

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")
Suite 2184, Four Bentall Centre
1055 Dunsmuir Street, P.O. Box 49067
Vancouver, BC V7X 1C4
Tel: 604-669-9446

Item 2: Date of Material Change

State the date of the material change.

August 4, 2005

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.

The News Release was disseminated on August 4, 2005, to the Toronto Stock Exchange as well as through various other approved public media and was SEDAR filed with the British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island Securities Commissions.

Item 4: Summary of Material Change(s)

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

The Company has received the highlights which are to be contained in the Executive Summary of a Feasibility Study for the development and operation of the Onça Puma Nickel Project in Pará State, Brazil. The Project as envisioned in the Study comprises an open cut mine, a high productivity smelting facility based on the conventional Rotary Kiln Electric Furnace ("RKEF") pyrometallurgical smelting process and all related infrastructure and equipment necessary to produce and deliver ferronickel to market from the Onça Puma lateritic nickel deposits.

Item 5: Full Description of Material Change

The Company received the highlights set out below which are to be contained in the Executive Summary of a Feasibility Study for the development and operation of the Onça Puma Nickel Project in Pará State, Brazil. The Project as envisioned in the Study comprises an open cut mine, a high productivity smelting facility based on the conventional RKEF pyrometallurgical smelting process and all related infrastructure and equipment necessary to produce and deliver ferronickel to market from the Onça Puma

lateritic nickel deposits. The section entitled “Highlights from the Executive Summary” was prepared with input from Hatch Ltd. (“Hatch”) which is independent of Canico. Hatch has committed to deliver the completed Executive Summary, which will summarize the material information and conclusions of the full Feasibility Study, within 5 business days of August 4, 2005 and has further committed to deliver the balance of the documentation for the Feasibility Study before the end of August.

Readers are cautioned that they should not rely solely on these highlights, but should read and review the Executive Summary in its entirety. In addition, readers are directed to the cautionary notices and the disclaimers and discussion below and in the Executive Summary. When received, the Executive Summary will be posted on Canico’s website (www.canico.com) and filed on the SEDAR website (www.sedar.com).

Highlights from the Executive Summary

Construction Program and Capital Cost

The Study considers the construction of a two-line plant, to be built in two phases. Initially, a single line plant would be constructed over a 37-month period commencing with Basic Engineering¹ at a total capital cost estimated to be US\$762 million. The first line would reach full throughput capacity of approximately 1.28 million tonnes of ore per year over an ensuing two year ramp-up period. Then the second line would be constructed over the next two years, at a total additional capital cost estimated at US\$352 million. When both lines are in full service following ramp-up of the second line, the smelter facility would process approximately 2.56 million tonnes of ore per year.

A Summary of the Capital Cost Estimate is set out in the Tables which accompany this material change report.

Nickel Production and Operating Costs

The Project as envisioned would produce nickel as a marketable, refined ferronickel product for direct sale to stainless steel mills. The product would contain about 25% nickel and 75% iron. Ferronickel is in high demand as supplies worldwide are limited.

Higher grade ore is scheduled for early production. In Year 3, when the first line has reached full capacity and is processing high grade ore, it would produce about 67 million pounds of nickel in ferronickel at a site cash operating cost of **US\$1.60** per pound of nickel. In the year that the second line reaches full capacity (Year 7), production is forecast to be approximately 116 million pounds of nickel in ferronickel at a site cash operating cost of **\$US1.54** per pound of nickel. A summary of the projected production and cash costs over various periods is set out in the Tables that accompany this material change report.

¹ Basic Engineering has been underway since February of 2005.

