
CANICO

September 26, 2003

RENEWAL ANNUAL INFORMATION FORM

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PRELIMINARY NOTES

Incorporation of Financial Statements

Incorporated by reference into this Renewal Annual Information form (“AIF”) are the consolidated financial statements of the Issuer for the year ended July 31, 2003, copies of which may be obtained online from SEDAR at www.sedar.com. All financial information in this AIF has been prepared in accordance with generally accepted accounting principles in Canada. Copies of all other materials incorporated by reference herein may also be obtained from SEDAR at www.sedar.com.

Date of Information

All information contained in this AIF is as of September 26, 2003, unless otherwise stated.

Forward Looking Statements

This AIF includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 of the United States. When used in this document, the words “anticipate”, “believe”, “estimate” and “expect” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Other than statements of historical fact, all statements in this AIF, including, without limitation, statements regarding potential mineralization and resources, estimated or potential future production, potential ranking amongst nickel producers, and our future plans and objectives, are forward-looking statements that involve various known and unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this AIF. Important factors that could cause actual results to differ materially from our expectations include, among others, the ongoing results of current exploration activities, conclusions of any scoping studies, pre-feasibility or feasibility studies, changes in project parameters, and future metal prices, as well as those factors discussed under the heading “Risk Factors” and elsewhere in our documents filed from time to time with the TSX, Canadian securities regulators and other regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected, and we do not intend, and do not assume any obligation, to update these forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this notice.

The estimates of inferred resources referenced in this AIF attributed to Watts, Griffiths and McOuat are taken from the WGM Report. The estimates are based on the assumptions and methods, and are subject to the limitations and qualifications, described in the WGM Report. The WGM Report can be found in our filings at www.sedar.com. The estimates of inferred resources in this AIF attributed to Hatch are taken from the Onça Report and the Puma West Report. The standards employed by WGM and Hatch, respectively, in estimating the inferred resources differ significantly from the requirements of the United States Securities and Exchange Commission and the resource information reported may not be comparable to similar information reported by United States companies. The term “resources” does not equate to “reserves” and normally may not be included in documents filed with the United States Securities and Exchange Commission. “Resources” are sometimes referred to as “mineralization” or “mineral deposits”.

Currency Equivalents

All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Our accounts are maintained in Canadian dollars.

GLOSSARY

In this AIF, unless there is something in the subject matter or context inconsistent therewith, the following capitalized terms have the meanings set forth herein:

“Acquisition”	The acquisition of the Onça-Puma Property by us from Inco under the Inco Agreement.
“anorthosite”	An igneous rock composed almost entirely of plagioclase feldspar.
“canga”	A Brazilian term for a hard iron-rich rock composed of fragments of other rocks cemented together by limonite.
“cm”	Centimeter.
“Co”	Cobalt.
“cut-off grade”	The minimum grade of mineralization or ore used to establish quantitative estimates of total mineralization or ore.
“dmt”	Dry metric tonnes.
“DNPM”	The Brazilian National Department of Mineral Production.
“Dunite”	A dense igneous peridotite rock that consists mainly of olivine.
“Fe”	Iron.
“gabbro”	An igneous rock composed of approximately equal amounts of basic plagioclase feldspar and clinopyroxene.
“g/cc”	Grams per cubic centimeter.
“geothite”	An iron-rich mineral that is the commonest component of limonite.
“Hatch”	Hatch Associates Ltd., Consulting Geologists and Engineers of Vancouver, B.C.
“Inco”	Inco Limited.
“Inco Agreement”	The agreement dated January 31, 2002 between Inco and Canico, as the successor to Hastings, by which we acquired the Onça-Puma Property
“Inco Agreements”	Collectively, the Inco Agreement, Offtake Agreement, Sales Agency Agreement and Technical Services Agreement.
“Inco Laterite Reduction Smelting Process”	A proprietary pyrometallurgical method developed by Inco used to recover metal from laterites.

“inferred mineral resource”	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 drill holes.
“km”	Kilometer.
“laterite”	A highly weathered subsoil, commonly red, rich in secondary oxides of iron and aluminium and, in some localities, containing appreciable nickel and cobalt.
“LIBOR”	London interbank offered rate.
“limonite”	Brown-red hydrous ferric oxide material formed through weathering of iron-rich rocks and minerals.
“LME”	London Metal Exchange.
“m”	Meter.
“matte”	A high grade nickel product which results from advanced nickel processing.
“mineral resource”	A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
“mm”	Millimeter.
“National Instrument 43-101”	National Instrument 43-101 — Standards of disclosure for mineral projects issued by the Canadian Securities Administrators.
“Ni”	Nickel.
“Onça-Puma Property”	An area totalling approximately 40,000 hectares located in Pará, Brazil on which we, through a wholly owned Brazilian subsidiary, hold pending applications for mineral exploitation concessions.
“Onça Report”	The report prepared for us by Hatch on the Onça ridge portion of the Onça-Puma Property dated August 31, 2003, entitled “Canico Resource Corp. Onça Nickel Project, Brazil”.

“ore”	A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit or from which some part may be profitably separated.
“peridotite”	An igneous rock composed chiefly of olivine with or without ferromagnesian silicate and with little or no feldspar.
“phyllosilicates”	A class of silicate minerals that are usually sheet-like in form.
“pisolite”	A sediment composed of cemented, pea-sized rounded rock grains.
“protolith”	The original rock source from which another metamorphosed rock was derived.
“pyroxenite”	An ultramafic rock composed principally of the mineral pyroxene (dark silicate minerals).
“Puma Report”	The report prepared for us by Hatch on the Puma West ridge portion of the Onça-Puma Property dated August 31, 2003, entitled “Canico Resource Corp. Puma West Nickel Project, Brazil”.
“QA/QC”	A short term for “Quality Assurance/Quality Control.”
“saprolite”	A clay-rich decomposed rock formed by chemical weathering of igneous or metamorphic rocks. May be enriched in some economic metals such as nickel and cobalt.
“serpentinized/serpentine”	Serpentinized is the descriptive term for the process of chemical break down of ultramafic rocks to form abundant, secondary, magnesium and iron-rich silicate minerals which are predominantly the mineral serpentine.
“shares”	The common shares without par value in the capital of Canico as the same is constituted on the date hereof.
“silica cap”	A silica-rich zone derived from the chemical break down of ultramafic rocks.
“t/m³”	Tonnes per cubic meter.
“Tonne”	Metric tonne or 2,204.6 pounds.
“TSX”	The Toronto Stock Exchange.
“ultramafic”	An igneous rock having very low silica content and very rich in dark-coloured Fe and magnesium minerals, chiefly silicates.
“Watts, Griffis and McOuat”	Watts, Griffis and McOuat Limited, consulting geologists and engineers, Toronto, Canada.

“WGM Report”

The report prepared by Watts, Griffis and McOuat for Hastings under National Instrument 43-101 on the Onça-Puma Property dated November 15, 2001, revised January 31, 2002 and amended on May 29, 2002, entitled “Report on the Onça-Puma Nickel Laterite Deposits, Brazil, For Hastings Resource Corp.” together with the addendum to such report dated September 13, 2002.

ANNUAL INFORMATION FORM

CANICO RESOURCE CORP.

CORPORATE STRUCTURE

In this AIF, Canico Resource Corp. and its subsidiaries are collectively referred to as “the Company”, “Issuer”, “Canico”, “we”, “us” or “our”.

We were incorporated under the British Columbia *Company* Act on November 24, 1980 under the name “Odin Resources Incorporated” by filing a memorandum and articles of incorporation with the British Columbia Registrar of Companies. On August 8, 1986, Odin Resources Incorporated changed its name to Oliver Gold Corporation. On January 16, 1991, our authorized share capital was increased from 10,000,000 shares to 50,000,000 shares and new articles were adopted. On January 31, 1997, our authorized capital was increased from 50,000,000 shares to 100,000,000 shares. On February 6, 2002, we consolidated our authorized and issued shares on a 9.3 to 1 basis and increased our authorized capital to 100,000,000 shares and changed our name to Canico Resource Corp.

