

During the financial year ended December 31, 1993, the Issuer paid consulting fees of $26,250 to Ian de Wolfe Semple and $33,500 to Tierra Financial Resources Limited. Tierra Financial Resources Limited provides to the Issuer the services of John Bissett as President and Chief Executive Officer for remuneration of at least $30,000 per year, pursuant to an agreement made as of May 1, 1988. Tierra Financial Resources Limited is owned by Shirley-Mae Bissett, an associate of John Bissett. The agreement had an initial term of three years and continues indefinitely thereafter unless terminated by any party on three months' notice.

The Issuer has no plan or arrangement in respect of compensation received or that may be received by executive officers in the current fiscal year ending December 31, 1994 with the view to compensating such officers in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change of control, except that, pursuant to the management agreement previously referred to, the Issuer may terminate the management agreement on three months' notice. The Issuer has not set a policy with respect to future executive compensation..

Directors are not compensated by the Issuer for their services in their capacity as directors.

Refer to "Options to Purchase Securities".

Indebtedness of Directors and Senior Officers

None of the directors and senior officers of the Issuer, nor any associate or affiliate of the directors and senior officers, is indebted to the Issuer.

Promoters

In the past five years, no person has acted as a promoter of the Issuer.

Principal Holders of Securities

As at the date of this prospectus, to the best of the knowledge of the directors and senior officers of the Issuer, no person or company beneficially owns, directly or indirectly, more than 10% of the issued and outstanding Common Shares.

The percentage of Class "A" voting common shares of the Issuer beneficially owned, directly or indirectly, as of the date of this Prospectus, by all directors and senior officers of the Issuer, as a group, is:

Designation of Class	Percentage of Class
Class "A" voting common	15%

Conflicts of Interest

Insofar as certain Directors of the Issuer also serve as directors of other resource development companies, it is possible that resource properties may be offered to both the Issuer and to such other companies, and further that those other companies may participate in the same properties in which the Issuer has an interest.

In exercising their powers and performing their functions, directors are required to act honestly and in good faith and in the best interests of the Issuer, and to exercise the care, diligence and skill of a reasonably prudent person.

Every director who is, in any way, directly or indirectly, interested in a proposed contract or transaction with the Issuer, must disclose the nature and extent of his interest at a meeting of the directors. Every such director must account to the Issuer for any profit made as a consequence of the Issuer entering into or performing the proposed contract or transaction, unless he discloses his interest and, after his disclosure, the proposed contract or transaction is approved by the directors, and he abstains from voting on the approval of the proposed contract or transaction.

Accordingly, the directors will endeavour to avoid dealing with other companies in situations where conflicts might arise, and will at all times use their best efforts to act in the best interest of the Issuer.

Interest of Management and Others in Material Transactions

The directors, senior officers, principal shareholders and their associates do not have any interest, direct or indirect, by way of beneficial ownership of securities or otherwise in material transactions except for any interest arising from the ownership of securities of the Issuer where the shareholder will receive no extra or special benefit or advantage not shared on a pro rata basis by all holders of securities of the Insurer.

Mr. John Bissett, President and director of the Issuer, originally purchased, staked or otherwise acquired certain of the Issuer's properties for his own interest and at his own expense. All titles to and interests in the properties subsequently were transferred to the Issuer by Mr. Bissett without compensation other than reimbursement for his cash outlays. For more detailed information refer to Microgold Property - Ownership and Terms of Acquisition; Cottonbelt Property - Ownership and Terms of Acquisition; and Magnolia Property - Ownership and Terms of Acquisition.

THE SHARE CAPITAL

Description of Shares

The authorized capital of tite Issuer consists of an unlimited number of Class "A" voting common shares without par value and 4,000,000 Class "B" non-voting common shares without par value.

The Class "A" shares are designated as common shares. The Class "A" shares entitle the holders to vote at all meetings of shareholders, to receive dividends if declared and to receive the remaining property of the Issuer upon dissolution.

The Class "B" shares are designated as non-participating non-voting shares. No dividends are payable on the Class "B" shares. In the event of the liquidation, dissolution or winding up of the Issuer or other distribution of assets or property of the Issuer among the shareholders for the purpose of winding up its affairs, the holders of the Class "B" shares shall be entitled to receive from tho assets and property of the Issuer the sum of $0.03 per share before any amount shall be paid or any property or assets of the Issuer be distributed to the holders of any Class "A" shares but such holders of Class "B" shares shall not be entitled to participate any further in the property or assets of the Issuer. The holders of the Class "B" shares are not entitled as such to receive notice of or to attend any meeting of the shareholders of the Issuer and shall not be entitled to vote at any such meeting. The holders of the Class "B" shares are, however, entitled to notice of meeting of the shareholders called for the purpose of authorizing the dissolution of the Issuer or the sale of all its undertakings or a substantial part thereof. The Class "B" shareholders were given the option of redemption at $0.03 per share or conversion into Class "A" shares on a one-for-one basis up to June 30, 1986. At the discretion of the directors of the Issuer, the conversion feature was extended to December 30, 1993 when it expired. The redemption option remains in effect.

Share Capital Structure

Designation of Securities	Amount Authorized	Amount Outstanding as at June 30, 1994	Amount Outstanding as at Date of Prospectus	Amount to be Outstanding on Completion of Offering
Class "A" voting common shares without par value	Unlimited	9,077,327	9,477,327	12,597,327
Class "B" non-voting common shares without par value	4,000,000	205,787	205,787	205,787

The Issuer had a deficit of $1,111,190 and contributed surplus of $25,312 as at June 30, 1994.

The Issuer has outstanding share purchase warrants entitling the holders to purchase up to 1,145,000 Class "A" voting common shares and incentive stock options to purchase up to 1,200,000 Class "A" voting common shares. Refer to "Share Purchase Warrants" and "Options to Purchase Securities".

The share purchase warrants were issued in connection with private placements of Class "A" voting common shares.

Share Purchase Warrants

Designation of Securities	Class "A" shares reserved for Issuance	Price(s) per Share	Expiry Date
Series A	350,000	$0.50	September 29, 1995
Series D	135,000	$0.45	November 30, 1994
Series F	500,000	$0.25	November 5, 1995
Undesignated	160,000	$0.25	May 18, 1995

Escrowed Shares

Designation of Class	No. of Shares	Percentage of Class
Class "A" voting common	45,000	0.47%

By agreement dated December 2, 1985 betwean the Issuer, National Trust Company and John Bissett, President of the Issuer, 300,000 Class "A" shares issued to John Bissett in return for certain Ontario mining claims were deposited in escrow with National Trust in Calgary, Alberta, to be released only on the written consent of the Alberta Securities Commission.

A decision by the Director of the Alberta Securities Commission on January 25, 1991 provided for the release of 120,000 shares to John Bissett on January 31, 1991. The remaining 180,000 shares were ordered to be released in 45,000 share increments on January 31, 1992, 1993, 1994 and 1995.

REFER ALSO TO "OTHER MATERIAL FACTS - PERFORMANCE SHARES".

Securities to be Issued for Property Acquisitions

Name and Address	No. of Class "A" shares authorized for Issuance	Description
April and Darrell White RR#1, Box 42 Black Point Road Powell River, B.C. V8A 4A2	100,000	By agreement dated May 18, 1988 and amended April 28, 1990 and February 27, 1992, the Issuer purchased four mineral claims comprising part of the Magnolia property from April and Darrell White. The purchase price was $15,000 (paid) and 100,000 Class "A" shares to be issued when the Issuer becomes a reporting issuer under the *Securities Act* (British Columbia). (Refer to "Ownership and Terms of Acquisition" on page 56 of this Prospectus.)
Rhyolite Resources Inc. c/o Russell & DuMoulin 1700 - 1075 West Georgia Vancouver, B.C. V6E 3G2	100,000	By agreement dated July 13, 1989, the Issuer purchased three mineral claims comprising part of the Microgold property from Rhyolite Resources Inc. The purchase price was $50,000 (paid) and 100,000 Class "A" shares to be issued when the Issuer becomes a reporting issuer under the *Securities Act* (British Columbia). (Refer to "Ownership and Terms of Acquisition" on page 25 of this Prospectus.)
John S. DeLatre 802 - 1215 Beach Avenue Vancouver, B.C. V6E 1V5	100,000	By agreement dated June 7, 1994, the Issuer purchased from John S. DeLatre a 2.5% Net Smelter Return (NSR) royalty on any production of minerals from the Microgold, CIN and DY claims which form part of the Microgold property. The 2.5% represents one-half of the 5% NSR royalty previously held by Mr. DeLatre. The purchase price was 100,000 Class "A" shares to be issued when the Issuer becomes a reporting issuer under the *Securities Act* (British Columbia) and the Class "A" shares are accepted for trading on the Vancouver Stock Exchange. Mr. DeLatre has the option to terminate the agreement if the conditions of the share issuance are not fulfilled by August 31, 1994. (Refer to "Ownership and Terms of Acquisition" on page 25 of this Prospectus.)

Bethlehem Resources Corp. 700 - 815 West Hastings Vancouver, B.C. V6C 1B4	50,000	By agreement dated January 12, 1994, and amended June 23, 1994, the Issuer purchased five mineral claims comprising part of the Magnolia property. The purchase price was 50,000 Class "A" shares to be issued when the Issuer becomes a reporting issuer under the *Securities Act* (British Columbia). Bethlehem Resources Corp. has the option to terminate the agreement if the condition of issuance is not fulfilled by September 30, 1994. (Refer to "Ownership and Terms of Acquisition" on page 56 of this Prospectus.)

Prior Sales

The following Class "A" common voting shares of the Issuer have been sold within the 12 months prior to the date of this Prospectus:

Total Number of Securities Sold	Price	Commissions Paid	Total Cash Received	Consideration Received other than cash
1,770,000	$0.20	Nil	$354,000	Nil
350,000	$0.25	Nil	87,500	Nil
2,120,000			$441,500	

Trading History

Trading information for the previous twelve months for the principal market on which the securities of the Company have been traded during such period.

Stock Exchange or OTC Market		Month	High	Low	Close	Volume
Canadian Dealing Network						
	1993	September	$0.25	$0.15	$0.18	154,000
		October	$0.20	$0.10	$0.19	200,500
		November	$0.25	$0.15	$0.25	39,000
		December	$0.20	$0.10	$0.20	36,000
	1994	January	No trades.		$0.20	0
		February	$0.20	$0.08	$0.20	159,500
		March	$0.35	$0.15	$0.25	321,500
		April	$0.30	$0.20	$0.30	101,000
		May	$0.30	$0.15	$0.30	249,900
		June	$0.30	$0.15	$0.15	113,000
		July	$0.25	$0.15	$0.20	70,000
		August	$0.30	$0.10	$0.30	167,000

Source of trading data: Canadian Dealing Network

PROPERTIES OF THE ISSUER

The Issuer owns four mineral properties in British Columbia: The **Microgold** epithermal gold prospect at Stump Lake which is located on Highway 5A between Merritt and Kamloops; the **Cottonbelt** lead-zinc-silver-copper prospect at Mount Grace which is located 25 km north of the Seymour Arm of Shuswap Lake; the **Magnolia** gold-copper prospect on Texada Island in the Strait of Georgia, and the **OK** copper-molybdenum prospect on the Bunster Plateau which is located 20 km north of Powell River.

The Issuer acquired the nucleus of these properties in 1988 and 1989 and commenced their exploration in 1989. To the end of June, 1994 it expended a total of $1,081,206 represented by $302,500 in acquisition and option payments plus $778,706 in exploration maintenance and expansion of the properties. From January 1, 1989 to June 30, 1994 the Issuer expended $663,427 for general and administrative costs related to the maintenance of an office and corporate presence in Vancouver. That included general overhead plus legal, audit and accounting charges as well as general exploration expenses written off over the period.

During most of that period, the availability of funds for the Issuer's exploration programs was severely limited by generally unfavorable conditions in capital markets. The relatively small programs that were carried out were aimed first at a general understanding of the geology and secondly at determining specific targets for larger, and more comprehensive programs. The unfavorable industry conditions had an upside in the ability of the Issuer, based on the results of its explorations, to significantly expand its properties by acquiring adjacent claims which expired from lack of obligatory work and by staking new ones without meaningful competition. The **Microgold** has grown from 1125 to 5025 hectares (19.4 sq. miles); the **Cottonbelt** from 98 to 6973 hectares (26.9 sq. miles); the **Magnolia** from 975 to 1925 hectares (7.4 sq. miles), while the **OK** is unchanged at 3575 hectares (13.8 sq. miles). The properties are now at the stage to accommodate substantial exploration programs including diamond drilling.

MICROGOLD PROPERTY

The information contained herein regarding the Microgold property (except for the description of ownership and terms of acquisition, and the description of cumulative exploration expenditures) is derived from a report dated January, 1994 and revised July 12, 1994, prepared for the Issuer by Darrel Johnson, B.Sc., P.Geo., consulting geologist. The report is entitled "A REPORT AND PROPOSAL FOR EXPLORATION ON THE MICROGOLD PROPERTY, KAMLOOPS AND NICOLA MINING DIVISIONS, BRITISH COLUMBIA". The report is available for inspection at the head offices of the Issuer during normal business hours during the course of primary distribution of the securities offered by this Prospectus and for a period of 30 days thereafter.

Summary and Conclusions

The area north of Stump Lake, B.C., now encompassed by the Issuer's Microgold property, has been explored by several companies and individuals since 1980. This work has developed and enhanced targets displaying potential for gold mineralization which have not yet been adequately explored.

Diamond drilling carried out by three mining companies, in particular BP Minerals, did not encounter sufficient sub-surface alteration zones or structures to account for the large surface area of geochemically anomalous gold values in soils and rocks. It follows, therefore, that the ultimate source of silicification and gold mineralization, the "feeder" system, remains undiscovered.

Two main areas of gold enrichment, alteration, silicification, brecciation and pyritization, perhaps controlled by cross-faulted structures, have been outlined which require further testing. The 1.5 km square "Kullagh Lake" zone holds untested potential for "bonanza" type epithermal gold deposit(s). The 2.2 km long "West" zone displays several features typical of epithermal gold deposits. The favourable "Nicola" volcanic package which hosts these two zones also underlies most of the remainder of the 4.5 x 8 km Microgold property. As exploration has concentrated on the two known zones, much of the peripheral area, especially the northern portion of the property, remains underexplored.

Location, Access and Physiography

The Microgold property is located at Stump Lake in southwestern British Columbia, approximately 40 kilometres northeast of the town of Merritt and about the same distance south of Kamloops. Paved Provincial Highway 5A cuts through the southern boundary of the property. Dirt or gravel ranch roads provide good access to most parts of the property.

The property covers rolling semi-arid grasslands. Patches of fir, pine and deciduous trees, with sparse undergrowth, occur mainly in creek beds or gulleys. Terrain rises gently from Stump Lake at 756 metres elevation to 1,189 metres near the northern property boundary. The property lies in the interior dry belt of the province. Climatic conditions are moderate, with warm, dry summers and cool winters with light snowfalls. It encompasses numerous small lakes, plus Kullagh Lake which has been dammed. In the springtime water is also available in streams and gullies.

The Claims

The property consists of 9 four-post and 89 two-post contiguous mineral claims which in aggregate contain 201 units or 5,025 hectares (19.4 sq. miles). The property straddles a Mining Division boundary with 30 of the claims in the Nicola Mining Division and the remainder in the Kamloops Mining Division. All of the claims are recorded in the name of CanQuest Resource Corporation and are plotted on B.C. government Mineral Titles Reference Map 92I/8W. Latitude is 50°24' North and longimde is 120°22' West.

Claim information is listed below.

Claim Name	Mining Division	Tenure No.	Units	Expiry Date
Microgold*	Nicola	237060	9	June 21, 1995
DY	Nicola	237068	16	November 1, 1994
CIN	Kamloops	217069	20	October 7, 1994
Epic 1	Nicola	322516	2	November 10, 1994
Epic 2	Nicola	322517	9	November 10, 1994
Epic 3	Nicola	322518	12	November 10, 1994
Epic 4	Nicola	322519	12	November 12, 1994
Epic 5	Nicola	322520	12	November 12, 1994
Epic 6	Kamloops	322521	1	November 12, 1994
Epic 7	Kamloops	322522	1	November 12, 1994
Epic 8	Kamloops	322523	1	November 12, 1994
Epic 9	Kamloops	322524	1	November 12, 1994
Epic 10	Kamloops	322525	1	November 12, 1994
Epic 11	Kamloops	322526	1	November 12, 1994
Epic 12	Kamloops	322527	1	November 12, 1994
Epic 13	Kamloops	322528	1	November 12, 1994
Epic 14	Kamloops	322529	1	November 11, 1994
Epic 15	Kamloops	322530	1	November 11, 1994
Epic 16	Kamloops	322531	1	November 11, 1994
Epic 17	Kamloops	322532	1	November 11, 1994
Epic 18	Kamloops	322533	1	November 11, 1994

Claim Name	Mining Division	Tenure No.	Units	Expiry Date
Epic 19	Kamloops	322538	1	November 11, 1994
Epic 20	Kamloops	322539	1	November 11, 1994
Epic 21	Kamloops	322534	1	November 11, 1994
Epic 22	Kamloops	322535	1	November 11, 1994
Epic 23	Kamloops	322537	20	November 11, 1994
Epic 24	Kamloops	322540	1	November 11, 1994
Epic 25	Kamloops	322541	1	November 11, 1994
Epic 26	Kamloops	322542	1	November 11, 1994
Epic 27	Kamloops	322543	1	November 11, 1994
Epic 28	Kamloops	322544	1	November 11, 1994
Epic 29	Kamloops	322545	1	November 11, 1994
Epic 30	Kamloops	322546	1	November 11, 1994
Epic 31	Kamloops	322547	1	November 11, 1994
Epic 32	Kamloops	322548	1	November 11, 1994
Epic 33	Kamloops	322549	1	November 11, 1994
Epic 34	Kamloops	322550	1	November 11, 1994
Epic 35	Kamloops	322551	1	November 11, 1994
Epic 36	Kamloops	322552	1	November 12, 1994
Epic 37	Kamloops	322553	1	November 12, 1994
Epic 38	Kamloops	322554	1	November 12, 1994
Epic 39	Kamloops	325000	1	April 15, 1995
Epic 40	Kamloops	325001	1	April 15, 1995
Epic 41	Kamloops	325002	1	April 15, 1995
Epic 42	Kamloops	325003	1	April 15, 1995
Epic 43	Kamloops	325004	1	April 15, 1995
Epic 44	Kamloops	325005	1	April 15, 1995
Epic 45	Kamloops	325006	1	April 15, 1995
Epic 46	Kamloops	325007	1	April 15, 1995
Epic 47	Kamloops	325008	1	April 15, 1995
Epic 48	Kamloops	325009	1	April 15, 1995
Epic 49	Kamloops	325010	1	April 15, 1995
Epic 50	Kamloops	325011	1	April 15, 1995
Epic 51	Nicola	325012	1	April 15, 1995
Epic 52	Nicola	325013	1	April 15, 1995
Epic 53	Nicola	325014	1	April 15, 1995
Epic 54	Nicola	325015	1	April 15, 1995
Epic 55	Nicola	325016	1	April 15, 1995
Epic 56	Nicola	325017	1	April 15, 1995
Epic 57	Nicola	325018	1	April 15, 1995
Epic 58	Nicola	325019	1	April 15, 1995
Epic 59	Kamloops	325020	1	April 16, 1995
Epic 60	Kamloops	325021	1	April 16, 1995
Epic 61	Kamloops	325022	1	April 16, 1995
Epic 62	Kamloops	325023	1	April 16, 1995
Epic 63	Kamloops	325024	1	April 16, 1995
Epic 64	Kamloops	325025	1	April 16, 1995
Epic 65	Kamloops	325026	1	April 16, 1995
Epic 66	Kamloops	325027	1	April 16, 1995
Epic 67	Kamloops	325028	1	April 16, 1995
Epic 68	Kamloops	325029	1	April 16, 1995
Epic 69	Kamloops	325030	1	April 16, 1995
Epic 70	Kamloops	325031	1	April 16, 1995

Claim Name	Mining Division	Tenure No.	Units	Expiry Date
Epic 71	Kamloops	325032	1	April 16, 1995
Epic 72	Kamloops	325033	1	April 16, 1995
Epic 73	Kamloops	325034	1	April 16, 1995
Epic 74	Kamloops	325035	1	April 16, 1995
Epic 75	Kamloops	325036	1	April 16, 1995
Epic 76	Kamloops	325037	1	April 16, 1995
Epic 77	Kamloops	325038	1	April 19, 1995
Epic 78	Kamloops	325039	1	April 19, 1995
Epic 79	Kamloops	325040	1	April 19, 1995
Epic 80	Kamloops	325041	1	April 19, 1995
Epic 81	Nicola	325042	1	April 19, 1995
Epic 82	Nicola	325043	1	April 19, 1995
Epic 83	Nicola	325044	1	April 19, 1995
Epic 84	Nicola	325045	1	April 19, 1995
Epic 85	Nicola	325046	1	April 19, 1995
Epic 86	Nicola	325047	1	April 19, 1995
Epic 87	Nicola	325048	1	April 19, 1995
Epic 88	Nicola	325049	1	April 19, 1995
Epic 89	Nicola	325050	1	April 19, 1995
Epic 90	Nicola	325051	1	April 19, 1995
Epic 91	Nicola	325052	1	April 19, 1995
Epic 92	Nicola	325053	1	April 19, 1995
Epic 93	Nicola	325054	1	April 19, 1995
Epic 94	Nicola	325055	1	April 19, 1995
Epic 95	Nicola	325056	1	April 19, 1995

* Unless otherwise specified, "Microgold" is used throughout this report to refer to the entire property rather than the specific mineral claim.

Five separate claims totalling five units located internally within the Microgold property are not presently owned by the Issuer.

Assessment credits generated by airborne geophysical surveying conducted late in January 1994 have been applied to advance the expiry date of the Microgold claim to June 21, 1995. Approximately $30,000 of credit remains available for application to the remainder of the claims due to expire in 1994. As yet, no provision has been made to apply work to claims Epic 39 to 95 which have 1995 expiry dates. It is assumed that assessment credits to be earned by carrying out all or part of the work recommended herein will be adequate for application to all claims.

Work has been filed with the Ministry of Energy, Mines and Petroleum Resources to generate assessment credits more than sufficient to extend all the 1994 expiries by one year. The extensions will be applied for as dictated by the calendar.

Ownership and Terms of Acquisition

The Issuer has a 100% interest in the claims comprising the Microgold property.

On May 30, 1988 the Issuer entered into a joint venture agreement with Rhyolite Resources Inc., for the exploration and possible development of the CIN, DY and Microgold claims comprising part of the Microgold property. The terms of the agreement included a cash payment to Rhyolite Resources Inc. from the Issuer of $25,000 and the right of the Issuer to earn a 50% interest in the claims by expending $125,000 on exploration of the claims prior to December 31, 1989, subsequently extended to September 30, 1990. In return for agreeing to finance the Issuer's general activities, Rhyolite Resources and the Issuer agreed to give Mingold Resources Inc. of

Toronto, Ontario the right to earn a 51% interest in the three claims by funding all exploration and development costs necessary to bring the claims into production from and after delivery of a feasibility study.

On July 13, 1989 the Issuer agreed to purchase from Rhyolite Resources Inc. a 100% interest in the claims subject to a 5% net smelter return royalty in favour of John S. DeLatre, the original owner. Consideration was $50,000 in cash, of which $25,000 was credited from the May 30, 1988 agreement, and 100,000 Class "A" voting common shares of the Issuer to be issued upon the Issuer becoming a reporting issuer in British Columbia. On July 14, 1989 title to these three claims was registered in the name of John Bissett, who had advanced the $25,000 on behalf of the Issuer, and who held the claims in trust for the Issuer.

On August 11, 1989, Mingold Resources Inc. confirmed in writing to the Issuer that by virtue of Mingold not proceeding to finance the Issuer its rights with respect to the three claims were cancelled.

On January 8, 1990, John Bissett transferred title to these claims to the Issuer without compensation other than reimbursement for his cash outlay. The additional claims making up the Microgold property were staked on behalf of the Issuer in November, 1993 and April, 1994.

On June 7, 1994, the Issuer agreed to purchase from John S. DeLatre one-half of his 5% net smelter return royalty on the Microgold, CIN and DY claims. The purchase price is 100,000 Class "A" voting common shares to be issued upon the Issuer becoming a reporting issuer in British Columbia and the Class "A" shares accepted for trading on the Vancouver Stock Exchange. Mr. DeLatre has the option to terminate the agreement if the conditions of the share issuance are not fulfilled by August 31, 1994.

History and Previous Work

Recorded mineral exploration history in the Stump Lake area dates from the late 1800's. Narrow quartz veins at Mineral Hill, southeast of Stump Lake, were mined primarily between 1916 and 1941. Total production is reported at 70,395 tonnes averaging 3.74 grams per ton gold, 111.75 grams per ton silver, 0.03% copper, 1.42% lead and 0.24% zinc. A small quantity of scheelite was recovered by re-working the tailings during the Second World War.

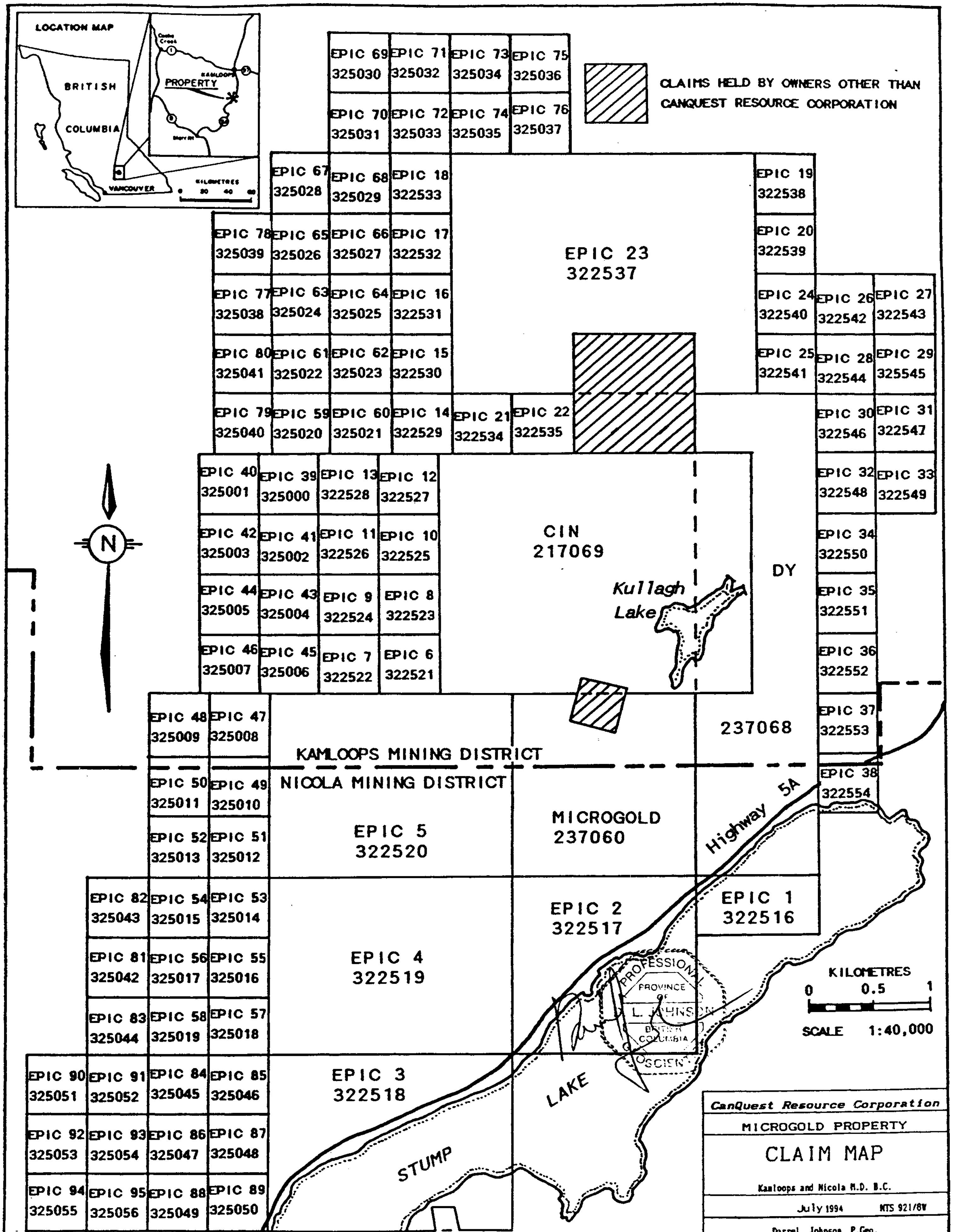
During the 1960's and 1970's, sporadic base metal-oriented exploration targeted areas west and northwest of the Microgold property. Most of this work investigated copper and copper-molybdenum showings along the fault contact between the Nicola Horst and the regional volcanic assemblages. No commercial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

On the Microgold property several ancient, shallow pits attest to some early, unrecorded exploration of silicified zones.

The area north of Stump Lake now encompassed by the Microgold has been explored by several companies and individuals during the 1980's and 1990's. This work has, in general, enhanced rather than downgraded the apparent mineral potential of the area and has generated an extensive data base which should be of great value to ongoing work on the property. This work has covered approximately 60% of the present claim group and has outlined two main zones of silicification and associated mineralization. These are the "Kullagh Lake" zone and the "West" zone.

The Kullagh Lake Zone

The earliest recorded work in the Kullagh Lake area took place in 1981 when a local prospector commissioned a limited soil geochemical survey on what is now the southern half of the Microgold claim. The samples were analyzed for copper, zinc and silver. Results did not warrant recommendation of further work and the claim was allowed to lapse.



