Canico Resource Corp.
Onça Nickel Project, Brazil

Independent Technical Report

Prepared by: Callum Grant, P.Eng. August 31, 2003

Approvals

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1. Summary

Canico Resource Corp ("Canico") of Vancouver, Canada is currently exploring and evaluating the Onça-Puma West nickel laterite property located in the northern state of Pará in Brazil. In August 2003, Canico completed a 485-hole diamond drill program and other exploration activities at Onça as part of a larger program to investigate the combined Onça and Puma West properties as a source to support a nickel mining and processing operation.

This report was prepared by the Vancouver office of Hatch Associates Ltd. ("Hatch") and summarizes the polygonal Inferred Resource estimate for Onça dated August 14th, 2003.

Hatch's report is based on a site visit completed by Mr. Callum Grant, P.Eng. in January 2003, during which an inspection of the property, sample preparation facilities, and the primary assay laboratory (Lakefield Geosol in Belo Horizonte) were completed. Hatch has reviewed all relevant data on the project completed by Canico and by Inco Ltd. who discovered and explored the property in the 1970s.

Onça is a flat-lying nickel laterite "blanket" that has been defined by short drill holes and pits over a 20 km east-west strike length and in width up to 3.6 km. Iron-rich lateritic soil at surface gives way to a saprolite zone before passing into a lower boulder zone lying immediately above the serpentinite basement. In the western sections of the deposit, a limited or negligible cover of overburden overlies laterite/saprolite thicknesses, while further east an extensive silica cap of several tens of metres in thickness covers the lower saprolites. Thicknesses of combined laterite and saprolite typically fall in the range of 3m to 7m, although occasional intercepts up to 20-30m have been encountered in the drilling programs.

Canico has explored Onça with an appropriate set of techniques for nickel laterites, including HQ diamond drilling and bulk sampling from test pits excavated through the laterite blanket to the basement serpentinite. Ground Penetrating Radar has also been used to assist in mapping sub-surface contacts. The exploration activities have been supervised and run by an experienced geological team some of whom have several years of experience of laterites in Brazil and of the Onça-Puma project in particular. The work programs have been controlled by an adequate QA/QC program both for monitoring the collection and preparation of samples from the diamond drilling and bulk sampling programs, and for the sample assaying at Lakefield Geosol's ISO9002 laboratory in Belo Horizonte.

The basis of the Canico resources estimates is a grid of 485 vertical diamond drill holes at a nominal spacing of 200m by 200m with some infill drilling at 100m spacings.

Using a traditional polygonal interpolation around central drill holes and a 2m minimum vertical thickness, Canico has estimated Inferred Resources at Onça as follows:

Cut-Off Grade, %Ni	Inferred Resource					
	Millions dmt	%Ni	%Fe	%SiO2	%MgO	%Co
1.50% Ni	69.85	2.12	21.8	33.3	16.8	0.123
1.00% Ni	140.81	1.67	25.6	31.8	12.8	0.125

Based principally on the sample density and continuity to depth and laterally, these resources fall within the Inferred category of the CIMM definitions, although in Hatch's opinion this classification is conservative in some sections of the deposit.

These Inferred Resources do not yet demonstrate economic viability. Evaluation of the property's economic viability will depend on technical, price, and economic parameters, on metallurgical characteristics, and the degree of blending needed to maintain production feed within the limits of the selected pyro-metallurgical processing method.

2. Introduction

In August 2003, Hatch was commissioned by Canico to complete an Independent Technical report on Onça, and follows Hatch's earlier report "Independent Technical Report – Puma West" issued on January 29, 2003.

The Qualified Person for this report and on-going studies is Callum Grant, P.Eng., Manager of Geology & Mining for Hatch's Vancouver office who visited the site and laboratory facilities (in Belo Horizonte) during the week of January 6th thru' 12th, 2003.

The terms of this study were, in brief, to carry out an independent evaluation of the Onça project, its geological characteristics, Canico's exploration program and results to date, the QA/QC procedures applied during the exploration program, the reliability of sampling and assay database, and the polygonal resource estimates generated from that database.

This report is based on Hatch's own observations at site, a critical review of the sampling and assaying procedures, an inspection of the Lakefield laboratory used for assaying the drill hole and pit samples, the resource estimation methods used, and general information provided by Canico particularly regarding the history of the project and the geological setting of the mineralization.

3. Disclaimer

This report prepared by Hatch Associates Ltd. only addresses the geological and technical aspects of the Onça nickel laterite property of Canico Resource Corp.

No due diligence of a legal or environmental nature was included in the Terms of Reference for the work, and comments to this effect in the report are taken from Canico documents.

4. Property Description and Location

The Onça West property located approximately 16 kms to the southwest of the adjacent Puma West property covers some 7,000 hectares within a larger concession area of 20,000 hectares. Both properties are within 30 kms of the closest town of Ourilândia do Norte.

The immediate area around the property is served by a good network of local dirt roads that are regularly used by the local farming community. Further to the east, access to the main Brazilian highway network can be achieved through the town of Xinguara where connection to the national power grid is also available (see Figure 4-1). A railhead some 120kms from the project site links the CVRD iron ore operations to the port of São Luis some 900kms distant on the Atlantic coast.

Regular air service connects Ourilândia, the location of Canico's field office, to the southern town of Marabá, and thence to the major Brazilian centres such as Brasilia, Belo Horizonte, and São Paulo.

Relevant data on the property is as follows:

- the geographical centre of the Onça property is approximately 6º 30' south, 51º 00' west;
- the mineral rights to the property are held as an application for mining concessions through Process # 811.015/73 and 811.016/73; Canico has surveyed the property limits;
- Canico acquired a 100% interest in both properties with the following principal terms:
    - in consideration for the purchase, Inco received an 18% equity interest in Canico with a right to maintain that interest;
    - Inco has a pre-emptive right of first refusal to purchase Canico's interest in the event that Canico decides to sell the property;
    - an Offtake Agreement and Sales Agency Agreement provides for the purchase of nickel matte by Inco and for the sale of other nickel product from the project through Inco's marketing agency;
    - Inco may provide Canico with technical consulting services during the exploration and development of the Onça-Puma project on an as-needed basis at Canico's request
    - there are also certain conditions in the event that Canico elects to use Inco's Laterite Reduction Smelting Process rather than other pyro-metallurgical flowsheets;
- on production, a 2% federal royalty on NSR is payable to the Brazilian government, and if development is on privately held ground a further 1% is payable to specific landowners;
- Canico has obtained approval from the relevant government departments to proceed with its exploration and development programs through to the feasibility study stage.