We own all of the issued and outstanding shares of Hastings Resource Corp (“Hastings”), Canico do Brasil Mineração Limitada (“Canico Brasil”) and Mineração Onça Puma Limitada (“Mineração Onça Puma”). On September 16, 2003, Canico do Brasil and Mineração Onça Puma merged to form Mineração Onça Puma Limitada. Hastings was incorporated on May 7, 1999 under the laws of the Province of British Columbia and Canico Brasil was incorporated on May 21, 2002 under the laws of Brazil. On February 24, 2003 we acquired from Inco all of the issued capital of Mineração Onça Puma, the Brazilian company which holds the rights to the Onça-Puma Property.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

During our three most recently completed financial years we were initially engaged in a search for new projects. This search culminated in our merger with Hastings on February 6, 2002, at which time we changed our name to Canico. The principal asset acquired in that transaction was the right of Hastings to purchase the Onça-Puma Property through the Inco Agreement. Completion of the Acquisition occurred in February of 2003.

Prior to completion of the Acquisition we completed a 220-hole diamond drill program on the Puma West ridge. Since completion of the Acquisition we completed a Phase I 485-hole diamond drill program on the Onça ridge and we have been engaged in a Phase II drill program on the Onça-Puma Property consisting of in-fill drilling. In conjunction with those work programs, we have been completing environmental and engineering studies associated with our scoping study to establish order of magnitude parameters for building and operating a nickel mine at the Onça-Puma Property. A full feasibility study is scheduled to be completed in late 2004.

Trends

We are not currently aware of any trends, commitment, event or uncertainty that may reasonably be expected to have a material effect on Canico’s business other than the risks summarized under the heading “Risk Factors”.

NARRATIVE DESCRIPTION OF THE BUSINESS

We are a development stage company currently exploring and studying the development of the Onça-Puma Property which hosts a nickel laterite mineral deposit. Mineralization on the Onça-Puma Property consists of two separate ridge tops lying within 16 km of each other, namely the Onça ridge and the Puma West ridge.

In January 2002, Hastings entered into the Inco Agreement. On February 24, 2003 we acquired our 100% interest in the Onça-Puma Property from Inco pursuant to the terms of the Inco Agreement in consideration of shares which constituted 18% of our issued shares at that time, together with the share purchase warrants described below. If the Onça-Puma Property is placed into commercial production and produces matte, Inco will purchase such matte and payments to us will be on a sliding scale based on the price of nickel; for products other than matte (such as ferronickel), Inco will act as our sales and marketing agent and receive a 2.75% commission. Inco will be allowed to participate in any of our future equity financings, in order to maintain its then current shareholding. These agreements are described in greater detail below.

Brazilian Mining Law

The tenets of the 1988 Federal Constitution (the "Federal Constitution") and the Brazilian Mining Code of 1967, as amended, (the "Mining Code") govern mineral ownership in Brazil.

The Federal Constitution vests the ownership of mineral resources in Brazil in the Federal State. It separates ownership of the subsurface minerals from the surface owners, with a provision for mineral royalties to be paid to surface rights owners when mining occurs.

The Mining Code addresses all aspects of claiming and holding mineral title and is administered by the Ministry of Mines and Energy through the DNPM.

Mineral rights can be obtained by applications for prospecting, exploration permits or mining concessions. Applications for prospecting are filed with the DNPM and are the first step to obtaining an exploration permit. The exploration permit, once granted gives the applicant the right to explore the permit area.

The application for exploration permits must include an exploration plan as well as comply with certain other requirements. Permits are granted by the DNPM if all requirements are met on a priority application basis provided the area of interest is not already covered by a pre-existing application or exploration permit. All applications are dated and sequentially numbered by the DNPM on the date of the application. A 60 day period after filing is provided to the applicant to supply additional information that might be required.

Exploration permits are granted for a three year period, and are renewable on request, and subject to a nominal annual charge per hectare. Exploration must begin within sixty days of the permit being issued and carried out according to the exploration plan, although the extent of exploration varies depending upon the permit area. Exploration activities must not be suspended for more than three consecutive months or 120 non-consecutive days or the exploration permit may, at the discretion of the DNPM be terminated. A party may reapply for a terminated permit after the end of the three year period with a new work plan but the annual fee per hectare is increased.

It is necessary to notify the DNPM of any changes in the exploration program or of any interruptions to the exploration program. Upon completion of the exploration program, a final report must be filed with the DNPM outlining geological findings and providing an economic assessment of the feasibility of a proposed development project. The DNPM has the right to inspect the area to confirm the report or request additional information before accepting it. If a report is not filed, new permits will not be issued. The final report may

be either positive or negative. Even if the exploration program is not successful, the DNPM expects to receive full information.

Mining concessions are only granted to corporations, which normally have one year after the DNPM's approval of the exploration report to present a mining plan and request a mining concession. The mining plan must include an economic feasibility analysis and the corporation must demonstrate to the DNPM that it has the financial capabilities to carry out the proposed plan. The DNPM may request additional information.

A mining concession gives the mining company the right to extract, process and sell the minerals contained in the deposit, in accordance with the plan approved by the DNPM. Mineral resources are considered under the Federal Constitution to be governmental property and so the mining concession does not grant to the mining company ownership of the mineral deposit. However, the mining company has ownership of the mine output, and the mining concession enables its holder to exploit the mineral deposit until it is exhausted, generally with no fixed term. The holder of a mining concession is also entitled to sell or lease the concession. Provided the necessary requirements called for by the law are met, the sale or lease of the concession will be filed with and registered by the proper authorities, subject to governmental approval, which will generally be granted.

The mining company has 90 days after the grant of the concession is published in the Official Gazette to request possession of the deposit to be mined and six months to commence initiation of the approved development plan.

Mining may not be interrupted for more than six consecutive months after it has begun, otherwise the DNPM may revoke the concession. Annually, detailed statistical reports on the production of the mine must be presented to the DNPM.

An independently prepared environmental plan must accompany the application for a mining concession and must cover water treatment, soil erosion, air quality control, revegetation and reforestation (if applicable), and reclamation. The mining concession, once granted, will contain the terms and conditions that have to be met with respect to environmental matters. These may include conditions for employees working with hazardous materials (such as having these employees rotated on a periodic basis); a construction code for the mine to avoid contamination of the ground water and soil; a plan to minimize erosion; a plan for meeting the tailings disposal requirements; methods and timetables for revegetation; and, an overall reclamation plan upon completion of all mining activity. The environmental plan is analyzed and approved by another governmental agency (and not by the DNPM). If the mining concession is completely located within one state of Brazil, the state environmental agency will be in charge. If the mining concession spreads over more than one state, the federal government environmental agency will handle the application.

Government authorities make regular site visits to mining concessions, the frequency of which is dependent upon the nature and degree of the activity on the concession. Concession holders must submit annual progress or status reports on the progress of the environmental plan. Modifications of these plans may be required, depending on the reports resulting from the government site visits. Failure to comply with the government authorities' recommendations may result in fines, damages, restitution and/or prison terms for the officers of the company, as well as cancellation of the concession's mining permit.

The Onça-Puma Title

The mineral rights to the Onça-Puma Property are represented by four applications for mining concessions filed with the DNPM. Two of the mineral rights are related to the area of Serra do Onça and cover an aggregate area of 20,000 hectares, of which 10,000 hectares are related to DNPM Process No. 811.015/73 and 10,000 hectares are related to DNPM Process No. 811.016/73 (the "Serra do Onça Mineral Rights").

The other two mineral rights relate to the area of Serra do Puma and cover an aggregate area of 19,943 hectares of which 9,943 hectares are related to DNPM Process No. 814.621/73 and 10,000 hectares are related to DNPM Process No. 814.622/73 (the "Serra do Puma Mineral Rights").

The Serra do Onça Mineral Rights and Serra do Puma Mineral Rights are hereinafter referred to as the "Mineral Rights". The Serra do Puma Mineral Rights fall partially within the Xikrin Indigenous Land Reserve.

The Serra do Onça Mineral Rights originate from applications for exploration licenses ("alvaràs"), filed by Mineração Serras do Sul Ltda. ("MSS") with the DNPM on August 20, 1973. The original request was made for copper, later extended to nickel, in an aggregate area of 20,000 hectares, in the Municipality of São Felix do Xingu, State of Pará.

The Serra do Puma Mineral Rights originate from applications filed with the DNPM on October 26, 1973. The original request was made for the exploration of nickel in an aggregate area of 19,943 hectares in the Municipality of São Felix do Xingu, State of Pará.

Attached to the applications filed with the DNPM, MSS presented plans of location of the areas and exploration plans. Upon the request of the DNPM, on February 13, 1974 MSS presented complementary documentation, which contained the curriculum vitae of its technicians and a company dossier to demonstrate its previous experience in mining activities.