LOCATION MAP
BRITISH
COLUMBIA
PROPERTY
KAMLOOPS
VANCOUVER
KILOMETRES
0 20 40 60
CLAIMS HELD BY OWNERS OTHER THAN CANQUEST RESOURCE CORPORATION
EPIC 69 325030
EPIC 71 325032
EPIC 73 325034
EPIC 75 325036
EPIC 70 325031
EPIC 72 325033
EPIC 74 325035
EPIC 76 325037
EPIC 67 325028
EPIC 68 325029
EPIC 18 322533
EPIC 19 322538
EPIC 78 325039
EPIC 65 325026
EPIC 66 325027
EPIC 17 322532
EPIC 23 322537
EPIC 20 322539
EPIC 77 325038
EPIC 63 325024
EPIC 64 325025
EPIC 16 322531
EPIC 24 322540
EPIC 26 322542
EPIC 27 322543
EPIC 80 325041
EPIC 61 325022
EPIC 62 325023
EPIC 15 322530
EPIC 25 322541
EPIC 28 322544
EPIC 29 325545
EPIC 79 325040
EPIC 59 325020
EPIC 60 325021
EPIC 14 322529
EPIC 21 322534
EPIC 22 322535
EPIC 30 322546
EPIC 31 322547
EPIC 40 325001
EPIC 39 325000
EPIC 13 322528
EPIC 12 322527
EPIC 32 322548
EPIC 33 322549
N
EPIC 42 325003
EPIC 41 325002
EPIC 11 322526
EPIC 10 322525
CIN 217069
EPIC 34 322550
DY
EPIC 44 325005
EPIC 43 325004
EPIC 9 322524
EPIC 8 322523
Kullagh Lake
EPIC 35 322551
EPIC 46 325007
EPIC 45 325006
EPIC 7 322522
EPIC 6 322521
EPIC 36 322552
EPIC 48 325009
EPIC 47 325008
237068
EPIC 37 322553
KAMLOOPS MINING DISTRICT
NICOLA MINING DISTRICT
EPIC 50 325011
EPIC 49 325010
EPIC 38 322554
Highway 5A
MICROGOLD 237060
EPIC 52 325013
EPIC 51 325012
EPIC 5 322520
EPIC 82 325043
EPIC 54 325015
EPIC 53 325014
EPIC 2 322517
EPIC 1 322516
EPIC 81 325042
EPIC 56 325017
EPIC 55 325016
EPIC 4 322519
PROFESSIONAL
PROVINCE OF
L. JOHNSON
BRITISH COLUMBIA
SCIENTIST
KILOMETRES
0 0.5 1
SCALE 1:40,000
EPIC 83 325044
EPIC 58 325019
EPIC 57 325018
EPIC 90 325051
EPIC 91 325052
EPIC 84 325045
EPIC 85 325046
EPIC 3 322518
LAKE
EPIC 92 325053
EPIC 93 325054
EPIC 86 325047
EPIC 87 325048
STUMP
EPIC 94 325055
EPIC 95 325056
EPIC 88 325049
EPIC 89 325050
CanQuest Resource Corporation
MICROGOLD PROPERTY
CLAIM MAP
Kamloops and Nicola M.D. B.C.
July 1994
NTS 92I/8W
Darrel Johnson P.Geo.

Serious gold exploration north of Stump Lake started in 1982 with the identification of gold-bearing epithermal quartz veins and alteration zones and the staking of the 20 unit Microgold claim.

In October 1982, Chevron Canada Resources Ltd. optioned the Microgold claim and expanded the property to 45 units by staking the CIN and DY claims to protect inferred extensions of favourable geology.

Chevron carried out a limited program of geological mapping and geochemical soil sampling followed by four diamond drill holes totalling 666 m (2,186'). Three of these were angle holes drilled to less than 110 m. The fourth was drilled vertically to a depth of 410 m. Narrow drill intersections in siliceous veins and brecciated volcanics returned gold values as high as 1,125 parts per billion but were not pursued.

In 1985 the three claims were optioned by BP Minerals Canada Ltd. A grid was established with 78 kilometres of picket lines 100 m apart and 50 m station intervals. BP's three-month program in the summer of 1985 consisted of geological mapping of the three claims, soil geochemistry over most of the southern half of the Microgold, CIN and DY claims and limited magnetometer and electro-magnetic surveys over a small portion of the southern half. This work outlined a broad, "X" shaped, weakly gossanous, bleached alteration envelope with secondary silicification and widespread gold values in rock and soil samples over 1.5 km square area.

BP followed its surface work with 22 diamond drill holes clustered in two main areas. Seven holes were drilled over a 200 m x 200 m area on the original "discovery" silicified knoll. Fourteen holes probed a 600 m x 600 m area at the south end of Kullagh lake. BP's objective was to outline a near-surface gold reserve suitable for open pit extraction, with little focus on vein potential. Holes averaged slightly less than 100 m each. Some 49% of the drilling was in vertical holes. While appropriate to the bulk tonnage, open pit objective, vertical holes are less than ideal in the search for steeply dipping vein type mineralization.

Results were presented as averages over entire drill hole lengths. With one exception, all the holes returned highly anomalous gold values (one hole was drilled in the extreme northwest corner of their property away from the main silicified area). The highest results were in a hole from the group drilled south of Kullagh Lake, and which averaged 221 ppb gold over 120.76 m.

Despite surface evidence of fault structures within the alteration envelope, apparently none of the angle holes were designed to test for "bonanza" gold mineralization in high-angle structurally controlled veins. **This concept remains untested.**

BP's work outlined overall alteration/mineralization patterns on the south central portion of the property and confirmed the pervasiveness of the alteration and silicification below surface. This work also demonstrated extraordinary widespread gold enrichment and secondary silica enrichment over a 1.5 km square area.

Having failed to achieve its primary objective, BP dropped its option on the property.

In 1986 the property was optioned by Asamera Inc. which carried out limited induced potential and electro-magnetic work over a small portion of the southern half of the three claims. Three widely-spaced holes totalling 917.7 m were drilled. These failed to give Asamera sufficient encouragement to continue.

Between 1989, when it first acquired the three claims, and 1993, the Issuer, because of budgetary considerations, performed only limited work programs on the claims. That work successfully confirmed and extended the geophysical and geochemical anomalies.

In November, 1993, the Issuer staked 38 additional claims surrounding the original three claims whose epithermal exposures are now designated as the "Kullagh Lake Zone".

Late in January 1994, following recommendations of its consulting geologist in the Microgold Report dated January 1994, the Issuer conducted an airborne geophysical survey of the entire property at a cost of $33,443. The helicopter-borne survey involved magnetometer and multichannel electro-magnetic coverage over approximately 381 line kilometers oriented northwest with 150m line spacing. The objective was to (a) highlight previously unrecognized zones of silicification and/or sulphide enrichment; (b) help trace structures under drift cover; (c) probe the relationship between the Kullagh Lake and West zones, and (d) refine target areas for detailed investigation.

As at the date of this Prospectus, the Issuer's cumulative expenditures on the Microgold property excluding acquisition costs are as follows:

Paid to field service contractors	$ 109,672
Geological field supervision & project management	54,026
Total expenditures	$ 163,698

The West Zone

In July, 1982, the Canadian Nickel Company Limited ("Canico"), a division of Inco Ltd., staked two 4-post mineral claims, Bag 1 & 2, adjacent to the western boundary of the Microgold claim. The Issuer's recently acquired Epic 3 and Epic 4 claims now cover this area.

Work by Canico in 1983 consisted of prospecting and geological, geochemical and geophysical surveys and outlined two areas of interest. On the southwest part of the property intermittent exposures of parallel quartz-chalcedony veins 6 to 10 cm wide were mapped in and adjacent to a small creek. This zone has an exposed width of 5 m and a strike length of 325 m. The highest analytical results were 35 ppb gold, 0.4 ppm silver and 58 ppm arsenic. In the central part of the two claims a zone of altered volcanics exhibiting brecciation, fracturing, quartz-carbonate veining, silicification and pyritization over widths up to 200 m was traced for 2,200 m to the northern boundary of the property. An arsenic soil anomaly is coincident with the zone. At the north end where the zone is characterized by narrow quartz veins, rock chip analyses returned values up to 880 ppb gold, 3.7 ppm silver, 429 ppm arsenic, 115 ppm molybdenum and 162 ppm copper.

In June of 1984 Goldbrae Developments Ltd. optioned the Bag 1 & 2 claims from Canico and conducted detailed ground magnetometer, electro-magnetic and induced potential surveys over the two claims. This work extended to the north into Goldbrae's Anderson 4 claim, an area now covered by the Issuer's Epic 5 claim. Data from these programs, when correlated with Canico's earlier work, delineated several areas within the main north-south zone with coincident alteration and conductive characteristics. These areas were designated by Goldbrae's consultants as high priority diamond drill targets, including one on the Anderson 4 claim. Further work on the southwest showings, which are characterized by poor exposure and spotty geochemical results, was considered a lower priority. Neither Goldbrae nor Canico followed up on the recommendations.

In 1987 the Bag 1 & 2, Anderson 4 and other contiguous Anderson claims to the west and northwest were optioned by Lectus Developments Ltd. A three-hole diamond drilling program totalling 616.15 m was carried out in February, 1987 to test the southwest zone geochemical and geophysical anomalies outlined in 1983 and 1984. Drill cores confirmed the presence of what was defined as a fossil geothermal environment but no gold or silver values were found in the portions tested. Two of the holes encountered graphite which appeared to correlate with electro-magnetic conductors. Recommendations were made to focus future work on the 2,200 m long central alteration zone, but no further work was performed.

The Bag 1 & 2 and Anderson 4 claims were forfeited in 1991 and re-staked twice by one individual who performed no work. The ground was staked by the Issuer in November, 1993.

Regional Geology

The geology of the area surrounding Nicola Lake, including Stump Lake, has been mapped on a regional scale several times since 1896, starting with a classic study by G.M. Dawson of the Geological Survey of Canada (GSC). Mapping at a scale of 1:253440 was completed by Cockfield (GSC) in 1948 followed by more detailed mapping of selected areas by the GSC in the 1960's and 1970's. A new regional map sheet was compiled by Monger and McMillan (GSC) in 1984. Geological mapping in 1988 and 1989, in conjunction with the LITHOPROBE multidisciplinary earth science project based on seismic surveys, was published by the B.C. government as Open File 1990-29 "Nicola Lake Region Geology and Mineral Deposits" by J.M. Moore et al.

The area north of Stump Lake is underlain by mafic volcaniclastic 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 and a small Tertiary sedimentary basin occupies a structural depression at the south end of Kullagh Lake.

Structurally, the area is dominated by major faults trending north to northeasterly. The Quilchena-Moore Creek fault system, which marks the eastern edge of the Nicola Horst, passes a few km west of the Microgold property. This 015° trending system can be traced for at least 50 km and has been tentatively dated as Tertiary. To the east, the contact of the Nicola and Kamloops formations is marked by the 345° trending Stump Lake fault which cuts along the eastern side of the Microgold claim block and appears to coalesce with the Quilchena-Moore Creek fault a few km north of the property. South of Stump Lake, the Stump Lake fault curves westerly, joining the Quilchena fault at the northeast end of Nicola Lake. This fault-bounded, 25 km long elliptical block of mainly Nicola Group rocks is cut by numerous northerly and northeasterly trending faults. The recently expanded Microgold property covers nearly 10 km of this block.

Some observers have suggested that the polymetallic sulphide assemblages mined at Mineral Hill are mesothermal equivalents of the epithermal gold-bearing quartz veins north of Stump Lake and postulated the presence of a fault structure coincident with the lake or a syncline bordering and parallel to the north shore of Stump Lake. Hard evidence to support this hypothesis is not readily apparent.

Property Geology

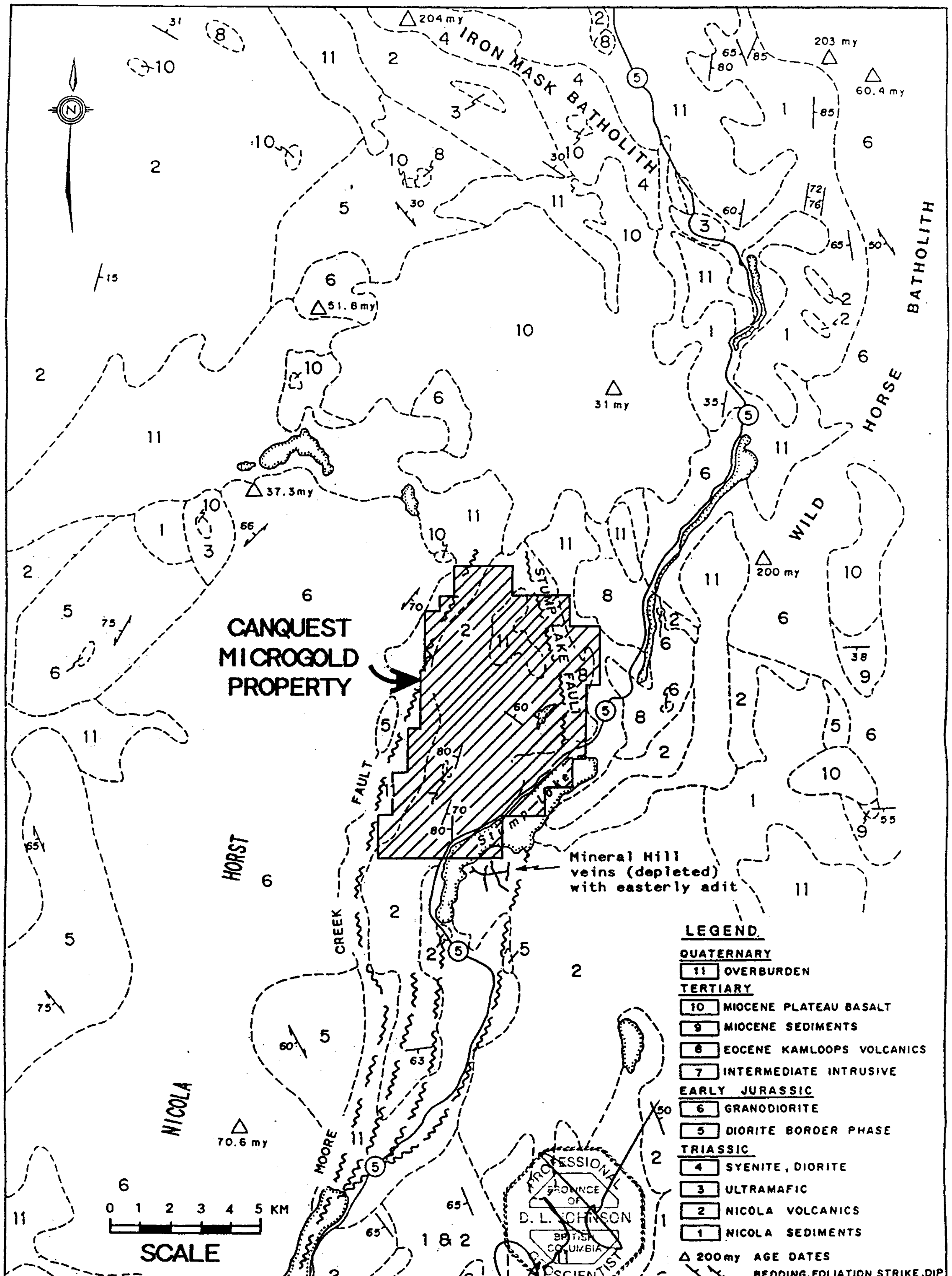
The Kullagh Lake (eastern) portion of the Microgold property is underlain mainly by Triassic "Nicola" Group intermediate to mafic volcaniclastic rocks. This package consists of augite porphyry, red and green pyroclastics and maroon (hematitic) conglomerates. The most common rock type on the property is an andesitic flow breccia.

This typical "Nicola" package, with an apparent slight increase in sedimentary component, extends to the West zone area where argillite, occasionally graphitic, is found interbedded with tuffs.

Mudstone, siltstone, sandstone and multilithic conglomerate occur in a small, probably structurally controlled sedimentary basin at the extreme south end of Kullagh Lake. This unit is thought to be the basal remnant of a more extensive Lower Eocene basin which covered the area. Minor coal seams reported on the western portion of the property may correlate with this unit.

Basaltic flows and breccias of the Upper Eocene "Kamloops Group" outcrop east of the Stump Lake fault, near the eastern property boundary.

Blocky, angular slabs of granitic float can be found on the claims. Various workers have speculated on the presence of a buried intrusive beneath the Kullagh Lake area which might be the ultimate heat source driving the epithermal system. The only known intrusive body on the Microgold property was mapped in 1985 about 3.5 km southwest of Kullagh Lake.



CANQUEST RESOURCE CORPORATION

MICROGOLD PROJECT NTS 92I/8W

REGIONAL GEOLOGY

July 1994

D. Johnson, P.Geo.
(after Gamble, 1985)

Alteration

Silicification, generally as chalcedony, is widespread, occurring as finely laminated veins or brecciated veins. Chalcedony veins are extensive and persistent. Individual veins, of which flat lying examples are the strongest, can be traced for more than 250 metres, with thickness to 2 m. Exact relationships between flat and vertical veins are unclear, although this is obviously a multi-episodic system.

Within veins and breccia zones, minor pyrite is the only common sulphide.

Fluorite, a common accessory mineral in epithermal systems, is found both within veins as fine laminations and along selvages, in amounts up to 10% of the vein material.

One of the main features of the Kullagh Lake area is a broad "X" shaped, gossanous, bleached alteration envelope, probably controlled by two main structures. Trending 010° and 080° two limbs of the "X" intersect at the south end of the "tongue" extending southerly from Kullagh Lake. Three BP drill holes, all with estimated secondary silica greater than 10% and the highest average gold values on the property, are located within the intersection zone. The presence of secondary silicification in Eocene sediments dates at least some of the alteration and mineralization events as late Tertiary.

Structure

As mentioned in the section on Regional Geology, the Microgold lies within an elliptical, fault bounded block. This type of extensional environment is a common setting for subsequent intrusive/extrusive activity and related mineral deposition. Ground preparation, especially high angle faulting, is a critical requirement in the emplacement of epithermal mineralization.

Two dominant directions of high angle faulting are evident on the property, trending northeasterly (045° to 060°) and northwesterly (330° to 355°), roughly corresponding to the limbs of the "X" shaped alteration pattern. Most exploration work to date has been focused on the northwesterly structures with east west grid lines and mainly east-west oriented drill holes.

Mineralization

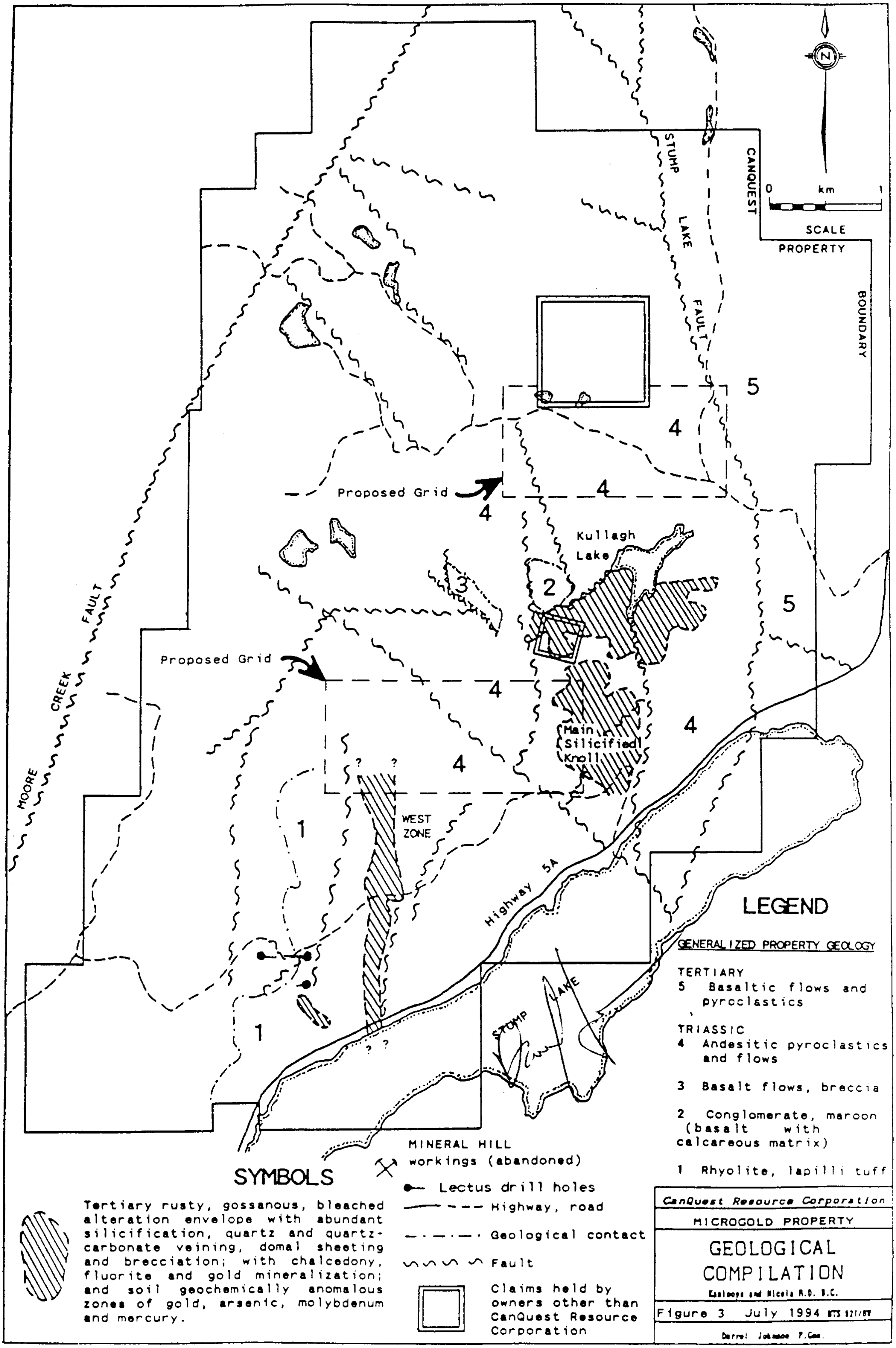
Work to date in the Kullagh Lake area, primarily by BP, has highlighted extraordinary widespread gold enrichment, associated with secondary silicification, over an area approximately 1.5 km square.

Gold mineralization in the West area is less well defined. Although anomalous gold values are known in some of the exposed quartz veins in the 2,200 m long West zone, most of the encouragement in that zone is derived from geochemically anomalous epithermal indicator elements such as arsenic.

Exact mode of occurrence of gold is uncertain. No visible gold has been recognized on the property.

Geochemistry

Epithermal systems are usually marked by a variety of economic and accessory minerals. Previous work on the Microgold has shown fluorine, arsenic, antimony and mercury to be the commonest and most reliable indicators of and companions to gold.



STUMP LAKE FAULT
CANQUEST PROPERTY BOUNDARY
0 km 1
SCALE
MOORE CREEK FAULT
Proposed Grid
Proposed Grid
Kullagh Lake
Main Silicified Knoll
WEST ZONE
Highway 5A
STUMP LAKE
1
2
3
4
5
LEGEND
GENERALIZED PROPERTY GEOLOGY
TERTIARY
5 Basaltic flows and pyroclastics
TRIASSIC
4 Andesitic pyroclastics and flows
3 Basalt flows, breccia
2 Conglomerate, maroon (basalt with calcareous matrix)
1 Rhyolite, lapilli tuff
SYMBOLS
Tertiary rusty, gossanous, bleached alteration envelope with abundant silicification, quartz and quartz-carbonate veining, domal sheeting and brecciation; with chalcedony, fluorite and gold mineralization; and soil geochemically anomalous zones of gold, arsenic, molybdenum and mercury.
MINERAL HILL workings (abandoned)
Lectus drill holes
Highway, road
Geological contact
Fault
Claims held by owners other than CanQuest Resource Corporation
CanQuest Resource Corporation
MICROGOLD PROPERTY
GEOLOGICAL COMPILATION
Figure 3 July 1994

Regional stream geochemical data published jointly by the B.C. and Federal governments shows several sample sites with highly elevated fluorine-in-water values, located from 1 to 3 km north and west of Kullagh Lake. This suggests that epithermal activity, with possible associated gold mineralization, is much more widespread than currently recognized.

The West zone was covered by soil geochemical work by Canico in 1983 and Goldbrae in 1984. The zone is defined by a weak but consistent arsenic anomaly, more than 2 km long, with values generally up to 30 parts per million (ppm) and a spot high of 135 ppm. The low level of geochemical response is believed to be due to deep, clay rich, organic soil cover which presents less than ideal conditions for geochemical exploration.

On the Kullagh Lake zone, closely spaced soil and lithogeochemical sampling undertaken in 1985 by BP defined a major gold anomaly extending 1.5 km from the main siicified knoll at the south end of the grid to the west side of Kullagh Lake.

Within the 1.5 km long main gold anomaly are several clusters of sample sites containing 400 to 600 ppb gold. Typical epithermal indicator minerals, most notably arsenic and antimony, partially coincide with the elevated gold values.

Glacial or other natural dispersions of rocks and soil are not considered to be serious factors in the interpretation of the size and shape of the geochemical anomaly: BP described the soils as reflecting underlying bedrock in a residual fashion; the area encompassing both the surface alteration zones and the gold-in-rock geochemical values is roughly coincident with the area containing the gold-in-soil values, and the analysis of diamond drill cores from holes drilled within the gold-in-soil anomalies shows strong correlation between the gold content of the rock and the overlying soil.

BP's soil geochemical work also outlined several irregular areas of elevated calcium values. This suggests a possible subsurface "caliche" (calcium soil cement) layer, common in semi-arid parts of the B.C. interior, which could seriously hamper geochemical response.

Limited soil sampling by the Issuer in 1991 attempted, with little success, to trace the main gold anomaly to the north of Kullagh Lake. Lack of geochemical response may be due to a substantial increase in soil depth north of the lake, a possible caliche layer, or an offsetting fault (suggested by topography), trending NNE through Kullagh Lake.

Geophysics

Airborne magnetic coverage of the Stump Lake area was published by the Geological Survey of Canada in 1968 at a scale of 1 mile to the inch (1:63360). The northeast half of the Microgold property shows magnetic response elevated approximately 200 gammas over regional background. A second, egg shaped, anomaly near the eastern property boundary may represent a buried intrusive emplaced along the Stump Lake fault zone.

Magnetic, Very Low Frequency Electro-Magnetic (VLF-EM), Pulse Electro-Magnetic and Induced Polarization surveys by Goldbrae have outlined the West zone over a strike length of 2,200 metres. Both pulse and Very Low Frequency Electro-Magnetic show a series of subparallel northerly trending conductors. These coincide well with zones of high (700 ohm-metres) resistivity potentially representing silicification.

On the Kullagh Lake zone, magnetic, electro-magnetic and Induced Polarization work conducted by Chevron, BP, Asamera and the Issuer has covered an area 1.5 km x 2 km extending approximately from Hwy 5A to Kullagh Lake. The most notable feature of this work is a 1 km long, northerly trending zone of +500 ohm-metres resistivity, with highs to 1,500 ohm-metres, extending southerly from Kullagh Lake. This coincides well with mapped silicification and partially with strong gold soil and lithogeochemical anomalies. The use of resistivity to outline silicification should be continued.

Between January 19 and 30, 1994, Dighem, a division of CGG Canada Ltd., conducted 381 km of helicopter-borne geophysical surveying for the Issuer, combining magnetometer, very low frequency electromagnetic, multichannel electromagnetic and resistivity coverage. Flight lines were oriented at 104°, at 150 m spacing, to best explore the two recognized main structural trends (060° & 355°).

In general, the results of the resistivity survey appear to confirm and possibly enlarge the known zones of gold bearing silicification on the property. The results of the magnetic survey appear to outline some faults crosscutting the regional, north-trending fault systems. These potential cross faults may explain the apparent offset of the two main zones of silicification (the Kullagh Lake Zone and the West Zone). The possible presence of these faults reinforces the recommendation that ground geophysics be conducted in the area between the two main zones. Resistivity results also suggest the presence of previously-unknown zones of silicification under cover in the northwest part of the property.

The Issuer intends to submit the Dighem survey results to detailed analysis in conjunction with all the historical exploration data. It is not expected that results of this detailed analysis will significantly alter recommendations for Phase I work.

Work arising from Phase II recommendations, which are not contingent upon the results of Phase I, may be guided by further study of the airborne results.

Cost of this airborne geophysical survey including field supervision and travel, geological consulting fees and base maps and miscellaneous supplies totalled $33,443.43. This expense has been filed for assessment purposes with the B.C. Ministry of Energy, Mines and Petroleum Resources.

Exploration Potential

The Microgold property displays several areas of exploration potential. The prime target is structurally hosted "bonanza" type epithermal gold mineralization. The immediately apparent areas of potential are:

> South of Kullagh Lake ... an area of very high resistivity believed indicative of silicification extends southerly from the south end of Kullagh Lake to the main silicification knoll.
>
> West Zone ... in spite of several generations of exploration, the main 2,200 m long gossanous silicified zone has not been drilled.

The potential for mineralization in the 1.8 km long east-west area between the Kullagh Lake and West zones is unknown, but demands investigation.

The northern half of the Microgold property covers approximately 4 km of the favourable extensional terrain. This area has not been covered by modern geological, geochemical or geophysical work and represents an area of untested potential.

Recommended Work Program

A $478,200 work program is recommended for the Microgold, with two main components:

The two known mineralized zones, in particular the Kullagh Lake zone, require extensive testing for "bonanza" type mineralization in high angle structures. This work must concentrate on locating ore shoots within the known areas of silicification, by extensive closely spaced diamond drilling probing the main structures deeper than previous "surface mineable" oriented work. Drilling should be complemented by fluid inclusion and trace element studies.

The remainder of the property, with emphasis on the area between the Kullagh Lake and West zones, should be covered by an integrated geological, geophysical, geochemical program.

The existing grid should be rehabilitated and expanded. The Kullagh Lake and West zones, which have never been worked as one integrated property, should be tied together. This will require approximately 5 km of baseline. Traditional picketed grid lines on the Microgold are shortlived, mainly due to dislocation by cattle. The new baseline should use semi-permanent steel or plastic stations. Two new grids totalling 60 km, tentatively located north and southwest of the Kullagh Lake zone, should be established.

Grids should be covered by soil and rock geochemical sampling and VLF-EM and magnetometer surveys, with selected areas tested by Induced Polarization.

Geological mapping, prospecting and lithogeochemical sampling, tied to the new grids, is essential.