Resources and Reserves

The resource estimates announced on February 28, 2005, which were the subject of a separate 43-101F Technical Report filed on SEDAR, were used in the Study. These estimates were based upon the data from 4,567 drill holes. At cut-off grades of 1.0% nickel and 1.25% nickel, resources were estimated to be:

Measured and Indicated Mineral Resources

Cut-Off Ni (%)	Tonnes (x10 ⁶)	Ni (%)	Fe (%)	SiO ₂ / MgO
1.00	98.6	1.70	18.0	1.79
1.25	77.7	1.86	17.4	1.73

Inferred Mineral Resources

Cut-Off Ni (%)	Tonnes (x10 ⁶)	Ni (%)	Fe (%)	SiO ₂ / MgO
1.00	137.2	1.48	23.7	2.14
1.25	91.2	1.67	22.1	1.95

These estimates must be read in conjunction with the description of the estimating method, the key assumptions and parameters, and other discussion set out in the related 43-101F Technical Report filed on SEDAR.

The Feasibility Study considers production from Proven and Probable Reserves which were derived from only the Measured and Indicated Resource categories in these estimates. At a cut-off grade of 1.10% nickel, the Proven and Probable Reserves are:

Proven & Probable Mineral Reserves

(1.10% Ni cut-off)

	Tonnes (x10 ⁶)	Ni %	Fe %	SiO ₂ / MgO	Fe/ Ni
Onça	28.5	1.87	15.1	1.65	8.1
Puma	49.2	1.77	19.7	1.89	11.1
Total	77.7	1.80	18.0	1.79	10.0
Waste	72.8				

Financial Summary

The Feasibility Study has been prepared using a constant long term nickel price of US\$3.75 per pound. At this nickel price and assuming an all equity basis, the Study shows an after tax Internal Rate of Return of 12.2% over a mine life of 34 years. At the US\$3.75 nickel price, the entire estimated US\$1,114 million capital cost of the double line would be recouped in the first 7.2 years of operation. At a US\$5.00 per pound long-term nickel price, the IRR increases to 19.4% and the double line capital cost would be recouped in 5.3 years.

Sensitivity Tables showing the impact of changes of nickel price, capital cost and operating cost accompany this material change report. Graphs displaying these sensitivities are linked to the electronic version of the news release dated August 4, 2005.

Opportunities

The Feasibility Study is considered by Canico to constitute a conservative “base case” and activities are continuing to maximize the value of the Project and to minimize risk

An infill drilling and geological interpretation program has continued since the date of the resource estimates used in the Study and results of a further 2,729 drill holes are being compiled. Further refinement of the resource models and estimates is ongoing. There will be opportunities to improve the definition of high grade areas and facilitate the optimization of mine production schedules.

None of the Inferred Resources were included in the mine production schedules in the Study. Canico considers that, with the ongoing drilling program, there are ample opportunities to reclassify a significant portion of the Inferred Resources into higher categories to substantially extend the mine life of the smelting operation well beyond that projected in the Study and/or to support the commissioning of additional smelting capacity to raise annual production. In addition, a considerable quantity of nickel laterite which is not suitable for RKEF processing is also present and represents further upside potential for nickel and cobalt production using alternative technologies.

Ongoing Development Activities and Forecast Start-Up

Basic Engineering is underway by a major engineering firm. The target cost and target schedule to be established from this Basic Engineering will form the basis of a contract with that major engineering firm for development of the Project. The contract will include bonus and penalty clauses with respect to the target cost and the target schedule for completion.

Canico also has a number of activities underway in anticipation of a production decision. Canico's Brazilian subsidiary, Mineração Onça Puma Ltda., is well advanced on construction of local access roads to the deposit area and on its programs with the State of Pará to upgrade and repair the public highways which link the deposits to major trans-shipping sites. The contract for the construction of the 400 km power line from Marabá to the Project is in final negotiations with a major Brazilian constructor. As previously announced, contracts for the supply of electrical energy for mine operation have already been made. The programs to secure the final environmental and other permits required for the project are continuing on schedule, as are programs detailing sustainable

development planning for local communities and indigenous peoples. Surface use arrangements for the areas of the deposits and the plant site are nearing completion. As at July 31, 2005, Canico has spent approximately US\$15 million on these activities. Canico is working closely with its financial advisors to finalize a project loan facility and, within the next few months, intends to raise the additional equity required to develop the Project. Assuming no substantial delays in financing or in the contemplated delivery schedules for major pieces of equipment, Canico currently forecasts the commencement of initial production during the first half of 2008.