Alvaràs Nos. 1114 and 1115, dated September 20, 1974 were granted to MSS and published in the Official Gazette of October 7, 1974, authorizing the exploration of copper for a period of two years, in an aggregate area of 20,000 hectares at the Serra do Onça. License No. 728, dated May 23, 1975 and License No. 1327, dated September 5, 1975 were granted to MSS and published in the Official Gazette of July 3, 1975 and October 29, 1975, respectively, authorizing the exploration of nickel for a period of 2 years, in an aggregate area of 19,943 hectares, at the Serra do Puma.

On August 6, 1976 and May 3, 1977, MSS filed with the DNPM a partial exploration report and requested the renewal of the alvaràs. Alvaràs No. 1115 was extended for a further year on November 18, 1977 and License Nos. 1114, 1327 and 728 were also extended for a further year on November 24, 1977.

On November 16, 1978, a final exploration report regarding the exploration work conducted in the area of the aforementioned alvaràs was submitted to the DNPM. The final exploration report was approved by decisions rendered by the DNPM on August 8, 1981 and published in the Official Gazette of October 27, 1982.

Under Brazilian Mineral Law, the approval of the final exploration report means that Brazilian mining authorities recognized the existence of a resource, which may be commercially exploited.

Within the legal term established under the Brazilian mining code (i.e. one year as of the date of publication of the approval of the Final Exploration Report), mining concessions were requested by MSS on October 25, 1983. Attached to the applications for mining concessions, MSS presented a development plan to demonstrate MSS' plan to economically exploit the deposit (Plano de Aproveitamento Econômico — PAE ("PAE")). The requests for mining concessions have been under examination at the DNPM ever since due to the creation of the Xikrin Indigenous Land Reserve.

The Mineral Rights were assigned by MSS to Mineração Serras Altas S.A. ("MSA") on May 31, 1989. The transfer of the Mineral Rights to Mineração Serras Altas S.A. was registered with the DNPM on April 29, 1991. Inco subsequently reorganized its ownership of the Mineral Rights by transferring them to Mineração Onça Puma and transferred all of its issued shares to us pursuant to the Acquisition.

On December 24, 1991 Presidential Decree No. 384 was published, approving the demarcation of the Xikrin Indigenous Land Reserve over part of the Onça-Puma Property.

On November 29, 2001, MSA submitted to the DNPM a proposal for a work program which would have the effect of revising the PAE due to the necessity to update local topographical information and to re-establish the sampling and drilling grid developed in the past. On December 11, 2001, the DNPM issued a statement confirming that the Mineral Rights are active and that MSA is carrying out its obligations under Brazilian mineral law in respect of the Mineral Rights. By order issued on December 17, 2001, and published in the Official Gazette on January 29, 2002, with reference to the December 11th order, the DNPM approved the November 29th proposal from MSA authorizing the continuation of work on the area of the Onça-Puma Property that does not fall within the Xikrin Indigenous Land Reserve.

An eastern portion of the Puma deposit lies within the Xikrin Indigenous Land Reserve. When the Xikrin Indigenous Land Reserve was formally designated, the issue of the status of the mineral claims within the reserve came into question. The formal designation of the Xikrin Indigenous Land Reserve delayed the request by Inco for mining concessions and preserved Inco's mineral rights in good standing. No regulations have been created by the government of Brazil to permit mining on the Xikrin Indigenous Land Reserve in Brazil, and accordingly, the request from Inco remained pending.

Although we hold the mineral rights to such eastern portion of the Puma Property, there is no (and may never be any) legal mechanism in place to allow mining on indigenous reserves. We are focusing our exploration activity on areas of the Onça-Puma Property outside of the Xikrin Indigenous Land Reserve and we believe that, based on the currently identified inferred mineral resources, there are sufficient inferred mineral resources identified outside the Xikrin Indigenous Land Reserve to warrant further exploration and feasibility work.

The Inco Agreements

In February of 2003, we completed the Acquisition and issued to Inco 4,727,674 of our shares, which then comprised 18% of our then issued shares, together with warrants entitling Inco to purchase an additional 1,004,799 of our shares. On closing, two Inco nominees, Mr. Robert A. Horn Vice President, Exploration of Inco and Mr. Colin B. McKenzie Director Exploration, Special Projects joined our board, and the Offtake Agreement, Sales Agency Agreement and Technical Services Agreements between us and Inco came into effect. So long as Inco continues to hold at least 10% of our issued common shares, we will appoint to our board of directors, and subsequently present as management nominees for election by our shareholders, two persons nominated by Inco (or such greater number as will constitute 20% of our board of directors).

The Inco Agreement provides Inco with a pre-emptive right of first refusal to purchase our interest in the Onça-Puma Property in the event we decide to sell the property, either directly or through the sale of our Brazilian subsidiary which holds the Onça-Puma Property. Other than the foregoing pre-emptive right, Inco has no right to repurchase the Onça-Puma Property or back-in to any interest in it.

Offtake Agreement and Sales Agency Agreement

The Offtake Agreement and the Sales Agency Agreement provide for the disposition of all nickel products from the Onça-Puma Property.

Under the terms of the Offtake Agreement, Inco will purchase from us and process all matte produced from the Onça-Puma Property for the life of any mine which is placed into production on the Onça-Puma Property, subject to the products meeting specifications for payable metal and impurities required at Inco's processing facilities in Sudbury, Ontario. The specifications are defined in the Offtake Agreement. We will be paid for

100% of contained nickel in matte at a sliding scale based upon the LME price for nickel per pound. If the LME price for nickel is less than US\$3.15 per pound the price of nickel used to calculate the payment will be 75% of the LME price. As the LME price of nickel rises, the net price which we receive will decline on a sliding scale to a floor of 71% of the LME price at US\$5.00 or more per pound.

Inco has the right, on 36 months' notice to us, to suspend processing matte from the Onça-Puma Property if it requires its processing capacity to process product from its own mines. In that circumstance the Offtake Agreement will be suspended at the end of the notice period and we will be free to negotiate other arrangements for processing Onça-Puma product (the "Alternative Arrangements"). We must give Inco notice of any such other Alternative Arrangements and Inco will have 90 days from the date of such notice to either match the Alternative Arrangements or reinstate the Offtake Agreement, failing which we may proceed with the Alternative Arrangements. During the period when the Alternative Arrangements are in place we must pay Inco a net smelter return royalty of 1% of all products sold from the Onça-Puma Property. Inco will have the right to reinstate the Offtake Agreement at any time on 24 months' notice to us, subject to any Alternative Arrangements we may then have in place.

Pursuant to the Sales Agency Agreement, we have appointed Inco as our exclusive sales agent to sell on our behalf all nickel commodities produced from the Onça-Puma Property for which we do not get paid under the Offtake Agreement, being nickeliferous ores, ferronickel concentrates, nickel metal and all other outputs from production other than nickel matte. We have reserved the right to negotiate sales of our nickel products on our own behalf. The Sales Agency Agreement will continue for so long as products are produced from the Onça-Puma Property.

In consideration of its services as sales agent we will pay Inco a fee equal to 2.75% of the net invoice value of the commodities sold. The "net invoice value" means the net payment received on our behalf by Inco for products sold, less its costs and expenses in connection with the sale.

We have some restrictions on our right to cease production once it has commenced. Firstly, we must meet the terms of any product supply contracts before terminating production. Secondly, if we decide to cease production for reasons other than on a temporary basis or for reasons of force majeure Inco has the right at any time after 12 months of continuous shut-down to elect to present a revised operating plan on the Onça-Puma Property at its own cost and, if such revised operating plan is positive and is completed within eight months from the date of such election, Inco will have the right to reactivate the operation in accordance with the terms of its revised operating plan. If Inco elects to reactivate mining operations it will be liable to fund all operating costs by way of loans to us at an annual interest rate of LIBOR plus 2%. Inco also has the right in this circumstance to become the operator of the project and, if it does so, we will pay Inco a management fee equal to 2% of the total operating expenditures. Ownership of the Onça-Puma Property and the assets will at all times remain with us.

Technical Services Agreement

The Technical Services Agreement provides that Inco will, on our request, supply exploration services and process services to assist us in the exploration and development of the Onça-Puma Property, including geological consulting and know-how in connection with our exploration work and process engineering advice and know-how in connection with our feasibility work. Inco will also supply, on our request, technical support and assistance in planning and implementing production facilities at the Onça-Puma Property, including basic design, equipment specifications and project plans and drawings from Inco's existing operations as well as proprietary technical data, training and use of Inco's research laboratories, testing facilities and pilot plants, subject to availability. During the feasibility stage Inco will provide, on our request, professional staff on an "as needed" basis. During any construction and development phase up to two person years will be made available by Inco annually.