Figure 4-1: General Location Map

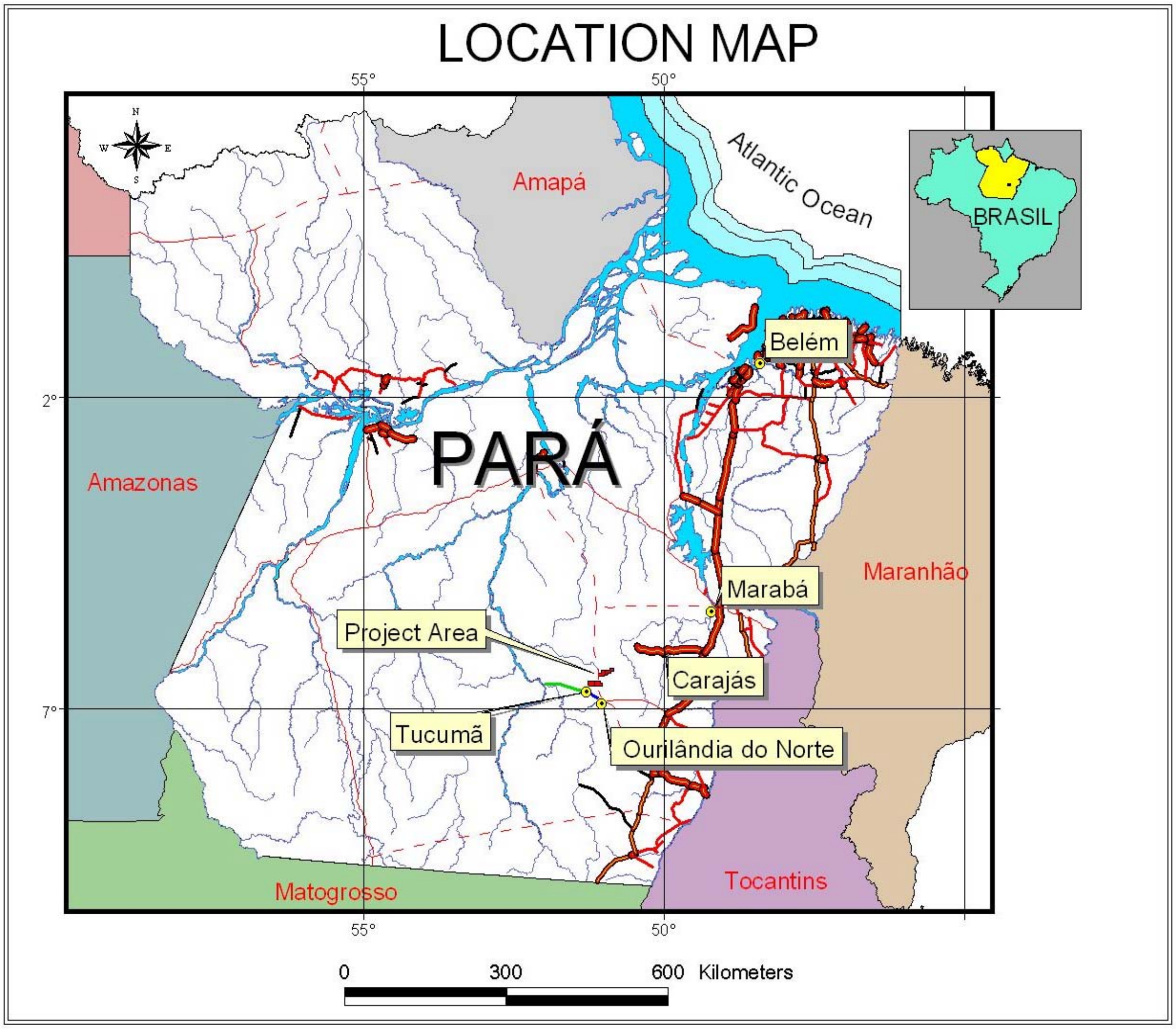
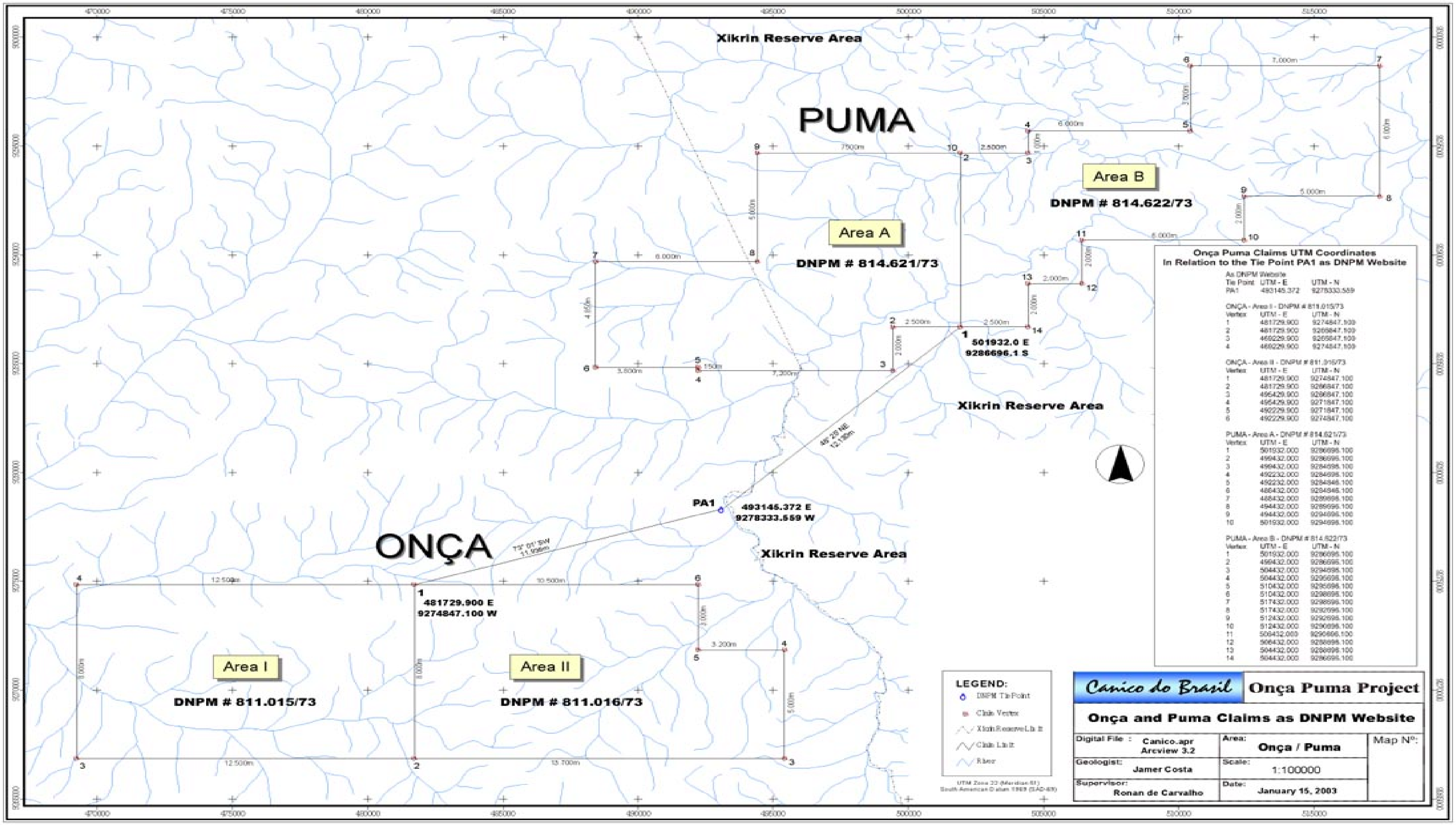


Figure 4-2: Property Claim Map



5. Accessibility, Climate, Local Resources, Infrastructure, and Physiography

Relevant comments in this section are as follows:

- the Onça nickel deposit occurs within an elongated east-west ultramafic complex with a relief of up to 300m above the surrounding plain and has dimensions of approximately 20kms in length by 3.6 kms in width;

- on section, the ultramafic ridge has a ridge or "mesa" profile characterised by a flat plateau top, sloping off to the north and south;

- the vegetation in the area consists of dense to scrubby tropical trees and bush along the ridge and on slopes of the peneplain, giving way to green pasture land at lower elevations which is dedicated largely to raising cattle amongst several small ranching communities;

- the tropical climate is characterized by two well-defined seasons: a rainy season from December to April when some 90% of the total annual rainfall of ~2,000mm occurs, and a dry season from May through November. Temperature varies from 17 to 38 degrees (summer) and averages 26 degrees. The warmest months are from July to September;

- location of infrastructure required for future production from the property will be addressed as part of a Preliminary Assessment (Scoping Study) currently being prepared by Hatch, however at this stage no major problems have been identified for such items as water, power supply, and waste disposal.

6. History

Interest in the nickel potential of the region around Onça and Puma West coincided with the discovery and development of the rich iron and manganese ores of the Carajás region that now supports the world's largest iron ore operation. Following up an interpretation of aerial photos and satellite imagery during the 1970s, Inco Ltd. discovered the Onça and Puma occurrences during a field season of regional exploration.

Over the period 1973-77, Inco completed a wide-spaced program of test pitting and hand auger drilling at Onça from which an Inferred Resource of 19.48 million dmt at 2.2% Ni for Onça (using a 1.5% Ni cutoff grade prior to NI 43-101 regulations). The basis of the Inco resource calculations was a grid of north-south lines cut across the strike of the ridge at east-west intervals of between 200 m and 400m. Along these lines, the pits and auger holes were located to provide "optimum coverage of the various types of laterite development" (Inco Internal report, April 1978), however owing to the limitations of the drilling methods and difficulty in penetrating silica cap areas along the ridge, only the upper portions of the laterite/saprolite profile were penetrated in many locations. In total, Inco completed 223 pits and 148 short auger holes at Onça.

In 2002, the consulting firm of Watts, Griffis, and McOuat (WGM) audited the Inco resource numbers. Based on their check work and re-estimation using the Inco data, WGM concluded that the Inferred Resource of Onça totalled 22.6 million dmt grading 2.10% Ni at a 1.5% Ni cut-off grade; the WGM report states that these estimates were prepared to 43-101 standards.

In January 2002, Hastings Resources Corp. changed its name to Canico Resource Corp. as part of a corporate merger, and entered into the Inco Agreement as described above. Later in 2002, Canico contracted a Brazilian drilling company to complete an 11,000m drill program a Puma and Onça.

By August 2003, Canico had completed 485 vertical diamond drill holes with HQ core, 6 pits for detailed sampling and bulk density estimations, plus a series of Ground Penetrating Radar lines to assist in defining lithological surfaces within the laterite profile.

7. Geological Setting

Nickel mineralization at Onça is hosted by an elongated ultramafic complex within the Amazon Craton of the Brazilian Precambrian Shield, more specifically within the Itacaiunas Shear Belt which is underlain by Archean-age gneisses and migmatites. The ultramafic complex was localized along a prominent structural zone which controlled its emplacement into the surrounding metamorphic basement rocks. It is composed of a layered complex of variably serpentinized dunite and peridotite, plus related pyroxenite, anorthosite, and gabbro. Its general strike trends east to west, and it dips at 40-45 degrees to the south.

Nickel mineralization has been developed within the weathering profile over a series of dunites and peridotites, gabbros and locally pyroxenites (present as sills within the complex). Figure 7-1 illustrates the principal geological features of the Onça deposit.

