

VCS → Cottonbelt



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CANQUEST RESOURCE CORPORATION

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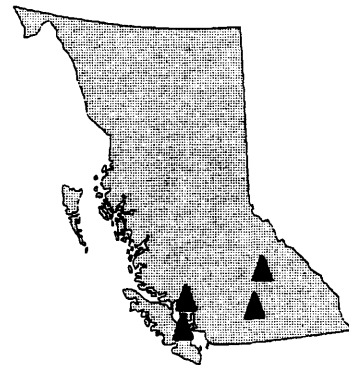
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Corporate Profile

HIGHLIGHTS

- * CanQuest has a 100% interest in **three large, advanced** precious metals and poly-metallic base metal properties, plus an option to purchase a 100% interest in a fourth such property. One or more of these projects could be at a **pre-feasibility stage in 2 years**.
- * All the properties are located in southern British Columbia and are accessible by road (no high cost logistics). With one partial exception, the properties are non-seasonal.
- * Three of the properties have **major tonnage potential**: two have existing reserves.
- * All the projects are at or very near the drilling stage, and the two presently most important, the **Cottonbelt** and the **Microgold**, will both have extensive drilling programs conducted on them this year.
- * All the properties are in areas with existing commercial activity: **none** are in provincial parks, aboriginal reserves or designated areas of land use study.
- * The Company has experienced, competent **management** and a **sound** shareholder base that includes several Canadian and International investment institutions.



THE PROPERTIES

MICROGOLD PROPERTY

100% owned by CanQuest, this large (20 sq. miles) property is located at Stump Lake, B.C., midway between Kamloops and Merritt and is bordered by Highway 5A which connects these municipalities. The property encompasses all or part of an extensive epithermal mineralizing system featuring at least several principal areas of alteration, silicification, brecciation and associated gold enrichment, perhaps controlled by cross faulting in this classic interior belt, block-faulted geologic environment. Two such zones on the property encompass an area of 2 square km. Typical epithermal indicator minerals such as chalcedony and fluorite as well as important geochemical indicators abound in these silicified zones. Grab samples assaying up to 0.69 oz/ton have been taken from these areas and limited, shallow drilling has produced anomalous gold below the surface. The "plumbing system", likely one or more key faults, that are conduits for this extensive mineralization, and wherein can occur high grade "bonanza"-type gold occurrences that typically underlie the higher level epithermal mineralization, have yet to be discovered on the property, and will be the focus of the extensive drilling that is planned for later this year. Results from a recent low-level aerial geophysical survey over the entire property have revealed strong evidence of cross structures that could form controls for both the deeper "bonanza" as well as the surface mineralization on the property. Other anomalies have also been exposed in areas of the property where silicification and alteration are known to occur.

MAGNOLIA PROPERTY (TEXADA ISLAND)

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

OK PROPERTY

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

THE PROPERTIES

COTTONBELT PROPERTY

100 % owned by CanQuest, this large (40 sq. miles) property is located 60 km northwest of Revelstoke and is accessible by road from the Trans-Canada Highway. The property encompasses the Mt. Grace Syncline, a regional northwest trending, tightly folded, overturned U-shaped structure wherein are located stratiform horizons containing significant mineralization of copper, lead, zinc, silver and accessory gold. The surface extent of mineralization as presently known on the property has a strike length of over 10 km, and is contained in several separate horizons over a surface elevation difference on strike of nearly 900 meters. Evidence exists that these mineralized layers may extend for another cumulative distance of 6.5 km. The longest exposure of mineralization is the 4.8 km long Cottonbelt-Bass lead-zinc-silver layer which occurs in the southwest limb of the fold. Surface widths range up to 4 meters and average about 2 meters. These widths do not however represent the much greater thickness of mineralization that might be expected to occur in sub-surface areas of dilation in the crest and trough areas of the folded structures on the property.

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

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

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

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

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MICROGOLD PROJECT UPDATE (Refer to maps opposite and overleaf)

A recent exploration program carried out over a limited portion of CanQuest's 20 square mile (52 square kilometre) Microgold gold property by two of the Company's consultants focused on several prime objectives: 1) to confirm the previous work done in the Kullagh Lake area by BP Minerals; 2) to confirm that the resistivity anomalies that were measured in an aerial geophysical survey done for CanQuest, and which occur over widespread areas to the west of Kullagh Lake, were reflective of an additional epithermal environment conducive to gold deposition; 3) to define targets for a major drill program to be initiated on the property by CanQuest. A secondary program of sampling for fluid inclusion studies was also completed.