Cost Estimates

PHASE I

Kullagh Lake and West Zones

Geological Mapping/Prospecting		$ 5,000
Diamond Drilling 11,000 ft. @ $17/ft. (3,340m @ $56/m)	$187,000	
Supervision, etc.	14,000	
Assays, etc.	7,500	
Petrographics	3,500	212,000
Contingency		25,000
Support Costs		
Motel, meals, vehicle, fuel, etc.	9,000	
Miscellaneous		
Telephone, courier, freight, etc.	2,000	
Report Preparation, drafting, etc.	7,000	18,000
PHASE I		260,000
G.S.T.		18,200
TOTAL, PHASE I		$278,200

PHASE II

Remainder of Property

Grid Establishment		
Baseline - 5 km @ $400/km	$ 2,000	
Grid Lines - 60 km @ $200/km	12,000	
Geological Mapping	8,000	
Geochemical Sampling		
Collection - 1,200 @ $5 each	6,000	
Analysis - 1,200 @ $15 each	18,000	
Lithogeochemical Analysis - 200 @ $25 each	5,000	
Geophysical Surveying		
Magnetometer, VLF-EM - 60 km @ $200/km	12,000	
Induced Polarization - 30 km @ $800/km	24,000	$ 87,000
Targets resulting from work on remainder of property:		
Diamond Drilling 4,000 ft. @ $17/ft. (1,214m @ $56/m)	68,000	
Supervision, etc.	6,000	
Assays, etc.	3,000	77,000
Contingency		12,000
Support Costs		
Motel, meals, vehicle, fuel, etc.	6,000	
Miscellaneous		
Telephone, courier, freight, etc.	1,000	
Report Preparation, drafting, etc.	4,000	11,000
PHASE II		187,000
G.S.T.		13,090
TOTAL, PHASE II		200,090
GRAND TOTAL		$478,290

The Issuer expects to commence the exploration program immediately after the proceeds from this Offering are received. The program is expected to be completed by the end of February, 1995. The Issuer intends to issue interim reports on the progress of the work and to disclose promptly any results which might reasonably be expected to affect materially the value of its shares.

COTTONBELT PROPERTY

The information contained herein regarding the Cottonbelt property (except for the description of ownership and terms of acquisition, the description of the property's history, and the description of cumulative exploration expenditures) is derived from a report dated June 20, 1991 and amended February 21, 1994 and an addendum letter report dated July 13, 1994 prepared for the Issuer by Gordon Gibson, consulting geologist in conjunction with David Williams, P.Eng., geological engineer. The report is entitled "REPORT ON THE COTTONBELT PROPERTY". The report is available for inspection at the head offices of the Issuer during normal business hours during the course of primary distribution of the securities offered by this Prospectus and for a period of 30 days thereafter.

Location, Size and Means of Access

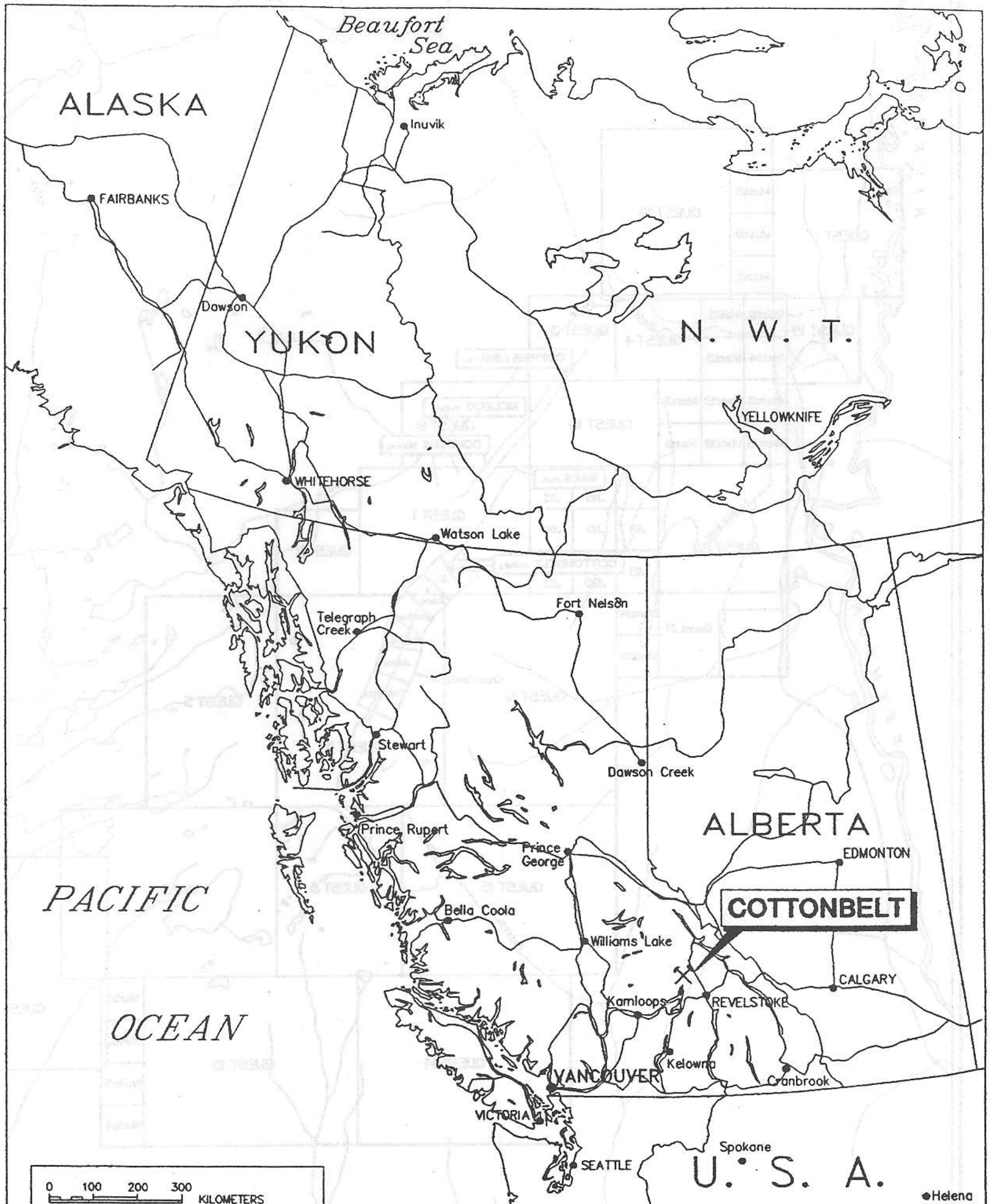
The Cottonbelt property, named after one of the Crown Grants, consists of 7 Crown granted claims and 48 located mineral claims comprising 275 units in the Kamloops Mining Division, British Columbia. Its area is 6,973 hectares (26.9 sq. miles). The property is centred on Longitude 118° 49'20" W and Latitude 51° 26'50" N. NTS reference is 82M/7W.

Crown Granted Claims

Claim Name	Lot No.	Claim Name	Lot No.
Cottonbelt	2105	Joe	2106
Boyne	2107	Harrison	2108
Victoria	2109	Jessie	2110
Wellington	2111		

Located Mineral Claims

Name	Tenure	Units	Expiry	Name	Tenure	Units	Expiry
Quest 1	320425	12	8/20/95	Matt 1	312788	1	8/23/95
Quest 2	320426	4	8/20/95	Matt 2	312789	1	8/23/95
Quest 3	320424	4	8/19/95	Matt 3	320420	1	8/19/95
Quest 4	218693	4	8/23/95	Matt 4	320421	1	8/19/95
Quest 5	320427	15	8/20/95	Matt 5	320422	1	8/19/95
Quest 7	320428	20	8/21/95	Matt 6	320423	1	8/19/95
Quest 8	320429	12	8/21/95	J 13	312493	1	8/16/95
Quest 9	312496	6	8/16/96	J 14	312494	1	8/16/95
Quest 10	312786	6	8/23/96	J 15	312495	1	8/16/95
Quest 11	316233	20	11/04/95	J 16	319786	1	7/28/95
Quest 12	319785	20	7/28/95	J 17	319787	1	7/28/95
Quest 13	320430	20	8/21/95	J 18	319788	1	7/28/95
Wolfe 1	320416	1	8/21/95	J 19	319789	1	7/28/95
Wolfe 2	320417	1	8/21/95	J 20	319790	1	7/28/95
Wolfe 3	320418	1	8/21/95	J 21	319791	1	7/28/95
Wolfe 4	320419	1	8/21/95				
Matt 7	324872	1	4/10/95				
Matt 8	324873	1	4/10/95				
Matt 9	324874	1	4/10/95				
Quest 14	324875	20	4/10/95				
Quest 15	324876	20	4/10/95				
Quest 16	324877	20	4/10/95				



DATE	REVISION	INITIAL

COTTONBELT PROPERTY

LOCATION MAP

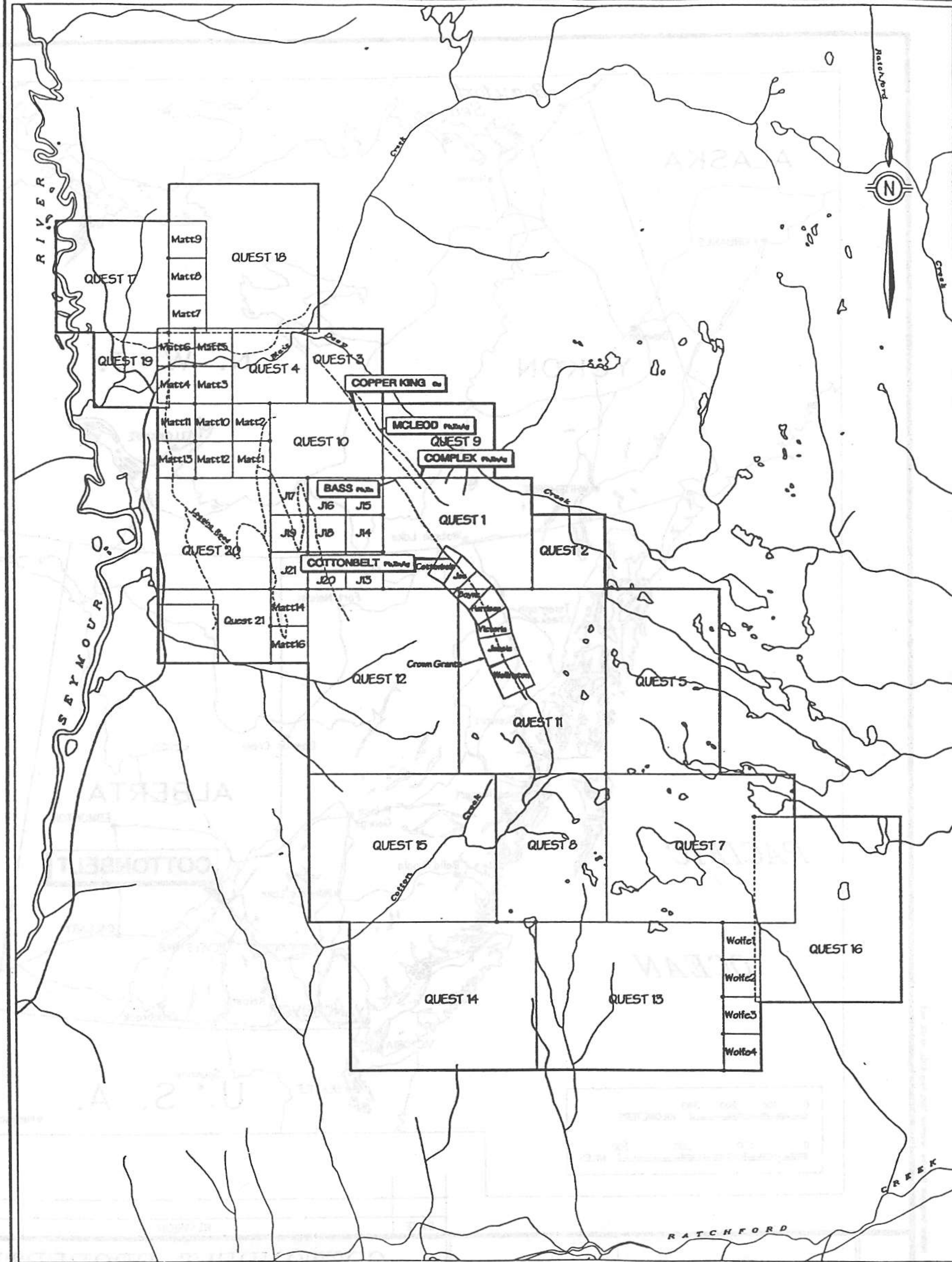
GGA

CanQuest Resource Corporation

COTTONBELT DEPOSIT: KAMLOOPS MINING DIVISION
UTM: 11-373369E,5700916N Lat: 051° 26' 50" N
NTS: 082M07W Long: 118° 49' 20" W
(Source: BC Min. EMPR Minfile; MINFILNO 082M086)

DATE:	June 10, 1991	SCALE:	BAR SCALE	Figure No.
DRAWN By:	G. Gibson, B.Sc.	DWG. No.:	CBFIG1	
APPROVED By:	GGA			

MAP SOURCE: NATIONAL GEOGRAPHIC SOCIETY National Geographic Magazine November 1983, Page 630A, Vol.158, No.5



NOTES:
Claims geocoded to a best-fit by topography
Contour interval 500 FEET

500 0 250 500 750 1000 1500 2000
METRES
Reduced from Original

INTERCREX ENGINEERING

DATE	REVISION	INITIAL
12Jul94	Original Drawing	JDW

CanQuest Resource Corporation

COTTONBELT PROJECT

CLAIM BOUNDARIES

Crown Grants & Located Claims

DATE DRAWN:	JULY 1994	SCALE:	Bar Scale	Figure No.
DRAWN By:	J.D. WILLIAMS, P.Eng.	JOB No.	COTTONBELT PROJECT	1
DRAWING No.:	03a-PPTY	N.T.S.	82M/07W	

Name	Tenure	Units	Expiry
Quest 17	324878	9	4/10/95
Quest 18	325286	16	4/24/95
Quest 19	325287	4	4/24/95
Quest 20	325288	9	4/24/95
Quest 21	325289	6	4/24/95
Matt 10	325290	1	4/24/95
Matt 11	325291	1	4/24/95
Matt 12	325292	1	4/24/95
Matt 13	325293	1	4/24/95
Matt 14	325294	1	4/24/95
Matt 16	325295	1	4/24/95

The 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 claims lie on Mt. Grace at elevations of approximately 730 - 1,985 metres. Much of the property is taken up by gently rolling, sparsely treed sub-alpine meadow bounded by steep sloping valleys. Northeast facing slopes are very steep and nearly inaccessible in places.

Logging roads originating at Seymour Arm pass through the lower-elevated northern sector of the property and extend up the western slopes of Mt. Grace to within one kilometer of the Crown Grants. Access to Seymour Arm is via logging roads from Anglemont on Shuswap Lake which in turn is joined to the Trans-Canada Highway by a paved road.

Ownership and Terms of Acquisition

The Issuer owns a 100% interest in the Cottonbelt property.

The Issuer purchased the Cottonbelt, Joe and Boyne Crown granted claims from Chuck's Holdings Corporation, of P.O. Box 910, Merritt, British Columbia, V0K 2B0 pursuant to an agreement dated September 18, 1987 and amended June 7, 1989 and December 6, 1993. The Issuer paid $47,500.

The Issuer agreed to purchase the Harrison, Victoria, Jessie and Wellington Crown granted claims from Rhyolite Resources Inc. pursuant to an agreement dated December 22, 1988. In consideration, the Issuer agreed to pay to Rhyolite Resources Inc. a 4% net smelter return royalty on any production from the seven Crown granted mineral claims plus 50% of any option payments or sale proceeds received by the Issuer with respect to the seven claims, provided that total payments to Rhyolite Resources Inc. shall not exceed $85,000.

On September 13, 1989 title to the seven Crown granted claims was registered in the name of John Bissett, who had advanced the purchase funds on behalf of the Issuer and who held the claims in trust for the Issuer. On January 16, 1990 John Bissett transferred title to the claims to the Issuer without compensation other than reimbursement for his cash outlay.

The Quest 1-8 located mineral claims were staked by and on behalf of John Bissett from August 12, 1989 to August 27, 1989. On January 9, 1990 John Bissett transferred title to the eight located claims to the Issuer without compensation other than reimbursement for his cash outlay. The balance of the claims were staked on behalf of the Issuer during 1992, 1993 and 1994.

History and Previous Work

Prospecting interest in the Grace Mountain area dates from the early part of the present century. The discovery of sulphide mineralization in these early years was followed by staking of the Cottonbelt claim, probably the oldest showing of importance, in 1905.

In 1912 the first recorded assessment work was done on the Cottonbelt lead-zinc-silver layer by Cottonbelt Mines Ltd. Work on the nearby McLeod and Complex copper-lead-zinc showings by independent operators revealed outcrop extending over 1,000 feet.

By the end of the 1914 season a tunnel along the McLeod showing exhibited copper, lead and zinc mineralization along its entire length of 60 feet and the McLeod-Complex mineralized horizon had been intermittently traced over a strike length reported to be 13,500 feet. A copper showing (subsequently named the Copper King) was also explored.

By 1923 the Minister of Mines Report indicates that the Cottonbelt horizon, which strikes about N30W, had an average width of 3 or 4 feet but was quite variable being as much as 6 feet at the Bass shaft. Development work on these claims at that time included a 40 foot shaft on the Bass claim, a shallow shaft on the Victoria claim and a 150 foot tunnel on the Cottonbelt claim. 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.

In the 1925 Minister of Mines report, F.W. Guernsey, a consultant to Cottonbelt Mines Ltd., is quoted as reporting that the Cottonbelt horizon had been traced on surface for 3 miles and that it had a variable width from 2 inches to 6-1/2 feet. Minerals of economic significance were principally lead and zinc sulphides. A sample across 6-1/2 feet of the vein is reported to have assayed 3 oz/ton silver, 12.8% lead, 4.2%zinc, for a value at that time of $11.84 a ton.

Further work in 1926 by Cottonbelt Mines Ltd. included additional surface trenching on the Cottonbelt and Joe claims, and a diamond drill program. The 3333 foot drill program consisted of 16 holes located along 6500 feet of strike length. Fifteen of the holes are reported to have cut mineralization 4 to 12 feet wide at depths varying from 270 to 370 feet below outcrop.

By 1927 the total underground development on the Cottonbelt Mines property consisted of 1,600 feet of drifting, crosscutting and raising. The No. 2 tunnel at an elevation of 5,560 feet had been driven for 855 feet. The No. 1 tunnel, located 100 feet vertically above the No. 2 tunnel, had been driven on the mineral zone for 306 feet. The No. 3 tunnel, which was 300 feet lower and 1600 feet to the northwest of the No. 2 tunnel, had been driven for 420 feet. The Bass shaft was a further 1650 feet to the northwest and some 560 feet below the No. 2 tunnel and had been sunk to a depth of 50 feet. A fourth tunnel south of the Bass shaft was being driven to intercept the mineralized zone below the Bass shaft and was completed for a length of 81 feet in 1927 at which time it was reported to be about 10 feet from the vein intersection.

All of the above work on the Cottonbelt zone had indicated five or six lenses within the main structure and technical personnel associated with the venture at that time had suggested that the Cottonbelt zone, down to the level of the No. 4 tunnel, might contain up to one million tons of metallic mineralization.

In the period 1960 to 1973, two Vancouver-based junior resource companies carried out geophysical and geological work on claims north of the Cottonbelt Crown grant including magnetometer and induced polarization surveys, and detailed geological mapping. The magnetometer work picked out the known mineralized zones and indicated the possible presence of at least three additional zones as well as significant extensions to the known mineralized structures. This geophysical and geological work was restricted to relatively small portions of the area which now falls within the Issuer's claim boundaries.

In 1976 Metallgesellschaft Canada Ltd. conducted a geological study of some 15 square kilometres in the Grace Mountain area. The study included detailed geological mapping and structural analysis of the area and an examination of the sulphide-bearing zones. A magnetometer survey over 14.5 kilometres of grid was also completed as an aid to the geological mapping. This program achieved its general purpose of providing a better understanding of the geological and tectonic controls of the sulphide mineralization.

The 1976 study included detailed stratigraphic studies of the two parallel sulphide zones in the area, now known as the Cottonbelt and McLeod zones, and some structural extrapolation which led to the conclusion that there was a fair chance of the Cottonbelt being a synformal structure and that a repetition of the Ruddock Creek style of mineralization might occur in association with this structure. This geological work was followed up in 1977 with 10.75 line kilometers of induced polarization surveys and in June of 1978 by a diamond drilling program supervised by Metallgesellschaft personnel. The program to investigate this structure consisted of two drill holes from a single set-up and drilled over a total depth of 527 metres (1729 feet). The drill holes failed to penetrate a mineralized horizon of significance although pulse electro-magnetic measurements in one hole indicated that the latter encountered an edge of a conductive sheet dipping 20° - 30° away from the drill hole. The detailed geological work led to the conclusion that both of the known mineralized horizons, Cottonbelt and McLeod, are in fact part of a single folded horizon. The geophysical surveys appeared to support the geological interpretation that a synformal structure connects the outcrops of the McLeod and Cottonbelt zones.

In 1985, a geophysical and geological survey was carried out by a Vancouver-based junior resource company on a claim covering the Crown grants.

In 1987, the Issuer commenced its program of claim acquisition which, by the end of 1992 and apparently for the first time in recorded history, brought all the metallic mineral showings under a single ownership.

In August, 1991, the Issuer constructed a baseline which runs at a bearing of 332° starting from a precisely-located point adjacent to a small lake on the common claim boundary of Quest 7 and Quest 8, through the seven Crown granted claims, and onward to the north claim boundary of Quest 4. Total distance was 7.8 km. The baseline, along with cross lines yet to be constructed, is intended to give a precise spatial control for the Issuer's exploration activities. As a consequence of the magnetic characteristic of the Cottonbelt mineralized layer, the baseline was cut and surveyed under the guidance of a Canadian Land Surveyor. Metal-tagged pickets were emplaced every 100 metres for cross line locations and permanent cairns were erected every kilometre. An accurate profile of the underlying topography was drawn for future survey control purposes.

During the period 1989 through 1993 the Issuer carried out additional programs of physical work on the property to generate assessment credits more than sufficient to maintain the claims in good standing under the Mineral Tenure Act. These programs consisted of claim surveying, trail clearing, preliminary access road surveying and line cutting. All of this was in preparation for planned geological, geophysical and drilling programs.

During the period January 28 to January 30, 1994 an airborne geophysical survey encompassing 453 line kilometres was conducted over the Cottonbelt property by Dighem, a division of CGG Canada Ltd. of Mississauga, Ontario. The program consisted of electromagnetic, resistivity, magnetic and very low frequency (VLF) surveys. The total cost of the survey was $38,471.

In general, the results of the airborne survey show that the responses over the known mineralized exposures are extended, and sometimes substantially enhanced, at locations covered by overburden along the presumed strike of the massive sulphide horizon(s).

In addition, the Grace Mountain Syncline appears to be more complicated than the known surface exposures have indicated. Aligned conductors in the hinge area of the fold in the southern part of the property may represent previously unmapped units structurally highest in the fold. There is strong evidence of cross-faulting of the Mount Grace Syncline in a northeast-trending transverse zone following the valley of Cotton Creek. Uplift of cross-faulted blocks may help to explain the peculiar northwest "telescoping" of units in opposing limbs of the syncline. Late uplift, if it can be substantiated, will affect estimates of the depth to the main fold hinge - a priority drill target on the Cottonbelt property. Transverse disturbances could also lead to thickened massive sulphide mineralization along the flanks of the syncline.

Clearly, follow-up geological mapping and prospecting is warranted in the vicinity of Cotton Creek, and in other anomalous areas brought to light by the airborne survey.

It is recommended that the Dighem survey results be reviewed in detail in conjunction with all the historical exploration data. The results of that analysis may modify but not substantially change the recommendations for work on the property contained in this Prospectus.

As at the date of this Prospectus, the Issuer's cumulative expenditures on the Cottonbelt property excluding acquisition costs are as follows:

Paid to field service contractors	$ 194,358
Geological field supervision & project management	96,820
Total expenditures	$ 291,178

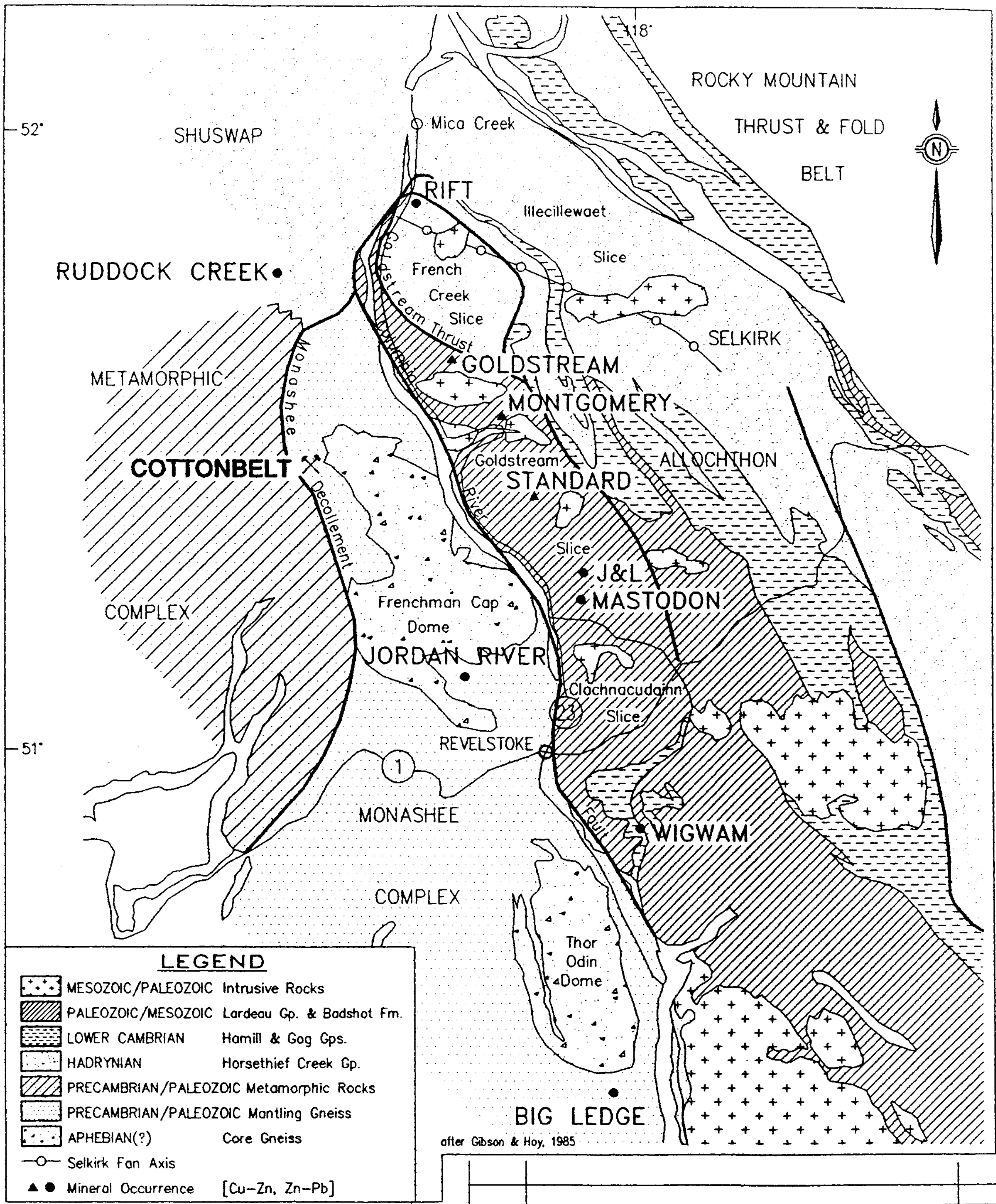
Regional Setting

Geologically, 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 Orogen in southeastern B.C. Unconformably overlying the gneissic "core complexes", a heterogenous and very distinctive assemblage of calc-silicate gneiss, pelitic gneiss, 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, occupying a position along the northwestern flank of Frenchmans Cap gneiss dome. Further south, the Jordan River and Big Ledge deposits reside in stratigraphy that is broadly correlative with the Cottonbelt host sequence.

Local Geology

The Phase I Mount Grace Syncline is an early recumbent isoclinical fold trending northwest with axial surface and both limbs dipping 30-45 degrees to the southwest. The Grace Mountain Syncline has been traced for nearly 30 kilometres along the north and west flanks of Frenchmans Cap dome. Within the Cottonbelt property the hinge zone is contained almost entirely within a 600 to 700 metre thick sequence of metasedimentary rocks and is interpreted to have a shallow plunge of 10-15 degrees to the southeast. It is well defined by the inverted repetition of distinctive and regionally continuous marker horizon of stratiform carbonatite and white marble, and by stratigraphic facing directions preserved in basal quartzites of the metasedimentary cover sequence. As early as 1976, geologists in the employ of Metallgesellschaft Canada Ltd. argued convincingly that the COTTONBELT - BASS and MCLEOD - COMPLEX horizons are a single massive sulphide layer transposed across the Mount Grace Syncline (see History and Previous Work). Furthermore, the possibility of tectonic thickening of the sulphide-oxide layer by folding would not be without precedent among neighbouring deposits in the Kootenay Terrane and Selkirk Allochthon (see below).

RUDDOCK CREEK, RIFT and GOLDSTREAM are massive sulphide deposits located respectively 35 kilometres north, 50 kilometres northeast and 35 kilometres east of the COTTONBELT PROPERTY. At RUDDOCK CREEK the 5 million tonne "E" zone occupies the core of a Type 3 interference fold. At the GOLDSTREAM deposit, stretching along regional Phase 2 lineations has produced a ruler-shaped orebody with several high-grade "plumes". GOLDSTREAM, a 3.1 million tonne "Besshi-type" massive sulphide orebody grading 4% Cu and 3% Zn, originally developed by Noranda Mines has recently been placed back into production by Bethlehem Resources Corporation and Goldnev Resources Corporation. Parallel "rods" or mullion structures at the RIFT occurrence are thought to be protracted Phase 3 kink folding with subsequent rotation.