A brief description of the principal rock units in the project area is as follows:

Serpentinized Peridotites and Dunites form the principal units of interest for the laterite nickel mineralization. Three main types of serpentinite have been recognised in mapping the complex, and their original characteristics have had a bearing on the development of the laterite/saprolite profiles at Onça. From the base of the complex upwards, the units are:

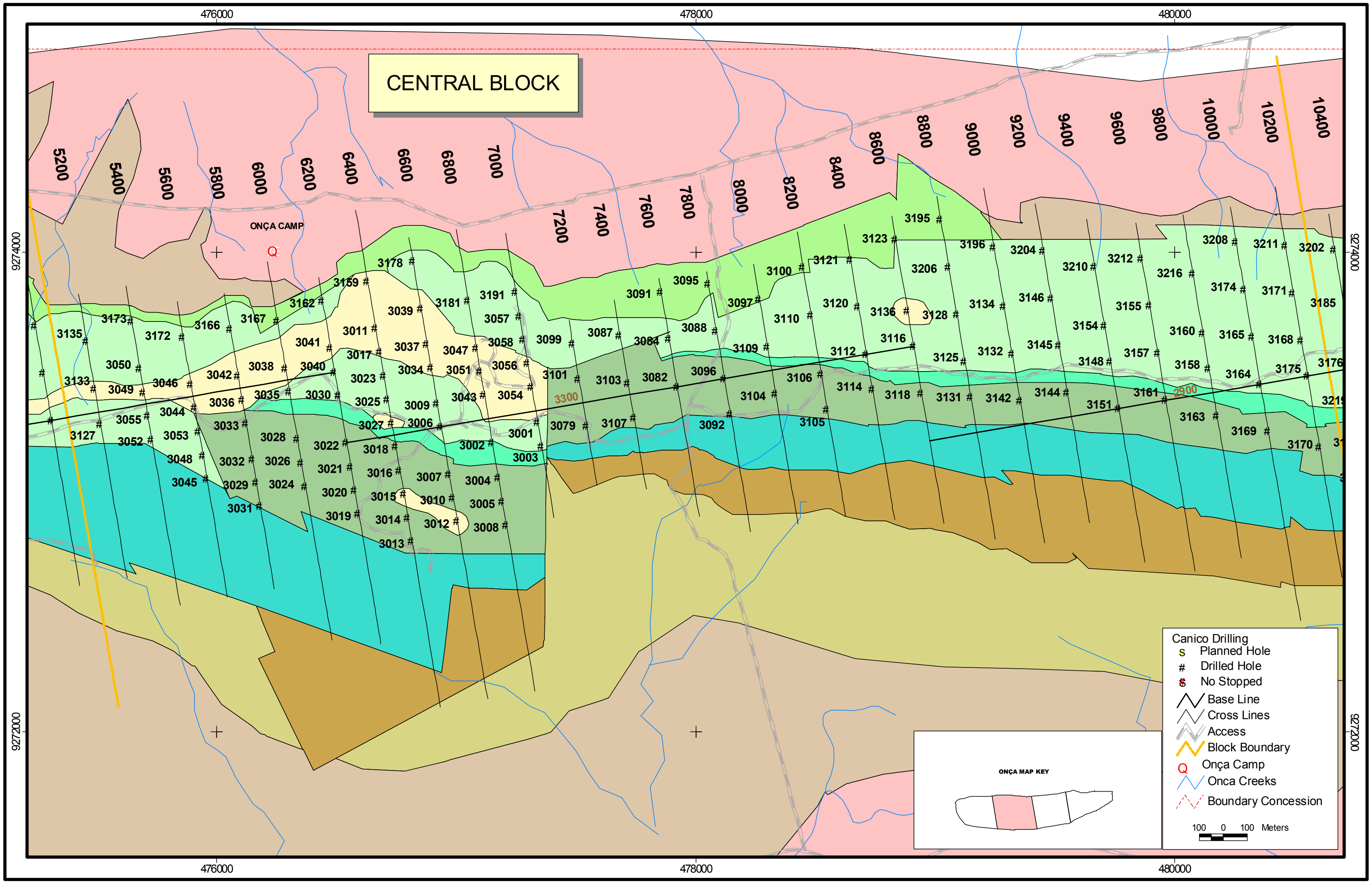
- **Serpentinite 1:** occurs along the basal portion of the ultramafic complex varying from a few metres to ~200m thick. It is light grey to almost white, fine-grained, siliceous, and contains fracture zones. Magnetite and/or manganese plus veinlets of chrysotile and spinel are characteristic

- **Serpentinite 2 (serpentinized dunite):** extends for about 20 kms along strike, overlies Serpentine 1 or lies directly on the basal contact, and averages 800m in width. Fine to medium grained with irregular grain shapes. Light green to dark brown, or green. In fault zones, it is silicified (silica-chaledony boxwork). A thick silica-chalcedony cap has developed over this unit to the east of coordinate line 10,400. This unit is one of the major protoliths to nickel concentration.

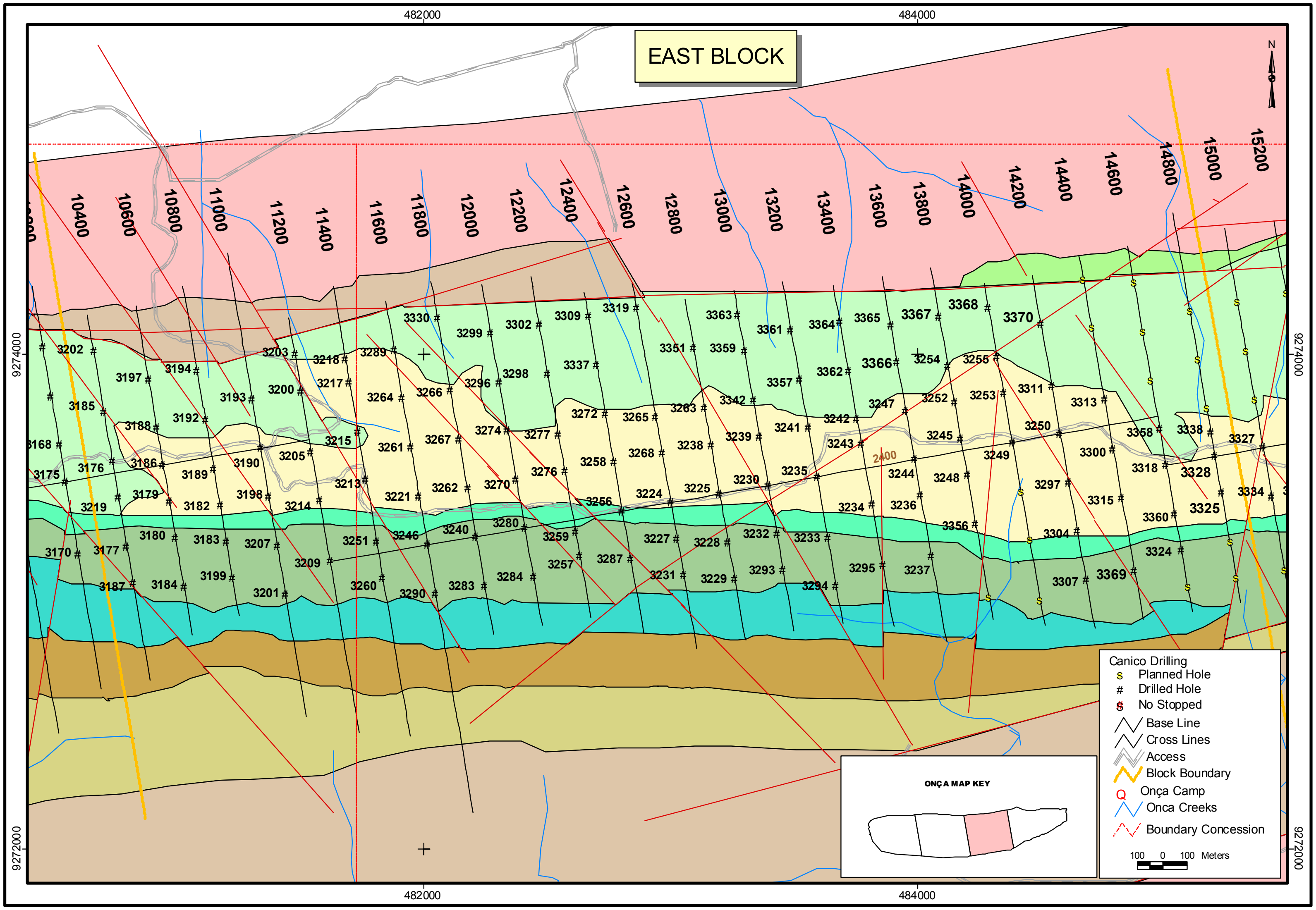
- **Pyroxenite 1:** forms a thin continuous layer averaging 50m wide, and in places is cut off by faults