“The material conclusions from the Feasibility Study show that Onça Puma is a robust project with excellent economics even at prices of nickel well below current market prices. It promises an exceptional mine life. It will produce substantial quantities of high quality ferronickel, using proven, conventional RKEF smelting. It offers low risk, low capital costs, low operating costs and a rapid schedule to full production for a project of this magnitude,” said Michael Kenyon, President & Chief Executive Officer of Canico. “We are optimistic that we will beat the schedule in the Feasibility Study because we have already commenced a number of the long lead time activities associated with development. We intend to tailor our project financing to enhance value for our shareholders. We expect to improve our definition of high grade laterite areas and to convert substantial amounts of the inferred resources to the measured and indicated categories over time. Onça Puma is moving forward at full pace.”

Canico will schedule a conference call to discuss the results of the Feasibility Study as soon as the Executive Summary has been filed on SEDAR.

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.

No information has been intentionally omitted from this form.

Item 8: Senior Officers

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.

J. Michael Kenyon, President & CEO
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Vancouver, BC V7X 1C4

Telephone: 604-669-9446

Item 9: Date of Report

DATED at Vancouver, British Columbia, this 8th day of August, 2005.

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TABLES

Please See Disclaimers and Discussion on Page 9 Below

Capital Cost Estimate Summary

Description	First Line Cost	Second Line Cost
Direct Costs		
Infrastructure	73,043,000	12,180,000
Mine and Mine Facilities	37,991,000	1,357,000
Site Preparation	27,117,000	101,000
Yard and Plant Facilities	65,011,000	19,423,000
Ore Preparation	21,229,000	6,501,000
Coal Preparation	17,899,000	1,727,000
Ore Drying	22,752,000	19,335,000
Calcining	34,492,000	35,271,000
Dust Agglomeration	7,352,000	6,987,000
Smelting and Refining	134,693,000	107,196,000
TOTAL DIRECT COSTS	441,579,000	210,078,000
Indirect Costs		
Temporary Facilities, Services and Communications	28,164,000	10,870,000
EPCM Services	88,161,000	41,941,000
Freight	13,740,000	6,537,000
Vendor Reps, Spare Parts and Initial Fills	12,523,000	6,526,000
TOTAL INDIRECT COSTS	142,588,000	65,874,000
Owner's Costs	48,857,000	14,856,000
Additional Taxes	44,545,000	23,425,000
Contingency	84,147,000	38,214,000
TOTAL CAPITAL COSTS	761,716,000	352,447,000

Capital estimates are presented in October 2004 US dollars and are subject to the other qualifications and assumptions in the Executive Summary.

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Production and Operating Cost Summary

	Mine/Process Plant Production				Site Cash Operating Costs		Total Cash Operating Costs
	Feed - dry tonnes/year (thousands)	Ni Grade %	Ni Product		US \$/t dry feed	US \$/lb Ni	US \$/lb Ni
			tonnes / year	Million lb / year			
Average - First 4 years of Operation	1,064	2.71	25,950	57.2	91.90	1.71	1.72
Average - First 10 years of Operation	1,876	2.33	39,280	86.6	75.47	1.63	1.65
Average - First 20 years of Operation	2,160	2.05	39,860	87.9	71.98	1.77	1.78
Life-of-Mine Average	2,287	1.80	37,100	81.8	68.77	1.92	1.93

Site cash operating costs exclude realization costs including selling costs, inland and ocean transportation, 2% government assessment, by-product credits and recoverable taxes. Total cash operating costs include these items along with the site cash operating costs.