DATE	REVISION	INITIAL

GGA

CanQuest Resource Corporation

0 5 10 20 30 40
KILOMETRES

COTTONBELT PROPERTY

REGIONAL TECTONIC MAP

DATE:	June 10, 1991	SCALE:	BAR SCALE	Figure No.
DRAWN By:	G. Gibson, B.Sc.	DWG. No.:	CBFIG2	
APPROVED By:	GGA			

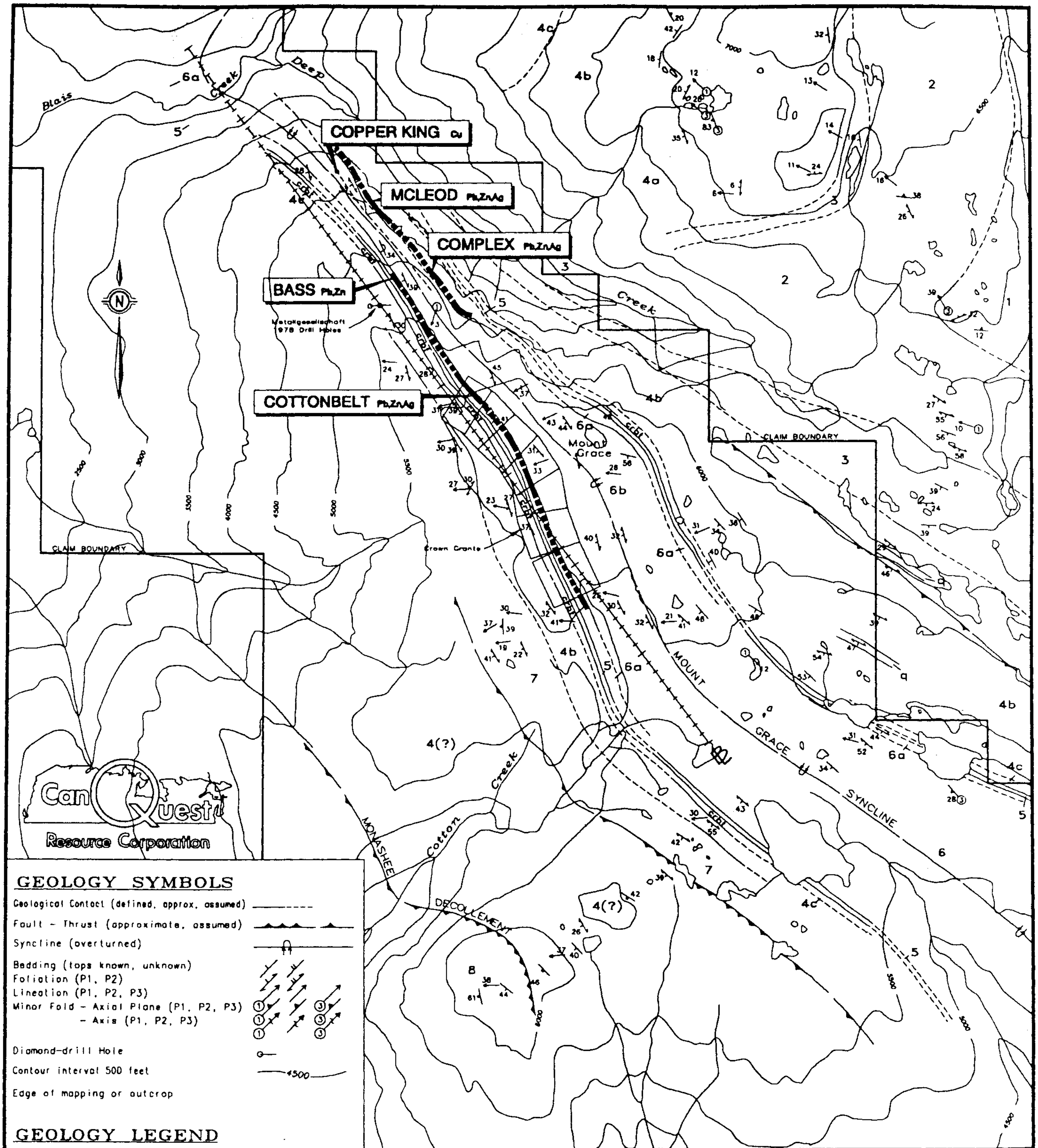
Mineral Occurrences

The COTTONBELT - BASS massive sulphide-oxide layer has a thickness which varies from 15cm to approximately 3m, with an average width of 1 - 2 metres. It has been traced with covered intervals on the southwest limb of the syncline continuously for a distance of 3km on that portion of the Issuer's property starting from a plateau on the south end of the Crown granted claims, northwest along structure to the northwest corner of Quest 1 near the Bass shaft, a point approximately 350m lower in elevation. Isolated sampling suggests that from there, the layer continues to the northwest for 1.8km horizontally and 500m vertically downward onto the Issuer's Quest 3 and 4 claims. Furthermore, regional mapping by government geologists has strongly suggested that the structure in which the mineralized layer is known to occur, continues northwest to at least the northern boundary of the Issuer's Quest 3 and 4 claims, and perhaps beyond. To the south of the Crown grants, an inspection of government airborne magnetometer maps suggests that the lead-zinc-silver-magnetite mineralized layer may continue to the southeast for at least 3km on the Quest 8 and Quest 7 claims.

In 1923, Mr. A.W. Davis, Resident Mining Engineer for Kamloops in the British Columbia Bureau of Mines calculated in his published annual report that the average grade of mineralization in the Cottonbelt workings was 9% lead, 12% zinc and 2 oz/ton of silver. The Resident Mining Engineer for 1927, Mr. H.G. Nichols, in his annual report estimated that the mineral zone outlined on surface and in the No. 2 adit, if extended vertically by 560 ft. down to the level of the No. 4 adit, could contain approximately 1,000,000 tons. The combination of these two calculations is relatively similar to an estimate contained in Bulletin 80 from the Geological Survey Branch of the B.C. Ministry of Energy, Mines and Petroleum Resources, published in 1987, where Trygve Hoy, Ph.D., from historical sources reported 725,000 tonnes containing 6% lead, 5% zinc and 50 grams silver per tonne. No dimensions were provided. Significantly, these potential reserve tonnages are contained within only a small portion of the presently-known lateral and vertical surface extent of lead-zinc-silver mineralization on the Issuers claims.

The COMPLEX showing, and its extension to the northwest referred to as the MCLEOD zone, are a repetition on the northeast limb of the Mount Grace syncline of the COTTONBELT mineralized horizon. The mineralization, in a layer up to 4m thick, is similar to the lead-zinc-silver-magnetite assemblage of the COTTONBELT. In contrast to the COTTONBELT which follows a ridge down the fairly uniform north slope of the mountain, the MCLEOD-COMPLEX showings and small workings are on the precipitous northeast flank which descends 650m in a series of vertical cliffs. As a consequence, the extent of sulphide mineralization within the stratigraphic horizon has not been fully traced but it may extend up to 4km. The COMPLEX showing has been traced on the Issuer's property for a distance of 600m in a southeast direction from the northern boundary of the Quest 1 claim. Northwest of that boundary, the zone has been exposed intermittently for approximately 800m. Two samples taken in 1927 from a 20m-long adit assayed 34.3g/tonne silver, 0.3% copper, trace lead and 2% zinc from the face and 185.1g/tonne silver, 2% copper, 12% lead and 18% zinc from the portal. The most recent surface sampling at intervals along the exposed 730m length of the MCLEOD zone consisted of 21 chip samples across an average width of 1.4m taken in 1966. The average of the assays was 5.39% lead, 6.51% zinc and 104.6 grams (3.3 oz) of silver per tonne. It is likely that the MCLEOD-COMPLEX mineralized horizon continues northwest onto the Issuer's Quest 3 claim as well as further southeast on the Quest 1 claim. It is not known if the zone continues southeasterly under overburden and parallel to a white crystalline marble layer, 10 to 15 metres thick, which is the most distinctive marker unit for the COTTONBELT layer, and which stands out prominently on the northeast limb for at least 4km southeast of Mount Grace.

COPPER KING is a zone of disseminated chalcopyrite, bornite, sphalerite and pyrite hosted by quartzite in the core area of the Mount Grace syncline. It is the only known local example of mineralization in any horizon other than the COTTONBELT-BASS and MCLEOD-COMPLEX zones. The zone parallels the McLEOD-COMPLEX layer but is structurally higher (younger) and therefore closer to the fold axis. A 43 metre long adit and several open cuts constructed in the period 1914-1916 expose 300 metres along strike on the Quest 9 and Quest 10 claims. Three chip samples were taken from the open cuts in 1966, each of which assayed approximately 4% copper over 1.5 metres with some minor silver values. Three channel samples approximately 2 metres in length were cut in 1970 from the walls and back of the adit. Two of them assayed approximately 2% copper and 4 gm/t silver and the third returned values of 3.5% copper and 7 gm/t silver. A fourth was cut from rock essentially barren of



GEOLOGY LEGEND

ALLOCHTHONOUS COVER

8	Schist, gneiss, amphibolite; minor marble; pegmatite

MONASHEE COMPLEX — AUTOCHTHONOUS COVER, *Precambrian to Paleozoic(?)* — COTTONBELT SEQUENCE

7	Orthogneiss, syenitic and monzonitic
6	Schist, gneiss, marble, quartzite
6b	Kyanite-sillimanite schist; minor amphibolite, marble (m), quartzite (q)
6a	Calc-silicate gneiss, kyanite-sillimanite schist, marble (m)
(black bar)	COTTONBELT lead-zinc-magnetite layer
5	Marble, white, grey weathering
4	Schist, calc-silicate gneiss, marble, quartzite
4d	Amphibolite (metavolcanic), quartzite
4c	Calc-silicate schist, gneiss; kyanite-sillimanite schist, marble (m), quartzite (q)
crbt	Mount Grace carbonatite
4b	Kyanite-sillimanite schist, gneiss; minor quartzite (q)
4a	Calc-silicate gneiss, kyanite-sillimanite schist; quartzite, amphibolite
3	Quartzite, micaceous schist

CORE GNEISS — *Aphebian(?)*

2	Paragneiss, schist; minor amphibolite, quartzite
1	Orthogneiss - augen gneiss, granitic gneiss, amphibolite

1000 METRES 0 500 1000 1500 2000

COTTONBELT PROJECT

PROPERTY GEOLOGY

(after Hoy, 1987)

DATE:	JULY, 1994	SCALE:	1 : 50,000	Figure No.
DRAWN By:	J.D. WILLIAMS, P.Eng	JOB No.	COTTONBELT PROJECT	
DRAWING No.:	03b-GEOL	N.T.S.	082M/07W	

mineralization and returned no significant values. Three of the 1970 samples also contained minor amounts of gold. A detailed inspection of the B.C. Department of Mines reports from the 1906-1920 period reveals that similar copper showings occur on strike with, and on either side of the COPPER KING zone in steep, rugged terrain over a potential strike length of at least 2.4 km on the eastern limb of the syncline, and possibly as much as 3.5km. These showings, with reported comparable to higher copper assays than those noted above, need to be rehabilitated from their current overgrown condition. The potential for any further strike extension of this copper-bearing horizon is considered excellent, in view of the known extent of the east limb structure on the Issuer's property. While any repetition of the east limb copper horizon in the west limb has not yet been determined, copper-bearing float has been reported in the area of the west limb some 3 km south of the COPPER KING occurrence. Subsurface "outcropping" or alpine cover may have to date forestalled the identification of such a repetition.

Recommendations

Massive sulfide-oxide mineralization of the COTTONBELT property is remarkable for its lateral and vertical continuity. Work should begin in the area of underground development in the COTTONBELT-BASS area and progress along both strike directions. In the recommendations that follow, a program of diamoml drilling along with ground geophysics and geological mapping will attempt to confirm and possibly extend known mineralized zones in that area. This work is budgeted at $306,180 and will take about six weeks to complete. Results from this program are expected to serve as the basis for a subsequent stage of work covering a much greater portion of the property. The following lists the scope and purpose of work involved in the recommended program.

Grid Preparation: About 65.8 kilomelers of cross lines will establish horizontal control over the immediate area of interest. A total of 34 lines running off the already established base line between L1800N and L5100N will be cut on 100 meter spacings. Except for shorter lines in the northeast area of the grid that will meet rugged ground, they will be two kilometers long centered on the baseline. The grid will cover all of the COTTONBELT sulfide-oxide layer through the Crown granted claims and continue northwest to the Bass shaft. Additional short lines at 50 meters spacing may be prepared where the sulfide-oxide layer is widest.

Geological Mapping: Mapping along with some chip sampling will provide a basis for correlation between surface geology and stratigraphy interseated in drill holes. Mapping will cover the immediate COTTONBELT area and move into other areas if the budget permits. Special attention should be paid to identifying thickened massive sulfide mineralization especially in drag folded or cross-faulted areas. This extra effort may provide clues to trends or shoots within the mineralized layer that could influence drill locations for this or later programs. It is important that outcrops and especially underground workings be located relative to the surveyed baseline as accurately as possible.

Geophysical Survey: A very low frequency electromagnetic (VLF-EM) survey will be conducted over 35 line kilometers centered on the COTTONBELT workings. The field data will be filtered with the relatively new Karous-Hjelt technique that generates a current density pseudosection. Pseudosections of this type could provide a pictorial indication of the depth of various current concentrations which are caused by subsurface features such as mineralization, faults, shear zones or stratigraphic conductors. Combined with geological mapping and drill core this technique could resolve the character of mineralization at depth.

Diamond Drilling: This program will emphasize the COTTONBELT zone near the underground workings at Level 1 and 2 in an effort to provide an indication of the continuity of mineralization below surface. A series of 11 holes on lines 3600N, 3700N and 3800N are proposed, totalling 2,100 meters. Five holes on L3700N are intended to intersect the mineralized layer at 100 meter dip-intervals, and three holes on each grid line to either side are expected to dc the same at 150 meter intervals. If this drilling is successful it will indicate the presence of mineralization 200 meters along strike and 500 meters down-dip. It is hoped that the holes on L3700N will also provide clues to the complexity and geometry of the syncline and especially the location of its fold nose. Routine logging of all holes by combined electromagnetic, magnetometer and radiometric methods will be performed. The following is a summary of the drill holes in this recommended program.

Proposed Drill Holes

Drill Hole	Length (meters)	Direction (°Az)	Dip	Grid Coordinates
CB94-A	85	053°	-55°	L3700N 94E BL
CB94-B	170	053°	-55°	L3700N 38W BL
CB94-C	210	053°	-55°	L3700N 142W BL
CB94-D	220	053°	-55°	L3700N 231W BL
CB94-E	250	053°	-55°	L3700N 328W BL
CB94-F	125	053°	-55°	L3600N 36E BL
CB94-G	210	053°	-55°	L3600N 135W BL
CB94-H	245	053°	-55°	L3600N 278W BL
CB94-I	100	053°	-55°	L3800N 23E BL
CB94-J	220	053°	-55°	L3800N 168W BL
CB94-K	265	053°	-55°	L3800N 316W BL
Total:	2100			

Before any thought is given to following up this recommended program, consideration of where to place an access road ought to be the highest priority. Because locations of mineralized outcrops and underground workings lack proper control, an expanded program should try to locate them as precisely as possible from the survey baseline. In addition, the underground workings may provide substantial information if they could be rehabilitated.

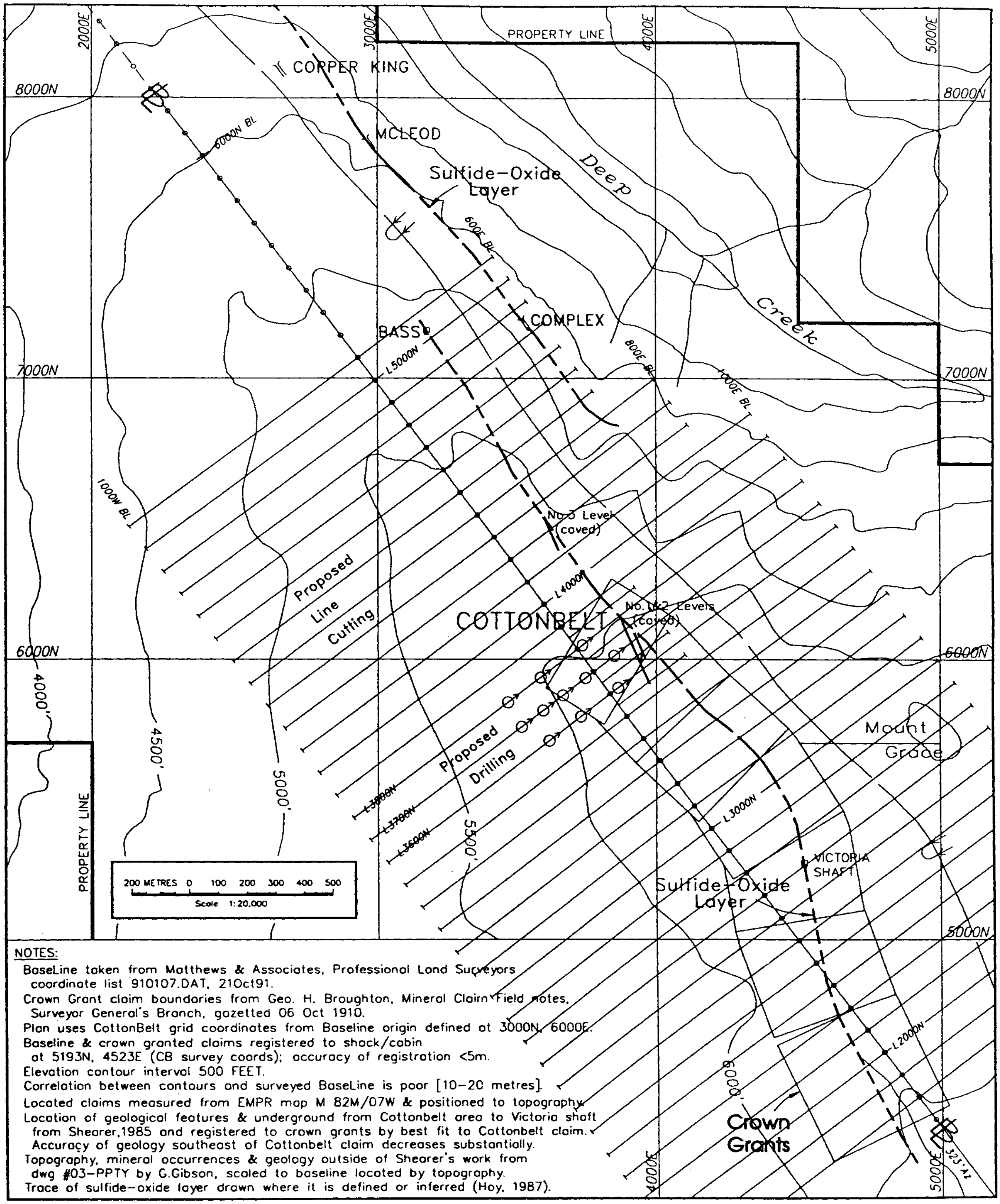
Subsequent work should have a much wider scope than this program. The grid ought to be enlarged to cover the majority of the property followed by mapping, geophysics and soil geochemistry. Mapping near the COPPER KING, in rugged and overgrown areas along with chip sampling may begin to substantiate the extent of the zone along strike as well as its grade, thickness and continuity. Extending this work in the COMPLEX-MCLEOD would be prudent. Follow-on work will involve measuring stratigraphic sections as well as siting drill stations.

Even more drilling than that proposed here will be needed to adequately assess the COTTONBELT along strike and at depth and to test both the COPPER KING and COMPLEX-MCLEOD zones. Ultimately, with continued drilling success, deep holes could penetrate the massive sulfide-oxide layer where it folds around the hinge of the Mount Grace Syncline. Here, potentially thickened mineralization is considered by the author to be the prime exploration target on the COTTONBELT property.

An understanding of the structural geology of the property is crucial. Samples for sawing into slabs for fabric measurement should be gathered. A strain analysis technique where the degree of variation in profile between flattened Class 1C folds and ideal Class 2 folds may be used as a means of determining the magnitude of compressive strain acting across the axial surface of folded layer(s) after the initial buckling process. Applied carefully, this could lead to an empirical estimate of the level of flattening superimposed locally along the Grace Mountain Syncline. With enough fabric measurements of this kind and of sufficiently high quality, in combination with the measured limb separation of Grace Mountain Syncline on the ground, a statistical estimate could be made of the depth to the main hinge.

Soil samples assayed with the I.C.A.P. (Inductively Coupled Argon Plasma) technique may succeed in extending the known mineralization especially if a trace element signature of the highly manganiferous sulfide-oxide horizon can be distinguished.

Another type of geophysics known as the Slingram method may be considered. It is a deep penetration horizontal loop EM variation that uses a moving coil conducted in the time domain (TEM), as opposed to the frequency



NOTES:
- BaseLine taken from Matthews & Associates, Professional Land Surveyors coordinate list 910107.DAT, 21Oct91.
- Crown Grant claim boundaries from Geo. H. Broughton, Mineral Claim Field notes, Surveyor General's Branch, gazetted 06 Oct 1910.
- Plan uses CottonBelt grid coordinates from Baseline origin defined at 3000N, 6000E.
- Baseline & crown granted claims registered to shack/cabin at 5193N, 4523E (CB survey coords); accuracy of registration <5m.
- Elevation contour interval 500 FEET.
- Correlation between contours and surveyed BaseLine is poor [10-20 metres].
- Located claims measured from EMPR map M 82M/07W & positioned to topography.
- Location of geological features & underground from Cottonbelt area to Victoria shaft from Shearer,1985 and registered to crown grants by best fit to Cottonbelt claim. Accuracy of geology southeast of Cottonbelt claim decreases substantially.
- Topography, mineral occurrences & geology outside of Shearer's work from dwg #03-PPTY by G.Gibson, scaled to baseline located by topography.
- Trace of sulfide-oxide layer drawn where it is defined or inferred (Hoy, 1987).

INTEGREX ENGINEERING

CanQuest Resource Corporation

DATE	REVISION	INITIAL
20Feb94	Line cutting, drill program revised for 1994	JDW

COTTONBELT PROJECT
PROPOSED FIELD WORK
Plan View

(Accompanies "Report on COTTONBELT PROPERTY" by G.Gibson, 1994)

DATE: July 1994	SCALE:	1 : 20,000	Figure No.	
DRAWN By: J.D.WILLIAMS, P.Eng.	JOB ID:	COTTONBELT		
DWG No.: 05a-PLAN	N.T.S.	82M/07W		

domain. Its advantages are better resolution of narrow conductors, improved depth penetration, and relative insensitivity to topography. For TEM, depth penetration is a function of the power of the transmitter, not coil spacing. With a standard 600 watt transmitter and a five meter diameter transmit loop, the system is capable of penetrating to depths in excess of 100 meters. If improved definition of a deep target is required for drilling purposes, a fixed loop can be adopted thereby increasing the effective depth of penetration by a factor of 1.5 to 2 times. This survey could be applied over the COTTONBELT workings and may help to delineate the mineralized horizon where there are gaps in geological mapping especially in low ground below tree line in the Blais Creek area. The anomalous magnetic feature straddling Quest 7 and Quest 8 claim groups is a third place that should receive priority by this method.

Conclusions

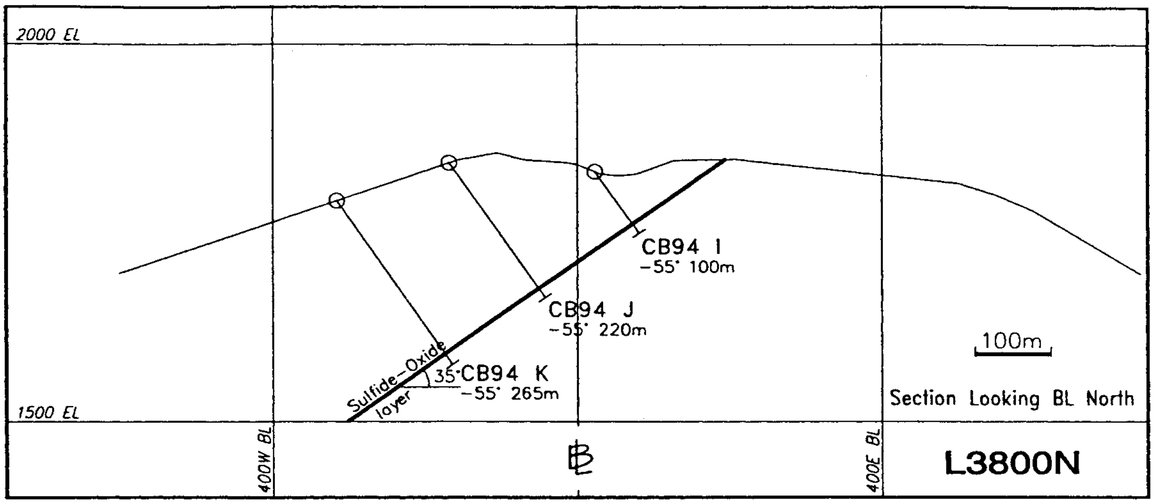
The COTTONBELT Property area covers an assemblage of gneisses, quartzite and marble folded in a tight syncline dipping southwest 30-45°. Within this assemblage a stratabound mineralized zone containing lead, zinc and silver is exposed on both limbs of the syncline and is the focus of additional work outlined in the recommendations.

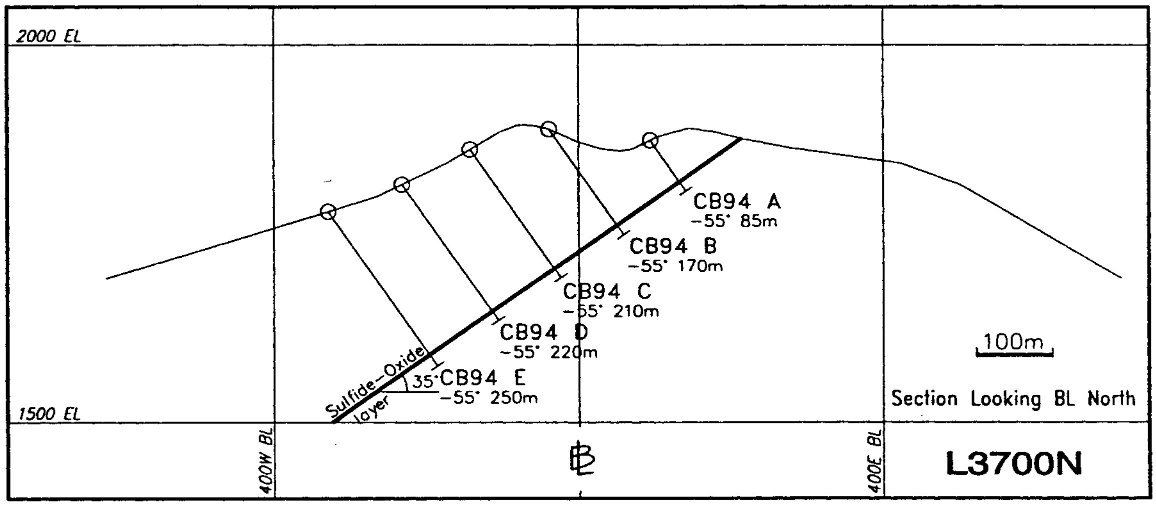
On the southwest limb of the syncline, the COTTONBELT-BASS massive sulphide layer has been traced for 4.8 kilometers along strike and 850 meters in elevation. The tenor of grades are estimated at 6% lead, 5% zinc and 50 g/tonne silver. Along the northeast limb, the MCLEOD-COMPLEX deposits are located in mineralization with 2 kilometers of known strike length. The best recorded assay from the COMPLEX adit returned 185 gm/tonne silver, 0.3% copper, 12% lead and 18% zinc. Thicknesses of the sulphides along both limbs range from 15cm to 3m.

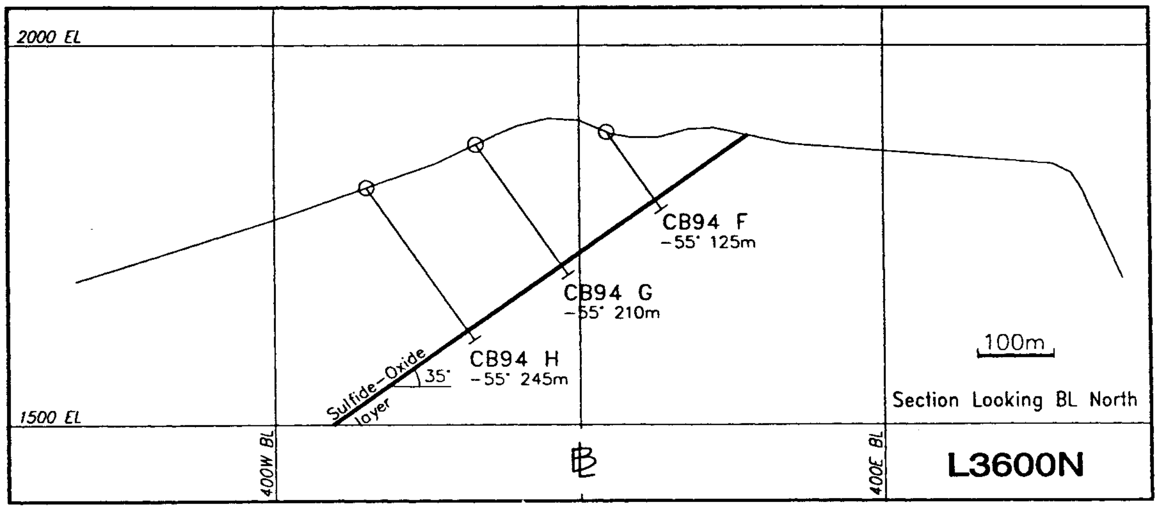
Stratigraphy hosting the mineralized layer is known to extend through the property. Careful exploration applied in areas of overburden or in rugged terrain could lead to additional discoveries along strike. Recent geological interpretation leads to the conclusion that the mineralized layer on each limb of the syncline is the same feature. This has important implications for the potential for mineable tonnage at depth, especially if the sulphides thicken at the nose of the fold.

A separate occurrence, the COPPER KING, lies near the hinge of the syncline and extends on surface for at least 300 meters. It consists of disseminated sulphides in quartzite containing as much as 4.3% copper. This zone is a worthwhile exploration target especially if the reported total strike length of 2.4 kilometers can be confirmed or even extended. Whether it can be expected to appear in the opposite limb of the syncline is speculative since so much of it is obscured by difficult terrain. At the very least, it adds another source of potentially favourable mineralization to the area.

The exploration program recommended in this report is limited principally to the area around the COTTONBELT workings. This program of geological mapping, geophysics and diamond drilling is intended to support the view that the mineralization is as continuous at depth as it is along the surface. This work will take into consideration places where mineralization is likely to be thickened and will develop a structural model of the zone where it nears the hinge of the syncline. If this work can be realized, it is likely to contribute to the success of this program and may hold the promise of finding economic tonnage in follow-up work.