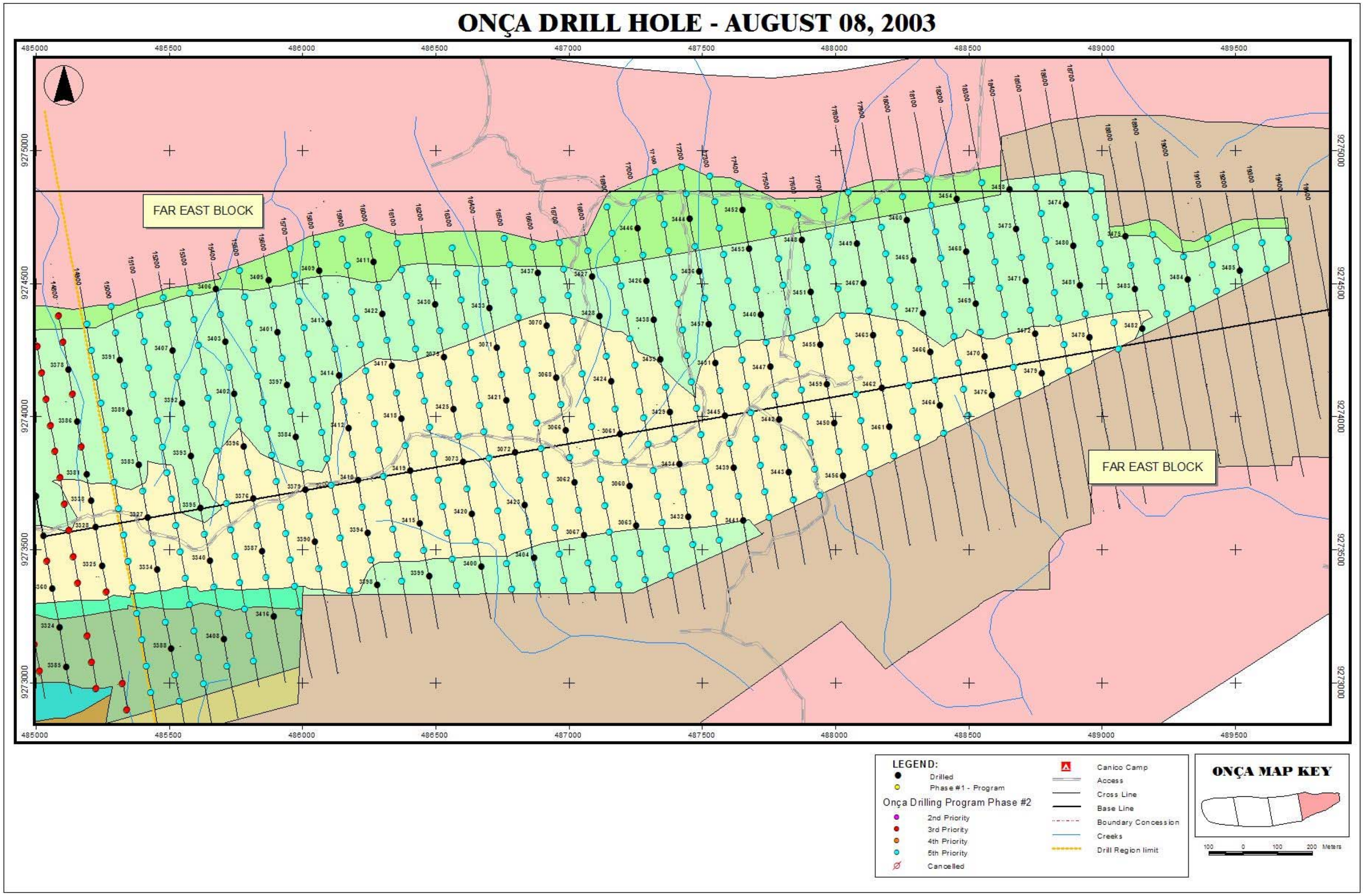
Figure 7-1: Property Geology

ONÇA DRILL HOLE - APRIL 03, 2003.

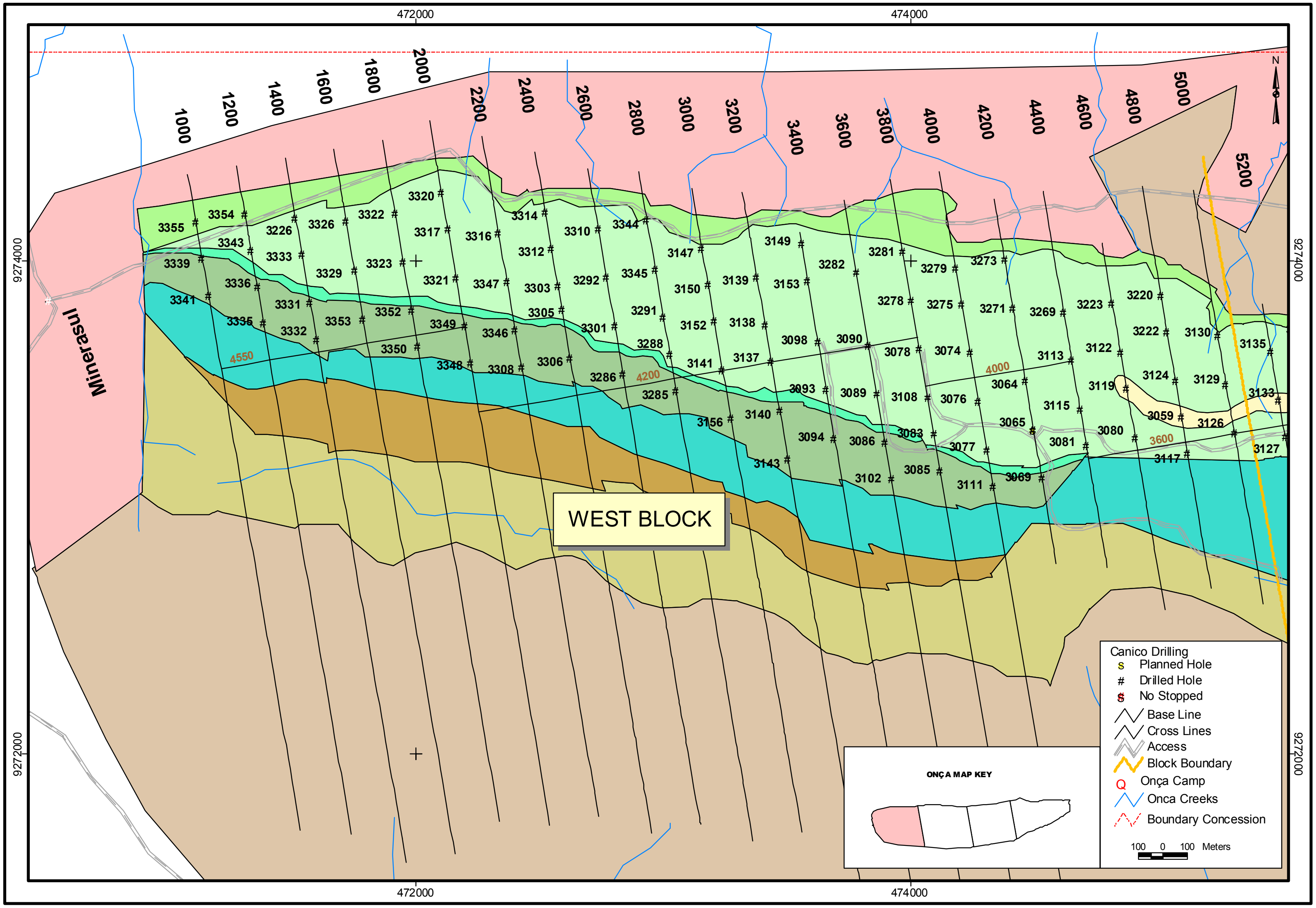


ONÇA DRILL HOLE - APRIL 15, 2003.




ONÇA DRILL HOLE - AUGUST 08, 2003
FAR EAST BLOCK
FAR EAST BLOCK
LEGEND:
Drilled
Phase #1 - Program
Onça Drilling Program Phase #2
2nd Priority
3rd Priority
4th Priority
5th Priority
Cancelled
Canico Camp
Access
Cross Line
Base Line
Boundary Concession
Creeks
Drill Region limit
ONÇA MAP KEY
Meters

ONÇA DRILL HOLE - APRIL 04, 2003.



- **Serpentinite 3:** found discontinuously over 15 kms of the western portion of the ridge, is about 200m in width, but can be thicker where faulted.

- **Pyroxenites 2 and 3:** variations of the Pyroxenite 1 unit with gradational contacts in some cases.

- **Anothosite:** leucocratic and mafic units with variable widths up to 400m.

- **Garbbros:** occupy the low-lying areas flanking the Onça ridge to the south. Minor harzburgite phases occur within the gabbro.

Various thrust and normal fault structures have been mapped on the property.

8. Deposit Types

Lateritic and saprolitic nickel deposits are formed through a process of uplift, weathering, and secondary enrichment of an ultramafic host rock, typically olivine-rich peridotite or dunite in original composition. Through processes of leaching and chemical exchange, concentrations of nickel, cobalt, and iron are formed in varying quantities through the laterite profile.

Since laterites are typically flat-lying and occur at shallow depths, they can usually be explored and evaluated by short vertical drillholes and pits. The development of greater or lesser thicknesses of laterite and/or saprolite depends on a combination of the chemical and mineralogical composition of the original host rock (protolith), fluctuating water table conditions, the palaeoclimate, the degree of fracturing and faulting within the peridotite host, and geomorphological processes. At Onça (and Puma West), the laterites have been classified by Inco and Canico geologists into foreslope, backslope, plateau, and low-lying (basal) types. In general terms, the backslope and, to a certain extent, plateau types have been identified as being the favourable locations for development of nickel-rich laterite profiles owing to their location, dip, and weathering history (particularly fluctuating water table).

Exploration and development of laterites requires consideration of both nickel/cobalt content and related oxide content principally iron, silica and magnesia. Other important considerations are moisture content and in situ bulk density (dry and wet).

In evaluating the Onça deposit, Canico has adopted an appropriate set of exploration methods:

- geological and structural mapping at 1:2,000 scale;

- Ground Penetrating Radar (GPR) and magnetometer surveys;

- diamond drilling using large diameter core;

- extensive tests for density and moisture content using whole core:

- bulk sample test pitting to examine the lateritic profile in detail, to determine in situ bulk densities (wet and dry), and to investigate variations in chemistry and size fractions (<1 inch to >6 inch) at different levels in the laterite profile;

- an extensive multi-element assaying program appropriate to laterite mineralization, controlled by a QA/QC program with input from Inco.

9. Mineralization

Nickel/cobalt mineralization at Onça has been developed from a parent olivine-rich peridotite protolith through the interaction of a series of tectonic, lithological, mineralogical, and geomorphological processes. It is thought that an initial hydrothermal event introduced chloritisation and silicification into the ultramafic leading to mobilization and enrichment of nickel, and that this was followed by additional dissolution and precipitation of metal as the water table oscillated with the local palaeo-climatic conditions (pronounced wet and dry seasons).