We have agreed to pay Inco a fee for the technical services it provides calculated as twice the mid-point salary range of the categories of personnel made available to us. We will also reimburse Inco for its reasonable out-of-pocket expenses.

The Technical Services Agreement provides that Inco will grant us a non-exclusive licence to use its Inco Laterite Reduction Smelting Process if we select it for the Onça-Puma Property.

If we elect to use the Inco Laterite Reduction Smelting Process technology, we have agreed to pay Inco a licensing fee of US\$1.0 million 20 business days after we decide to commence the project construction and a further US\$1.0 million 20 days after the plant attains 80% of its design capacity and a recovery rate within 5% of that contemplated in the feasibility study for a 30-day period. If we decide following commissioning of the plant to increase the plant's processing capacity by 50% or more, we will pay Inco an additional licence fee of US\$1.5 million. Inco will provide a process guarantee to our lenders but its liability will be limited to the licence fees it has received.

Onça Report and Puma West Report

In August of 2003, Hatch produced two independent technical reports under National Instrument 43-101 on the Onça ridge and the Puma West ridge, respectively. Callum Grant, P. Eng. is the qualified person as defined in National Instrument 43-101 who was responsible for the preparation of the Onça Report and the Puma West Report. The Onça Report and the Puma West Report were completed as part of an on-going preliminary assessment of the Onça-Puma Property, and address the geological and resource aspects of Onça ridge and the Puma West ridge only. No due diligence of a legal or environmental nature was included in the Terms of Reference for these works, and comments to this effect in the Onça Report and the Puma West Report are taken from Canico documents. As part of the Onça Report and the Puma West Report Mr. Grant completed a site visit in January 2003, during which an inspection of the property, sample preparation facilities, and Lakefield Geosol's assay laboratory were completed. Hatch reviewed all relevant data on the project completed by Canico, plus a selection of reports prepared by Inco. The following is summarized from the Onça Report and the Puma West report, which readers are encouraged to review in their entirety on SEDAR at www.sedar.com.

Property Description and Location

The Onça ridge is located approximately 16 kms to the southwest of the adjacent Puma West ridge. The Onça ridge covers some 7,000 hectares and the Puma West ridge covers some 5,000 hectares within a larger claim block of 20,000 hectares. Both properties are within 30 kms of the closest town of Ourilândia do Norte.

Accessibility, Climate, Local Resources, Infrastructure, and Physiography

The Puma West nickel deposit occurs within an elongated east-west ultramafic complex that rises some 150 meters above the surrounding plain and has dimensions of approximately 6kms in length by 3kms in width. The Onça nickel deposit occurs within the same elongated east-west ultramafic complex that rises some 300 meters above the surrounding plain and has dimensions of approximately 20kms in length by 3.6kms in width. On section, the ultramafic ridge has a ridge or "mesa" profile characterised by a flat plateau top, sloping off steeply to the north but less steeply to the 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.

The project is well connected to local towns in Pará state, and to the wider Brazilian road, air, and rail networks. Location of infrastructure required for future production from the property will be addressed as part of the Preliminary Assessment (Scoping Study) which is currently being prepared by Hatch, however at this stage no major problems have been identified for such items as water, power supply, and tailings disposal.

History

Interest in the nickel potential of the region around the Onça-Puma Property 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 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 auger drilling at both sites from which an inferred mineral resource of 11.34 million dmt at 2.6% Ni was estimated for Puma West, and 19.48 million dmt at 2.2% Ni for Onça (1.5% Ni Cutoff, estimated prior to 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 58 pits and 110 short auger holes at Puma West and 223 pits and 148 short auger holes at Onça.

In 2002 Watts, Griffis, and McOuat audited the Inco resource numbers. Based on their check work and re-estimation using the Inco data, Watts, Griffis, and McOuat concluded that the inferred mineral resource of Puma West totalled 9.9 million dmt grading 2.51% Ni at a 1.5% Ni cut-off grade and that the inferred mineral 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.

The 2002 and 2003 exploration drill programs have included the drilling of 485 holes at Onça and 244 holes at Puma West (all HQ diamond core holes), in addition to test pitting, geological mapping and geophysical surveys using Ground Penetrating Radar and magnetometers.

Canico is now in the processing of preparing a block model for the Onça-Puma Property to be used in mine planning and other aspects of the preliminary assessment of the Project.

Geological Setting

Nickel mineralization at the Onça-Puma Property is hosted by two elongated ultramafic complexes 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 complexes were localized along prominent structural zones which controlled their emplacement into the surrounding metamorphic basement rocks. They are composed of layered complexes of variably serpentized dunite and peridotite, plus related pyroxenite, anorthosite, and gabbro. Their general strike trends east to west, and dips are at 40-45 degrees to the south.

Nickel mineralization has been developed within the weathered profile on the ultramafic complex preferentially developed within a series of dunites and peridotites.

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-Puma Property, Canico has adopted an appropriate set of exploration methods:

- geological and structural mapping at 1:2,000 scale;
- Ground Penetrating Radar (GPR);
- 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.

Mineralization

Nickel/cobalt mineralization at the Onça-Puma Property 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 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 phyllosilicates>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. Phyllosilicates>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:

Puma West Chemical Characteristics

Zone	% Element			
	Fe	SiO ₂	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.

Exploration

The Onça-Puma Property was initially investigated in 1975 by Inco. Over a 2-year period, Inco completed a program of geological mapping, line cutting, auger drilling (224 holes), pit excavation (in 281 pits), bulk density measurements, and assaying for nickel and key elements 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 the strike of the Onça-Puma Property. 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.

On the Puma West ridge Canico's exploration program in 2002 and 2003 was largely dedicated to programs of assaying and density determinations, test pitting through the laterite profile as twins of previous drill holes and systematic coverage at 200m by Ground Penetrating Radar by AMCL Consultants and magnetics. On the Onça ridge 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 systematic coverage by Ground Penetrating Radar and magnetics was 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 pit 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.

Drilling at Puma West

A total of 4,240m of HQ core in 244 holes was collected from the 2002 and 2003 drill program.

Extending along strike from 5000E to 10650E, the deposit was drilled at a nominal spacing of between 100m by 200m and 200m by 200m, with some tighter sections for example in the West Block where a "cross" of 25 meter spaced holes were drilled for geostatistical studies. Since diamond drilling was used (rather than augers), the majority of the holes successfully penetrated the complete laterite/saprolite blanket from surface down to the serpentine/peridotite bedrock (basement).

The following table summarises some statistics from the sample database compiled from Canico's drill program:

<i>Material</i>	<i>Ni%</i>	<i>Co%</i>	<i>Fe%</i>	<i>SiO₂%</i>	<i>MgO%</i>	<i>#samples</i>
Limonite	1.36	0.084	35.6	24.7	5.4	265
Boulders	2.09	0.021	10.9	44.1	24.8	103

<i>Material</i>	<i>Ni%</i>	<i>Co%</i>	<i>Fe%</i>	<i>SiO2%</i>	<i>MgO%</i>	<i>#samples</i>
Silica Cap	2.26	0.068	12.8	46.2	21.8	10
Transition	1.63	0.051	25.1	33.3	11.7	87
Saprolite	1.75	0.039	19.1	36.1	19.3	1070
Boulder Zone	1.85	0.018	11.2	41.5	27.0	75
Bedrock	0.66	0.007	9.2	40.1	32	959
Fresh Bedrock	0.29	0.000	6.3	34.3	40.3	5
Averages	1.29	0.030	16.7	36.8	23.0	2574

In addition to the drilling data, Canico excavated five pits through the laterite profile reaching bedrock in all cases. The depths of the pits varied from 5.6m to 12m in depth.

Drilling at Onça

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):

<i>Material</i>	<i>Ni%</i>	<i>Co%</i>	<i>Fe%</i>	<i>SiO2%</i>	<i>MgO%</i>	<i>#samples</i>
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

Sampling Method and Approach

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.

At the field office, the core was marked for sampling at a nominal one meter interval to the limits of each material code or significant geological break (breccia zone, silica cap, etc); at contacts, samples of less than a meter 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. Recovery of the core samples was generally good in the range of 87.3% to 90%.

Each of the pits measured 1m square and were mapped and sampled at 1m 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 inches;
- 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.

