Form 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

CANICO RESOURCE CORP. (the "Company")
2184 Four Bentall Centre
1055 Dunsmuir Street, PO Box 49067
Vancouver, BC V7X 1C4

Item 2 Date of Material Change

State the date of the material change.

September 9, 2004

Item 3 News Release

State the date and method(s) of dissemination of the news release issued under section 7.1 of National Instrument 51-102.

September 10, 2004

The Press Release was released to the Toronto Stock Exchange and through various other approved public media and filed on the SEDAR with the securities commissions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island.

Item 4 Summary of Material Change

Provide a brief but accurate summary of the nature and substance of the material change.

The Company's wholly owned Brazilian subsidiary, Mineração Onça Puma Ltda. ("MOP") has received a tax incentive package on its Onça-Puma nickel laterite project in Pará State, Brazil from the government of the State of Pará (the "State"). The incentives include a 100% exemption from the ICMS tax ("ICMS") on most of the equipment and supplies used to construct and operate a nickel mine at Onça-Puma and a 50% reduction of the taxable base for ICMS on energy acquired in Brazil and on fuel oil obtained within Pará. In addition, the State and MOP have agreed in principal to, and are in the final stages of completing, a formal investment and support agreement to protect and maintain the Onça-Puma project and any incentives granted to date against any current or potential court challenges or reforms to existing State law. In exchange for this protection, MOP will agree, among other things, to enter into a transportation agreement whereby MOP will fund up to US$18.3 million for the repair and upgrade of the State highway access from Ourilandia through to Xinguara in order to ensure that section of the highway will meet the needs of MOP with respect to transportation requirements for supplying the Onça-Puma project, mobilizing construction equipment and mine components following a production decision and for moving supplies and ferronickel product to and from the Onça-Puma project during operations.

It is the understanding of the Company that upon achievement of production, the Onça-Puma project will qualify for a 75% income tax reduction to be applied until December 31, 2013.

Item 5 Full Description of Material Change

The Company's wholly owned Brazilian subsidiary, MOP, has received a tax incentive package on its Onça-Puma nickel laterite project in Pará State, Brazil from the State. The State has published a Decree under an existing law, establishing the tax incentive package which is to be in full force and effect for 15 years and to include a 100% exemption from the ICMS on most of the equipment and supplies, including imported coal, used to construct and operate a nickel mine at Onça-Puma and a 50% reduction of the taxable base for ICMS on energy acquired in Brazil and on fuel oil obtained within Pará.

The existing law in Pará is currently the subject of a court challenge, which, if successful, could nullify various tax incentives previously granted by the State under the existing laws, including those granted to MOP. Accordingly, the State and MOP have agreed in principal to, and are in the final stages of completing, a formal investment and support agreement (the "Formal Agreement") to protect and maintain the Onça-Puma project and any incentives granted to date. Pursuant to the Formal Agreement, the State will agree to take all steps necessary to pass a new law which will authorize the granting of ICMS exemptions for nickel projects within the State of Pará. The State will also agree to replace the exemptions under the existing law with exemptions under the new law which are not less beneficial than those already granted to MOP. The State will propose the new law prior to enactment by Brazil's federal government of certain constitutional reforms currently under consideration which may affect the State's power to grant ICMS exemptions. The Formal Agreement will ensure that, in the event of any changes which may occur to Brazilian laws which impact MOP's economic position under the incentives package, MOP and the State shall negotiate in good faith and take all steps required and reasonably available to re-establish the situation between MOP and the State as it currently exists.

In exchange for the protection offered by the Formal Agreement, MOP will agree to proceed with the Onça-Puma project subject to permitting and a production decision, support research and technical development programs at universities within the State of Pará, favour residents of the State of Pará as suppliers and workers, undertake training of local residents and participate in a partnership with the State on works of social interest. In addition, MOP has agreed to, and is in the final stages of completing, a formal property access and transportation agreement with the State whereby MOP will fund up to US$18.3 million for the repair and upgrade of the State highway access from the town of Ourilandia, adjacent to Onça-Puma, through to the town of Xinguara, in Pará State. Xinguara has highway links to Parauapebas and Maraba where there are major transhipping facilities to railway as well as continuing State highway access to the port of Bélem, also in Pará. The upgraded highway will be engineered and constructed to standards which will meet the needs of MOP with respect to transportation requirements for supplying the Onça-Puma project during the advanced exploration and feasibility work currently underway, mobilizing construction equipment and mine components following a production decision and for moving supplies and ferronickel product to and from the Onça-Puma project during operations. The State will be solely responsible for any additional costs for the work, including any overruns and for the ongoing costs of maintenance of the roads.

It is the understanding of the Company that upon achievement of production, the Onça-Puma project will qualify for a 75% income tax reduction to be applied until December 31, 2013, unless extended.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

If this report is being filed on a confidential basis in reliance on subsection 7.1(2) or (3) of National Instrument 51-102, state the reasons for such reliance.

Not applicable

Item 7 Omitted Information

State whether any information has been omitted on the basis that it is confidential information.

Not applicable

Item 8 Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the material change and the Report, or the name of an officer through whom such executive officer may be contacted.

Jonathan Rubenstein, Vice President & Corporate Secretary
2184 – 1055 Dunsmuir Street
Vancouver, BC V7X 1C4
Phone: 604-669-9446

Item 9 Date of Report

Dated this 13th day of September, 2004