In addition to geomorphological factors, nickel enrichment may have been favoured in areas made particularly permeable by vertical fracturing and faulting, and so horizontal continuity at a local scale (say 25-50m) may be variable, as demonstrated by the two lines of close-spaced drilling completed by Canico.

Lateritic mineralization is controlled by a combination of bedrock rock type, geomorphological history, structure, and climatic conditions.

Within the laterite profile, Canico geologists have established principal material codes as follows:

- ***Limonite Zone,*** consisting of pisolitic soil, and red-brown clay rich in phylosilicates>goethite+ hematite>quartz. Within this zone, sub-units of iron-rich canga, silica cap, and/or Fe-rich pisolite can be identified;
- ***Transition Zone***: a mixed zone between the upper limonite and lower saprolite zones;
- ***Saprolite Zone:*** varying in colour from greenish to grey, is characterised by preserved rock texture. Phylosilicates>goethite>quartz;
- ***Boulder Zone:*** transition to the lower basement;
- ***Basement:*** fresh or weathered bedrock (serpentinised peridotite) with low nickel values (~0.3%).

A typical range of chemistry within the principal laterite zones is as follows:

Onça Chemical Characteristics

Zone	%			
	Fe	SiO2	MgO	Mn
Limonite:				
Pisolite	>30	Variable	<10	Nil
Silica Cap	variable	>50	nil	Nil
Canga	>30	>30	<10	>5
Saprolite	10-30	Variable	10-30	Nil
Bedrock	<10	Variable	>30	Nil

The principal nickel-bearing phyllosilicates are serpentine, garnierite, chlorite, and vermiculite.

10. Exploration

The Onça property was initially investigated in 1975 by Inco Ltd. as part of their exploration of the overall Onça-Puma project. Over a 2-year period, Inco completed a program of geological mapping, line cutting, auger drilling (114 holes), pit excavation (in 223 pits), bulk density measurements, and assaying for nickel and key oxides such as silica and magnesia.

Inco's drilling and pit excavations were controlled by a grid with north-south crosslines at intervals of 200m and 400m along a 5-6 km section of the Onça ridge. The principal conclusions from the Inco work as summarised in several internal Inco reports were as follows:

- auger drilling was only moderately successful in penetrating the complete laterite profile owing to the degree of silicification in some plateau areas, blocky ground, and wet or clayey horizons which prevented further drilling advance;
- pitting provided good information in most areas, except in the thicker areas of silica cap;
- geomorphological controls to nickel enrichment were recognised and classified into foreslope, backslope, plateau, and low-lying types;
- structure was recognised as a key factor in the development of the higher-grade nickel areas, horizontal shear structures being interpreted as more important than vertical fracture sets;
- at a 1.5% nickel cutoff, the average thickness of the laterite/saprolite zone averaged 5.4m;

Canico's exploration program in 2002 and 2003 was largely dedicated to a 485 hole drill program of HQ core for assaying and density determinations. In addition, 6 pits were subsequently excavated through the laterite profile as twins of previous drillholes, plus several lines of Ground Penetrating Radar were completed along lines spaced at 200m along the ridge. An additional two pits are in progress, and two are being planned for, however none of this information is currently available pending completion of assaying.

All of these work programs were supervised by Canico's own team of geological staff, some of whom are ex-Inco geologists from the 1970s. The procedures employed by Canico for their exploration work followed a QA/QC protocol with input from Inco who provided technical input in key areas related to sample collection and preparation, for example.

Hatch's site inspection and discussion with Canico staff indicates that the information from the 2002 and 2003 exploration program has been collected on the basis of a reliable set of field procedures, and can be accepted for the purposes of evaluating the deposit and estimating resources.

11. Drilling

Figure 7-1 illustrates the extent of drilling completed by Canico on the Onça property during 2002 and 2003. A total of 11,010m of HQ core in 485 holes was collected from a drill program completed over 9 months.

Extending along strike from 1000E to 19000E, the deposit was drilled at a nominal spacing of between 100m by 200m and 200m by 200m., the majority of the holes successfully penetrating the complete laterite/saprolite blanket from surface down to the serpentine/peridotite bedrock (basement).

The following table summarises some global statistics from the sample database compiled from Canico's drill program (at a zero Ni cutoff grade):

Material	*Ni%*	*Co%*	*Fe%*	*SiO2%*	*MgO%*	*#samples*
Limonite	1.09	0.144	38.46	27.06	1.58	2,510
Boulders	1.32	0.126	19.91	39.22	15.33	166
Silica Cap	0.59	0.050	14.48	68.81	2.10	3,982
Saprolite	1.58	0.046	14.56	36.83	22.98	1,841
Boulder Zone	1.24	0.030	10.11	40.88	27.64	249
Bedrock	0.61	0.013	7.12	38.52	34.58	2,262
Averages	0.80	0.064	18.43	45.50	12.92	11,010

12. Sampling Method and Approach

12.1 Drilling

Under the supervision of a Canico geologist or technician, HQ core from each drill run was placed in a plastic or wooden core box, and transported in batches to a field office located close to the project. There the core was photographed, logged, and sampled by a qualified Brazilian geologist and technicians experienced in laterite deposits. The following principal data was logged:

- material codes:
  - SOL: soil
  - LIM: Limonite Zone
    - PIS: Pisolite
    - CAP: Silica Cap
    - CAN: Canga (ferricrete)
  - TRN: Transition Zone

- SAP: Saprolite
- BLD: Boulder Zone
- BRK: Bedrock

- rock types (e.g., dunite, peridotite, gabbro, peridotite, serpentinite, etc)
- degree of weathering and serpentinization, hardness, colour
- boulders in saprolite zone >15cm sampled separately
- silica and breccia zones, other structures
- visually high and low nickel zones (green garnierite)
- manganese or wad zones
- relict structures, and other visual changes over the core run

At the field office, the core was marked for sampling at a nominal one metre interval to the limits of each material code or significant geological break (breccia zone, silica cap, etc); at contacts, samples of less than a metre were collected. At the bottom of each hole, a 10cm core specimen was retained for geological studies. On completion of the logging, the whole-core samples (HQ) were immediately bagged and sealed in plastic bags to prevent moisture loss at the logging site. Every tenth hole was split, with one half remaining in the core box for reference and auditing. All the samples were then transferred from the field logging site to Canico's sample preparation facilities at Ourilândia ~30kms distant.

Recovery of the core samples was generally good, averaging 87.3%.

12.2 Bulk Sampling (pits)

Each of the pits excavated at Onça pit measured 1m square and were mapped and sampled at 1metre vertical intervals from surface to bedrock. For each vertical increment of 1m, several different sample sets were collected from the pits:

- bulk samples separated into four size fractions from <1 inch to >6 inch;
- channel samples down each of the four walls, also by size fraction;
- detailed area, volume, and weight measurements;
- dry and wet densities calculated from the total material removed from each cut, and also by measurement from a 30cm square sub-sample taken from the bottom of each cut;
- metal and oxide values for each 1m increment, and the average for the pit.

Information from the 6 pits completed so far at site are not yet available.

12.3 Bulk Density Measurements

Wet and Dry bulk densities were calculated and/or measured regularly during the drilling and bulk sampling programs as follows:

1. Water Displacement Method (core): at the drillsite, the technician selects a 20-30cm section of intact core, wraps it in plastic, and returns it the core box in its original position. During logging, the core is weighed in air and submerged in water, and the wet bulk density calculated. The wrapped core is transferred to the sample prep lab, dried, and the dry bulk density calculated. The core is then returned to the assay sample bag for preparation.

2. Calculated Method (core): the volume of the core is calculated from measurements of its recovered length and diameter (standard HQ), the formula for a cylinder, and the wet and dry weights of the core.

3. Bulk Sample (pits): measured and calculated bulk densities (wet and dry) are taken for each one metre increment of the pits. The calculated values are obtained from volumes and weights of the entire 1m square cut of each increment, while the measured values come from a separate 30cm square cube from the base of each one metre cut.

Several hundred samples were collected for bulk density determinations from the drill core and the bulk sample pits. For the purposes of the resource estimates, an average density of 1.20 was used based on water displacement measurements as follows:

	SG	# Samples
Limonite	1.14	578
Silica Cap	1.16	126
Saprolite	1.15	481
Bedrock	1.64	191
Average	1.21	1,376

In Hatch's opinion, these bulk density estimates are based on an adequate data set, and reliably reflect the range of typical density values for nickel laterite/saprolite deposits.

Hatch therefore concludes that Canico's drilling and bulk sampling programs have been completed in a professional manner and that they have followed an appropriate set of standards for evaluating nickel laterite deposits. The information collected is therefore suitable for evaluating Onça, and for estimating its extent at depth and laterally.

