

CORPORATE PROFILE

Cancana Resources is involved in manganese exploration and production in Rondonia, Brazil. The Company has relevant manganese bearing claims totaling approximately 45,000 hectares. The claims are mainly contiguous and adjacent to already producing operations held locally. The Company also has diamond and gold properties in Brazil that are considered non-core.

REASONS TO WATCH

- All manganese assays to date have shown "high grade" between 48 to 54% Mn.
- Mineralisation is directly on surface in clasts and large boulders, and ore can be shipped directly without further concentration; thus capex and opex are expected to be low.
- Brazil is presently a net importer of manganese. Local market prices average \$280/tonne FOB.
- Near term production: Cancana's main focus is to process surface manganese for direct shipping, but exploration work of the manganese hosting vein structures will continue with the aim to significantly expand resources.
- Bulk sampling and trial mining will commence this quarter, with initial production of 18,000 to 20,000 tonnes of direct shipping ore expected in 2013. At today's market prices of ~\$280/tonne, this would result in revenues of approximately \$5 million. Future production is targeted at over 100,000 tonnes of manganese per annum.
- Operations are close to infrastructure and transportation routes. No environmental concerns, due to processing by way of screening, water wash and sorting.



**Rondonia
in
Brazil**

Figure 1: Cancana's manganese resource is located in the city of Porto Velho, Rondônia state, Brazil. Source: Cancana Technical Report

MARKET DATA (AS OF 05/02/2013)

Market Cap (\$M)	9.2
Cash (\$M)	~1.0
Debt (\$M)	0
Basic S/O (M)	31.8
Fully Diluted S/O (M)	45.46
Average Daily Volume (3m)	23,460
52 Week Range (\$)	\$ 0.13 - \$ 0.53
Management Ownership	10.8%

MAIN PROPERTY

Project Name	Valdirao
Location	Rondonia, Brazil
Stage	Exploration
Deposit Type	Manganese
Resource (inferred)	35,000t @ 54% Mn

CNY.V STOCK CHART

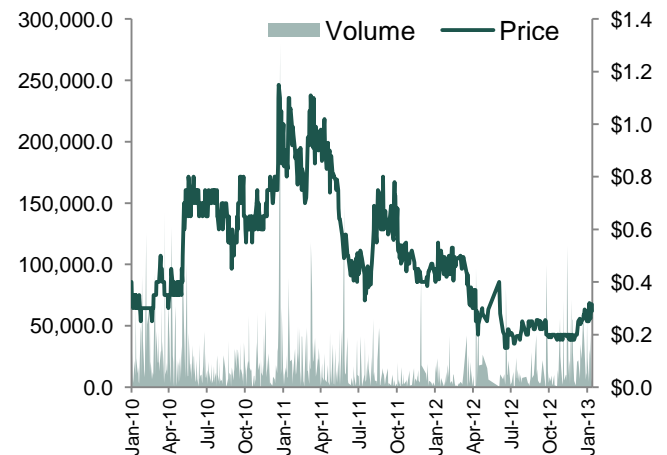


Figure 2: CNY.V 3-Year Stock Chart. Source: Capital IQ.

NI 43-101 SUMMARY (FOR CLAIM #241)

The Technical Report released on January 15th, 2012 increased the inferred resource from 8,775 tonnes to 35,000 tonnes. The average manganese grade is 54%. This was completed on an area of *only* 4.4 hectares and within 3 metres from the surface.

Cancana has a total of ~45,000 hectares of mainly contiguous claims in the area. The entirety of claim #241 is 5,417.35 hectares in size. Further expansion of the resource is ongoing.



Figure 3: Loose Manganese cobbles migrating down creek channel. Source: Cancana Technical Report

MANGANESE PROJECT

Cancana is focusing its efforts on exploration and trial mining in an area where surface showings of manganese are prevalent. The company will initiate mining production on a trial basis, while continuing to build their resource.

The Property is located in the Brazilian state of Rondonia and is easily accessible year round via paved roads. The Amazonian jungle originally covered the area until deforestation occurred 30 years ago. Land use is mainly for cattle grazing and subsistence farming. Most of the manganese exploration work on the property to date has been sporadic, with hand dug pits and trenching up to 2 metres deep.

High grade manganese boulders and cobbles have been found within several metres from the surface. Mineralization is associated with the large structure running through the property. There is a higher concentration of clasts and boulders near these fault structures. Given the high grade mineralization on surface, Cancana will benefit from ease of mining and low capital costs.