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

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

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

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

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

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

MINERAL TARGET

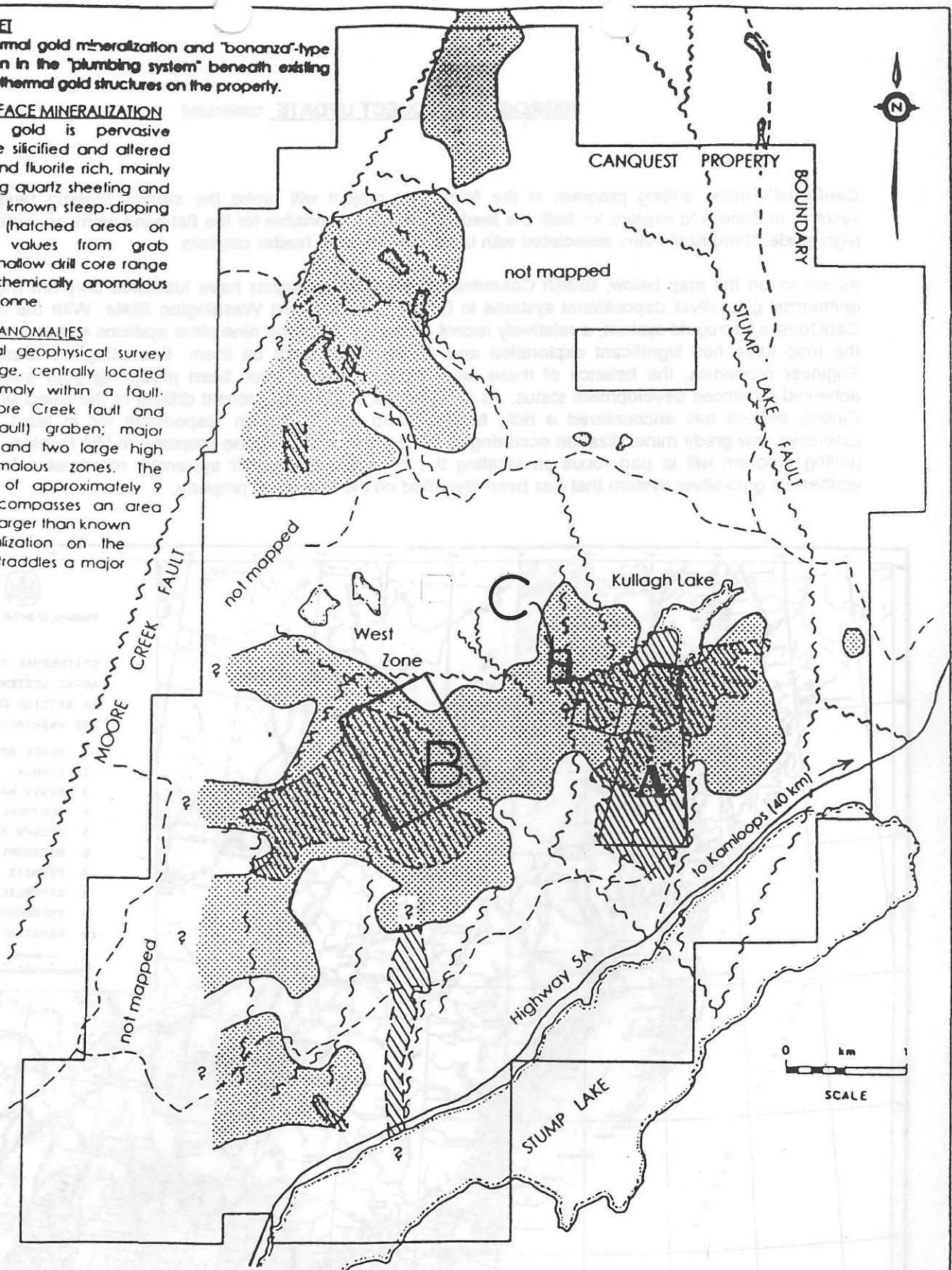
Shallow epithermal gold mineralization and "bonanza"-type gold deposition in the "plumbing system" beneath existing upper level epithermal gold structures on the property.