13. Sample Preparation, Analyses and Security

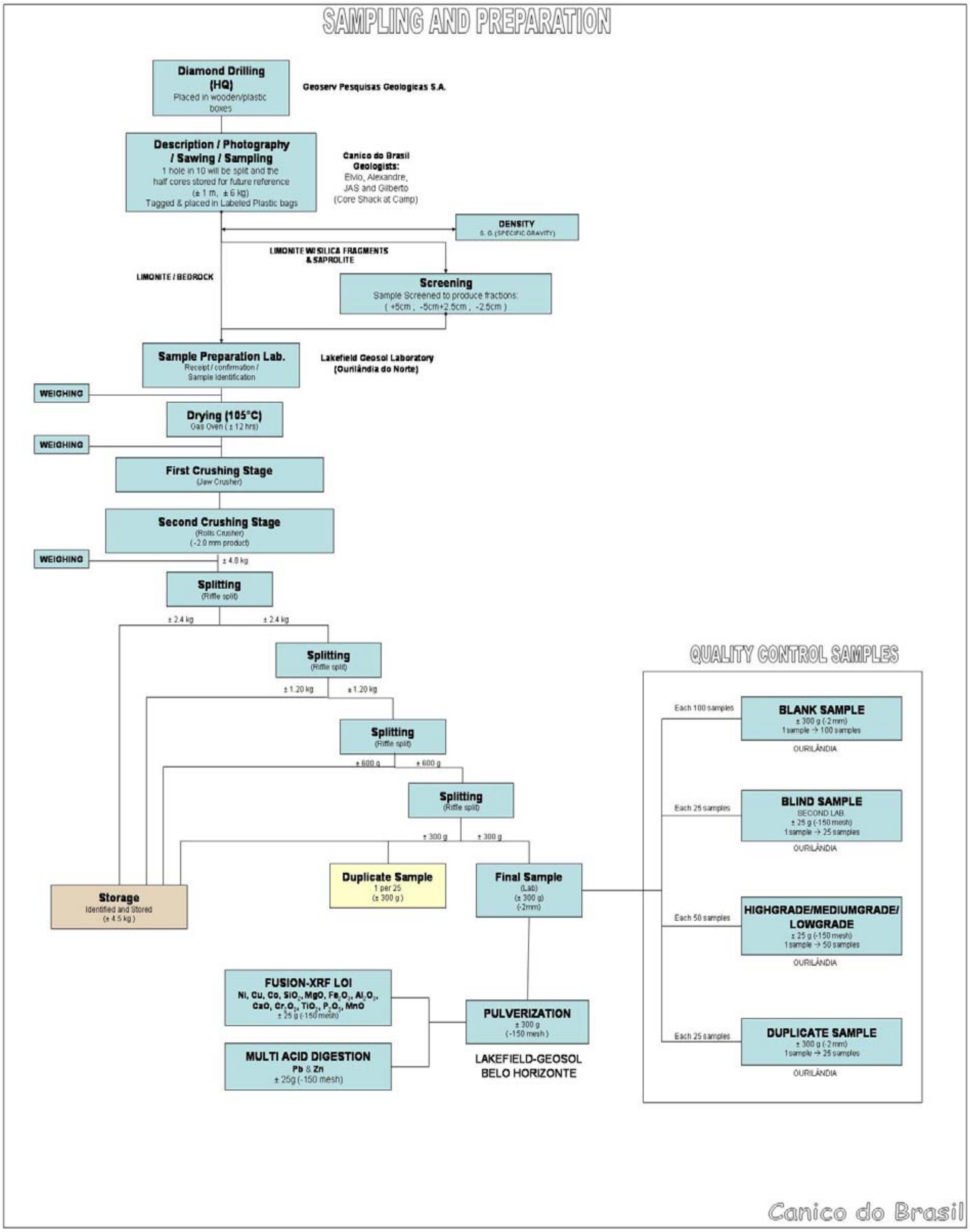
The attached Figure 13-1 illustrates the preparation procedures and flowsheet followed by Canico in preparing the drill core and bulk sample material for assaying. The sample preparation procedure was designed by Canico assisted by a qualified laterite geologist from Inco Ltd., and by Lakefield Geosol

Laboratories of Belo Horizonte who provided a supervisor for sample preparation during the 2002 and 2003 drilling campaigns. The principal elements of the procedure are:

- standard coarse and fine crushing, grinding, riffling, and pulverization to produce a 300gm sub-sample for shipment to the Lakefield Geosol lab;
- the samples are prepared in a clean, covered facility located in Canico's enclosed office facilities in Ourilandia;
- cleaning of all equipment by compressed air is carried out after processing each sample, and additionally on a periodic basis using crushed quartz;
- composite rejects of each sample are bagged and stored in sealed drums at the sample preparation facility;
- Quality Assurance/ Quality Control methods applied at the sample prep stage are:
    - blank sample inserted every 100 samples
    - duplicate sample inserted every 25 samples
    - standard inserted every 50 samples
    - blind check sample for referee lab taken every 25 samples
- the blank sample consists of iron-rich material assayed at three separate labs to ensure zero content of nickel, cobalt, silica, and magnesia
- two standards (JASP-2 and JASP-3) are used, with benchmark averages set by round-robin assaying at five separate labs: Lakefield Geosol, Lakefield Canada, XRAL (Toronto), ALS Chemex (Brisbane), and INCO Technical Services (Mississauga);
- standards, blanks, and duplicates are monitored on the basis of 5%, 10%, and 15% variations from the mean for each sample lot shipped to Lakefield Geosol. Any suspect assays varying by more than 10% are re-assayed.
- one sample was taken at 25-sample intervals and sent to ALS Chemex in Brisbane, Australia. Where obvious differences were detected, re-assaying of those samples was completed.

In Hatch's opinion, the sample preparation and assaying procedures used for Canico's 2002 and 2003 drill and bulk sample programs have been carried out safely and securely, and sufficient QA/QC procedures were in place to detect and correct anomalous assays.

Figure 13-1: Sample Preparation Flowsheet



14. Data Verification

Figure 14-1 provides a summary of the results from the round-robin assaying of Canico's JASP-2 standard inserted into the sample preparation procedure, while Figures 14-2 and 14-3 summarise the Quality Control results of both JASP-2 and JASP-3 standards in May and June of 2003. Similar graphs are available for the Canico blanks and duplicates, and for those inserted as part of Lakefield Geosol's internal QA/QC procedure. This dual system of blanks, duplicates, and standards at both facilities was used to regularly monitor the accuracy of nickel, cobalt, iron, silica, and magnesia, and to take corrective measures when any spurious results were identified.

As noted in the previous section, Canico's QA/QC procedures also includes collection of check samples for referee assaying at a second laboratory facility (one check every 25 samples). Figure 14-4 plots the primary lab results for nickel against the ALS Chemex checks, and demonstrates the good correlation between the two data sets.

In summary, from a review of the data and site inspection of both the sample preparation and assaying facilities, Hatch concludes that an adequate level of QA/QC protocol and data verification has been applied to ensure the accuracy of the metal and oxide analyses used for the resource estimates.