Surface elevations for all section views UNcertain except at BaseLine

INTEGREX ENGINEERING

CanQuest Resource Corporation

DATE	REVISION	INITIAL
20Feb94	Revised program for 1994	JDW

COTTONBELT PROJECT

PROPOSED FIELD WORK

Drill Hole Sections

(Accompanies "Report on COTTONBELT PROPERTY" by G.Gibson, 1994)

DATE:	July 1994	SCALE:	1 : 10,000	Figure No.
DRAWN By:	J.D.WILLIAMS, P.Eng	JOB ID:	COTTONBELT	
DWG No.:	05b-SECN	N.T.S.	82M/07W	

Cost Estimates

Grid Preparation	
65.8 line km @ $250/km	$ 16,450
Geological Survey	
40 person days @ $350/day	14,000
Geophysical Survey VLF-EM	
35 line-km @ $500/km	17,500
Diamond Drilling	
2,100 m BQ @ $72/m	151,200
Borehole Geophysics	
2,000m @ $10/m	20,000
Assays	
400 samples (Cu, Pb, Zn, Ag) @ $20/sample	8,000
Support Costs	
Camp, accommodation & supplies	3,000
Helicopter support 25 hrs @ $800/hr	20,000
Management	5,000
Consulting, Report Prep	5,000
Contingency @ 10%	26,000
G.S.T. @ 7%	20,030
TOTAL	$ 306,180

The Issuer expects to commence the exploration program immediately after the proceeds from this Offering are received. The program is expected to be completed by the end of February, 1995. The Issuer intends to issue interim reports on the progress of the work and to disclose promptly any results which might reasonably be expected to affect materially the value of its shares.

MAGNOLIA PROPERTY

The information contained herein regarding the Magnolia property (except for the description of ownership and terms of acquisition, and the description of cumulative exploration expenditures) is derived from a report dated February 9, 1994 and revised August 12, 1994, prepared for the Issuer by Paul Reynolds, B.Sc., P.Geo., consulting geologist. The report is entitled "GEOLOGICAL REPORT AND RECOMMENDATIONS ON THE MAGNOLIA PROPERTY, NANAIMO MINING DIVISION, BRITISH COLUMBIA". The report is available for inspection at the head offices of the Issuer during normal business hours during the course of primary distribution of the securities offered by this Prospectus and for a period of 30 days thereafter.

Location, Size and Means of Access

The Magnolia property is located on Texada Island, B.C., one kilometre north of the Town of Gillies Bay. This largest island in the Strait of Georgia lies 110km west-northwest of Vancouver and is accessible from Vancouver by car and ferry combinations either directly via Powell River on the mainland or circuitously through the Town of Comox on Vancouver Island. Air service on request is available on certain scheduled flights from Vancouver to Powell River.

The property is centered at 49° 42' 30" north latitude (UTM 5507050 N) and 124° 29' 30" west longitude (UTM 392500 E) on N.T.S. mapsheets 092F/09W and 092F/10E. Road access to and within the property is good. The gravel Central Road and the paved Gillies Bay - Vananda highway cross the northeastern and western boundaries respectively. Interior travel is aided by old logging roads traversable by 4-wheel drive vehicles and other trails suitable for foot access only.

The topographic relief on the property ranges from 60 metres above sea level on the southwest to approximately 250 metres on the east boundary which is on the southwest flank of Mount Pocahontas. The forest cover is mostly second or third growth Douglas fir, arbutus and jackpine on the fairly sparse ridges and cedar, spruce, hemlock, balsam and poplar in the lower elevations.

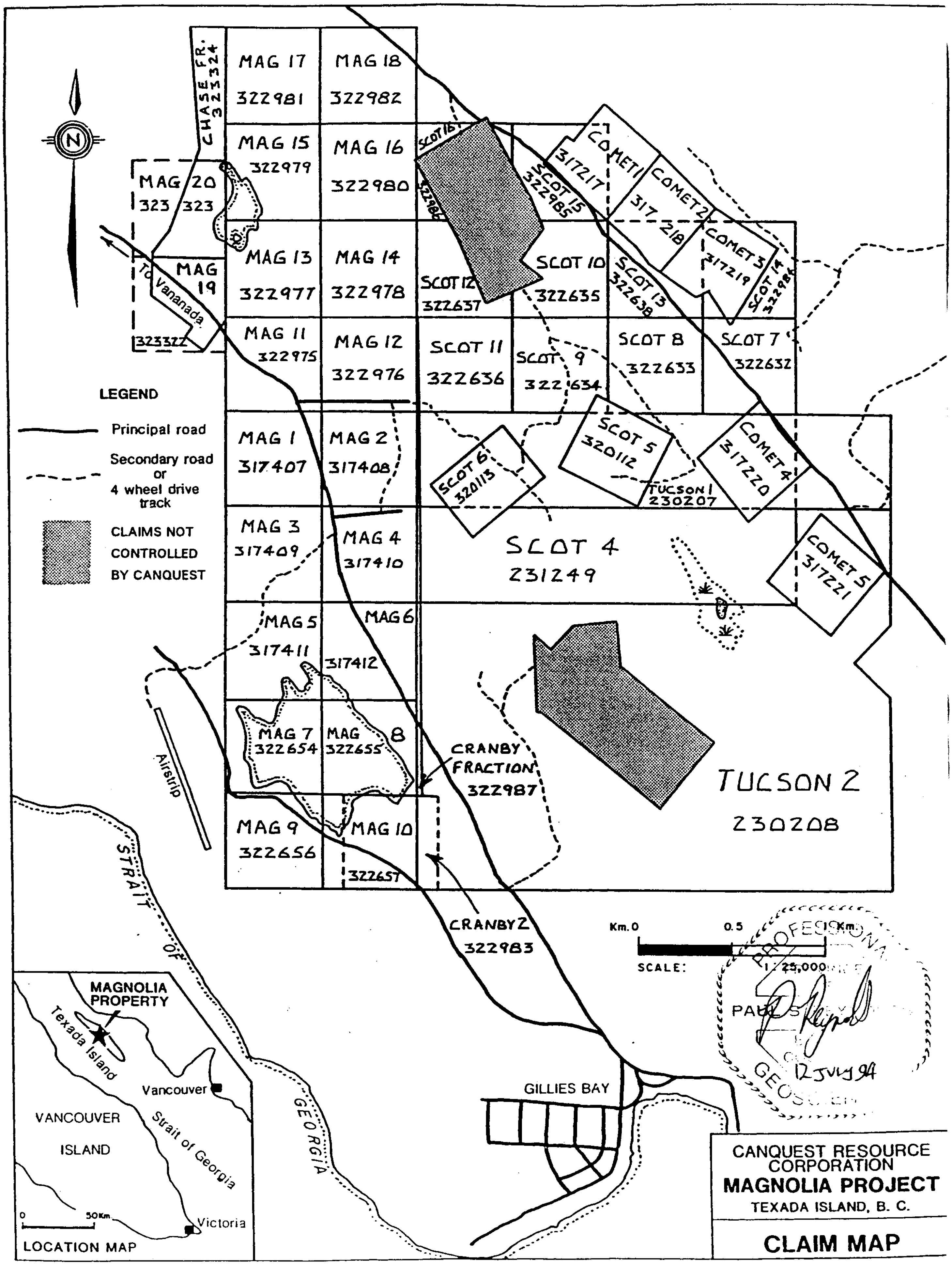
The island is within the "Sunshine Coast" area of British Columbia and features mild winters and moderate, dry summers. Consequently, all aspects of surface exploration may be carried out year round.

Claim Status

The Magnolia property is comprised of 3 four-post claims and 40 two-post claims containing 77 units. The contiguous claims form a group which is approximately 3.5 kilometres by 4.5 kilometres with an area of 1,925 hectares (7.4 sq. miles).

Name	Tenure	Units	Expiry	Name	Tenure	Units	Expiry
Tucson 1	230207	5	11/25/94	Mag 1	317407	1	05/12/95
Tucson 2	230208	20	11/25/94	Mag 2	317408	1	05/12/95
Scot 4	231249	12	10/30/95	Mag 3	317409	1	05/12/95
Scot 5	320112	1	08/16/95	Mag 4	317410	1	05/12/94
Scot 6	320113	1	08/16/95	Mag 5	317411	1	05/12/95
Scot 7	322632	1	11/21/94	Mag 6	317412	1	05/12/95
Scot 8	322633	1	11/21/94	Mag 7	322654	1	11/20/94
Scot 9	322634	1	11/21/94	Mag 8	322655	1	11/20/94
Scot 10	322635	1	11/21/94	Mag 9	322656	1	11/20/94
Scot 11	322636	1	11/21/94	Mag 10	322657	1	11/20/94
Scot 12	322637	1	11/21/94	Mag 11	322975	1	12/13/94
Scot 13	322638	1	11/21/94	Mag 12	322976	1	12/13/94
Scot 14	322984	1	12/13/94	Mag 13	322977	1	12/13/94
Scot 15	322985	1	12/13/94	Mag 14	322978	1	12/13/94
Scot 16	322986	1	12/13/94	Mag 15	322979	1	12/13/94
Comet 1	317217	1	04/29/95	Mag 16	322980	1	12/13/94
Comet 2	317218	1	04/29/95	Mag 17	322981	1	12/13/94
Comet 3	317219	1	04/29/95	Mag 18	322982	1	12/13/94
Comet 4	317220	1	04/29/95	Mag 19	323322	1	01/17/95
Comet 5	317221	1	04/29/95	Mag 20	323323	1	01/17/95
Cranby 2	322983	1	12/13/94				
Cranby Fr.	322987	1	12/14/94				
Chase Fr.	323324	1	01/17/95				

Exploration expenditures incurred during January, 1994 and filed for assessment credits with the Ministry of Energy, Mines and Petroleum Resources are sufficient to extend all the current 1994 claim expiry dates to 1995. The credits will be registered and the claims extended as dictated by the calendar.



CANQUEST RESOURCE CORPORATION
MAGNOLIA PROJECT
TEXADA ISLAND, B. C.

CLAIM MAP

12 JULY 94

Except for some reverted Crown granted claims whose exact positions within the property boundaries are no longer determinable, none of the located claims have been surveyed. The Crown grants in all cases have been overstaked in total or in part by the Issuer to ensure that no gaps exist in the assemblage. Claim locations are determined by reference to government mineral tenure maps for the Nanaimo Mining Division, NTS 092F/09W and 092F/10E. The above expiry dates have been derived from the same mineral tenure records.

The property boundaries contain two small groups of claims not owned by the Issuer. They are: (a) reverted Crown grants Copper Cave (230202), Stobie Fraction (230230), both owned by James E. Newman and located in the north central part of the property, and (b) two-post claims Bolt 1 (229848), Bolt 2 (229849) owned by Damir Cukor and X-ray reverted Crown grant (229535) owned by Kenneth Misner. These last three contiguous claims are located within the Issuer's Tucson 2 claim in the south central part of the property.

Ownership and Terms of Acquisition

The Issuer has a 100% interest in the claims comprising the Magnolia property.

By agreement dated May 18, 1988 and amending agreements dated April 28, 1990 and February 27, 1992 between the Issuer and Darrell M. White and April Julia White of R.R. #1, Box 42, Black Point Road, Powell River, British Columbia, V8A 4Z2, the Issuer purchased the Tucson 1, Tucson 2, Magnolia 1 and Magnolia 2 claims in consideration for $15,000 in cash and 100,000 Class "A" common voting shares of the Issuer to be issued as to 25,000 shares on the date the Issuer becomes a reporting issuer in British Columbia and 25,000 shares on each of the days that falls 6 months, 12 months and 18 months after the first issue. These claims are also currently subject to annual royalty payments of 4% of net smelter returns or $10,000, whichever is the greater, payable to Darrell M. White and April Julia White annually on June 1, until a total of $500,000 in aggregate royalty payments and payments in lieu of royalties shall have been paid. Title to the Tucson 1 and Tucson 2 claims was transferred to John Bissett, who had advanced part of the purchase funds, on October 12, 1989. John Bissett held these claims in trust for the Issuer. Title to the Magnolia 1 and Magnolia 2 claims was transferred to the Issuer by Darrell White on February 16, 1990, on which day John Bissett also transferred title to the Tucson 1 and Tucson 2 claims to the Issuer without compensation other than reimbursement for his cash outlay. The remaining claims were staked on behalf of the Issuer during 1990, 1992 and 1993.

By agreement dated January 12, 1994 and amended June 23, 1994 between the Issuer and Bethlehem Resources Corporation of 700 - 815 West Hastings Street, Vancouver, B.C., V6C 1B4, the Issuer purchased the Comet 1-5 mineral claims in consideration for 50,000 Class "A" shares of the Issuer. Title to the claims remains with Bethlehem Resources Corporation until receipt of the shares which are to be issued when the Issuer becomes a reporting issuer in British Columbia. Bethlehem Resources Corporation has the option to terminate the agreement if the condition of the share issuance is not fulfilled by September 30, 1994. Bethlehem Resources Corporation retained an interest equal to 5% of any net profits from the claims. In addition, the previous owner of the claims, Campbell Resources Inc., of Suite 2701, One First Canadian Place, Toronto, Ontario, M5X 1E5, is entitled to a royalty of 1.25% of the net smelter returns from any production from the claims. The royalty is effective after return of all capital expenditures required to bring the claims into production or after four years of commercial production, whichever is first, and it converts into a 10% net profits interest when royalty payments total 10% of the capital expenditures.

The remaining claims were staked on behalf of the Issuer during 1990, 1992, 1993 and 1994.

Regional Geology

The geology of Texada Island has been reported on by several people since magnetite was first discovered in 1873. G.M. Dawson, of the Geological Survey of Canada, examined the shoreline geology in 1887. A comprehensive report on Texada Island Geology was made in 1914 by R.G. McConnell of the Geological Survey of Canada. That report mainly concentrated on the iron occurrences adjacent to the northwestern shore of the Island. More recent work was done on the skarn mineralization by J.E. Muller of the Geological Survey of Canada who mapped the whole Island on a reconnaissance basis in 1968. Webster and Ray of the B.C. Ministry of Energy, Mines and Petroleum Resources produced a geological map of the northern third of the Island based on reconnaissance mapping during July and August 1989 and information provided by local prospectors, geologists and quarry managers.

Texada Island is located along the eastern margin of both the Insular tectono-stratigraphic belt and the Wrangellia Terrane of the Canadian Cordillera. The oldest rocks mapped on the Island are calc-alkaline volcaniclastics of the Paleozoic Sicker Group exposed on the southeastern tip of the Island. These are unconformably overlain to the north by pillowed to massive basaltic flows and volcaniclastics of the Middle to Upper Triassic Karmutsen Formation. Near the top of the formation the flows contain thin interbeds of fossiliferous limestone. The Karmutsen is conformably overlain by limestones of the Upper Triassic Quatsino Formation whose exposures vary in thickness from marginal east and south of the exhausted iron mines to more than 500 metres at the northern tip of the Island. Cretaceous sediments of the Nanaimo Group crop out around Gillies Bay and may extend a short distance northward under alluvium.

Various stocks and minor intrusions, ranging in composition from gabbro through the more common diorite to quartz monzonite intrude the volcanics and limestones. These have been radiometrically dated as Middle to Upper Jurassic, and may correlate with the Coast Plutonic Complex on the mainland or the Island Intrusions on Vancouver Island. The more mafic stocks, which tend to be concentrated along the northwest trending Marble Bay Fault, are associated with copper-gold skarn mineralization around Vananda and the northeastern tip of the Island. The Gillies Bay felsic stock is associated with several magnetite-rich skarn deposits. Other stocks and minor intrusives reportedly have skarn development but apparently have not been examined in great detail.

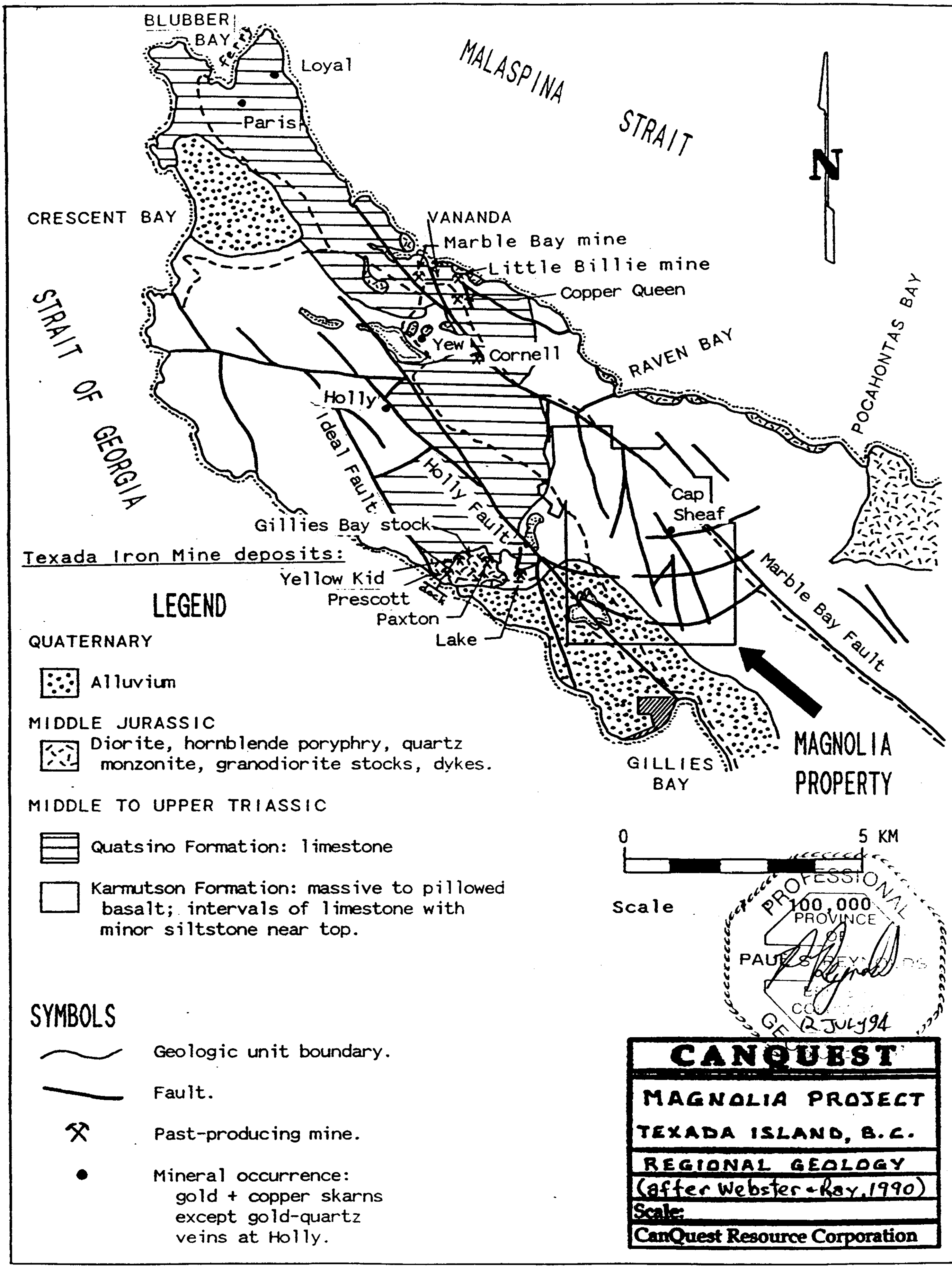
The limestone and volcanics have been deformed into a series of broad, northwest trending open folds that plunge gently to moderately northwards. Three sub-parallel, northwesterly lineaments are the most striking structural features of the north end of the Island. The most persistent and visually striking one, the Marble Bay fault, appears to traverse the entire length of the Island, albeit with some offsets. The other two, the Holly and Ideal faults are substantially shorter. All of them appear to have controlled the emplacement of the Jurassic intrusives and their associated skarn mineralization. The area between these faults has undergone substantial brittle deformation expressed by numerous low-angle splay faults and right-angle faults and shear zones either mapped or inferred from airborne geophysical surveys and aerial photographs.

Regional Economic Setting

Texada Island has a long history of mining and exploration for gold, copper and iron ore that began with the discovery of magnetite in 1873.

Gold, copper and silver were produced during intermittent production mainly from three mines during the period 1896 to 1952. The Marble Bay, Little Billie and Cornell mines, located at Vananda 5 kilometres northwest of the Magnolia property, produced a total of 303,608 tonnes of ore with an average grade of 7.83 grams/tonne gold, 52.74 grams/tonne silver and 2.9% copper. These three deposits were in skarn mineralization at contacts between the Quatsino limestone and diorite intrusions. Other deposits which produced small amounts of ore during the same period were either in similar skarn environments or in quartz-flooded breccia zones along faults cutting the interbedded volcanics and limestones of the Karmutsen formation. It is believed that northwesterly trending faults, as well as long-angle splays from these faults, are associated with the emplacement of the diorite intrusions and locally, skarn mineralization.

Iron ore was mined from a discontinuous line of magnetite-copper lenses, approximately two kilometres in length, situated immediately northwest of the town of Gillies Bay. Magnetite-copper skarn mineralization is developed along either the Quatsino-Karmutsen contact, near the margin of the Gillies stock or along the intrusive-Quatsino contact. Alternatively, skarn mineralization may form in the limestone and volcanic rocks some distance from the stock where the skarn-forming fluids were controlled by near-vertical brittle fractures. Between 1885 and 1976


BLUBBER BAY
ferry
Loyal
Paris
MALASPINA STRAIT
N
CRESCENT BAY
VANANDA
Marble Bay mine
Little Billie mine
Copper Queen
STRAIT OF GEORGIA
Yew
Cornell
RAVEN BAY
POCAHONTAS BAY
Holly
Ideal Fault
Holly Fault
Cap Sheaf
Gillies Bay stock
Marble Bay Fault
Texada Iron Mine deposits:
Yellow Kid
Prescott
Paxton
Lake
GILLIES BAY
MAGNOLIA PROPERTY
LEGEND
QUATERNARY
Alluvium
MIDDLE JURASSIC
Diorite, hornblende poryphry, quartz monzonite, granodiorite stocks, dykes.
MIDDLE TO UPPER TRIASSIC
Quatsino Formation: limestone
Karmutson Formation: massive to pillowed basalt; intervals of limestone with minor siltstone near top.
0
5 KM
Scale
1:100,000
SYMBOLS
Geologic unit boundary.
Fault.
Past-producing mine.
Mineral occurrence: gold + copper skarns except gold-quartz veins at Holly.
PROFESSIONAL
PROVINCE OF
PAUL S. REYNOLDS
B.C.
GE
12 JULY 94
CANQUEST
MAGNOLIA PROJECT
TEXADA ISLAND, B.C.
REGIONAL GEOLOGY
(after Webster + Ray, 1990)
Scale:
CanQuest Resource Corporation

Texada Iron Mines Ltd., produced from four open pits and subsequent underground workings 20,880,900 tonnes of ore which yielded 10,000,000 tonnes of iron concentrate, 887,560 grams of gold, 23,644,310 grams of silver and 26,740,300 kilograms of copper.

Numerous small magnetite lenses associated with limestone beds within the Karmutsen Formation occur near the east coast of the Island from the northern tip to Mount Pocahontas. Most of them contain considerable amounts of copper and at least one of them, the Yew showing which was discovered in 1985, contains free gold in unevenly distributed amounts. None of them has produced on a commercial basis. The Capsheaf and Southcap showings, within the central part of the existing claims, fall under this category. Similarly, a number of small quartz veins and silicified shear zones containing free gold have been discovered on the northern part of the Island. The gold values in these showings were highly variable and proved to be uneconomic. The Holly showing, approximately four kilometres northwest of the Magnolia property, exhibited spectacular near-surface free gold in silicified Karmutsen volcanics within the Holly Fault but subsequent trenching could provide no evidence of economic continuity.

The iron and copper-gold skarns are believed to be coeval, are structurally and stratigraphically controlled and are related to a varied suite of continental margin intrusions that formed part of the early to middle Jurassic Bonanza magmatic arc. The massive, impermeable nature of the Quatsino limestone on Texada Island is detrimental to skarn formation and may have prevented the formation of wide exoskarn halos. The presence of extensive bleaching in limestones is thought to indicate skarn alteration at depth. The Quatsino Formation is being mined from open pits on the northern and northeastern end of the Island. The limestone is crushed, screened and barged to Vancouver and Portland, Oregon for use in a variety of pharmaceutical and industrial uses.

Exploration History

Numerous pits, trenches, adits and at least one shaft on the Magnolia property attest to previous, mostly unrecorded exploration of the property. The Capsheaf showing, within the Scot 5 claim in the centre of the property, occurs within a skarn lens within a gently west-southwest dipping limestone interlayer of the Karmutsen Formation at a diorite intrusive contact. A shaft was sunk, before 1914, to a depth of 27 metres (90 feet) and some drifting done. In 1975, Longbar Minerals Ltd. conducted a magnetometer and electro-magnetic survey in conjunction with geological mapping on and around the Cap Sheaf. Three short diamond drill holes were completed to the south of the Capsheaf shaft. Assay results from drill core included one 1.5 metre (5 foot) section containing 6.17 grams/tonne (0.18 oz/ton) gold, 54.17 grams/tonne (1.58 oz/ton) silver, 5.52% copper and 26.8% iron. Several sections returned 0.5 to 1% copper with negligible gold. Four magnetic anomalies were noted to be worthy of follow-up work.

Reconnaissance-scale geologic mapping, prospecting, and soil/rock geochemical surveys were conducted during 1984 and 1985 on what are now the Comet 1-5 claims by Packard Resources Ltd. A magnetic and EM survey was run over the Bolt 1 & 2 claims by its owner in 1988. Also in 1988, BP Minerals Canada Limited conducted a large-scale soil sampling and geological mapping program on a large block of claims adjoining the north and east of the Magnolia property. Some of the ground surveyed was absorbed by the Magnolia claims in late 1993 and January 1994 and a number of anomalous gold values require investigation.

An airborne geophysical survey was conducted for the Issuer in August 1988. Aerodat Ltd. flew 175 line kilometres over what is now the claim group except for the ground covered by the Mag 13-20 claims in the northwest corner of the property. The survey, with lines oriented at 045° and spaced 125 metres apart, included a four frequency electro-magnetic system, a cesium magnetometer and a dual frequency electro-magnetic system. This survey delineated most of the prominent structural features (vertical gradient magnetics) and postulated several possible bedrock conductors.

In November 1990, reconnaissance scale programs of geologic mapping, prospecting and soil sampling were conducted by the Issuer in an area south of the tear shaped swamp in the east centre of the Tucson 2 claim and in an area of the Tucson 1 claim near the Central Road -Pocahontas Bay Road intersection, including part of the

Comet 4 claim. The purpose was to explore on the ground some areas of intersecting, conductive structures indicated by the airborne geophysical survey. Soil sampling returned some single point anomalous gold values. The prospecting south of the swamp requires follow-up where some potentially significant quartz-flooded shear zones were discovered. On Texada, such quartz-flooded shear zones are commonly associated with gold mineralization.

In April 1991, reconnaissance scale ground magnetic and electromagnetic surveys were carried out by the Issuer south of the above mentioned swamp and in the southwest of the property near the airport. The geophysical features detected corresponded generally with the anomalies indicated by the airborne survey. One additional north-northwest trending conductor was located.

In February 1992, further soil sampling and geophysical surveys together with limited geological mapping were conducted by the Issuer over blazed and flagged grid lines on selected areas of what was then the northern part of the property and limited by the northern boundary of the Scot 4 claim. The analysis of 671 reconnaissance spaced soil samples returned 55 results with anomalous concentrations of precious and/or base metals which served to delineate two gold-in-soil anomalies on the northeast quarter of the Scot 4 claim whose gold values ranged from 35 parts per billion (ppb) to 275 ppb and 20 ppb to 420 ppb respectively.. These two anomalous areas, each of which presently measure roughly 100 metres x 200 metres, are "open" to the north and south thus require further soil sampling. Four short conductors were detected by the electro-magnetic survey proximate to these two gold anomalies. The geophysical survey over the north central area detected ten northwest trending conductors which more or less coincided with airborne survey results. On the west side of the property, covered now by the Mag 3-6 claims, a moderately strong magnetic anomaly was detected in an area of extensive overburden. A model of the anomaly's source, by the consulting geophysicist, suggests a shallow lying massive magnetite body about 20 metres thick and 60 metres wide. The location is 1.4 kilometres east of the Leroy magnetite-copper open pit and close to the inferred easterly projection of the contact between the Gillies Bay diorite stock and the Karmutsen formation.

During the period January 14 to January 22, 1994, a 1,500 metre long baseline was cut in order to tie in the eastern ends of the previously established grid and to establish survey control for geological mapping in the Capsheaf area and the area to the south. The line was picketed, tight chained and marked at 50 metre stations. At the same time, portions of the property were mapped at a scale of 1:10,000. The purpose of the geological mapping was to determine the cause of the various geophysical signatures and to relocate and sample several old showings. Additionally, it was hoped that an explanation of some of the soil anomalies would be gained by mapping. A total of 16 rock samples were collected and sent to Acme Analytical Laboratories in Vancouver, B.C. for analysis.

As at the date of this Prospectus, the Issuer's cumulative expenditures on the Magnolia property excluding acquisition and royalty costs are as follows:

Paid to field service contractors	$ 136,518
Geological field supervision & project management	65,405
Total expenditures	$ 201,923

Property Geology and Mineralization

The property is underlain, for the most part, by basaltic flows and volcaniclastics of the Middle to Upper Triassic Karmutsen Formation. The basalt grades from massive to feldsparphyric with individual laths of feldspar to three millimetres in size. The basalt almost always contains disseminated, fine grained magnetite.

Amygdaloidal basalt is located around Case Lake in the northwest corner of the claims. Amygdules are commonly filled with secondary epidote. Immediately north of Case Lake mafic volcanic tuff and breccia is exposed. At the Capsheaf and Southcap showings dark grey, massive limestone hosts magnetite-garnet-sulphide skarn zones. The limestone strikes approximately 350° and dips 20° to the southwest. This limestone unit occurs as interbeds within the top of the Karmutsen Formation and, as such, suggests that the basalt flows have a gentle attitude.