Operating costs estimates are presented in October 2004 US dollars and are subject to the other qualifications and assumptions in the Executive Summary.

Sensitivities

Sensitivity to Nickel Price		
Nickel Price – US\$/ lb	NPV (8%) US\$ millions	IRR %
3.25	46.4	8.7
3.50	182.6	10.5
3.75	314.8	12.2
4.00	444.8	13.7
4.25	573.4	15.2
4.50	704.1	16.6
4.75	837.2	18.0
5.00	970.3	19.4

Sensitivity to Site Cash Operating Cost		
% change	NPV (8%) US\$ millions	IRR %
-20	586.7	15.1
-15	518.7	14.4
-10	450.7	13.7
-5	382.8	13.0
0	314.8	12.2
5	246.8	11.4
10	178.9	10.6
15	110.9	9.7
20	42.9	8.7

Sensitivity to Project Capital Cost		
% change	NPV (8%) US\$ millions	IRR %
-20	481.2	15.6
-15	439.6	14.6
-10	398.0	13.7
-5	356.4	12.9
0	314.8	12.2
5	273.2	11.5
10	231.6	10.9
15	190.0	10.3
20	148.4	9.8

Disclaimers and Discussion

*The Executive Summary and the balance of the documentation for the Feasibility Study are in the final stages of completion. No material change to the information in the highlights is anticipated to arise as a result of the work underway to complete this documentation. The Executive Summary is intended to be read as a whole; excerpts and sections should not be read or relied upon out of context. **In particular, Readers should not rely solely on the highlights but should read and review the Executive Summary in its entirety.** The highlights and Executive Summary reflect of the professional opinions of Hatch, based upon information available at the time of preparation. The quality of the information, conclusions and estimates to be contained in the Executive Summary are consistent with the intended level of accuracy as set out in the Executive Summary, as well as the circumstances and constraints under which the Executive Summary was completed, as set out in therein.*

*The measured and indicated resources referenced in the highlights are taken from a Technical Report completed as of February 21, 2005 according to the requirements of Canadian National Instrument 43-101. This Technical Report may be found in Canico's filings at www.sedar.com. The estimates are based on the assumptions and methods, and are subject to the limitations and qualifications, described in the Technical Report. **The standards employed in estimating the measured and indicated 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".***

The estimates of reserves described in the highlights qualify as reserves in accordance with Canadian National Instrument 43-101. However they do not necessarily qualify as reserves for United States reporting purposes. Readers should not assume that this is acceptable for United States reporting purposes.

*The Executive Summary and the Feasibility Study are being completed for Canico by Hatch, and these documents, as well as the highlights taken therefrom, are based, in part, upon information believed to be reliable from data supplied by other consultants engaged by Canico, which Hatch has not verified as to accuracy and completeness. Hatch has not made an analysis, verified or rendered an independent judgment as to the validity of the information provided by such other consultants. While it is believed that the information contained in these documents is reliable under the conditions and subject to the limitations set forth therein, Hatch cannot guarantee the accuracy thereof. Any reliance on the highlights by any third party shall be entirely at their own risk. **Hatch takes no responsibility and accepts no liability whatsoever for any loss arising from any use of or reliance on the Executive Summary or the information therein by parties other than Canico.***

To the full extent permitted by law, Hatch disclaims responsibility for any indirect or consequential loss arising from any use of the Executive Summary or the information contained therein. While the work results, estimates and projections therein may be considered to be generally indicative of the nature and quality of the OnçaPuma project, they are not definitive. No representations or predictions are intended as to the results of future work, nor can there be any promises that the estimates and projections in the Executive Summary will be sustained in future work.

The highlights include, and the Executive Summary will include, certain forward-looking statements within the meaning of the US Private Securities Legislation Reform Act of 1995. Other than statements of historical fact, all statements in these documents, including without limitation, statements regarding potential mineralization and resources, reserves and estimated or potential future production potential, 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. 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 the highlights and the Executive Summary.