Figure 14-1: Round-Robin Analysis of Standards

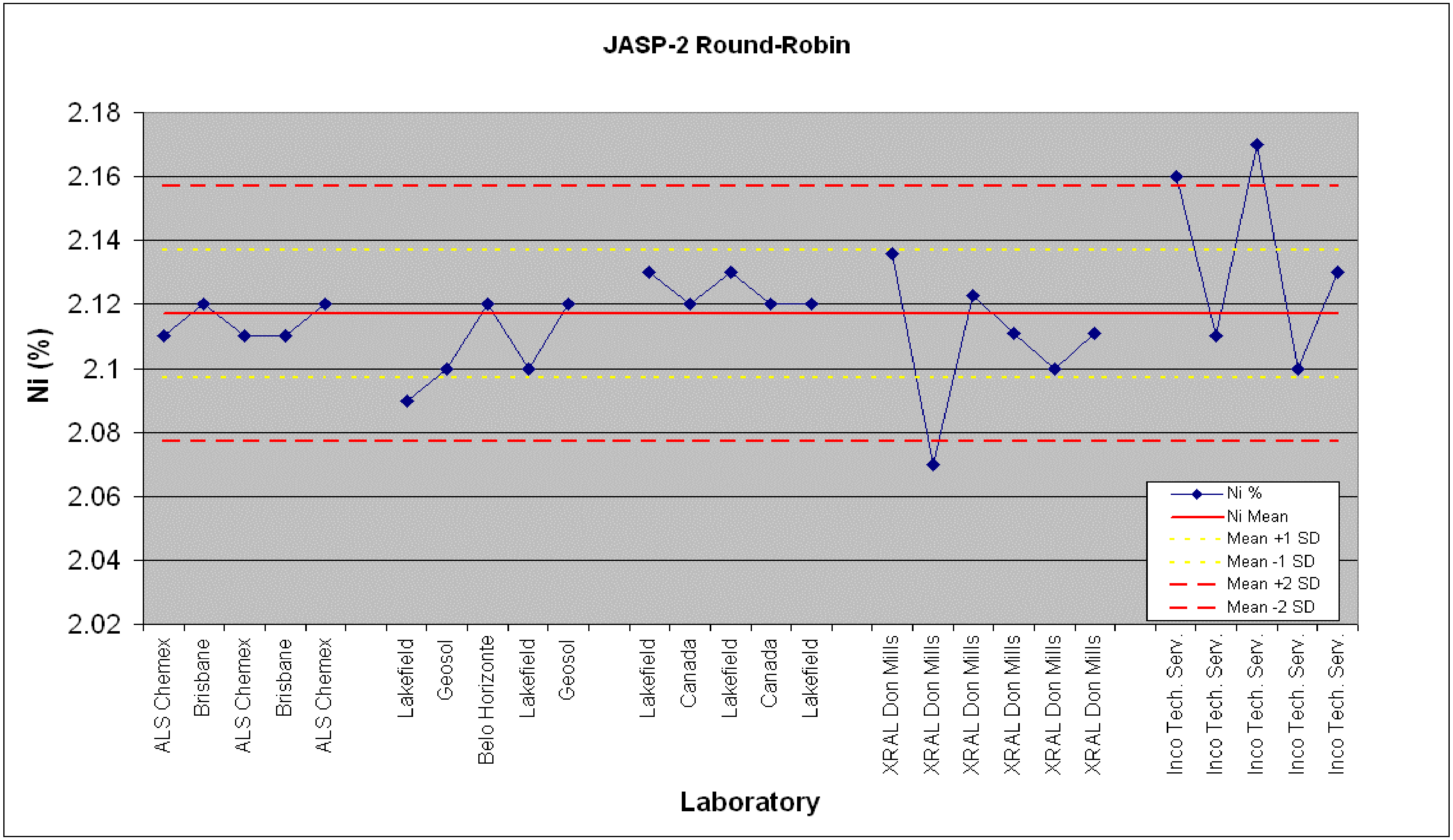


Figure 14-2: Results for JASP-2 Standard

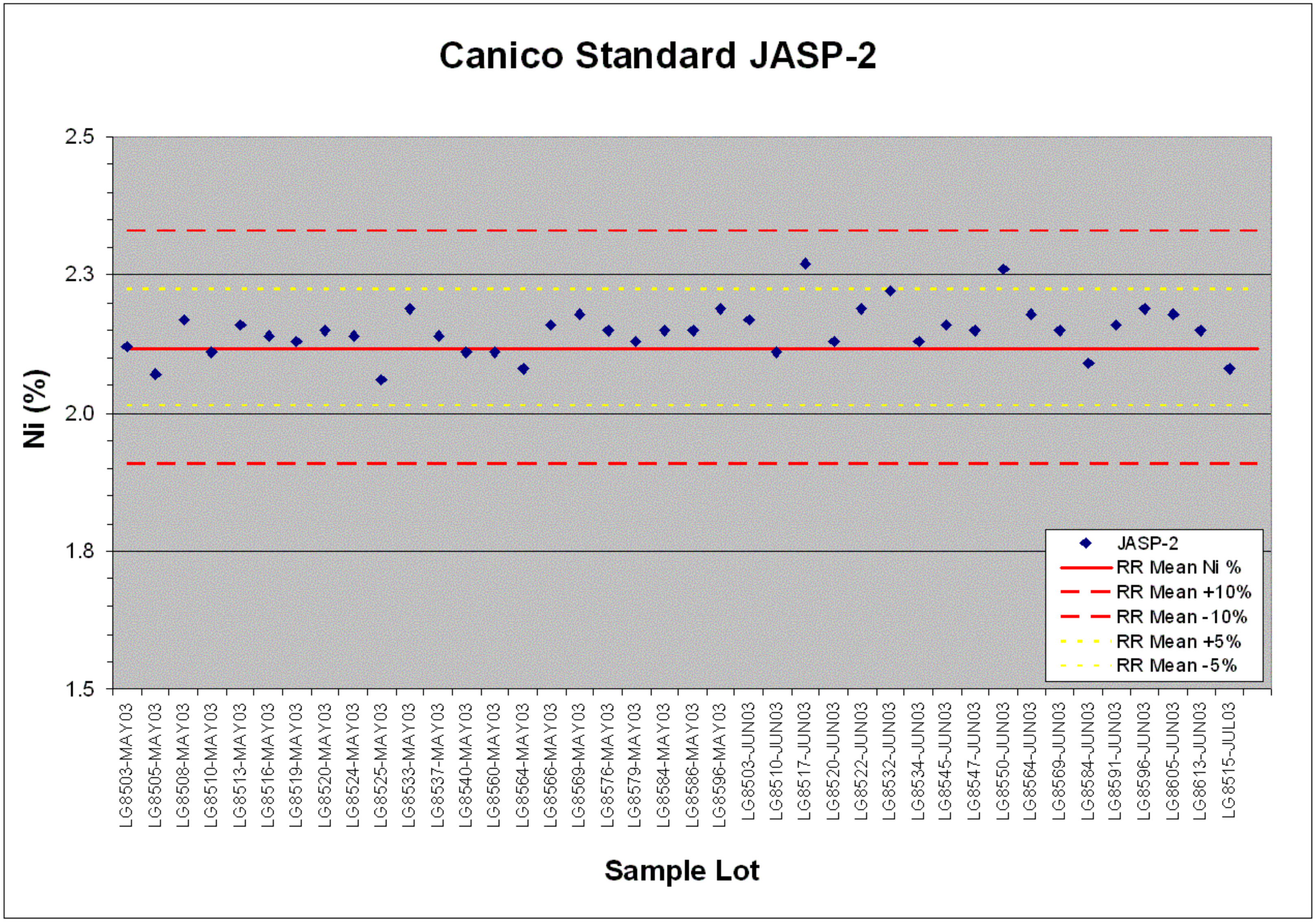


Figure 14-3: Results for JASP-3 Standard

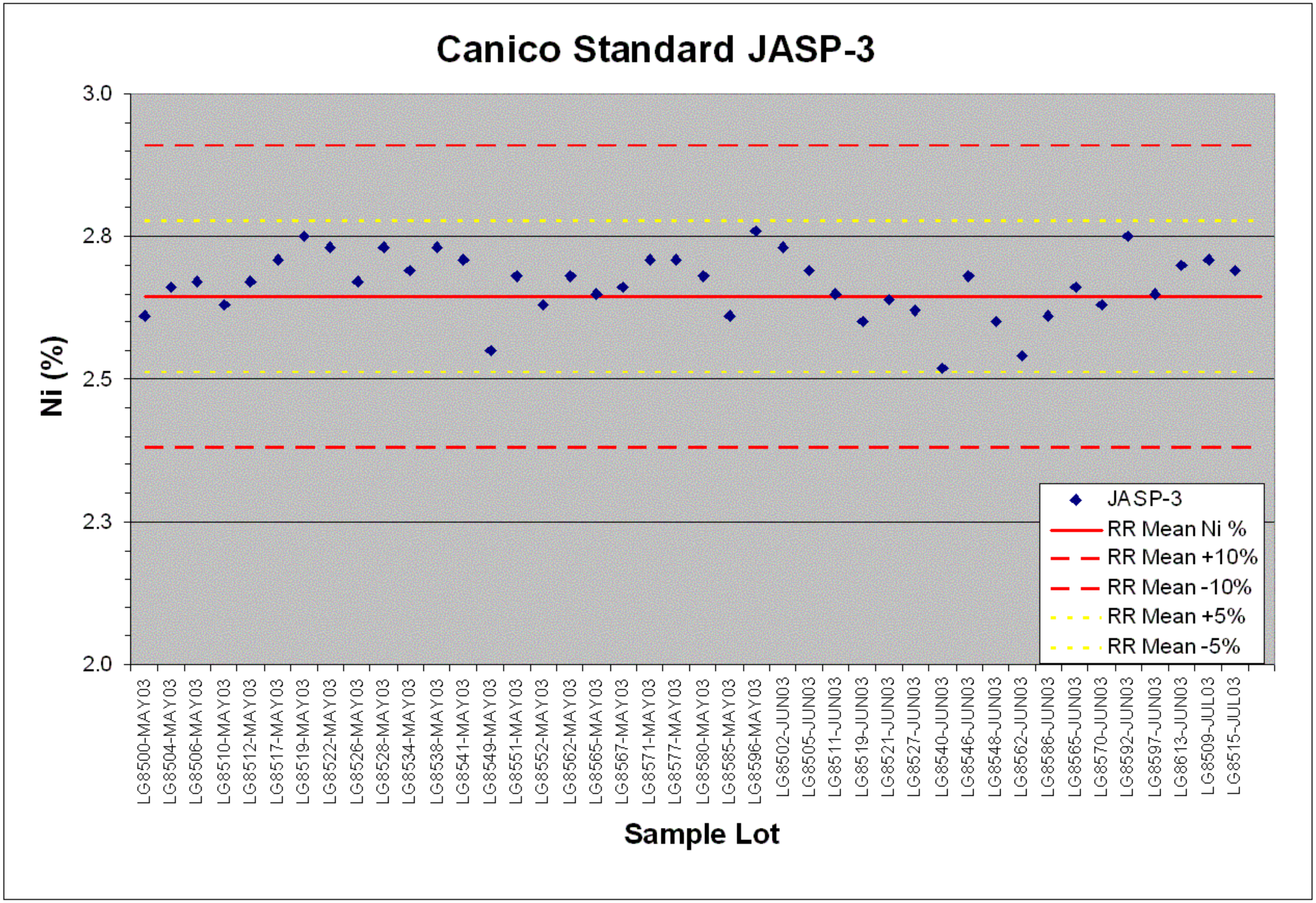
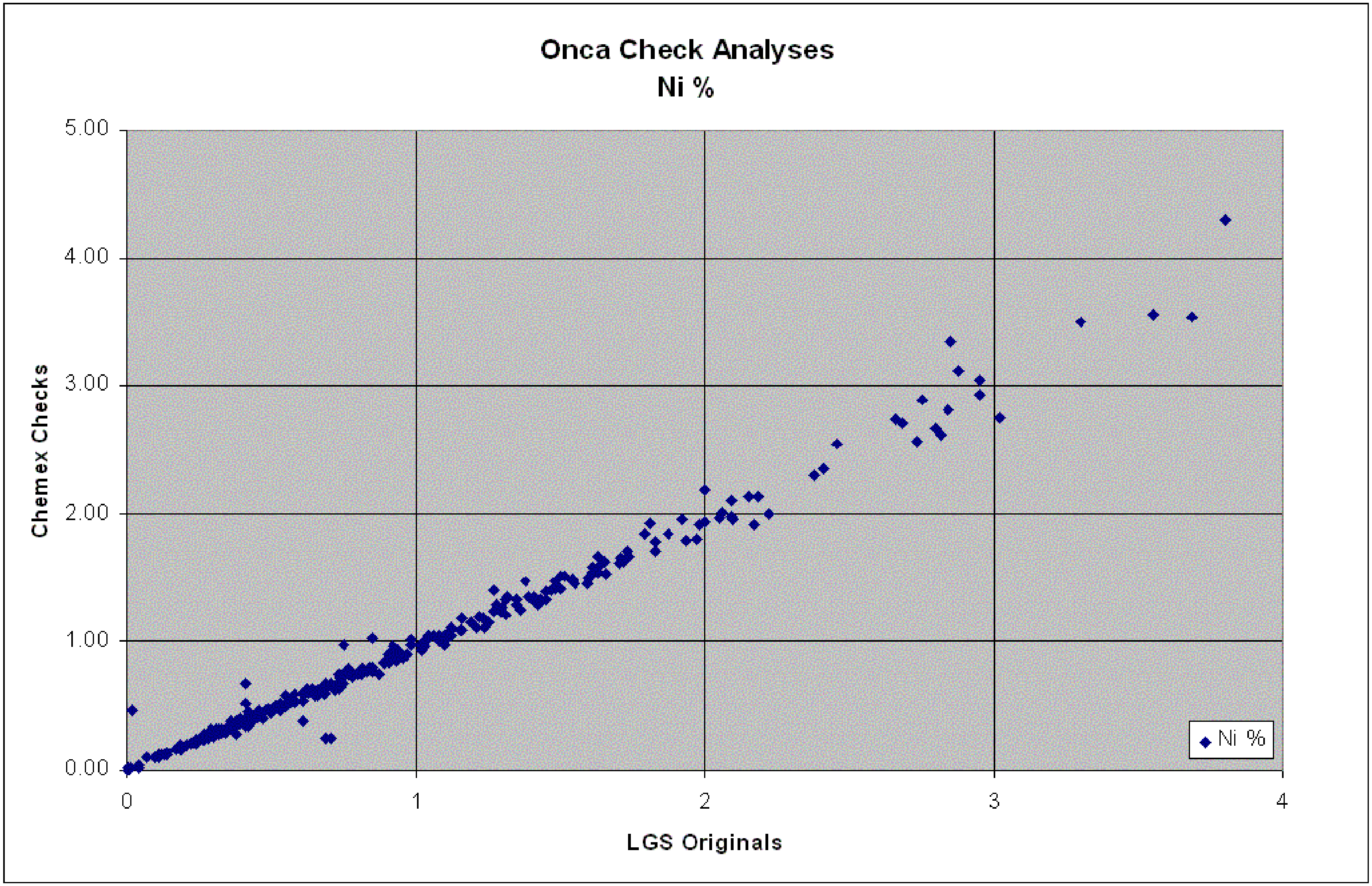