All of this information was collected systematically, with individual size fractions placed in separate piles for coning, quartering, and sampling. No significant variation in grade with increasing size fraction is indicated from the bulk samples from the Puma West ridge. Information from the 6 pits completed so far at Onça are not yet available.

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 to 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 meter 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 meter cut.

Several hundred samples were collected for bulk density determinations from the drill core and the bulk sample pits. In Hatch's opinion, these bulk density estimates are based on an adequate data set, and furthermore are within the range of typical 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 Puma West, and for estimating its extent at depth and laterally.

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 campaign. The principal elements of the procedure are:

- standard coarse and fine crushing, grinding, riffing, 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 every 25 samples
 - standard every 50 samples
 - blind check sample for referee lab 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 at Onça was taken at 25-sample intervals and then 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 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.

Mineral Resource Estimates

Puma West Ridge

Using a traditional polygon method around central drill holes, Canico estimated inferred mineral resources for Puma West at two cutoffs of 1.5%Ni and 1.00% Ni.

The results of these resource estimates are as follows:

<i>1.5% Ni Cutoff</i>		<i>Inferred Mineral Resource</i>				
	<i>Millions dmt</i>	<i>%Ni</i>	<i>%Fe</i>	<i>%SiO₂</i>	<i>%MgO</i>	<i>%Co</i>
West Block	15.95	2.39	18.9	35.9	19.8	0.043
East Block	17.66	2.06	25.7	30.1	15.4	0.095
West Extension	0.95	1.85	28.6	25.4	14.7	0.041
TOTAL	34.56	2.21	22.6	32.7	17.4	0.070

<i>1.0% Ni Cutoff</i>	<i>Inferred Mineral Resource</i>					
	<i>Millions dmt</i>	<i>%Ni</i>	<i>%Fe</i>	<i>%SiO₂</i>	<i>%MgO</i>	<i>%Co</i>
West Block	23.02	2.05	20.3	36.1	18.7	0.042
East Block	31.16	1.69	28.8	29.0	12.7	0.117
West Extension	2.60	1.45	23.7	29.3	18.2	0.033
TOTAL	56.78	1.83	25.1	31.9	15.3	0.082

The inferred mineral resource for Puma West was estimated by Canico with Hatch's input using the following parameters, procedures, and assumptions:

- The database consists of all 244 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 (with limited 25m-spaced holes in one location);
- separate estimates prepared for East and West Blocks ("Plato Velho" and "Plato Oeste");
- estimates are constrained principally by cutoff grade, and by a minimum vertical thickness of 2m;

- at depth, the saprolite-bedrock contact was adjusted upwards to discount several anomalously deep nickel intercepts that may be related to vertical structures;
- dry bulk densities of 1.16 for the East Block and 1.24 for the West Block were used, and these values are supported by extensive testwork on drillcore and from bulk sampling as described earlier in this report;
- for each nickel cutoff, estimates are calculated on an Excel spreadsheet and have been checked by Hatch.

Onça Ridge

Using a traditional polygon method around central drill holes and a 2m minimum vertical thickness, Canico estimated inferred mineral resources for Onça at cutoffs of 1.5%Ni and 1.00% Ni.

The results of these resource estimates are as follows:

1.5% Ni Cutoff	<i>Inferred Mineral Resource</i>					
	<i>Millions dmt</i>	<i>%Ni</i>	<i>%Fe</i>	<i>%SiO2</i>	<i>%MgO</i>	<i>%Co</i>
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	<i>Inferred Mineral Resource</i>					
	<i>Millions dmt</i>	<i>%Ni</i>	<i>%Fe</i>	<i>%SiO2</i>	<i>%MgO</i>	<i>%Co</i>
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 mineral resource category has been applied.

The inferred mineral resource for Onça 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 foregoing estimates accurately reflect an inferred mineral 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 and Puma West, and between the two deposits 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.

August, 2003 Global Inferred Mineral Resource Estimate

In August of 2003, we issued a news release announcing a new inferred mineral resource estimate, based on the conclusions contained in the Puma West Report and the Onça Report as follows:

<i>1.5% Ni Cutoff</i>	<i>Tonnes</i>	<i>% Ni</i>	<i>% Co</i>
Onça	69,854,460	2.12%	0.123%
Revised Puma West	34,559,332	2.21%	0.07%
Total Inferred Mineral Resources	104,413,792	2.15%	0.105%

<i>1.0% Ni Cutoff</i>	<i>Tonnes</i>	<i>% Ni</i>	<i>% Co</i>
Onça	140,813,880	1.67%	0.125%
Revised Puma West	56,778,651	1.83%	0.082%
Total Inferred Mineral Resources	197,592,531	1.72%	0.113%

The foregoing estimates were completed using a data base compiled from 485 diamond drill holes completed by us in 2003 at Onça and 244 diamond drill holes completed by us in 2002 and 2003 at Puma West. These holes were drilled on lines which were spaced 200m apart and which cut across the strike of the deposits.

Holes along these lines were spaced 200m apart at Onça, 100m apart in the area of the Puma Main Zone and 200m apart elsewhere on Puma West.

The estimates were completed using the polygonal method, and a minimum thickness of 2m and incorporate geological assumptions as to the limits of the mineralization. Each drill hole was given an area of influence halfway to the nearest neighbouring drill hole. The maximum block size was 200m by 200m. Based on extensive test work on HQ diamond drill core, supported by bulk sampling from test pits, the dry bulk tonnage factors used were 1.20 t/m³ on the Onça deposit. For Puma West, the factors used were 1.24 t/m³ on the Puma Main Zone and 1.16 t/m³ on the Puma East Plateau Zone.

A number of factors, including variations in mineral chemistry, strip ratio considerations and final economic cut-off grades will affect the mineral resources which may ultimately be mined and processed at the Onça-Puma Property.

RISK FACTORS

Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The Onça-Puma Property does not have proven or probable reserves. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes and to develop mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development will be obtained on a timely basis. The economics of developing mineral properties are affected by many factors including the cost of operations, the availability and costs of fuel, power, water and transportation and our ability to negotiate acceptable contracts for fuel, power and transportation on reasonable commercial terms, variations in the grade of ore mined, fluctuations in metal markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to mineral resources or mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in large scale tests under on-site conditions. Material changes in mineral resources or mineral reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project. Depending on the price of minerals produced, we may determine that it is impractical to commence commercial production.

Financing Risks

Pyrometallurgical lateritic nickel projects are capital intensive by nature. We have limited financial resources, no source of operating cash flow and no assurance that additional funding will be available to us for further exploration and development of our projects. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain additional financing may result in delay or postponement of exploration and development of the Onça-Puma Property. Further, as we will be required to raise a significant amount of capital by equity offerings in order to

fund ongoing work on the Onça-Puma Property, existing shareholders' investments will be subject to ongoing dilution.

Mineral Prices

Nickel prices have fluctuated widely, particularly in recent years. The marketability of nickel is also affected by numerous factors, including world wide economic activity.

Metallurgy

The precise chemical nature of the lateritic nickel mineralization on the Onça-Puma Property has not yet been determined and will affect the nature of the recoveries from, and hence the economics of, any pyrometallurgical plant.

Competition

We compete with other companies which have greater financial resources and technical facilities than we have for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. If commercial production occurs on the Onça-Puma Property we will have to compete with other nickel producers for the sale of our products.

Displacement of Product and Economics

Under the terms of the Offtake Agreement between us and Inco, Inco is entitled to refuse to process matte in the event its facilities are needed to process Inco's internal supply. Under such circumstances, we may make Alternative Arrangements, but there can be no assurance that it will be able to do so at all or on commercially reasonable terms.

Foreign Countries and Regulatory Requirements

The Onça-Puma Property is located in Brazil and mineral exploration and mining activities in Brazil as well as elsewhere may be affected in varying degrees by political and financial instability, inflation and haphazard changes in government regulations relating to the mining industry. Any changes in regulations or shifts in political or financial conditions are beyond our control and may adversely affect our business. Operations may be affected in various degrees by laws and regulations with respect to, among other things, restrictions on production, price controls, export controls, exchange controls, income taxes, expropriation of property, social and environmental matters and mine safety.

Currency Fluctuations

We presently maintain our accounts in Canadian dollars. Our future operations may make us subject to foreign currency fluctuations and such fluctuations may materially affect our financial position and results. While, at present, monetary inflation in Brazil is relatively low, in past years hyperinflation has occurred within Brazil resulting in the devaluation of the Brazilian Real against other currencies. We have not in the past engaged in hedging activities.