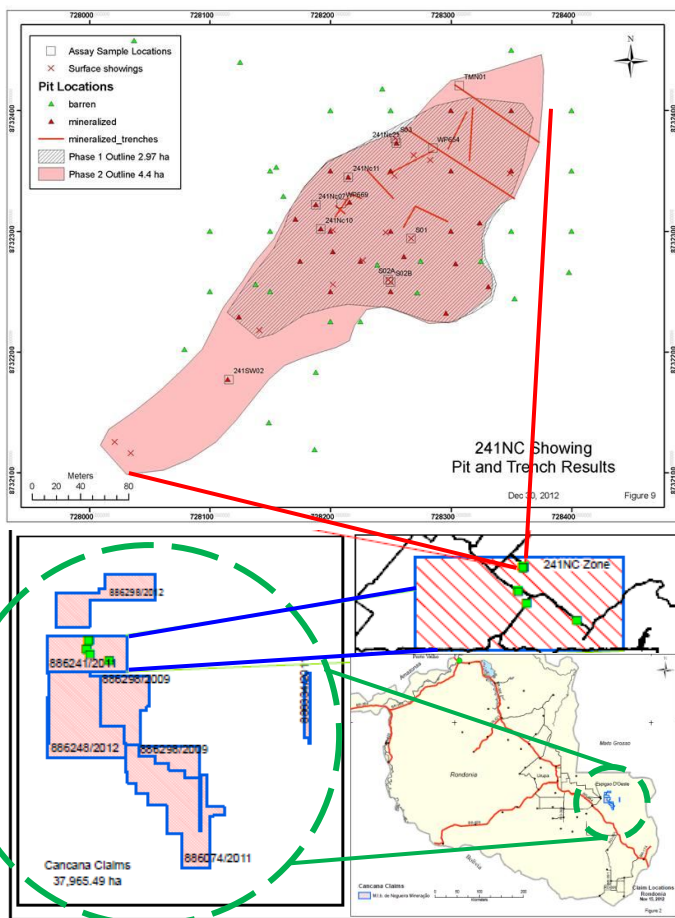


Figure 4: 241NC Showing Pit and Trench Results.
Source: Cancana Technical Report

Regional faulting in the area has indicated the presence of strong lineaments which typically correlate well with mineralization. Veins and veinlets associated with faulting are another source of high grade mineralization in the Valdirao deposit. A recent trenching program has revealed the presence of a high grade vein structure. This area was chosen for the initial NI 43-101 resource estimation. The vein has been traced for a strike length of 25m at a 050° azimuth dipping sub vertical to the east at 80 degrees that varies in width from 1.5m to 4.5m. This vein has been the source for the highest grade of manganese discovered to date, with grades up to 60% MnO.

GEOLOGY

The project is located in the Amazon craton within basement rock which is Proterozoic in age. Eastern Rondonia is underlain by a sequence of metamorphosed and younger granitoid intrusives which may have been cut by late-stage epithermal veins. The later stage rocks have undergone pervasive chemical weathering from meteoric water which is believed to be the result of leached manganese ions from the Proterozoic bedrocks. Saprolite and laterite is highly variable and is generally developed to a depth of 3 to 8m and in some cases to a depth of 20m. It is this upward migration and evaporation of mineral-bearing ground water which can form a crust at or near surface, called duricrusts. The deposition of duricrusts observed on the Valdirao project have been noted as massive and partially laminated hosting pyrolusite or manganite as their principle mineral component. Pyrolusite consists of manganese dioxide (MnO_2), and a product of weathered manganese minerals and occurs with other manganese oxides in deposits formed by circulating meteoric water. Manganite is composed of manganese oxide-hydroxide ($MnO(OH)$), which is another form of manganese oxide that occurs in weathering as mentioned above. Mineralization tends to mainly occur in manganese clasts, vein-style and brecciation.



Figure 5: Large pyrolusite boulders from trenching.
Source: Cancana Technical Report

MANAGEMENT TEAM

Andrew R. Male – President & CEO

Mr. Male brings over 24 years of business management experience in corporate restructuring, asset and project acquisition, in resource and energy based companies. He has completed numerous debt and equity financings, and has been involved in building up assets from exploration to production.

Dr. William Pfaffenberger – Chairman of Audit

Dr. Pfaffenberger joined the Company in April 2008 after investing in Cancana. He has over 40 years of experience in resource investing, and is currently CEO of Fundamental Resources Corp.

Marcio Luiz Bastos Nogueira – Country Manager

Mr. Nogueira has worked with Cancana for over 5 years, working closely with Cancana's geotechnical staff, assisting with on site logistics, translation and field supervision.

John Harper – Consulting Geologist

Mr. Harper has over 30 years industry experience in base and precious metal, uranium, diamond and manganese exploration. For the past several years his expertise has taken him to Brazil where he has managed comprehensive exploration programs for diamonds and manganese.

MINERALOGY

Manganese ore is considered to be high grade at 30% purity or more. Medium grade is defined as possessing 15% to 29% purity while low grade is below 15% purity.