On the highway, immediately west of Case Lake, light to dark grey, poorly bedded recrystallized limestone of the Upper Triassic Quatsino Formation is exposed. Relict bedding is observed striking 350°.

Only one small exposure of diorite was seen on the north end of Cranby Lake. In this area several outcrops of moderately to strongly altered, basalt are truncated to the east by a fault. This basalt outcrop is the only relief in an otherwise flat area and may be the expression of an underlying stock.

There are two styles of mineralization present on the property: (a) pyritized, carbonate-silica altered sheared basalts and (b) magnetite-garnet-sulphide skarn zones within limestone interlayers of the Karmutsen. The carbonate-silica altered basalts tend to have low grade copper mineralization and anomalous gold values. Lead, zinc and silver mineralization may also be present.

Two zones of magnetite-garnet-sulphide skarn are present on the property - Capsheaf and Southcap. Both skarn zones have developed within an interlayer of limestone surrounded by basalt at or near the contact of diorite intrusive. These skarn zones appear to form proximal to the intersection of northwest trending and northeast trending faults which most likely served as a conduit for the mineralizing solutions.

At the Capsheaf showing, magnetite-garnet-epidote skarn is exposed in a trench and one outcrop. It is assumed that this same unit is exposed in the shaft but, at present, the shaft is full of water so this cannot be confirmed. The skarn zone trends north-northwest and most likely dips southwest. Within the trench, a one metre wide zone of massive magnetite-pyrrhotite-pyrite-chalcopyrite-bornite-malachite occurs on the footwall of the magnetite-garnet-epidote skarn. A total of nine grab samples were taken from this area. Five samples were taken from the trench and one was taken from an outcrop of magnetite-garnet-epidote skarn located approximately five metres north of the trench. Three picked samples were taken from the mineralized dump material. Gold values ranged from 66 parts per billion to 5,260 parts per billion and copper values ranged from 3,244 parts per million to 18,942 parts per million. Fire assay checks of the geochemical analysis gave a range of 0.053 to 0.139 oz/tonne for gold and 1.714% to 2.135% for copper.

At the Southcap showing, garnet skarn with or without sulphides occurs along the contact of carbonate altered basalt and recrystallized limestone within an approximately 20 metre long open cut. Massive magnetite-pyrrhotite-pyrite-chalcopyrite occurs within a highly sheared area on the north end of the trench. Five grab samples were collected from this showing. One sample was taken from the dump and four were collected from the open cut. Gold values ranged from 980 ppb to 8,620 ppb and copper values ranged from 4,715 to 73,320 ppm. Fire assay checks of the geochemical analysis gave a range of 0.026 to 0.258 oz/tonne for gold and 1.085% to 7.976% for copper.

Conclusion and Recommendations

There are two known gold and copper bearing skarn zones on the Magnolia property, namely the Capsheaf and Southcap zones. These zones appear to be intimately associated with intersecting northwest and northeast trending fault zones. Two magnetic features located during the 1975 geophysical survey, suggest there may be more magnetite bodies within this immediate area. Furthermore, this area is bisected by several northwest and northeast trending airphoto linears, thought to represent faults.

An outcrop of basalt with disseminated magnetite was located on the north shore of Cranby Lake and is thought to be the cause of an airborne magnetic anomaly. Diorite was noted along the faulted east boundary of the outcrop and it is possible that a tongue of Gillies Bay diorite extends under the north end of Cranby Lake. A strong magnetic anomaly was noted in 1992 approximately 200 metres west of this outcrop and a north-northwest trending electro-magnetic conductor was located proximate to it by ground geophysical crews. A source for this conductor was not located as the area is covered by overburden. To the south, a small northwest trending pyritized shear was noted. It is possible that this conductor is caused by sulphide mineralization in the Holly Fault or a splay off of the main fault.

In the central part of the claims the airborne geophysics delineated many of the prominent structural features and postulated several possible bedrock conductors.

It is recommended that an exploration program consisting of soil sampling, geological mapping and prospecting be undertaken to test for further gold-copper mineralization. Additionally, an excavator should be utilized to trench to the north and south of the Capsheaf and to enlarge the cut on the Southcap showing.

Soil sampling should be conducted over the Capsheaf and Southcap showings and within the anomalous areas delineated by previous geochemical surveys. Soils should be collected at 25 metre intervals along east-west lines spaced 50 metres apart. Detailed notes as to topography, soil type, etc. will have to be taken to facilitate interpretation. More detailed mapping within this soil grid should be completed at the same time. Particular attention should be paid to fault structures as sulphide bearing skarn mineralization appears to be formed at or near the intersection of two fault structures.

Estimated Cost of Recommended Work Program - Magnolia Property

Grid preparation and soil sampling - approximately 59 line kilometres of flagged grid lines, 6 kilometres of brushed and flagged tie lines, 800 metres of cut baseline and 2,375 soil samples. Estimate 55 man days @ $150/day.		$ 8,250
Analytical costs:	2,375 soil samples @ $10/sample	23,750
	100 rock samples @ $10/sample	1,000
Geological mapping and supervision: 30 man days @ $300/day		9,000
Excavator: 3 days @ $1,000/day		3,000
Room and board: 85 man days @ $60/day		5,100
Truck rental: (2 trucks)		1,600
Field supplies:		1,000
Mob/de-mob		400
Subtotal		53,100
G.S.T.		3,717
Contingency @ 10%		5,310
TOTAL		$ 62,127

The Issuer expects to commence the exploration program immediately after the proceeds from this Offering are received. The program is expected to be completed by the end of February, 1995. The Issuer intends to issue interim reports on the progress of the work and to disclose promptly any results which might reasonably be expected to affect materially the value of its shares.

OK PROPERTY

The information contained herein regarding the OK property (except for the description of ownership and terms of acquisition, and the description of cumulative expenditures) is derived from a report dated January 7, 1994 and revised July 4, 1994, prepared for the Issuer by N.C. Carter, Ph.D., P.Eng, consulting geologist. The report is entitled "GEOLOGICAL REPORT ON THE OK PROPERTY". The report is available for inspection at the head offices of the Issuer during normal business hours during the course of primary distribution of the securities offered by this Prospectus and for a period of 30 days thereafter.

REFER TO "LEGAL PROCEEDINGS".

Location, Size and Means of Access

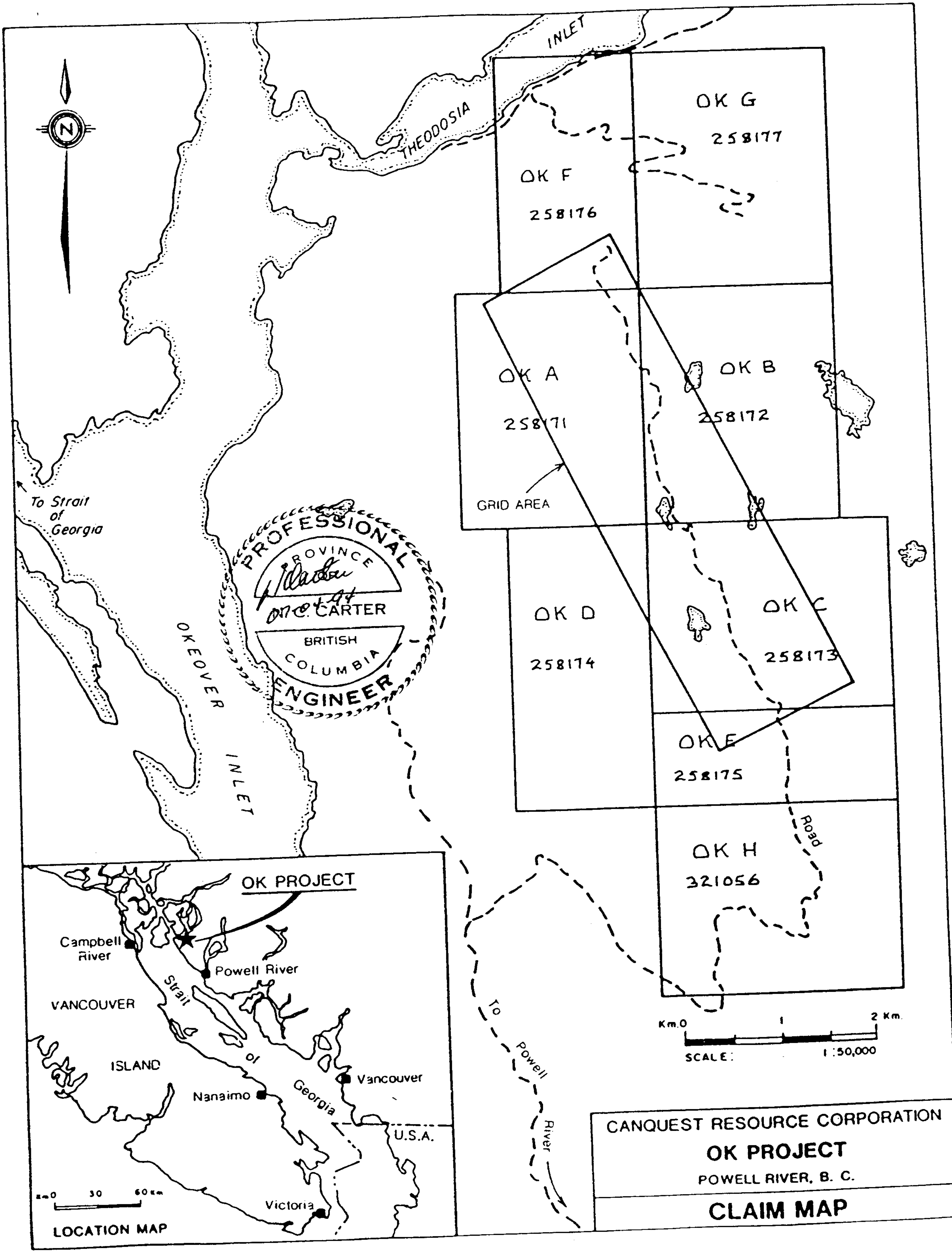
The OK Property is situated 25 km northwest of the municipality of Powell River in the southwest coast area of British Columbia. The mineral property includes an area of 3,575 hectares (13.8 sq. miles) bounded on the north and west by Theodosia and Okeover Inlets. The geographic centre of the property is at latitude 50 02' North and longitude 124 39' West in NTS map-areas 92F/15E and 92K/2E. Access to the central part of the property from Powell River is by 30 km of highway and logging roads.

The OK Property includes 8 Modified Grid mineral claims, comprising 143 mineral claim units, located in the Vancouver Mining Division:

Claim Name	Tenure Number	Units	Expiry Date
OK A	258171	20	June 17, 1999
OK B	258172	20	June 17, 1997
OK C	258173	20	June 17, 2001
OK D	258174	18	June 17, 1995
OK E	258175	10	June 17, 1995
OK F	258176	15	June 17, 1995
OK G	258177	20	June 17, 1995
OK H	321056	20	Sept. 24, 1994

Ownership and Terms of Acquisition

The claims comprising the OK property were originally staked in 1965 by Robert Mickle of Dunlop Road, Likely, British Columbia, V0L 1N0. Ownership was recorded jointly by Robert Mickle and Mary V. Boylan of 6935 Quesnel Street, Powell River, British Columbia, V8A 2H7. On June 17, 1981 the claims were restaked in the names of Boylan and Mickle consistent with the Modified Grid System (metric) as OK A-G containing 123 mining units. On May 31, 1982 an agreement for sale and OK group trust agreement was entered into between Robert Mickle and Mary V. Boylan and Aquarius Resources Ltd., then of 2550 - 555 West Georgia Street, Vancouver, British Columbia, V6B 4N5, and the Bank of Montreal, 5813 Ash Avenue, Powell River, British Columbia. The agreement provided for bills of sale for the claims executed by Boylan and Mickle to be held in trust by the Bank of Montreal until receipt of full payment for the claims, which is $2,000,000 payable out of production at the rate of $0.10 per short ton of ore delivered to the mill for processing. In addition to the $2,000,000, semi-annual payments of $10,000 are required to be paid to Boylan and Mickle (each as to 50%) until the production payments commence. Failure to make any semi-annual payment within 30 days of default notice from Boylan and Mickle will result in cancellation of the agreement. An initial requirement that $100,000 per year was to be spent on exploration activities on the claims was cancelled in 1982 following major expenditures in that year by Aquarius Resources Ltd.



CANQUEST RESOURCE CORPORATION

OK PROJECT

POWELL RIVER, B. C.

CLAIM MAP

On August 18, 1982 the OK H claim with 20 units was staked by Aquarius Resources Ltd. The OK H claim was subject to the terms of the 1982 group trust agreement, but its title remained in the name of Aquarius Resources Ltd.

On June 24, 1984 Aquarius Resources Ltd. assigned all its rights under the 1982 group trust agreement to Rhyolite Resources Inc., a reporting company of Vancouver, British Columbia. Consideration for the assignment was $10,000 in cash, 200,000 treasury share of Rhyolite Resources Inc. to be issued in stages to Aquarius Resources Ltd. and an obligation by Rhyolite Resources Inc. to pay to Aquarius Resources Ltd. an annual royalty after the commencement of commercial production equal to 10% of net profits (as defined).

On May 16, 1989 Rhyolite Resources Inc. assigned its rights and obligations under the June 24, 1984 assignment and the 1982 group trust agreement to the Issuer except for any obligation that Rhyolite Resources Inc. may have had to issue or provide shares of Rhyolite Resources Inc. to Aquarius Resources Inc. Consideration for the assignment was $10,000 in cash and 50% of any option payments, royalty payments or net operating profits (as defined) received by the Issuer with respect to the claims, provided that payments to Rhyolite Resources Inc. in the aggregate shall not exceed $1,000,000. Boylan and Mickle acknowledged the assignment in writing on July 7, 1989.

On February 1, 1990 Boylan and Mickle re-affirmed in writing that they agreed to the assignment of the agreement to the Issuer and they executed bills of sale for the A-G claims in favour of the Issuer which are held by the Bank of Montreal as Trustee.

In 1990 and 1991, six mineral claims containing 65 units contiguous to and surrounding the OK A-H claims were staked and recorded on behalf of the Issuer. These claims were allowed to lapse in 1992.

On September 24, 1993, the Issuer re-staked the OK H claim in the names of Boylan and Mickle. Permission to abandon and re-stake the claim was given by the Gold Commissioner for the Vancouver Mining District in light of the fact that Aquarius Resources Ltd. was dissolved on December 27, 1991. An executed bill of sale in favour of the Issuer has been deposited with the Trustee.

History and Previous Exploration

Copper-molybdenum mineralization was discovered on the OK property by local prospectors in 1965. Between 1966 and 1982, eight companies carried out a variety of geochemical and geophysical surveys, mechanical trenching and more than 14,000 metres of drilling.

94 drill holes have partially tested several of the known zones of copper-molybdenum mineralization on the property. The drilling includes 728 metres of percussion drilling in 12 vertical holes and 82 diamond drilling holes totalling 13,660 metres. Average vertical depth tested was between 120 and 140 metres.

Work on the property between 1979 and 1982 consisted of limited diamond drilling, geological mapping, induced potential and soil geochemical surveys in selected areas and some road building and trenching.

In 1989 the Issuer contracted out the compilation of exploration work performed on the property since 1965 and a geostatistical study of all drill hole data. This included all reports in the public domain and some private reports not submitted for assessment purposes. The data was digitized and 35 diamond drill sections were computer plotted and printed with assay values in a colour array. Plan maps of the geology, geochemistry and drill locations were also produced. In addition, during the period 1989 through 1993, the Issuer conducted physical work on the property in the form of re-establishment of the 1982 baseline and cross-line cutting. In 1993, the Issuer applied $12,600 of its portable assessment credits (P.A.C.) to the property for the purpose of maintaining certain of the claims in good standing.

A program of reconnaissance geological mapping and sampling was carried out for the Issuer in June, 1994. The program was directed to the examination of recently logged areas and of reported pyrite-rich bedrock exposures and breccia zones not previously examined by the Issuer. The cost of the program was $9,972 and assessment credits derived from it were applied to the claims. A report on the work is not expected before September, 1994.

Total expenditures on the OK property by the Issuer since 1989, including the compilation and geostatistical work and its interpretation but excluding the $12,600 P.A.C. contribution, amount to $121,907. Acquisition costs plus option payments in the same period totalled $110,000.

Geology

The central portion of the property is situated on an upland plateau-like surface some 800 m above sea level. Country rocks are granitic rocks of the Coast Plutonic Complex which are of mid-Cretaceous age. These have been intruded by a probable mid-Tertiary multiple phase complex which hosts copper and molybdenum mineralization. Principal intrusive phases include a peripheral granodiorite (the main mineralized host) and a central, essentially barren quartz-feldspar-porphyry dyke-like body. Several mineralized phases are evident, and an intrusive (hydrothermal) breccia containing higher grade copper occurs in the southern part of the property. At least seven other breccia occurrences are known to exist on the property, although their character and significance has not yet been assessed. Post-mineral basic dyke swarms are numerous and locally present potential internal dilution problems.

Mineralization

Metallic mineralization on the OK property consists of pyrite, chalcopyrite and molybdenite with lesser bornite, sphalerite and magnetite. Principal sulphide minerals occur in a stockwork of quartz veinlets which have a predominant east to northeast trend, and molybdenite commonly coats fractures.

The greatest degree of quartz stockwork development is within the central or late phase quartz-feldspar porphyry although this rock type is largely devoid of sulphide mineralization. The best copper-molybdenum mineralization is hosted by granodiorite adjacent to the quartz-feldspar porphyry dyke, suggesting that this phase is probably the mineralizer. Pyrite is generally associated with chalcopyrite and molybdenite within the centre of the main mineralized zones. The concentration of pyrite increases around the periphery of the main copper-molybdenum zones.

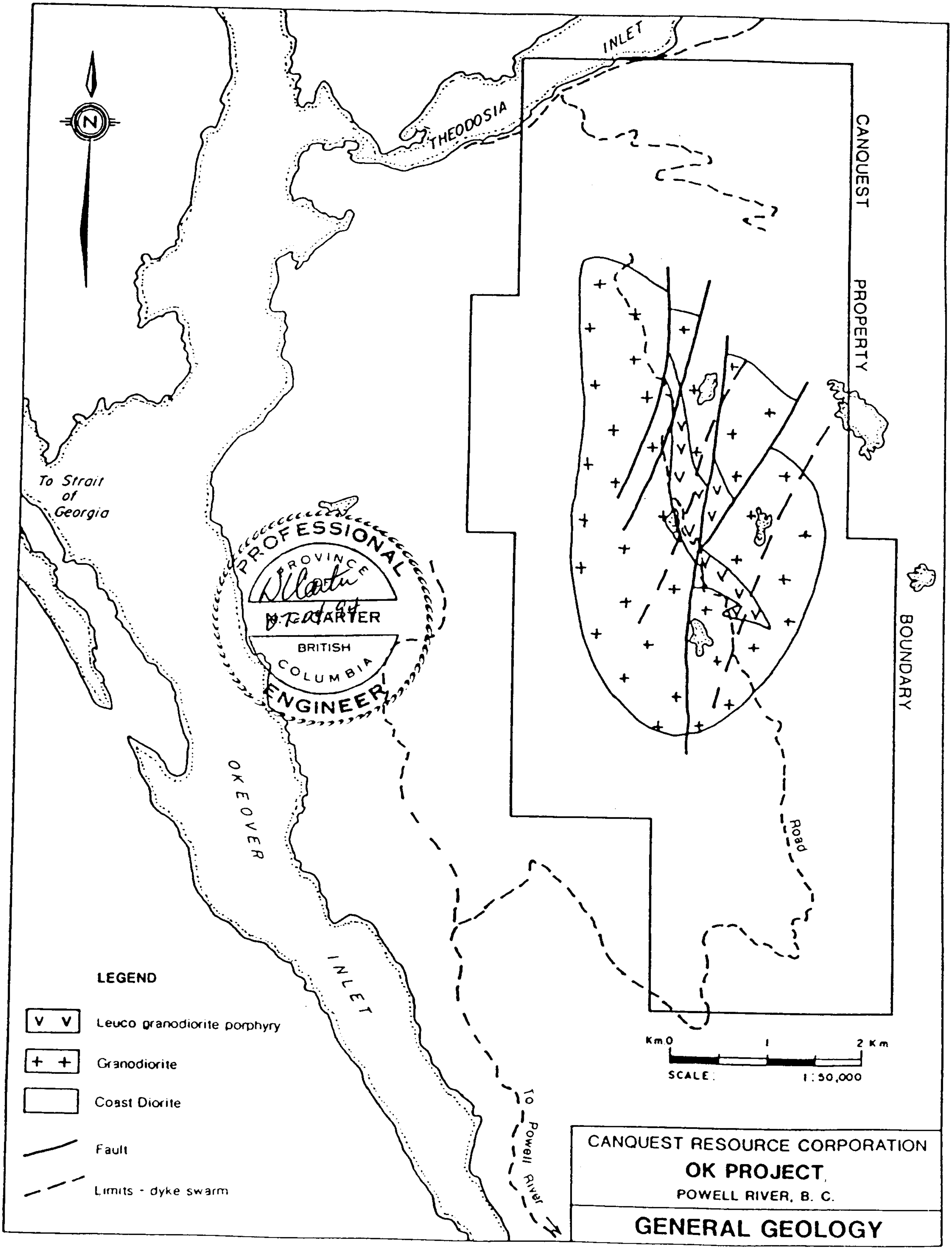
Seven mineralized zones have been explored over a northerly trend of 5 km. All of these, including the southernmost breccia zone, have been tested to some degree by diamond drilling.

Most of these zones contain large tonnages of low grade copper-molybdenum mineralization with the exception of the south breccia zone which has demonstrably higher copper grades with some silver. Here, predominant mineralization consists of chalcopyrite, bornite, pyrite and lesser molybdenite which occupy interstices between breccia fragments.

To the Issuer's knowledge, no testing of the rocks or drill cores for gold has been done within any of the drilled mineralized zones.

Drilling Results

Drill holes were completed on the OK Property between 1966 and 1982. This work consisted of 12 percussion and 82 diamond drill holes totalling more than 14,000 meters. Most of the diamond drill holes were inclined at -45° and both AQ- and NQ-size core was recovered. Core samples were analyzed for copper and molybdenum. Most of the pre-1979 diamond drill core was vandalized during logging operations and is unavailable for further sampling.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Leuco granodiorite porphyry
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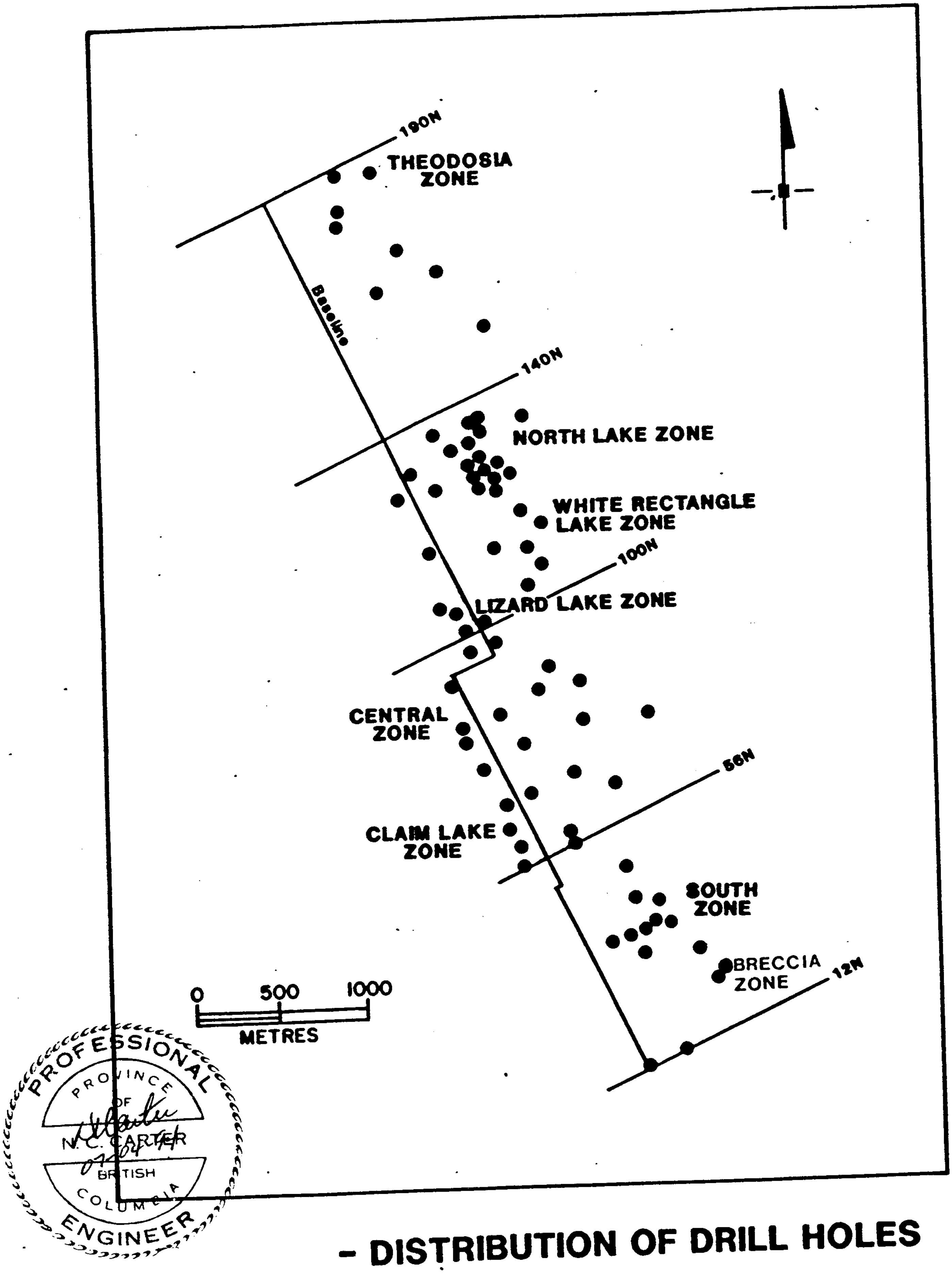
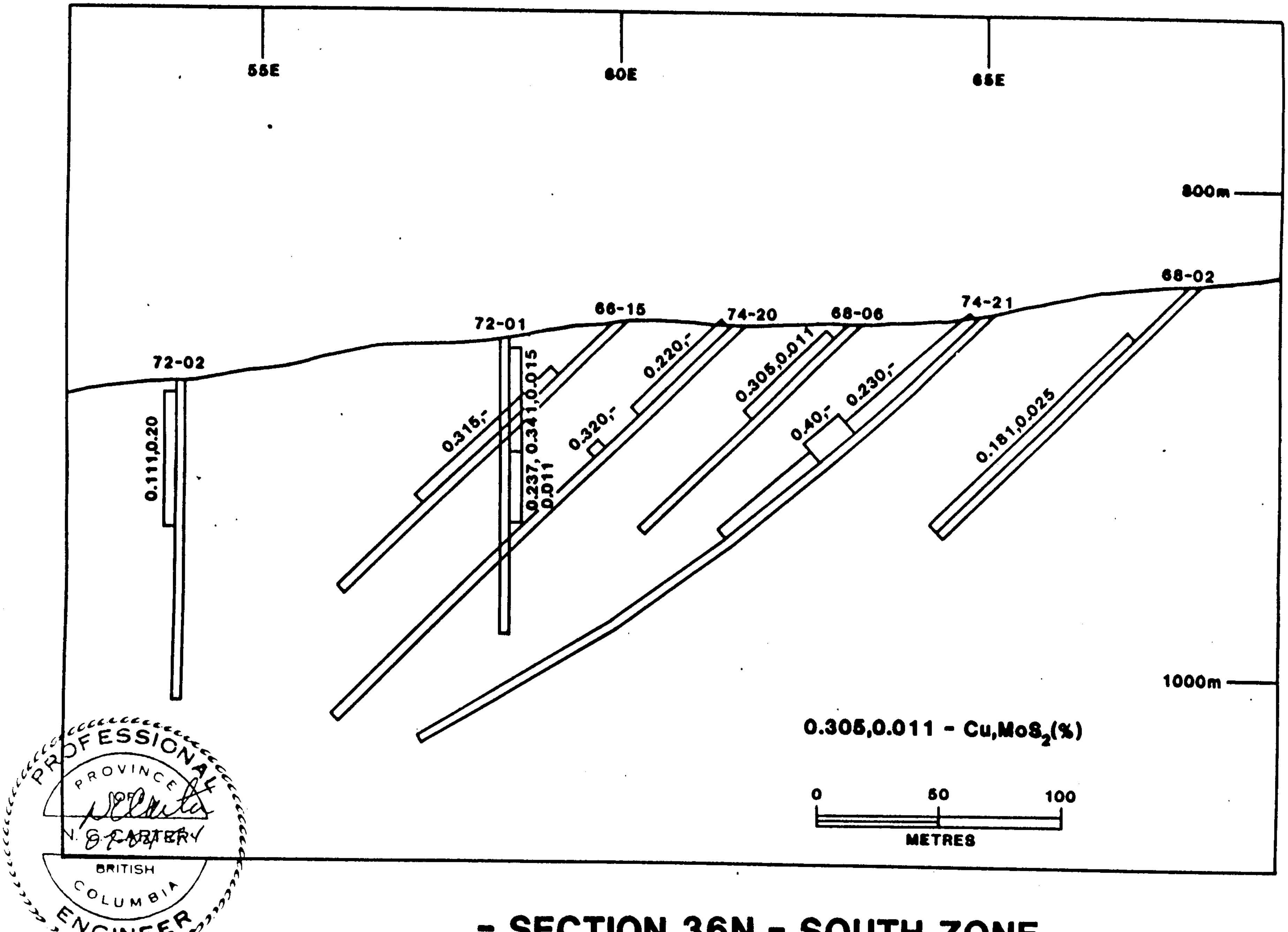
Limits - dyke swarm
CANQUEST RESOURCE CORPORATION
OK PROJECT
POWELL RIVER, B. C.
GENERAL GEOLOGY



- DISTRIBUTION OF DRILL HOLES



- SECTION 36N - SOUTH ZONE

Seven copper-molybdenum zones with fairly consistent grades for both elements were indicated by this previous drilling. Two cross-sections illustrate the ranges of values for the South and North Lake zones respectively. Copper grades range from 0.11% to 0.51% over significant core lengths with an overall average of about 0.30%. Molybdenum values, expressed as molybdenite or molybdenum disulphide, range from nil to 0.20%. Gaps between mineralized core lengths are due to the presence of post-mineral dykes.