Environmental and other Regulatory Requirements

Our anticipated activities in Brazil will require permits from various governmental authorities and are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection,

mine safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs, and delays as a result of the need to comply with applicable laws, regulations and permits. We believe we are in substantial compliance with all material laws and regulations which currently apply to our activities.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mineral exploration and development activities may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on us and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Title Matters

The acquisition of title to mineral concessions is a very detailed and time-consuming process. Failure to comply with the requirements of the DNPM with respect to exploration permits and mining concessions may result in a loss of title. Title to and the area of mining concessions may be disputed. While we have diligently investigated title to the Onça-Puma Property and continue to do so, this should not be construed as a guarantee of title. Title to the mineral concessions may be affected by undetected defects. The eastern portion of the Puma property is sequestered within the Xikrin Indigenous Land Reserve and there is no, and there may never be any, method at law for us to obtain access to and to carry out exploration and development within such area. However, we are focusing our exploration activity on areas of the Onça-Puma Property outside of the Xikrin Indigenous Land Reserve and we believe that, based on the currently identified inferred mineral resources, there are sufficient inferred mineral resources identified outside the Xikrin Indigenous Land Reserve to warrant further exploration and feasibility work. Although the existence of the Xikrin Indigenous Land Reserve does not affect any adjacent areas there can be no guarantee that additional portions of the Onça-Puma Property will not be affected by indigenous rights. In Brazil, mineral rights on private land holdings are held separately and independently from the owner of the surface rights and, in order to commence exploration programs, the exploration or mining companies must deal with the surface owner for access. Brazilian law provides for compensation for temporary access and for the payment of a royalty for mineral production on privately-held land. Settlements of disputes are in favour of the holder of mineral rights and will provide the landowner with fair compensation or market value for the land. The surface rights for Onça and a western portion of Puma are held by private landowners although some of the land may be occupied by squatters. Surface access to the properties will be an issue that will require early negotiation for exploration/drilling to proceed.

Conflicts of Interest

Our directors and officers may serve as directors or officers of other companies which may compete for mineral exploration projects with us. In addition, corporate opportunities giving rise to potential conflicts of interest may occur from time to time. In the event that such a conflict of interest arises at a meeting of our directors, a director who has such a conflict is required by law to abstain from voting with respect to certain such matters. In accordance with the laws of the Province of British Columbia, our directors are required to act honestly, in good faith and in our best interests.

Estimates of Inferred Mineral Resources

The mineral resources included by reference in this AIF are estimates only and no assurance can be given that any proven or probable reserve will be discovered or that any particular level of recovery of minerals will in fact be realized or that an identified mineral resource will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Material changes in mineral resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimates of inferred resources referenced in this AIF attributed to Watts, Griffis and McOuat are taken from the WGM Report. Those estimates are based on the assumptions and methods, and are subject to the limitations and qualifications, described in the WGM Report. The estimates of inferred resources in this AIF attributed to Hatch are taken from the Onça Report and the Puma West Report. Readers are encouraged to review the WGM Report, the Onça Report and the Puma West Report in their entirety in our filings at www.sedar.com. The standards employed by WGM and Hatch, respectively, in estimating the inferred resources differ significantly from the requirements of the United States Securities and Exchange Commission and the resource information reported may not be comparable to similar information reported by United States companies. The term “resources” does not equate to “reserves” and normally may not be included in documents filed with the United States Securities and Exchange Commission. “Resources” are sometimes referred to as “mineralization” or “mineral deposits”.

Insurance Risk

No assurance can be given that insurance to cover the risks to which our activities will be subject will be available at all or at economically feasible premiums. Insurance against environmental risks (including potential for pollution or other hazards as a result of the disposal of waste products occurring from production) is not generally available to us or to other companies within the industry. The payment of such liabilities would reduce the funds available to us. Should we be unable to fund fully the cost of remedying an environmental problem, we might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Limited Operating History: Losses

We are a start-up company with no history of generating revenue or profits. There can be no assurance that we will generate profits in the future.

Dividends

All of our available funds will be invested to finance the growth of our business and therefore investors cannot expect to receive a dividend on our common shares in the foreseeable future.

Enforcement of Civil Liabilities

As a portion of our assets and operations will be located outside of Canada, it may be difficult or impossible to enforce judgments granted by a court in Canada against such assets.

***Selected Consolidated Financial Information in Thousands of Canadian Dollars,
Except Per Share Amounts***

	2003	2002	2001	2000
	\$	\$	\$	\$
Revenues	513	42	2	6
Loss from continuing operations*	8,347	1,940	428	65
Net loss	8,347	1,940	428	65
Loss per share	0.44	0.23	0.08	0.01
Total assets	53,861	4,915	484	197
Shareholder Equity	52,915	4,453	384	173
Working capital	28,658	4,244	384	173

Notes:

2003 – Balance Sheet items are as at July 31, 2003 and Statement of Operations items are for the year ended July 31, 2003

2002 – Balance Sheet items are as at July 31, 2002 and Statement of Operations items are for the seven months ended July 31, 2002

2001 – Balance Sheet items are as at December 31, 2001 and Statement of Operations items are for the year ended December 31, 2001

2000 – Balance Sheet items are as at December 31, 2000 and Statement of Operations items are for the year ended December 31, 2000

Dividends

To date we have not paid dividends on our common shares. We have no present intention of paying dividends on our common shares as we anticipate that all available funds will be invested to finance the growth of our business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

The following discussion and analysis includes financial information from, and should be read in conjunction with, our Financial Statements.

Overview

The consolidated financial statements reflect the merger applying reverse takeover accounting whereby we are considered to have been acquired by Hastings. Capital stock represents our authorized and issued capital and the dollar amount of shareholders' equity is that of Hastings, the ongoing operating company.

Results of Operations

Year Ended July 31, 2003 Compared to Seven Months Ended July 31, 2002 and Year Ended December 31, 2001

During the current year we spent \$6,582 on exploration and development work on the Onça-Puma Project, compared to \$917 and \$249 spent in 2002 and 2001, respectively. During the 2002 period, exploration expenditures were primarily related to exploration surveys and studies, preparation of grid lines for the Phase I drilling program, and getting established in Brazil. Expenditures incurred in 2001 primarily include the costs associated with our option agreement to acquire Onça-Puma from Inco, which was then held by our subsidiary, Hastings Resource Corp.

During the year ended July 31, 2003, we drilled a total of 1,214 holes or 23,817 meters on the Onça-Puma Property, for a total cost of \$2,306 and incurred \$553 in assaying costs. We expect to complete a scoping study in the fall of 2003. An environmental impact statement will be completed in conjunction with a feasibility study, scheduled for late 2004. During the current year, we spent \$278 and \$354 on environmental and engineering studies, respectively.

The following table outlines 2003 expenditures:

Drilling	\$	2,306
Assaying		553
Exploration surveys and studies		411
Travel		233
Audit, tax and legal		188
Salaries and consulting		1,779
Exploration site operations		480
Engineering studies		354
Environmental studies		<u>278</u>
Total	\$	<u>6,582</u>

Effective August 1, 2002, we adopted the new recommendation issued by the Canadian Institute of Chartered Accountants regarding the expensing of exploration expenditures as incurred under the new rules, costs attributable to property acquisition are capitalized while exploration expenditures on the property can only be capitalized once mineral reserves have been established. Previously, we had been capitalizing all exploration expenditures. This change has been adopted retroactively and the 2002 and 2001 financial statements have been restated accordingly.

Salaries and benefits expense for 2003 reflects the hiring of a complete senior management and engineering team for advancing the Onça-Puma project. The comparative seven month figures for 2002 are not comparable, as Hastings' management group did not join Canico until April 1, 2002, with the exception of our Vice-President and Chief Financial Officer who started February 1, 2002. During 2001 Hastings had no employees.

No management fees were paid in 2003 and 2001. Management fees during the 2002 period were paid to our former Vice-President, Corporate Development. The 2002 comparative figures include a termination payment of \$225.

For 2003, office and miscellaneous includes \$146 for rent, \$14 for transfer agent fees, \$43 for promotion and shareholder information, \$159 for stock exchange fees, \$29 for insurance, \$39 for directors travel, \$10 for recruitment and \$80 for other office costs. Office costs increased significantly compared to 2002 as a result of our move into larger office facilities in May 2002, and the fees incurred to complete three private placements and to change our stock exchange listing from the TSX Venture Exchange to the TSX Exchange. The comparative figures for 2002 only include our results for the period February 6, 2002 to July 31, 2002 and therefore are not comparable to the current year. Most of these expenses were not incurred during 2001 as Hastings was a private company during that time.