Figure 14-4: Comparative Nickel Assays, Lakefield Geosol versus ALS Chemex, Brisbane



15. Adjacent Properties

As mentioned, the Onça property is one portion of Canico's Onça-Puma project that will be the subject of Hatch's Preliminary Assessment (Scoping Study), currently underway.

The adjacent Puma West property has been described in Hatch's report of January 29th, 2003 "Independent Technical Report – Puma West Nickel Project, Brasil", updated on August 31st 2003.

15. Mineral Resource Estimates

Using a traditional polygon method around central drill holes and a 2m minimum vertical width, Canico estimated Inferred Resources for Onça at cutoffs of 1.5%Ni and 1.00% Ni.

The results of these global resource estimates are as follows:

1.5% Ni Cutoff	*Inferred Resource*					
	Millions dmt	*%Ni*	*%Fe*	*%SiO2*	*%MgO*	*%Co*
West Block	5.44	1.94	20.2	30.0	20.6	0.082
Central Block	16.72	2.21	16.8	36.2	22.4	0.064
East Block	47.69	2.11	23.7	32.6	14.4	0.148
TOTAL	69.85	2.12	21.8	33.3	16.8	0.123

1.0% Ni Cutoff	*Inferred Resource*					
	Millions dmt	*%Ni*	*%Fe*	*%SiO2*	*%MgO*	*%Co*
West Block	10.30	1.63	20.3	30.5	20.8	0.071
Central Block	28.67	1.79	18.8	35.2	20.0	0.072
East Block	101.84	1.64	28.1	31.0	10.0	0.146
TOTAL	140.81	1.67	25.6	31.8	12.84	0.125

Principally owing to the wide-spaced drilling and the early stage of evaluating the deposit, an Inferred category has been applied, defined as follows (CIMM definition):

"An Inferred Resource is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drillholes."

The Inferred Resource was estimated by Canico using the following parameters, procedures, and assumptions:

- The database consists of all 485 holes drilled by Canico in 2002 and 2003 (no pits used) drilled on a regular and surveyed 100m by 200m to 200m by 200m grid;
- estimates are constrained principally by cutoff grade, and by a minimum vertical thickness of 2m, constrained laterally by lithology at the contacts with different rock units;
- at depth, the saprolite-bedrock contact was adjusted upwards to discount several anomalously deep nickel intercepts that may be related to vertical structures;
- a dry bulk density of 1.20 was used based on testwork on drillcore;
- for each nickel cutoff, estimates are calculated on an Excel spreadsheet and have been checked by Hatch.

In Hatch's opinion, the estimates accurately reflect an Inferred Resource category, and are considered a conservative application of the CIMM definitions in some sections of the deposit.

At this stage these resources do not have demonstrated economic viability. In evaluating the economics of the deposit, metallurgical factors will be important considerations, particularly in terms of blending within Onça itself, and in combination with the adjacent Puma deposit in order to maintain iron, silica, and magnesia values within the limits of the selected processing method; these factors will be investigated at subsequent stages of Canico's work that will include block modelling, mine planning, scheduling, process design, and costing.

To Hatch's knowledge, there are no material factors related to environment, permitting, legal, taxation, socio-economic, marketing, or political that might negatively impact the project.

16. Interpretation and Conclusions

On the basis of its site inspection and review of the 2002 and 2003 exploration data, Hatch's principal conclusions on Onça are that:

- Canico has completed an exploration program of mapping, diamond drilling, and bulk sampling according to industry standards and has used appropriate techniques for evaluating nickel laterite deposits;
- the database of sample information has been collected with appropriate drilling and bulk sampling techniques;
- the assay and bulk density estimates are reliable for global resource estimation;
- Canico has followed adequate QA/QC procedures during their exploration programs and, where necessary, has taken corrective measures where repeat assaying has been required;
- the polygonal resources have been estimated with reasonable assumptions as to continuity at depth and laterally within the laterite profile, and can be considered accurate within the definition of an Inferred Resource;

- no economic viability has yet been demonstrated for the Inferred Resources and this will require consideration of several factors, in particular metallurgy and blending of production feed to achieve acceptable plant limits for iron, silica, magnesia.

17. References

The following documents were reviewed during the preparation of this report:

- various internal Inco reports dated 1975 thru' 1978;
- various Canico reports dated 2001, 2002, and 2003:
- Canico Resource Corp. Prospectus dated September 20, 2002;
- Canico drillhole and bulk sampling databases;
- QA/QC results from Canico's Lakefield Geosol laboratory, and the other four labs used for standards. Check assay data from ALS Chemex, Brisbane.

STATEMENT OF QUALIFICATIONS

STATEMENT OF QUALIFICATIONS

I, Callum Leith Brown Grant, P.Eng., do hereby certify that:

I. I am currently employed as Manager of Geology & Mining by:

HATCH Associates Ltd.,
Suite 200, 1550 Alberni Street,
Vancouver, British Columbia,
CANADA V6G 1A5

II. I graduated with the degree of B.Sc. Geology (Honours) from the University of Aberdeen, Scotland in 1971. In addition I obtained the degree of M.Eng. (Mining) from McGill University in 1977.

III. I am a member of the Association of Professional Engineers and Geoscientists of the Province of British Columbia, and of the Association of Professional Engineers of the Province of Ontario.

IV. I have worked as a geologist and mining engineer for 27 years since my graduation from my first university.

V. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101") and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.

VI. I am responsible for the preparation of all sections of this report "Independent Technical Report, Onça Nickel Project, Brazil" dated August 31st, 2003 (the "Technical Report"). I visited the property and laboratory facilities of Lakefield Geosol between January 6th and 12th, 2003.

VII. I have not had any prior involvement with the property that is the subject of this Technical Report.

VIII. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

IX. I am independent of the issuer applying all the tests in section 1.5 of National Instrument 43-101.

X. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

XI. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them, including electronic publication in the public company files on their website accessible by the public, of the Technical Report.

Dated this 31st day of August, 2003

PROFESSIONAL
PROVINCE OF
C. L. B. GRANT
#27500
BRITISH COLUMBIA
ENGINEER

CLB Grant, P.Eng.
Manager Geology & Mining
Hatch Vancouver

CONSENT OF AUTHOR

CONSENT OF AUTHOR

TO: TSX Venture Exchange & British Columbia Exchange Commission

I, Callum LB Grant, do hereby consent to the filing, with the regulatory authorities referred to above, of the technical report titled "Independent Technical Report – Onça Nickel Project, Brazil" and dated August 31st, 2003 (the "Technical Report") and to the written disclosure of the Technical Report and of extracts from or a summary of the Technical Report in written disclosures filed by Canico Resource Corp.

I also certify that I have read the written disclosure being filed and I do not have any reason to believe that there are misrepresentations in the information derived from the Technical Report or that the written disclosure in the prospectus of Canico Resource Corp. contains any misrepresentation of the information contained in the Technical Report.

Dated this 31st day of August, 2003.

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