These post-mineral dykes present one of the major difficulties in assessing reserves or resources for the OK Property. Three such assessments have been made iit the past and all are considered by the Issuer's consulting geologist to represent only *in-situ* reserves or possible resources.

Western Mines Ltd. estimated reserves in 1974 for the North Lake zone at a cut-off grade of 0.20% copper as being:

"Drill Indicated": 49 million tons of 0.30% copper and 0.016% molybdenite

"Inferred": 19 million tons of 0.26% copper and 0.02% molybdenite.

As noted, one of the major difficulties in assessing reserve potential is the presence of numerous post-mineral dyke swarms which appear to dilute mineralized zones by as much as 20%. The Western Mines estimates include dykes of less than three meters width and make the assumption that those of greater widths could be selectively mined as waste.

A geostatistical study in 1982 of all drill hole data made the same assumptions regarding the barren, post-mineral dykes as the previous Western Mines estimates. This study included all of the seven mineralized zones for which sufficient data were available, employed a 0.20% copper cut-off grade and postulated maximum depths of 300 meters for the mineralized zones. Estimates were:

"Drill Indicated" 240 million tons of 0.24% copper, 0.015% molybdenite

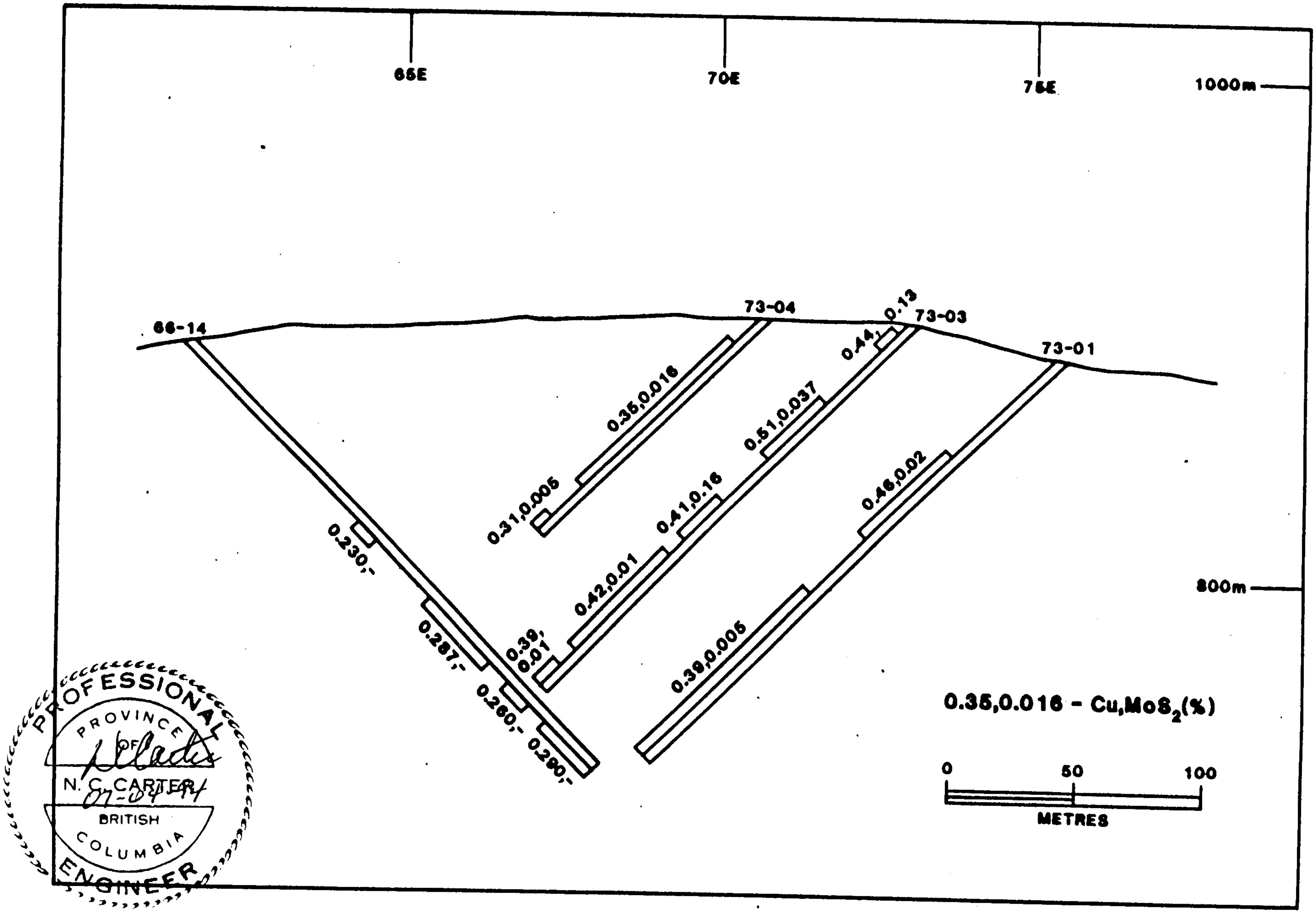
"Geological Potential" 210 million tons of similar grade.

Note that the foregoing estimates totalling 450 million tons are contained in several mineralized zones over a distance of five kilometers. This study indicated a remarkable uniformity of copper grades throughout the several known zones while molybdenite appeared to have a more erratic distribution. The study also suggested that selective mining could possible upgrade millheads to the 0.50% copper range, although it is readily apparent that much more work would be necessary to establish such potential.

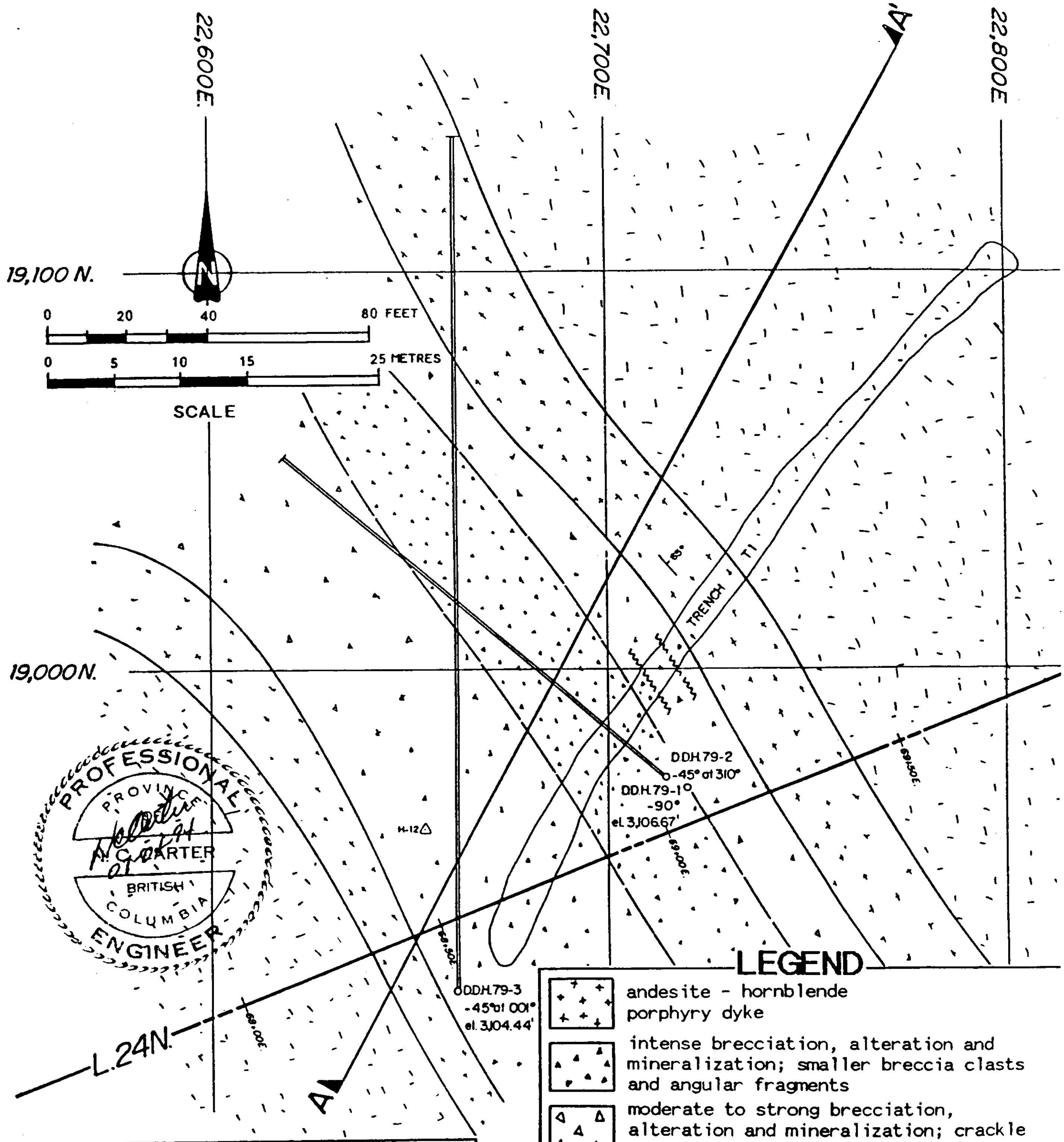
The Issuer's consulting geologist concurs with the study's conclusion that inclined drill holes provide better sampling information than vertical holes inasmuch as most of the mineralized structures and probably the post-mineral dykes are essentially vertical:

A study performed in 1989 for the Issuer further refined the 1982 geostatistical analysis to provide what are referred to as "proven plus probable reserves recoverable by a selective open pit mining operation" as follows:

Cut-off Grade (% Cu Equiv.)	Tonnes	Copper (%)	Molybdenite
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



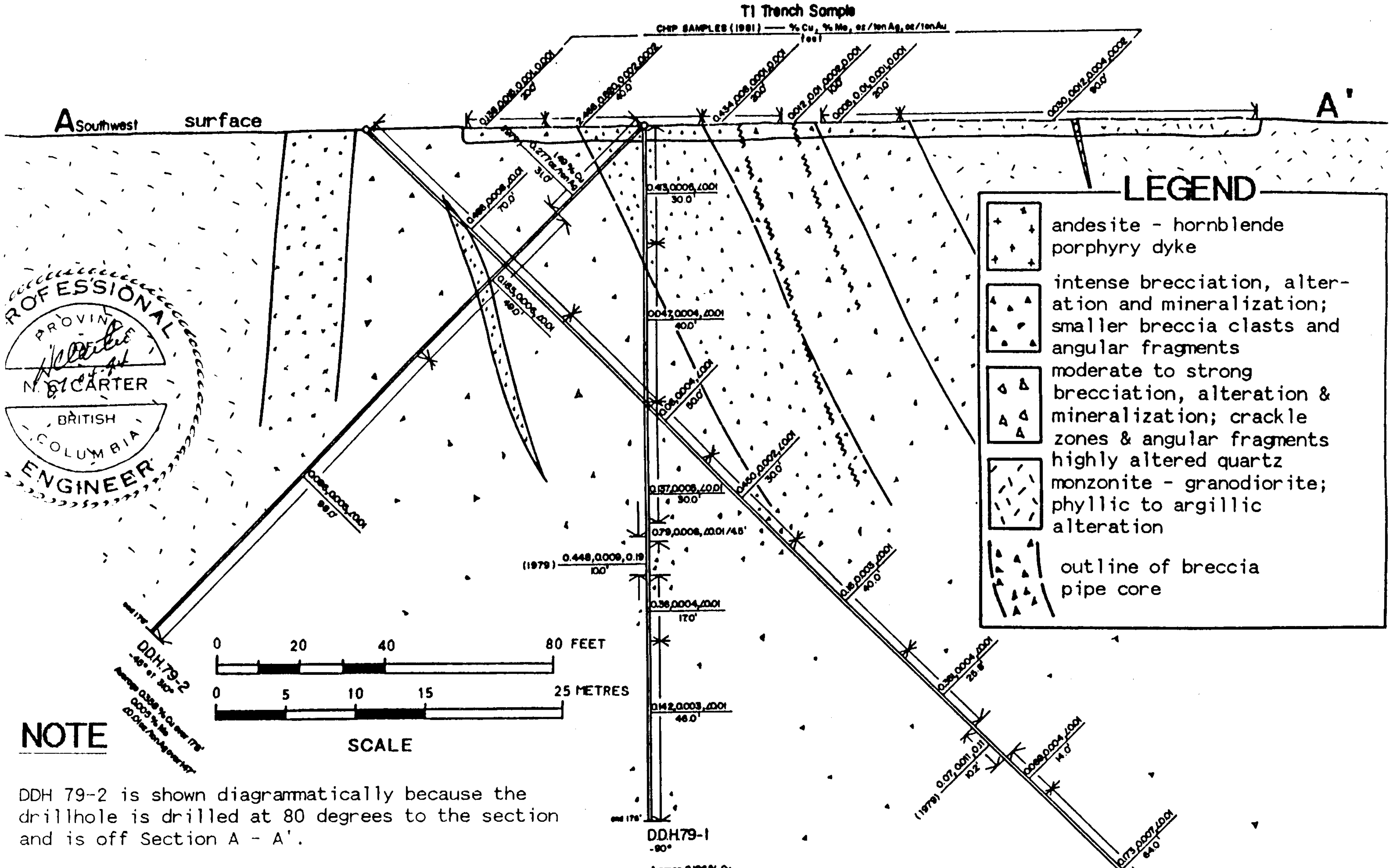
- SECTION 126N - NORTH LAKE ZONE



CANQUEST RESOURCE CORPORATION
OK Project
South Breccia Zone (Trench T1)
Plan Geology and D.D.H. Locations
(after Cardinal, 1983)

LEGEND

- andesite - hornblende porphyry dyke
- intense brecciation, alteration and mineralization; smaller breccia clasts and angular fragments
- moderate to strong brecciation, alteration and mineralization; crackle zones and angular fragments
- highly altered quartz monzonite - granodiorite; phyllic to argillic alteration
- outline of breccia pipe core



NOTE

DDH 79-2 is shown diagrammatically because the drillhole is drilled at 80 degrees to the section and is off Section A - A'.

NOTE

ALL ASSAYS ARE IN $\frac{\text{\% Cu, \% Mo, oz/ton Ag}}{\text{Length of Samples}}$

UNLESS OTHERWISE NOTED

CANQUEST RESOURCE CORPORATION
OK Project
South Breccia Zone (Trench T1)
Geologic Cross-Section A - A'
(after Cardinal, 1983)

While this exercise provides some interesting information regarding various potential cut-off grades, the Issuer's consulting geologist is of the opinion that there are no reserves in any category other than geological reserves which may be referred to as possible resources - "mineralization computed on the basis of limited drilling but a reasonable understanding of the distribution and correlation of metal values in relation to geology". More detailed geological assessment plus additional drilling is required before any meaningful assessment of tonnage and grade potential can be made.

From the foregoing, it is evident that the OK Property includes a potentially large tonnage of uniform, if low grade copper and molybdenum mineralization. Most deposits of this type require a higher grade zone for a "starter pit" to render them economic.

The south breccia zone, which may represent a higher grade zone, indicates the potential for other higher grade breccia zones elsewhere on this large property. A chip sample collected from a trench across a 12 meter width within the breccia zone yielded values of 2.4% copper and 0.52% molybdenite with low silver values and a parallel chip sample 12 meters away in less altered material averaged 0.43% copper and 0.08% molybdenite over a sample length of six meters. Subsequent trenching of the zone suggests that three shallow diamond drill holes, completed in 1979 were not properly oriented. One of these holes, however, did intersect a 9.4 meter section of breccia from surface downward grading 1.49% copper and 0.28 oz/ton silver.

Little is known regarding precious metal values over the property as a whole. It is probable that no analysis 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 some silver and previous soil sampling indicates that higher silver values are coincident with areas of anomalous copper over much of the area sampled.

Geochemistry

Soil sampling by Aquarius Resources in 1981 and 1982 was carried out over the entire grid area. 4,300 samples were collected and analyzed for copper, molybdenum and silver. 685 of these samples were analyzed for gold which generally yielded values so low as to be insignificant.

All mineralized zones have broad anomalous copper signatures with coincident but more areally constricted 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.

Conclusions and Recommendations

Copper-molybdenum mineralization is widespread in the central part of the OK property. Seven zones over a 5 km distance have been partially defined by previous drilling programs - all zones remain open laterally and to depth. Several areas with anomalous copper, molybdenum and silver values in soils remain untested.

Higher grades of copper with some silver have been identified in the South breccia zone which has been tested by only limited trenching and three shallow diamond drill holes. This zone should receive priority for additional work on the OK Property. Detailed geological mapping, trenching and some geophysics are required to obtain a better understanding of the configuration of this zone and the potential for similar zones prior to additional diamond drilling.

Detailed geological mapping may also provide a better understanding of the distribution and orientation of post-mineral dyke swarms which present a potential dilution problem.

Areas of lower grade mineralization require re-evaluation for gold mineralization by way of surface sampling of available bedrock exposures. Some of these lower grade zones were not entirely tested by diamond drilling and additional surface work may indicate extensions to some of these.

A two phase program is recommended to further assess the potential of the South Breccia Zone on the OK property. The first phase would allow the additional surface investigation and would incur expenditures sufficient to maintain the present level of assessment credit on the claims. The second phase would consist of diamond drilling guided by information provided by first phase work, but it is not contingent upon the results of Phase I.

Cost Estimate

Phase I		
Geological mapping, prospecting		$ 15,000.00
Sample analyses		5,000.00
IP survey - 4 km @ $1500/km		6,000.00
Excavator trenching - 100 hours @ $125/hr.		12,500.00
Reports, assessment filing fees		7,500.00
Contingencies		4,000.00
G.S.T.		3,500.00
	Total -- Phase I	$ 53,500.00
Phase II		
Diamond Drilling - 1200 metres @ $80/metre		$ 96,000.00
Sample analyses		10,000.00
Travel, living expenses		10,000.00
Supervision, reports		15,000.00
Contingencies		19,000.00
G.S.T.		10,500.00
	Total -- Phase II	$ 160,500.00
	Total -- Phases I & II	$ 214,000.00

The Issuer expects to commence Phase I of the exploration program immediately after the proceeds from this Offering are received. Those proceeds will also permit the initiation of Phase II to a maximum of $65,000. The $118,500 program (comprised of the $53,500 Phase I program and $65,000 of the Phase II program) is expected to be completed by the end of February, 1995. The Issuer intends to issue interim reports on the progress of the work and to disclose promptly any results which might reasonably be expected to affect materially the value of its shares. Plans for the funding of the balance of the recommended Phase II program have not been formulated as at the date of this Prospectus; however, the $118,500 to be expended from proceeds of this Offering will generate sufficient assessment credits to extend the expiry dates of all of the OK claims to at least the year 2000.

OPTIONS TO PURCHASE SECURITIES

As of the date of this Prospectus, the Issuer has granted incentive stock options to purchase an aggregate of up to 1,200,000 Class "A" voting common shares to three directors, two of whom are executive officers. The 1,200,000 Class "A" voting common shares that may be acquired will represent 9.5% of the issued and outstanding Class "A" voting common shares on the completion of this Offering. All of the incentive stock options are exercisable over a period of five years from the Effective Date at $0.50 per share.

Particulars of the options are as follows:

Executive Officers and Directors:		
	John Bissett	400,000 Class "A" voting common shares
	Ian de Wolfe Semple	600,000 Class "A" voting common shares
Director:		
	Myles Norman Anderson	200,000 Class "A" voting common shares
	Total:	1,200,000 Class "A" voting common shares

GENERAL

Material Contracts

The following contracts entered into within the preceding two years may be inspected at the head office of the Issuer, 830 - 470 Granville Street, Vancouver, British Columbia, V6C 1V5, during normal business hours while primary distribution of the securities offered by this Prospectus is in progress and for a period of 30 days thereafter;

1. Amended Agreement dated December 6, 1993 between the Issuer and Chuck's Holdings Corporation concerning the purchase of a portion of the Cottonbelt property. (Refer to "Ownership and Terms of Acquisition".)

2. Agreement dated January 12, 1994 and amended June 23, 1994, between the Issuer and Bethlehem Resources Corporation concerning the purchase of a portion of the Magnolia property. (Refer to "Ownership and Terms of Acquisition").

3. Agreement dated June 7, 1994 between the Issuer and John S. DeLatre concerning the purchase of part of a net smelter return royalty on three claims within the Microgold Property. (Refer to "Ownership and Terms of Acquisition".)

4. Agency Agreement dated for reference September 14, 1994, between the Issuer and the Agent concerning the distribution of the securities offered under this Prospectus. (Refer to "Appointment of Agent").

5. Incentive Stock Option Agreements. (Refer to "Options to Purchase Securities").

6. Escrow Agreement dated for reference July 21, 1994 among The R-M Trust Company, the Issuer, John Bissett and Ian de Wolfe Semple. (Refer to "Other Material Facts".)

Dividend Record

The Issuer has not, since incorporation, paid any dividends on any of its shares. The Issuer has no present intention to pay dividends but the future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

Auditors

The Auditors of the Issuer are KPMG Peat Marwick Thorne, Chartered Accountants, of 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3.

Transfer Agent and Registrar

The Issuer's transfer agent and registrar is The R-M Trust Company of 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3.

Legal Proceedings

In April, 1989, the Issuer reached agreement with a former option holder to transfer all of its rights and interests in the OK group of mineral claims to the Issuer. In June, 1990, the former option holder, then under new management, and certain of its shareholders commenced two actions against the Issuer and its President in the Supreme Court of British Columbia. The actions, which were ordered by the Court to be heard together, seek rescission of the transfer on the basis that the approval by the directors of the plaintiff corporation was improperly obtained and that the conduct of the directors of the plaintiff oppressed the shareholders of the plaintiff.

No trial date has been set and the plaintiff has not advanced the proceedings since 1990.

There are no other claims, actions, suits, judgements or proceedings against or affecting the Issuer which will or may have a material adverse effect upon the Issuer, nor does it know of any reasonable ground for any such claims, actions, suits, judgements or proceedings.

Other Material Facts

Performance Shares

It is the Issuer's intention to issue 750,000 Class "A" voting common shares as performance shares (the "Performance Shares") in accordance with Part 7 of British Columbia Securities Commission Local Policy Statement 3-07 ("LPS 3-07"). The Performance Shares will be issued at $0.10 per share to John Bissett (as to 375,000 shares) and Ian de Wolfe Semple (as to 375,000 shares). Pursuant to LPS 3-07, the Performance Shares will be subject to an escrow agreement which will provide, inter alia, that (i) the holders of the Performance Shares waive any rights attached to those shares to receive dividends or to participate in the assets and property of the Issuer on a winding-up or dissolution, (ii) the holders of the Performance Shares retain the right to vote those shares, except on a resolution respecting their cancellation, and (iii) the Performance Shares cannot be transferred or released except with the consent of the Superintendent or the Exchange.

Pursuant to Part 9 of LPS 3-07, the holders of the Performance Shares will be entitled to the pro rata release of those shares on the basis of 15% of the original number of Performance Shares for every $100,000 expended on exploration and development of a resource property by (a) the Issuer, or (b) a person other than the Issuer in order to earn an interest in the resource property, but only in respect of that proportion of the expenditure equal to the Issuer's remaining proportionate interest in the resource property after the person's interest has been earned, provided that (c) no more than 50% of the original number of Performance Shares may be released in any 12 month period, and (d) no expenditure on exploration and development made prior to the date of the receipt for the Issuer's prospectus for its initial public offering may be included.

The issuance of the Performance Shares is subject to approval by the Issuer's shareholders. The approval will be sought at the next annual general meeting of shareholders which is tentatively scheduled for October, 1994.

The Issuer has no agreements or arrangements at present with any individual or company for investor relations or promotional services.

There are no other material facts.

PURCHASER'S STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

The *Securities Act* (British Columbia) provides a purchaser with the right to withdraw from an agreement to purchase the securities within two business days after receipt or deemed receipt of a prospectus and further provides a purchaser with remedies for rescission or damages where the prospectus or any amendment contains a material misrepresentation or is not delivered to the purchaser prior to the delivery of the written confirmation of sale or prior to midnight on the second business day after entering into the agreement, but such remedies must be exercised by the purchaser within the time limit prescribed. For further information concerning these rights and the time limits within which they must be exercised the purchaser should refer to Sections 66, 114, 118 and 124 of the *Securities Act* (British Columbia) or consult a lawyer.

KPMG Peat Marwick Thorne

Chartered Accountants

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File Ref

AUDITORS' REPORT

To the Board of Directors
CanQuest Resource Corporation

We have audited the balance sheets of CanQuest Resource Corporation as at December 31, 1993 and 1992 and the statements of mineral properties, operations and deficit and changes in financial position for each of the years in the five year period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1993 and 1992 and the results of its operations and the changes in its financial position for each of the years in the five year period ended December 31, 1993, in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne

Chartered Accountants

Vancouver, Canada

February 1, 1994, except as
to note 8(a) which is as of
September 14, 1994

KPMG Peat Marwick Thorne

Chartered Accountants

777 Dunsmuir Street
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File Ref

REVIEW ENGAGEMENT REPORT

To the Board of Directors
CanQuest Resource Corporation

We have reviewed the balance sheet of CanQuest Resource Corporation as at June 30, 1994 and the statements of mineral properties, operations and deficit and changes in financial position for the six months ended June 30, 1994 and 1993. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne

Chartered Accountants

Vancouver, Canada

July 18, 1994, except as
to note 8(a) which is as of
September 14, 1994

CANQUEST RESOURCE CORPORATION

Balance Sheets

	June 30, 1994 (unaudited)	December 31, 1993	December 31, 1992
Assets			
Current assets:			
Cash	$ 303	$ 26,475	$ 3,616
Restricted cash (note 5(d))	–	110,327	–
	303	136,802	3,616
Mineral properties (note 2)	1,081,206	904,601	794,963
Office equipment (note 3)	4,477	4,286	4,669
Deferred offering costs	39,610	–	–
	$ 1,125,596	$ 1,045,689	$ 803,248
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 129,206	$ 41,198	$ 97,944
Promissory notes (notes 4 and 6(c))	30,500	30,500	30,500
	159,706	71,698	128,444
Shareholders' equity:			
Capital stock (note 5)	2,012,158	1,987,158	1,570,158
Contributed surplus	25,312	25,312	25,312
Deficit	(1,071,580)	(1,038,479)	(920,666)
	965,890	973,991	674,804
Continuing operations (note 1(a))			
Commitments and contingency (note 2(b))			
Subsequent events (note 8)			
	$ 1,125,596	$ 1,045,689	$ 803,248

See accompanying notes to financial statements.

On behalf of the Board:

John Bissett Director

John Bissett

Ian de W. Semple Director

Ian de W. Semple

CANQUEST RESOURCE CORPORATION

Statements of Mineral Properties

	Six months ended June 30, 1994	Six months ended June 30, 1993
	(unaudited)	(unaudited)
Acquisition costs and option payments	$ 40,000	$ 10,000
Exploration and development expenditures:		
Claim staking	6,219	345
Consulting fees	19,100	14,682
Engineering and geological reports	9,020	–
Equipment rental	125	–
Geochemical surveys	800	–
Geologists' fees	28,982	450
Geophysical surveys	62,595	–
Line cutting	2,360	–
Maps, prints and photographs	50	165
Miscellaneous	1,666	–
Prospecting	–	–
Recording and filing	2,580	690
Travel expenses	4,050	–
	137,547	16,332
	177,547	26,332
Balance, beginning of period	904,601	794,963
General exploration expense written off	(942)	(450)
Balance, end of period	$ 1,081,206	$ 820,845

See accompanying notes to financial statements.

Years ended December 31,				
1993	1992	1991	1990	1989
$ 32,000	$ 20,000	$ 30,000	$ 52,500	$ 63,500
1,080	12,133	150	8,508	4,003
30,000	7,500	75,700	80,864	45,190
–	5,309	11,691	7,507	37,377
–	–	–	–	4,540
–	26,521	6,600	–	–
33,742	33,747	17,014	–	5,200
–	19,385	8,343	1,511	14,000
3,404	14,360	33,436	2,850	–
1,577	437	1,432	1,889	504
3,310	887	1,930	1,448	137
–	–	–	–	3,258
3,960	3,209	1,995	846	1,485
2,881	2,827	4,477	1,101	1,430
79,954	126,315	162,768	106,524	117,124
111,954	146,315	192,768	159,024	180,624
794,963	649,258	457,068	299,513	119,818
(2,316)	(610)	(578)	(1,469)	(929)
$ 904,601	$ 794,963	$ 649,258	$ 457,068	$ 299,513

CANQUEST RESOURCE CORPORATION

Statements of Operations and Deficit

	Six months ended June 30, 1994 (unaudited)	Six months ended June 30, 1993 (unaudited)
Write-off of general exploration expenses	$ 942	$ 450
Expenses:		
Depreciation	208	260
Financing costs	–	–
Interest	2,944	1,256
Legal, audit and accounting fees	3,039	–
Management and consulting fees	15,000	15,000
Office and miscellaneous	833	3,360
Rent	7,248	7,317
Transfer agent and filing fees	2,887	1,794
	32,159	28,987
Loss for the period	33,101	29,437
Deficit, beginning of period	1,038,479	920,666
Deficit, end of period	$ 1,071,580	$ 950,103
Loss per share	$ (0.01)	$ (0.01)

See accompanying notes to financial statements.