Professional fees incurred during the current year relate to the acquisition of Onça-Puma, obtaining our TSX listing and other general matters. During the current year we incurred \$80 in financial advisory fees. The 2002 and 2001 period costs are primary related to the Canico and Hastings merger.

Travel costs increased significantly during the current year as we focused our efforts on the Onça-Puma project and expanding investor awareness of our activities. The comparative figures for 2002 only include our results for the period February 6, 2002 to July 31, 2002 and therefore are not comparable to the current year.

TSX Quarterly Information

The following table provides additional financial information in thousands of Canadian dollars, except for per share amounts presented on a quarterly basis for the eight most recently completed quarters:

	3 Months Ended July 31, 2003 (unaudited)	3 Months Ended April 30, 2003 (unaudited)	3 Months Ended January 31, 2003 (unaudited)	3 Months Ended October 31, 2002 (unaudited)	3 Months Ended July 31, 2002 (unaudited)	4 Months Ended April 30, 2002 (unaudited)	3 Months Ended January 31, 2002 (unaudited)	3 Months Ended October 31, 2001 (unaudited)
Interest Income	\$ 236	\$ 189	\$ 72	\$ 16	\$ 25	\$ 17	\$ 0	\$ 0
Loss from Continuing Operations	\$ 3,518	\$ 2,455	\$ 1,503	\$ 871	\$ 886	\$ 764	\$ 142	\$ 148
Basic and Fully Diluted Loss Per Share	\$ 0.13	\$ 0.12	\$ 0.11	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.03	\$ 0.03
Net Loss	\$ 3,518	\$ 2,455	\$ 1,503	\$ 871	\$ 886	\$ 764	\$ 142	\$ 148
Basic and Fully Diluted Loss Per Share	\$ 0.13	\$ 0.12	\$ 0.11	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.03	\$ 0.03

Note:

The above table reflects the results of Canico on a pre-merger basis for the three quarters commencing July 31, 2001 and ending January 31, 2002 and on a post-merger basis for the five subsequent quarters. The common shares were consolidated on the basis of 9.3 to 1 in February of 2002. The foregoing pre-merger figures are presented on a pre-consolidation basis.

Liquidity and Capital Resources

Our operations consist of the exploration and evaluation of mineral properties. Our financial success is dependant upon our ability to find economically viable properties and develop them. This process can take many years and is largely dependant on several factors beyond our control. Our historical capital needs have been met by the issue of common shares. We have no internal sources of funding to cover expenses.

In October 2002 we completed a prospectus offering of 4,488,927 units for net proceeds after the agents' commissions but before expenses of the offering of \$6,329,000. Each unit consists of one common share and one common share purchase warrant to purchase one additional common share for a period of one year at a price of \$1.70 per share. The issue price was \$1.50 per unit.

During February 2003, we completed two private placement financings for net proceeds of \$24,123,000. A total of 7,600,000 common shares were issued at a price of \$3.31 per share. As a result of these share offerings we completed the Acquisition in February 2003.

During the year ended July 31, 2003, we used \$8,220,000 in operating activities compared to \$1,895,000 used in operating activities during the seven months ended July 31, 2002. These funds were incurred primarily on exploration and administrative related activities..

As at July 31, 2003, we had working capital of \$28,658,000 including cash and cash equivalents of \$29,293,000. At present we have sufficient funds to meet our obligations and carry out our current work program.

MARKET FOR SECURITIES

Our shares are listed on the TSX under the trading symbol CNL.

DIRECTORS AND OFFICERS

Name, Municipality of Residence:	John Michael Kenyon, Vancouver, British Columbia
Position & Classification:	President, Chief Executive Officer and Director
Date of Appointment and Expiration of Term as a Director:	February 6, 2002 until the next annual general meeting of shareholders
Principal Occupation for the past five years, Experience and Technical Expertise:	President and CEO of Canico, February 6, 2002 to present; President and Chief Executive Officer, Hastings, May 1999 to present; Consultant to Barrick Gold Corp., April 1999 to March 2002; prior to April 1999, President and Chief Executive Officer, Sutton Resources Ltd.; Geologist. Mr. Kenyon is a full-time employee of Canico who has primary responsibility for all of our activities. Mr. Kenyon played a critical role in the acquisition of the Kabanga and Kagera nickel projects and the Bulyanhulu gold deposit (all in Tanzania) for Sutton Resources Ltd. He has been a founding director of several other mineral companies listed on North American Stock Exchanges.

Name, Municipality of Residence:	Roman Shklanka, Vancouver, British Columbia
Position & Classification:	Chairman and Director
Date of Appointment and Expiration of Term as a Director:	February 6, 2002 until the next annual general meeting of shareholders
Principal Occupation for the past five years, Experience and Technical Expertise:	Chairman of Canico, February 6, 2002 to present; Chairman, Hastings, May 1999 to present; Consultant to Barrick Gold Corp., April 1999 to March 2002; prior to April 1999, Chairman, Sutton Resources Ltd.; Director and Chairman of two other public companies engaged in the business of mineral exploration and development; Geologist. Dr. Shklanka is a part-time employee of Canico whose responsibilities include chairing all meetings of the board of directors, providing policy guidance and direction, assisting with governmental relations in Brazil and overseeing our geological programs. Dr. Shklanka devotes approximately 50% of his time to the affairs of Canico. Dr. Shklanka brought the Kabanga and Kagera nickel projects to Sutton Resources Ltd., and was instrumental in the acquisition by Sutton Resources Ltd. of the Bulyanhulu gold property in Tanzania. With Placer Dome Inc., he managed annual exploration budgets in excess of \$30 million and a staff of up to seventy-five. Dr. Shklanka has extensive experience in mining negotiations, particularly with emerging nation governments.
Name, Municipality of Residence:	Jonathan Arn Rubenstein, Vancouver, British Columbia
Position & Classification:	Vice-President & Corporate Secretary, Director
Date of Appointment and Expiration of Term as a Director:	February 6, 2002 until the next annual general meeting of shareholders
Principal Occupation for the past five years, Experience and Technical Expertise:	Vice President and Corporate Secretary of Canico, February 6, 2002 to present; Secretary of Hastings, May 7, 1999 to present; Consultant to Barrick Gold Corp., April 1999 to March 2002; prior to April 1999, Vice-President Corporate Affairs and Corporate Secretary, Sutton Resources Ltd.; Lawyer. Mr. Rubenstein is a full-time employee of Canico who has primary responsibility for our legal issues, instructing counsel, managing our commercial dealings, overseeing our corporate functions and public disclosures, strategic planning and corporate development.
Name, Municipality of Residence:	Paul Bristol Sweeney, Surrey, British Columbia
Position & Classification:	Vice-President & Chief Financial Officer

Date of Appointment:	February 6, 2002
Principal Occupation for the past five years, Experience and Technical Expertise:	Vice President and CFO of Canico, February 6, 2002 to present; Director of Hastings, May 1999 to present; Chief Financial Officer and Secretary, Manhattan Minerals Corp., December 1999 to May 2001. Mr. Sweeney is a full-time employee of Canico whose responsibilities include all of our accounting, finance and administrative requirements. Mr. Sweeney has extensive experience in metals marketing, hedging, insurance, and taxation relating to Canadian and foreign mining companies. He has arranged construction financings for mines in Canada, the United States, Australia, Papua New Guinea and Chile.
Name, Municipality of Residence:	Shirley Anne Hilton Delta, British Columbia
Position & Classification:	Assistant Corporate Secretary
Date of Appointment:	April 3, 2003
Principal Occupation for the past five years, Experience and Technical Expertise:	Office Manager, Canico and Hastings from May 1999 to present; Previously Office Manager, Accountant for Sutton Resources Ltd. May 1981 to March 2002; Redcorp Ventures Ltd. (and formerly Redfern Resources Ltd.), from May 1981 to March 2003. These positions included human resources and accounting responsibilities.
Name, Municipality of Residence:	Robert Stuart ("Tookie") Angus, Vancouver, British Columbia
Position & Classification:	Director
Date of Appointment and Expiration of Term:	September 19, 2002 until the next annual general meeting of shareholders
Principal Occupation for the past five years, Experience and Technical Expertise:	Senior partner in the law firm of Fasken Martineau DuMoulin LLP since March 2001 and head of the firm's Global Mining Group. Senior partner in the law firm of Stikeman Elliott from March 1, 1996 to February 2001. Mr. Angus' practice focuses on international mining exploration and development and all aspects of structuring and financing mining ventures.
Name, Municipality of Residence:	Richard Mark Colterjohn, Toronto, Ontario
Position & Classification:	Director
Date of Appointment and Expiration of Term:	September 19, 2002 until the next annual general meeting of shareholders

Principal Occupation for the past five years, Experience and Technical Expertise: Since April 2002, on sabbatical; from April 1992 to April 2002, Director of UBS Warburg and from April 1999 to April 2002, Managing Director, UBS Warburg and Director, UBS Bunting Warburg Inc.; B. Comm., M.B.A. Mr. Colterjohn has extensive experience in mining finance and financial markets.