There are two main types of manganese ores: manganese oxide (MnO) ore and manganese carbonate (MnCO₃) ore. Economic manganese oxide ore generally grades 35% to 44% in purity, while manganese carbonate ore ranges from 10% to 20% in purity. These ores are usually targeted for different products.

	Average size, Mt	% MnO	% Fe ₂ O ₃	% SiO ₂
Sediment-hosted	56.6	35.3	8.2	17.0
Karst-hosted	4.8	50.4	13.7	7.0
Volcanic-hosted	4.3	42.6	5.5	28.7
Sediment-hosted low phosphate	61.8	36.9	8.3	17.3
Sediment-hosted high phosphate	1.8	28.3	7.5	15.8

Figure 6: Average compositions. Source: "Manganese Ores Through Time: Is There a Signal of the Evolving Ocean-Atmosphere System?"

MANGANESE PRICES

Manganese flake (99.7%) prices have seen a dramatic spike in 2007 from ~\$1,000USD/mt to \$5,200USD/mt. From there a major retracement ensued, which coincided with the global financial crisis. Prices have since been stabilizing, last trading in the ~\$2,300USD/mt range.

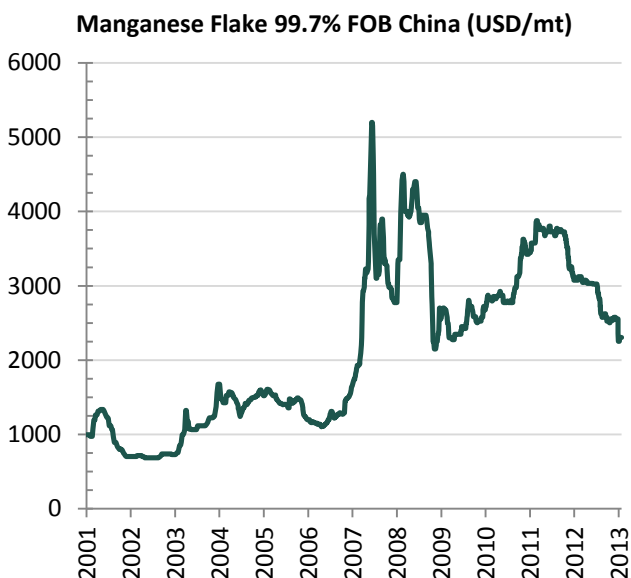


Figure 7: Manganese Price Chart. Source: AsianMetal.com

MANGANESE INDUSTRY

Manganese is the twelfth most abundant element in the world. It is also the fourth most consumed metal (after iron, aluminum, and copper). It is a hard and brittle metal with a high melting point (1247°C). Pure manganese is silvery-grey in colour, and very similar to iron in its physical and chemical properties.

Manganese Applications

Manganese is essential to iron and steel production. Today, steel manufacturing accounts for 97.5% of the global demand for manganese. Approximately 8kg to 10kg of manganese is used per metric tonne of steel produced, and is also used in certain common aluminum alloys. Some other less common uses for manganese include glass colouring and catalyst applications. Manganese compounds such as manganese oxide (MnO) and manganese carbonate (MnCO₃) are used in ceramics and fertilizers.

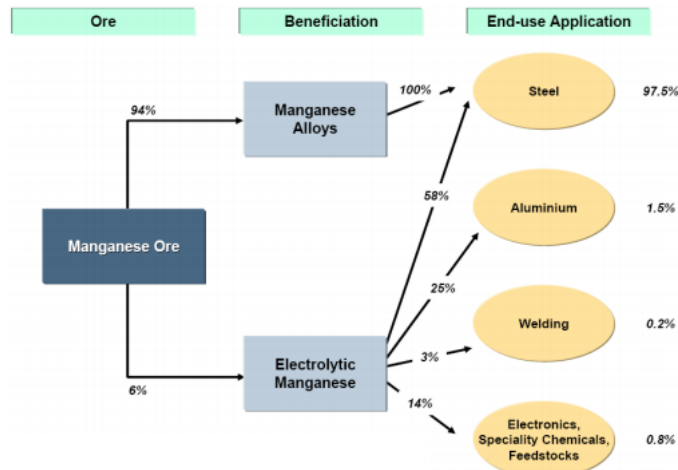


Figure 8: Manganese Applications. Source: United Manganese of Kalahari Presentation (Manganese institute; Monitor interviews and analysis)

Manganese Demand Driven By Steel Demand

Given that a significant percentage of manganese is used for the production of steel, the demand for manganese stems mainly from the production and demand for steel. In 2011, the production of manganese reached 17.7M metric tons, in correlation with the production of steel which hit a new record high that year. We can most accurately trace the usage and demand of manganese by looking at steel demand.



Figure 9: Global steel demand. Source: worldsteel.

Substitution

Manganese is used for its unique physical and chemical characteristics. There are no viable substitutes for manganese in metallurgical alloy applications.

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