	Years ended December 31,				
	1993	1992	1991	1990	1989
	$ 2,316	$ 610	$ 578	$ 1,469	$ 929
	583	824	790	523	396
	45,000	27,700	35,726	–	–
	5,544	2,891	3,882	2,019	1,429
	5,144	34,586	38,794	77,480	14,814
	30,000	47,500	56,500	–	–
	11,117	26,197	37,966	20,332	8,825
	14,626	14,404	14,070	11,713	4,630
	3,483	4,341	12,223	5,577	2,795
	115,497	158,443	199,951	117,644	32,889
	117,813	159,053	200,529	119,113	33,818
	920,666	761,613	561,084	441,971	408,153
	$ 1,038,479	$ 920,666	$ 761,613	$ 561,084	$ 441,971
	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.03)	$ (0.01)

CANQUEST RESOURCE CORPORATION

Statements of Changes in Financial Position

	Six months ended June 30, 1994 (unaudited)	Six months ended June 30, 1993 (unaudited)
Cash provided by (used in):		
Operations:		
Loss for the period	$ (33,101)	$ (29,437)
Items not involving cash:		
Depreciation	208	260
General exploration expense written-off	942	450
	(31,951)	(28,727)
Changes in non-cash working capital:		
Accounts receivable	–	–
Accounts payable and accrued liabilities	88,008	(539)
	56,057	(29,266)
Financing:		
Restricted cash	110,327	–
Deferred offering costs	(39,610)	–
Increase (decrease) in:		
Promissory notes	–	–
Payable to related parties	–	–
Shareholder advances	–	–
Issue of capital stock	25,000	52,000
	95,717	52,000
Investments:		
Mineral properties	(177,547)	(26,332)
Office equipment	(399)	–
	(177,946)	(26,332)
Increase (decrease) in cash	(26,172)	(3,598)
Cash, beginning of period	26,475	3,616
Cash, end of period	$ 303	$ 18

See accompanying notes to financial statements.

Years ended December 31,				
1993	1992	1991	1990	1989
$ (117,813)	$ (159,053)	$ (200,529)	$ (119,113)	$ (33,818)
583	824	790	523	396
2,316	610	578	1,469	929
(114,914)	(157,619)	(199,161)	(117,121)	(32,493)
–	–	–	4,147	(4,147)
(56,746)	30,271	(21,833)	45,192	20,838
(171,660)	(127,348)	(220,994)	(67,782)	(15,802)
(110,327)	–	–	–	–
–	–	–	–	–
–	–	–	30,500	(50,000)
–	–	–	–	(52,500)
–	–	–	–	(101,091)
417,000	227,634	457,820	206,000	400,000
306,673	227,634	457,820	236,500	196,409
(111,954)	(146,315)	(192,768)	(159,024)	(180,624)
(200)	–	(434)	(3,674)	–
(112,154)	(146,315)	(193,202)	(162,698)	(180,624)
22,859	(46,029)	43,624	6,020	(17)
3,616	49,645	6,021	1	18
$ 26,475	$ 3,616	$ 49,645	$ 6,021	$ 1

1. Significant accounting policies:

(a) Continuing operations:

The Company was incorporated under the laws of Ontario, has been continued under the laws of Alberta and is registered as an extra-provincial company under the laws of British Columbia. The Company is engaged in the exploration of mineral properties.

The Company has a working capital deficiency of approximately $159,000 at June 30, 1994 and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The continuing operations of the Company and the recoverability of amounts shown for mineral properties are dependent upon the discovery of economically recoverable ore reserves, continued financial support from the Company's shareholders, the ability of the Company to obtain the neoessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims, and future profitable production or the proceeds from the disposition of mineral properties.

(b) Mineral properties:

All costs related to mineral properties are capitalized on a property-by-property basis. Such costs include mineral claim costs, exploration, development and direct administrative expenditures, net of any recoveries. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and depreciated on the unit-of-production method upon estimated proven reserves as determined by independent consulting engineers. When there is little prospect of further work on a property being carried out by the Company, the costs of that property are charged to operations.

Costs shown for mineral properties represent costs incurred to date, less write-offs, and are not intended to reflect present or future values.

(c) Office equipment:

Office equipment is recorded at cost. Depreciation of office equipment is provided on a declining-balance basis at rates ranging from 10% to 20%, based on the estimated useful lives of the assets.

(d) Deferred offering costs:

Deferred offering costs comprise expenditures related to the Company's capital stock offering described in note 8. These costs will be charged against the proceeds received on the issue of the stock.

2. Mineral properties:

(a) Mineral properties comprise the following:

	June 30, 1994 (unaudited)	December 31, 1993	December 31, 1992
Cottonbelt Property: Revelstoke, B.C. (i)	$ 338,678	$ 287,841	$ 246,177
Magnolia Property: Texada Island, B.C. (ii)	296,923	245,085	221,173
Microgold Property: Kamloops, B.C. (iii)	213,698	167,548	144,589
OK Property: Powell River, B.C. (iv)	231,907	204,127	183,024
	$ 1,081,206	$ 904,601	$ 794,963

(b) Property descriptions and commitments:

A description of the Company's mineral properties at June 30, 1994 is as follows:

(i) The Cottonbelt Property consists of seven contiguous Crown grants and forty-eight mineral claims located near Revelstoke, B.C. The Company entered into two agreements to acquire the seven Crown grants. Three of them were acquired for cash of $47,500 (paid) and the other four were acquired for a 4% net smelter return royalty and 50% of any option payments received or sale proceeds, not to exceed $85,000 in aggregate. The claims were staked by the Company.

(ii) The Magnolia Property consists of forty-three mineral claims. Two of these claims were acquired pursuant to an agreement that included cash of $15,000 (paid), 100,000 class A shares (to be issued) and annual royalty payments of the greater of 4% of net smelter returns and $10,000 to a maximum of $500,000 and five of these claims were acquired pursuant to an agreement that included 50,000 class A shares (to be issued), a 5% net profits interest to the vendor and a 1.25% net smelter return royalty to a previous owner that converts to a 10% net profits interest on certain conditions. The remaining claims were staked by the Company.

2. Mineral properties (continued):

(b) Property descriptions and commitments (continued):

(iii) The Microgold Property consists of ninety-eight contiguous mineral claims located at Stump Lake, 45 km north-east of Merritt, B.C. The Company entered into an agreement to acquire a 100% interest, subject to a 5% net smelter return royalty, in three of the claims for cash of $50,000 (paid) and 100,000 class A shares (to be issued). Subsequent to this agreement, the vendor agreed, subject to regulatory approval and the Company meeting certain conditions, to reduce the net smelter return royalty to 2-1/2% in exchange for 100,000 class A shares. The remaining claims were staked by the Company.

(iv) The OK Property consists of eight contiguous mineral claims located near Powell River, B.C. The Company acquired the right to earn a 100% interest in these claims for cash of $10,000 and 50% of any option payments, royalty payments, or net operating profits royalties received by the Company, to an aggregate of $1,000,000. In addition, the Company has agreed to assume the vendor's obligations, which include a 10% net operating profit royalty, annual option payments of $20,000, and a purchase price of $2,000,000 to be paid out of production at $0.10 per ton of ore mined. As at June 30, 1994, all required cash payments have been made.

The former holder of the option, and certain of its shareholders, have filed actions alleging improper assignment of the option to the Company and are seeking rescission of the assignment. The outcome of the actions is not determinable at this time. No trial date has been set and the plantiff has not advanced the proceedings since 1990.

3. Office equipment:

	June 30, 1994 (unaudited)	December 31, 1993	December 31, 1992
Office equipment	$ 8,930	$ 8,531	$ 8,331
Less accumulated depreciation	4,453	4,245	3,662
	$ 4,477	$ 4,286	$ 4,669

4. Promissory notes:

The promissory notes have no specific terms of repayment and bear interest at prime plus 2% per annum.

5. Capital stock:

(a) Authorized:

The authorized share capital of the Company is 4,000,000 class B shares without par value, and an unlimited number of class A shares without par value.

The class B shares are non-voting, are not entitled to any dividends and in the event of liquidation, dissolution, or wind-up of the Company, the holders are entitled to receive a distribution to the extent of $0.03 per share in priority to the class A shareholders. During 1986, the class B shares were called for conversion on a one-for-one basis into class A shares or for redemption at $0.03 per share prior to June 30, 1986. The Company extended the expiry date for conversion into class A shares until December 30, 1993, at which time, only the redemption option is available to class B shareholders.

The class A shares are voting shares and are entitled to dividends, if declared, and to receive the residual property of the Company on dissolution.

	Class A		Class B	
	Number of shares	Amount	Number of shares	Amount
Balance, December 31, 1988	2,407,701	$ 259,506	639,912	$ 19,198
Issued for cash	1,191,667	400,000	–	–
Conversion of class B to class A	380,000	11,400	(380,000)	(11,400)
Balance, December 31, 1989	3,979,368	670,906	259,912	7,798
Issued for cash	626,667	206,000	–	–
Conversion of class B to class A	53,125	1,594	(53,125)	(1,594)
Balance, December 31, 1990	4,659,160	878,500	206,787	6,204
Issued for cash (note 5(d))	1,357,800	457,820	–	–
Conversion of class B to class A	1,000	30	(1,000)	(30)
Balance, December 31, 1991	6,017,960	1,336,350	205,787	6,174
Issued for cash (note 5(d))	874,367	227,634	–	–
Balance, December 31, 1992	6,892,327	1,563,984	205,787	6,174
Issued for cash (note 5(d))	2,085,000	417,000	–	–
Balance, December 31, 1993	8,977,327	1,980,984	205,787	6,174
Issued for cash (unaudited)	100,000	25,000	–	–
Balance, June 30, 1994 (unaudited)	9,077,327	$ 2,005,984	205,787	$ 6,174

5. Capital stock (continued):

(c) Share purchase warrants:

At June 30, 1994, the Company had the following share purchase warrants outstanding:

Designation of warrants	Class A shares reserved for issuance	Price per share	Expiry date
Series A	350,000	$0.50	September 21, 1995
Series D	135,000	$0.45	November 30, 1994
Series F	500,000	$0.25	November 5, 1995
Undesignated	160,000	$0.25	May 18, 1995

(d) Flow-through shares:

During the year ended December 31, 1991, the Company issued 316,000 flow-through class A shares for cash consideration of $143,000 which was expended prior to December 31, 1991.

During 1992, the Company issued 143,200 flow-through class A shares for cash consideration of $41,200 which was expended prior to December 31, 1992.

During 1993, the Company issued 750,000 flow-through class A shares for cash consideration of $150,000. At December 31, 1993, a total of $110,327 remained to be expended and was presented as restricted cash at December 31, 1993.

These expenditures related to flow-through share proceeds are initially included in Mineral Properties but are not available as a tax deduction to the Company as the tax benefits of these expenditures have been flowed through to the investors.

(e) Escrow shares:

As at June 30, 1994, 45,000 class A shares were held pursuant to an escrow agreement which allows for their release on January 31, 1995.

During 1994, the Company's Board of Directors approved the issuance of 750,000 class A shares to two directors and officers at $0.10 per share. These shares are to be designated as performance shares in accordance with the rules of the British Columbia Securities Commission and will not be issued until the Company receives shareholder and regulatory approval. As performance shares, they will be held pursuant to an escrow agreement and would not be released from escrow without the approval of the regulatory authorities.

(f) Share purchase options:

On April 22, 1994, the Company granted incentive stock options to directors and officers to purchase 1,200,000 class A shares for a five year period at a price to be determined. These options are subject to regulatory approval.

6. Related party transactions:

(a) During the six month period ended June 30, 1994, the Company was charged fees of $15,000 (six months ended June 30, 1993 - $15,000; year ended December 31, 1993 - $30,000; 1992 - $30,000; 1991 - $30,000; 1990 - $30,000 and 1989 - $32,500) for management services rendered by a company owned by a director.

(b) During the six month period ended June 30, 1994, geological and consulting fees totalling $4,000 (six months ended June 30, 1993 - $10,750; year ended December 31, 1993 - $29,750; 1992 - $25,000; 1991 - $102,200; 1990 - $23,650 and 1989 - $15,190) were charged by directors of the Company.

(c) Promissory notes includes an amount of $10,000 owing to a director of the Company.

7. Income taxes:

At December 31, 1993, the Company has the following amounts available to reduce taxable income in future years, the tax benefit of which has not been recognized in the accounts.

Loss for tax purposes expiring in:	
1994	$ 3,000
1995	2,000
1996	15,000
1997	77,000
1998	39,000
1999	35,000
2000	5,000
	176,000
Amounts deducted for book purposes in excess of amounts deducted for tax purposes	493,000
	$ 669,000

8. Subsequent events:

(a) On April 15, 1994, the Company entered into an engagement agreement with Canaccord Capital Corporation ("Canaccord") for the public offering of 1,500,000 non-flow-through units at $0.50 per unit and 1,500,000 flow-through units at $0.60 per unit. Each unit consists of one non-flow-through or one flow-through class A share and one series G share purchase warrant. Two series G warrants entitle the holder to purchase one non-flow-through class A share at $0.50 per share for a period of one year from the date of listing on the Vancouver Stock Exchange (the "VSE"), as noted below.

In consideration of Canaccord guaranteeing the sale of all of the units of the offering, the Company will grant Canaccord share purchase warrants to purchase up to 750,000 class A shares at $0.50 per share. In consideration of Canaccord agreeing to act as the Company's sponsor for its listing application with the VSE, the Company has agreed to issue 120,000 class A shares to Canaccord.

On April 29, 1994, the Company filed a preliminary prospectus with the British Columbia Securities Commission to qualify the class A shares for issuance and concurrently filed a listing application with the VSE to list the Company's class A shares for trading.

Subsequent to June 30, 1994, the Company received approval to file documents for the final prospectus.

(b) Subsequent to June 30, 1994, the Company issued 400,000 class A shares for proceeds of $92,500.

9. Comparative figures:

Certain of the prior years comparative figures have been reclassified to conform with the presentation adopted for the current period.

CANQUEST RESOURCE CORPORATION

Schedule of Mineral Properties

	Six months ended June 30, 1994	Years ended December 31, 1993	1992	1991	1990	1989
Cottonbelt Property:						
Acquisition costs and option payments	$ –	$ 12,000	$ –	$ –	$ –	$ 18,500
Exploration and development expenditures	50,837	29,665	42,723	61,204	25,194	37,856
Magnolia Property:						
Acquisition costs and option payments	30,000	–	–	10,000	32,500	–
Exploration and development expenditures	21,838	23,911	60,043	45,196	33,530	21,594
Microgold Property:						
Acquisition costs and option payments	–	–	–	–	–	25,000
Exploration and development expenditures	46,150	22,959	22,939	29,651	20,628	5,563
OK Property:						
Acquisition costs and option payments	10,000	20,000	20,000	20,000	20,000	20,000
Exploration and development expenditures	17,780	1,103	–	26,139	25,703	51,182
Other properties:						
Acquisition costs and option payments	–	–	–	–	–	–
Exploration and development expenditures	942	2,316	610	578	1,469	929
	$ 177,547	$ 111,954	$ 146,315	$ 192,768	$ 159,024	$ 180,624
Totals:						
Acquisition costs and option payments	$ 40,000	$ 32,000	$ 20,000	$ 30,000	$ 52,500	$ 63,500
Exploration and development expenditures	137,547	79,954	126,315	162,768	106,524	117,124
	$ 177,547	$ 111,954	$ 146,315	$ 192,768	$ 159,024	$ 180,624

CERTIFICATE OF THE ISSUER

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the *Securities Act* and its regulations.

DATED: September 14, 1994

John Bissett
Chief Executive Officer

Ian de Wolfe Semple
Chief Financial Officer

On Behalf of the Board of Directors of CANQUEST RESOURCE CORPORATION

Myles Norman Anderson
Director

Shirley-Mae Bissett
Director

CERTIFICATE OF THE AGENT

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the *Securities Act* and its regulations.

DATED: September 14, 1994

CANACCORD CAPITAL CORPORATION

Per: ______________________

Peter M. Brown

Schedule "A"

This Agreement is to be executed only by investors wishing to participate in the flow-through offering of 1,500,000 Flow-Through Units pursuant to the Prospectus of CanQuest Resource Corporation dated September 14, 1994.

FLOW-THROUGH SHARE PARTICIPATION AGREEMENT

This Flow-Through Share Participation Agreement must be duly executed and returned by the investor, or his duly appointed attorney, to the Company, the Agent or a selling participant within 28 days after the Offering Day as defined in the Prospectus, or the investor will not be entitled to receive any "flow-through" tax treatment for his subscription.

THIS AGREEMENT is made the   day of   , 1994.

BETWEEN:

CANQUEST RESOURCE CORPORATION, a company continued under the laws of the Province of Alberta having an office at 830 - 470 Granville Street, Vancouver, British Columbia, V6C 1V5

(the "Company")

OF THE FIRST PART

AND:

THOSE PERSONS LISTED IN APPENDIX I

(the "Investors")

OF THE SECOND PART

WHEREAS:

A. The Company is a principal-business corporation within the meaning of subsection 66(15) of the *Income Tax Act* of Canada (the "Act");

B. Pursuant to a Prospectus dated September 14, 1994 (the "Prospectus") to which this Agreement is attached, the Investors have agreed to subscribe for Flow-Through Units, each Flow-Through Unit consisting of one flow-through Class "A" voting common share in the capital stock of the Company, which constitutes a "flow-through" share for the purposes of the Act (the "Flow-Through Share" and collectively the "Flow-Through Shares") and one Series "G" Warrant (collectively the "Series "G" Warrants"); two Series "G" Warrants entitling the holder to purchase one non flow-through Class "A" voting common share in the capital stock of the Company, all as more particularly described in the Prospectus;

C. The Company has agreed to apply the subscription funds allocable to the Flow-Through Shares received from the Investors towards carrying out the exploration program described in the Prospectus (the "Exploration Program") and to incur Canadian Exploration Expense ("CEE") as defined in subsection 66.1(6) of the Act, in an amount not less than the consideration received by the Company from the Investors for the Flow-Through Shares;

D. With respect to the Flow-Through Shares, the Company has further agreed to renounce, within the time and in the manner prescribed by the Act, to the Investors the CEE incurred by it in an amount equal to the consideration received by the Company for the Flow-Through Shares.

NOW THEREFORE THIS AGREEMENT WITNESSES that in and for the consideration of the premises and the covenants and the agreement herein contained, the parties hereto agree as follows:

1. Subscription

Each Investor hereby subscribes for that number of Flow-Through Units as is indicated beside his name in Appendix I hereto at a price of $0.60 per Flow-Through Unit in accordance with the terms of the Flow-Through Unit Offering described in the Prospectus and concurrently with the execution of this Agreement tenders money to the Company in full payment of the subscription proceeds therefor. The parties agree that the subscription price of $0.60 per Flow-Through Unit will be allocated as follows:

(a) $0.60 to the Flow-Through Share; and
(b) Nil to the Series "G" Warrant.

2. Deposit of Subscription Proceeds and Issuance of Flow-Through Shares and Series "G" Warrants

The Company shall, following receipt of the subscription proceeds for the Flow-Through Units:

(a) deposit all of the subscription proceeds paid by the Investors for the Flow-Through Units (the "Flow-Through Consideration") into a separate bank account (the "Exploration Fund") established by the Company for the purpose of financing the Exploration Program; and

(b) issue the Flow-Through Units and deliver separate certificates representing the Flow-Through Shares and the Series "G" Warrants to the Investors, all in accordance with their respective subscriptions.

3. Incurrence of CEE

The Company hereby agrees that it shall incur, within 24 months from the effective date of this Agreement (being the date that all parties have executed this Agreement), CEE in an amount not less than the Flow-Through Consideration. The Company agrees to ensure that none of the expenses incurred by the Company will constitute Canadian exploration and development overhead expense ("CEDOE") as that term is defined for the purposes of the Act.

4. Company's Discretion to Substitute Exploration Program

While it is the intention of the Company to use the Flow-Through Consideration to carry out the Exploration Program, should the Directors of the Company determine that it is in the best interests of the Company to undertake substitute exploration programs on different Canadian properties, so long as such expenditures entail the incurrence of CEE and none of the expenses constitute CEDOE, the Company shall be free to do so.

5. Separate Account

For ease of administration, the Company shall deposit all the Flow-Through Consideration received by it into the Exploration Fund. However, the Investors acknowledge that the Exploration Fund is the property of the Company.

6. Interest

Any interest earned on the Exploration Fund will accrue to the Company, and the Company will not be required to renounce CEE which may be earned by the expenditure of such interest, in favour of the Investors.

7. Additional Investors to Participate in Exploration Programs

The Investors acknowledge that the Company may enter into other transactions pursuant to which flow-through shares are to be issued. If this happens, the funds received under such transactions will be deposited in a bank account separate from the Exploration Fund. The Company will expend the funds from each separate account, including the Exploration Fund, in the order of the reference dates of the flow-through participation agreements, such that the subscription funds from the oldest "flow-through" financing shall always be spent first and renunciations made in respect of such expenditures before any renunciations are made in respect of any exploration expenditures that are financed from subsequent financings.

8. Exploration Benefits

The Investors will not acquire any rights in properties of the Company, including property acquired out of the Exploration Fund. Any other benefits derived from such expenditures, including assessment work credits and governmental incentives will accrue exclusively to the Company.

9. Completion Dates for Exploration Program

The Company agrees to use its best efforts to expend the Flow-Through Consideration on the Exploration Program on or before February 28, 1995 but, in any event, if this is not possible, shall expend the Flow-Through Consideration in accordance with this Agreement not later than 24 months from the effective date of this Agreement.

10. Renunciation

The Company shall renounce to the Investors in respect of the Flow Through Shares on a pro rata basis the amounts of CEE incurred by it using the Flow-Through Consideration as follows:

(a) where the CEE is incurred in 1994, the Company shall renounce the CEE so incurred to the Investors with effect no later than December 31, 1994;

(b) where the CEE is incurred by the Company after December 31, 1994 and on or before February 28, 1995 and each of the requirements of subsection 66(12.66) of the Act are satisfied in respect of such CEE, the Company shall renounce to the Investors, no later than March 31, 1995, an amount equal to the amount of such CEE so incurred with the effective date of such renunciation specified for the purposes of the Act to be December 31, 1994; and

(c) subject to paragraph 3, where the CEE is incurred after 1994 and has not been renounced under subparagraph 10(b), the Company shall renounce the CEE so incurred to the Investors with effect no later than the date on which the renunciation is made

Notwithstanding and in addition to the above, the parties agree that:

(d) the Company shall, before March of the first calendar year beginning after the period specified by paragraph 3 for incurring CEE has expired, renounce to the Investors all amounts in respect of CEE incurred by the Company using the Flow-Through Consideration and which it is permitted by the Act to renounce;

(e) the amount renounced by the Company to an Investor in respect of a Flow-Through Share shall not exceed the consideration received by the Company for the Flow-Through Share;

(f) the Company shall not be required to renounce to an Investor in respect of a Flow-Through Share an amount in excess of the limits set out in the Act; and

(g) the Company shall, in respect of each renunciation, file the form prescribed for that purpose, in the manner and within the time specified by the Act.

11. Company not to Claim Deductions in Respect of CEE

The Company acknowledges that it has no right to claim any deduction for CEE or depletion of any sort in respect of CEE it incurs in pursuing its exploration programs and renounces to Investors pursuant to this Agreement, and covenants not to claim any such deduction when preparing its tax returns from time to time.

12. Reports to Investor

On or before March 31, 1995 the Company shall prepare and forward to Investors a report on the total amount of CEE financed out of the Exploration Fund, incurred by the Company and renounced to the Investors to date. Thereafter the Company shall provide such reports to Investors within 30 days of the renunciation of such CEE by the Company to the Investors.

13. Representations and Warranties of the Company

The Company represents and warrants to the Investors as follows:

(a) the Company has full power and authority to enter into this Agreement, to accept the Investors' subscriptions for Flow-Through Units, and to do all other acts which may be necessary to consummate the transactions contemplated hereby;

(b) the Company is a "principal-business corporation" as that expression is defined in subsection 66(15) of the Act;

(c) the issue of the Flow-Through Shares will, at the time of their issuance, have been approved by all requisite corporate action and the Flow-Through Shares will, upon issue and delivery, be validly issued as fully paid and non-assessable;

(d) the Flow-Through Shares will qualify as "flow-through" shares as described in subsection 66(15) of the Act;

(e) at the time of their issuance, the Flow-Through Shares will not be "prescribed shares" as that expression is defined in section 6202.1 of the regulations under the Act.

14. Representations and Warranties of the Investor

Each Investor warrants and represents that he, she or it is a bona fide investor and that:

(a) the Flow-Through Shares being acquired pursuant to this Agreement are being acquired by the Investor as principal on his, her or its own behalf and not on behalf of any third party;

(b) the Investor is not presently a "control person", as that term is defined in the *Securities Act*, of the Company and does not intend to act in concert with any other person to form a control group;

(c) the Investor has no knowledge of a "material fact" or "material change", as those terms are defined in the *Securities Act*, in the affairs of the Company that has not been generally disclosed to the public, save knowledge of this particular transaction;

(d) if the Investor purchases the Flow-Through Shares in circumstances where a Prospectus is required, the Investor acknowledges receipt of a Prospectus from the Company in respect of the Flow-Through Shares.

15. The Company to File

The Company shall file with the Minister of National Revenue the prescribed form (T100) referred to in subsection 66(12.68) of the Act together with a copy of the Prospectus and this Agreement to issue the Flow-Through Shares on or before the last day of the month following the earlier of:

(a) the month in which any agreement to issue the Flow-Through Shares is entered into; and

(b) the month in which any "selling instrument" as that term is defined in subsection 66(15) of the Act relating to the Offering made by way of the Prospectus of the Company dated September 14, 1994, is first delivered to the Investors or other potential investors of the Company.

The Company shall also file with the Minister of National Revenue the requisite information returns to effectively renounce the CEE to the Investors, including Form T101 Summary and Form T101 Supplementary on or before the last day of the month in which the renunciation is made.

The Company shall pay any penalties assessed for late filings out of its working capital.

The Company shall also file with the Minister of National Revenue any amendment to this Agreement, utilizing the applicable identification number.

16. Audit by the Minister of National Revenue

The Investors acknowledge that the Minister of National Revenue may audit the expenditures of the Company used to incur the CEE renounced to the Investors and may request a reduction of the amount of CEE so renounced or make such reduction on its direction. In the event that such reduction occurs the Investors agree to share the reduced CEE pro rata to the Investors' subscriptions.

17. Books and Ledgers

The Company shall keep up-to-date books and account ledgers and other required files into which shall be entered all transactions relating to the activities of the Company and its exploration programs. These books and ledgers shall be available for inspection by the Investors at all times during ordinary business hours. Information is available to the Investors only when the same may be publicly disclosed.

18. Amendments

Amendments to this Agreement may only be made with the written consent of the Company and the Investors.

19. Entire Agreement

The present Agreement constitutes the entire agreement between the parties hereto and there exists no representation, warranty or covenant expressed or implied, written or verbal, other than expressed herein.

20. Applicable Law

This Agreement shall be governed by and interpreted according to the laws of the Province of British Columbia and the parties hereto agree to submit to the jurisdiction of the courts of British Columbia any questions arising therefrom.

21. Further Assurances

The parties hereto covenant and agree to execute and deliver such further agreements, documents and writings and provide such further assurances as may be required by the parties to give effect to this Agreement.

22. Income Tax Act

Reference to the *Income Tax Act* (Canada) herein includes reference to any amendments thereto from time to time.

23. Enurement

This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective heirs, executors, administrators, successors and assigns.

24. Company's Acceptance

The power of attorney form, the form of which is attached as Schedule "B" to the Prospectus, when executed by an Investor and delivered to the Company, will constitute a subscription for Flow-Through Units which will not be binding on the Company until accepted by the Company by executing the Agreement in the space for execution by the Company provided below. Upon such acceptance of the subscription by the Company, an agreement will be entered into, effective and deemed to be dated as of the date of such acceptance by the Company, as indicated on the first page of this Agreement.

IN WITNESS WHEREOF the parties have hereunto set their hands and corporate seals as of the day and year first above written.

THE CORPORATE SEAL of CANQUEST RESOURCE CORPORATION was hereunto affixed in the presence of:	)	(C/S)
______________________________	)	
Authorized Signatory	)	
______________________________	)	
Authorized Signatory		

SIGNED, SEALED AND DELIVERED by	)	
in the presence of:	)	
______________________________	)	______________________________
Signature of Witness	)	(Signature of Investor)
______________________________	)	
Name of Witness	)	
______________________________	)	
Address	)	
______________________________	)	
______________________________	)	
Occupation	)	

APPENDIX I

Name and Address of Investor	Number of Flow-Through Units

Schedule "B"

POWER OF ATTORNEY

TO: CanQuest Resource Corporation
830 - 470 Granville Street
Vancouver, British Columbia
V6C 1V5

(the "Company")

Re: Flow-Through Share Participation Agreement and Participation in the Flow-Through Unit Offering pursuant to the Company's Prospectus dated September 14, 1994 (the "Prospectus")

The undersigned investor hereby irrevocably nominates, constitutes and appoints JOHN BISSETT, President and Chief Executive Officer, or alternatively, IAN de WOLFE SEMPLE, Vice-President, respectively, of the Company, (the "Attorney"), with full force and power of substitution, as his agent and true and lawful attorney to act on behalf of the undersigned with full power and authority in his name, place and stead to execute, acknowledge, date, deliver, file and record as and where the Attorney considers it appropriate, the Flow-Through Share Participation Agreement (the "Agreement") in the form which accompanies the Prospectus as Schedule "A" thereto, and any amendment, change or modification of that Agreement, subject to the terms of the Agreement.

The undersigned agrees to be bound by any representation and action of the Attorney made or taken in conformity with this Power of Attorney. This Power of Attorney shall be irrevocable and shall bind the undersigned, his heirs, executors, administrators, successors and assigns, as the case may be, notwithstanding the death, incapacity or bankruptcy of the undersigned.

The Attorney shall have the power to execute the Agreement in the name of the undersigned pursuant to this Power of Attorney by affixing his signature with the indication that the Attorney is acting on behalf of the undersigned.

DATED , 1994.

THIS POWER OF ATTORNEY MUST BE DULY EXECUTED AND RETURNED BY THE UNDERSIGNED TO THE AGENT OR SELLING PARTICIPANT WITHIN 28 DAYS AFTER THE OFFERING DAY OR THE UNDERSIGNED WILL NOT BE ENTITLED TO RECEIVE ANY "FLOW-THROUGH" TAX TREATMENT FOR HIS SUBSCRIPTION.

If the undersigned is an individual:

SIGNED, SEALED AND DELIVERED by the Inestor in the presence of:	)	
Signature of Witness	)	Signature of Investor
Name of Witness (Please Print)	)	Name of Investor (Please Print)
Address	)	Resident Address
City and Province	)	City and Province
Postal Code	)	Postal Code
Occupation	)	Social Insurance Number of Investor

If the undersigned is a corporation:

THE CORPORATE SEAL of the Investor was hereunto affixed in the presence of:	)	(C./S)
Name of Corporation	)	
Authorized Signatory	)	
Name (Please Print	)	
Office Held	)	
Address of Corporation	)	
City and Province	)	
Postal Code	)	
Corporation Account Number		