Name, Municipality of Residence: **Robert Aelred Horn,**
Toronto, Ontario

Position & Classification: Director

Date of Appointment and Expiration of Term: February 24, 2003 until the next annual general meeting of shareholders

Principal Occupation for the past five years, Experience and Technical Expertise: Vice President, Exploration, of Inco Limited from February 1995 to present; Geologist. Previously he held the same positions with FMC Gold in the U.S.A. and in BP Canada. He has worked on many mining and exploration projects based in Zambia, Brazil, Australia and England. Before moving into exploration management, he was a member of the technical teams of BP Minerals in London and of the CVRD exploration subsidiary Docego in Brazil.

Name, Municipality of Residence: **Richard Duncan McCloskey,**
Toronto, Ontario

Position & Classification: Director

Date of Appointment and Expiration of Term: September 19, 2002 until the next annual general meeting of shareholders

Principal Occupation for the past five years, Experience and Technical Expertise: President and Director of McChip Resources Inc. and Matachewan Consolidated Mines, Limited since 1975, each a mineral exploration company; President and Director of Glimmer Resources Inc. since January 1997; Mining Executive; Mining Engineer. Mr. McCloskey has extensive experience in junior mining ventures. He is a former director of Sutton Resources Ltd. and served many years as a director of the Gold Institute until windup in 2002.

Name, Municipality of Residence: **Colin Burgess McKenzie,**
Toronto, Ontario

Position & Classification: Director

Date of Appointment and Expiration of Term: February 24, 2003 until the next annual general meeting of shareholders

Principal Occupation for the past five years, Experience and Technical Expertise:

Director of Special Projects, Exploration of Inco Limited since July 2000; Vice-President Exploration of Voisey's Bay Nickel Co. from November 1995 to June 2000. Director of Special Projects, Exploration for Inco Limited and is responsible for Inco's exploration programs in Latin America and China. He is a professional geologist with 28 years experience in the Canadian mineral exploration industry. Before assuming his current position, Mr. McKenzie was Vice-President, Exploration for Voisey's Bay Nickel Company Limited based in St. John's Nfld., where he managed Inco's \$80 million exploration commitment following the acquisition of the Voisey's Bay project. He also managed exploration in Eastern Canada for BP Minerals and is credited with the discovery of the Hope Brook gold deposit. Earlier in his career he worked with Rio Algom and Cominco.

Committees of the Board of Directors

Audit Committee - The Audit Committee consists of Messrs. McKenzie, McCloskey and Colterjohn. The mandate of the Audit Committee is to oversee our financial reporting obligations, systems and disclosure and to act as a liaison between the board of directors and our auditors. The activities of the Audit Committee include: reviewing annual financial statements, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to shareholders, reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of our auditors.

Compensation Committee - The Compensation Committee consists of Messrs. Kenyon, Angus and McCloskey. The compensation paid by us to our executive officers and employees or consultants is reviewed annually. All issues related to executive compensation are submitted to the Compensation Committee for approval. The policy of the Compensation Committee in determining compensation is that it should (1) reflect our current state of development, (2) reflect our performance, (3) reflect individual performance, (4) align the interests of the executives with those of the shareholders, and (5) assist us in retaining key individuals. We have four senior officers: Michael Kenyon, Dr. Roman Shklanka, Jonathan Rubenstein and Paul Sweeney. The main elements of the executive compensation consist of base remuneration and incentive stock options which address the reward to executives for delivering value to our shareholders through measurable increases in the value of our common shares or measurable increases in our asset base. We have no current policy for stock appreciation rights and none of these have been granted. We have a policy for share-based bonuses in our stock plan, which is subject to disinterested shareholder approval. We do not provide retirement compensation or pension plans. The directors receive no fees for acting as such.

Corporate Governance Committee - Messrs. Angus, Colterjohn and Rubenstein form the Corporate Governance Committee. Its mandate is to oversee and make recommendations to the board of directors on helping our approach to corporate governance issues, to propose to the board of directors new nominees to the board of directors and to assess directors on an ongoing basis. The board of directors does not have in place programs for succession of management and training of management. Due to our size, management personnel who are already trained are engaged as required to fill vacancies. The performance of management is reviewed on a continual basis by the board. The board of directors is of the view that our shareholders are the most important assessors of board performance and that they provide the most effective and objective assessment of the board of directors' performance. Management has instituted procedures to monitor and promptly address shareholder concerns, and the board of directors has directed management to apprise the board of directors of any major concerns expressed by shareholders.

As at the date of this AIF, our directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over 4,378,802 of our shares, representing 15.49% of our issued shares. This number does not include 226,922 of our shares held by McChip Resources Inc. or 14,188 of our shares held by Matachewan Consolidated Mines Limited (“Matachewan”), both companies in which Richard McCloskey is the president.

Corporate Cease Trade Orders or Bankruptcies

Jonathan Rubenstein, Vice President and Corporate Secretary and one of our directors, was a director of Primero Industries Inc. in or around 1998, at which time Primero Industries Inc. made a voluntary assignment into bankruptcy.

Michael Kenyon, our President and Chief Executive Officer and one of our directors, was a director of Crown Resources Corp. in or around October 18, 2001 at which time Crown Resources Corp. was suspended from trading on the TSX and was subsequently delisted for failure to meet the TSX listing requirements.

Richard McCloskey, one of our directors, has been the President and a director of Matachewan since 1975. Approximately ten years ago, Matachewan was suspended for trading on the TSX for failure to pay sustaining fees, and was delisted from trading on the TSX as a result of the effects of being found guilty of permitting the discharge of mine tailings into Davidson Creek in Ontario. Mr. McCloskey was also fined \$2,500 as a result of that discharge. Mr. McCloskey is also the President and a director of Glimmer Resources Inc. (“Glimmer”). Glimmer was suspended from trading on the TSX Venture Exchange on and around December 6, 2001 for failure to file interim financial statements with the securities regulatory authorities. Matachewan and Glimmer are both currently listed on the TSX Venture Exchange.

Other than as stated above, none of our directors, officers, promoters or other member of our management or shareholder holding enough securities to materially affect the control of the Company is, or during the ten years preceding the date of this AIF has been, a director, officer or promoter of any issuer that, while the person was acting in that capacity:

- (1) was the subject of a cease trade order or similar order that denied such issuer access to any statutory exemptions for a period of more than 30 consecutive days, or
- (2) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold its assets.

Penalties or Sanctions

None of our directors, officers, promoters or other member of management or shareholder holding enough securities to materially affect the control of the Company has to our knowledge, been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

During the ten years preceding the date of this AIF, none of our directors, officers, promoters or other member of management or shareholder holding enough securities to materially affect the control of the

Company, or a personal holding company of any such person, has, to our knowledge, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

There are no known existing or potential material conflicts of interest between us and any of our directors or officers. All of our directors and officers have other business interests, and are directors or officers of other resource companies.

ADDITIONAL INFORMATION

Upon request to our secretary, we will provide

1. when our shares are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:
 - (a) one copy of this AIF, together with the pertinent pages of any document incorporated by reference in this AIF;
 - (b) one copy of our comparative consolidated financial statements for the year ended July 31, 2002 together with the accompanying report of the auditor and one copy of our most recently filed interim financial statements;
 - (c) one copy of our information circular in respect of our most recent annual general meeting completed December 16, 2002, and
 - (d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses (a), (b) or (c) or,
2. at any other time, one copy of any documents referred to in 1(a), (b) or (c).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the information circular for our most recent annual general meeting; additional financial information is provided in our comparative financial statements for our most recently completed financial year. Copies of such documents may be obtained upon request from our secretary at our corporate head office.