PROPERTY SURFACE MINERALIZATION

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

GEOPHYSICAL ANOMALIES

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



SYMBOLS



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

~~~~~ Fault  
- - - - - Highway, road

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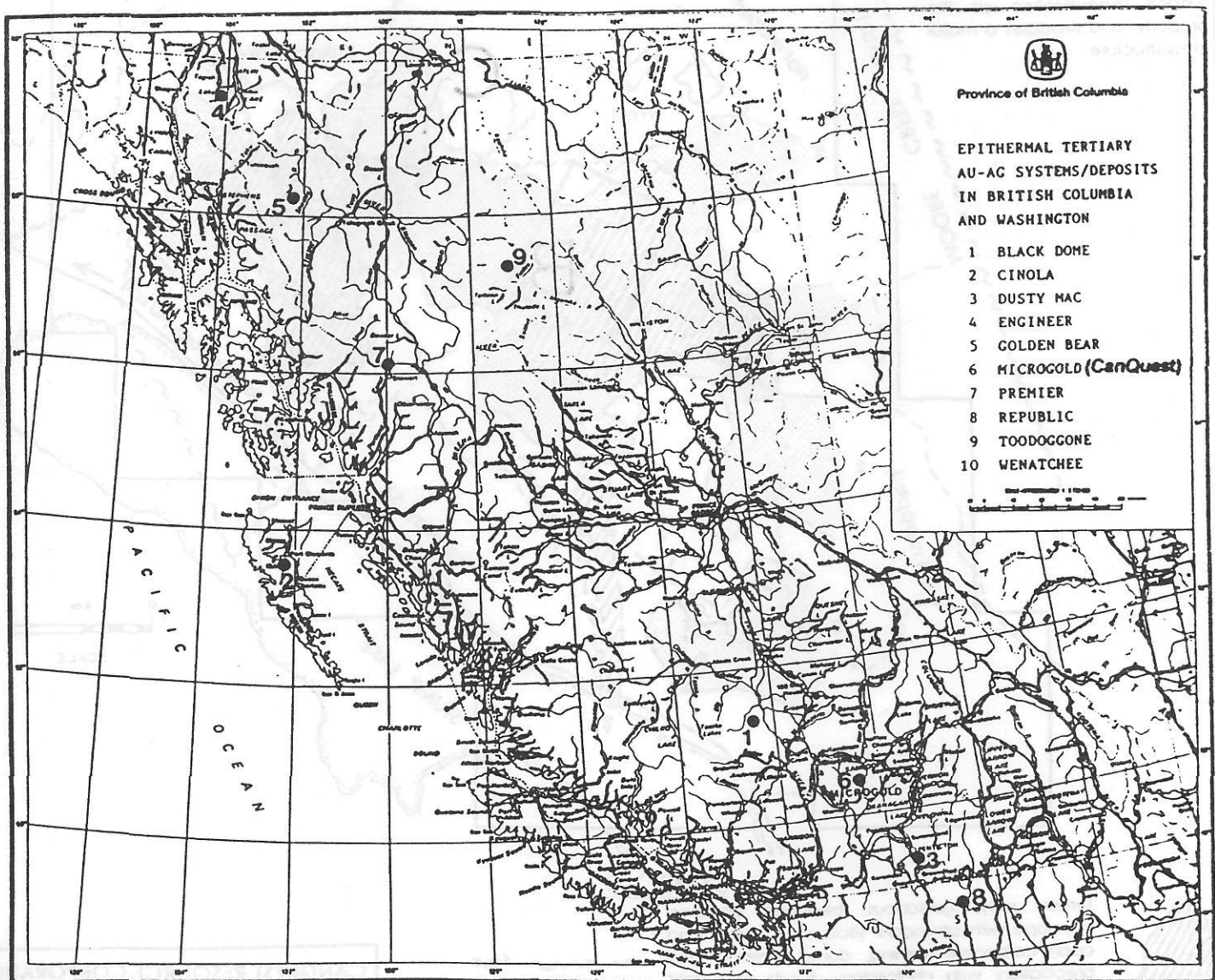
Microgold Gold Project

Stump Lake (Kamloops), British Columbia

## MICROGOLD PROJECT UPDATE continued

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

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



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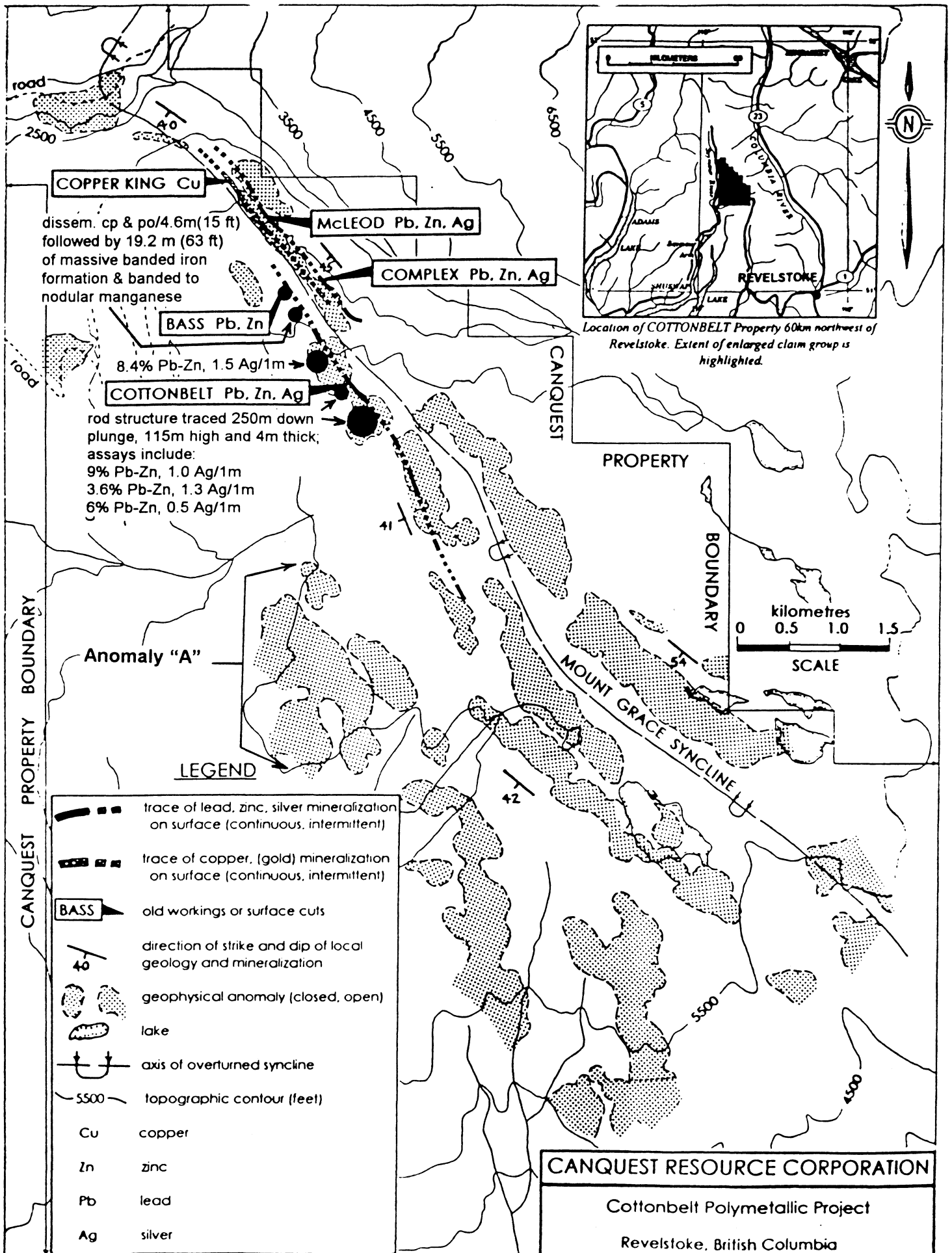
## COTTONBELT PROJECT UPDATE (Refer to map overleaf)

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

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

### Recommendations

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





## SOME PERSPECTIVE ON THE COTTONBELT PROJECT

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

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

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

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

- the deposits are of the same general age, with an apparent similar original depositional environment.
- mineralization occurs in the same setting as conformable layers, often in lens-shaped zones in similar types of rock, within a complex, tightly folded structure that has been subjected to a similar high degree of temperature and pressure change. This has led to the formation of a very similar suite of major minerals representing these common chemical conditions, including, of particular relevance, anomalous amounts of banded iron formation in, or proximal to base metal mineralization;
- a similar setting exists for mineralization, i.e. in a number of distinct and separate horizons in which ore grade mineralization occurs over mineable widths (at the Broken Hill), separated by zones where the mineralization, plastic-like compared to its enveloping rocks, may or may not be ore grade but has been squeezed and smeared on the fold limbs to often only inches in width. Like the Cottonbelt property, surface mineralization at the Broken Hill is thin but impressively persistent over great lengths. At the Broken Hill operation, mining widths and ore grade mineralization are found only at depth in the axial core portion of crests and troughs of folds and associated drag folds on the limbs;
- work over many years at the Broken Hill mine has noted that "the mineralized horizons, where they are all but devoid of sulphides away from the ore lenses on the same horizon, appear as siliceous layers, usually weakly but persistently with manganese."

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

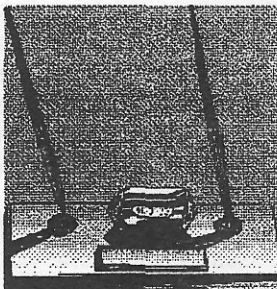
## MANAGEMENT

The principal officers and directors of CanQuest are:

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

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

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





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