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Nanika/New Cantech
New Name, New Resource Estimate, 33% More Moly

17c

24 June 2008

It's been a long, but interesting, year for Nanika Resources Inc, nee New Cantech Ventures (TSX-V: NCV), the Canadian junior mining explorer/developer. Its prime asset, the Lucky Ship porphyry molybdenum deposit, has been assessed by ACA Howe International Limited (ACA Howe) and a Preliminary Economic Evaluation (PEA) published. The board has been re-aligned. The company has also diversified and now has properties with diamond, gold, silver, copper and nickel prospects, as well as more land that is prospective for molybdenum.

Last year was a rollercoaster ride with the re-statement of Lucky Ship resource estimate causing the market to lose faith in a molybdenum deposit that was still growing and whose output has already been optionally sold to a South Korean consortium. The company's share price is close to where it started at the beginning of 2006, but now has a significantly larger resource, more properties spreading the commodity risk and a re-invigorated management team.

The deal with Palm Clean Energy Inc of South Korea is holding fast with every box being ticked so far. The Preliminary Economic Assessment (PEA) filed with SEDAR on June, 19, 2007 returned positive news for the company and its shareholders. This assessment by ACA Howe returned an NPV at a 7% discount of $450m using $30/lb and 90% Mo recovery.

The latest resource estimate, also by ACA Howe (UK), will require that the economic numbers be re-run as the deposit is better defined and larger than previously shown. The total contained resource is now 47.5kt of molybdenum (previously 41.4kt). Crucially though the indicated portion of the resource has grown significantly from 45Mt at 0.070% Mo to 65.7Mt at 0.064% Mo. This moves the majority of the mineralization into the higher category of certainty with a consequent reduction in the inferred resource. This is important because inferred resources cannot be included in a reportable economic assessment of the deposit. The amount of moly mineralization now available to be economically assessed under the Canadian scheme has risen by 33%, from 31.5kt to 42.0kt.

This increase has the potential to alter the project economics.

Share Price:	17c
12m High:	64c
12m Low:	14.5c
Market Cap:	$11m CDN
Shares in Issue:	64.9m undiluted
	69.5m diluted
Gearing:	Nil
Interest Cover:	Nil
Stock Code:	NKA:TSX-V
CUSIP No:	630018109
Sector:	Mining Exploration
Market:	TSX-V

PR: Huston Associates
001 604 929 2337
Value Relations (Frankfurt)
0049 6995 924 613

Broker: Pacific International Securities
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Previous Research Note:
15th January 2007, 'The News Gets Better' 59c

Analysts: Gift Rukezo/Ian Falconer

Lucky Ship

It has been several months since we reported progress at New Cantech Ventures so it is worth a re-cap on the projects and their potential.

The Lucky Ship deposit is a molybdenum (moly, Mo) porphyry body located in the Nanika region of British Columbia. It has good grades, outcrops at surface and according to the ACA Howe PEA (June 2007); it is suitable for either, open pit, underground mining or most likely a combination open starter pit followed later by underground operations. Since the PEA was filed in June 2007, the company has had ACA Howe and SRK Consulting (Canada) Inc. (SRK) working on refining potential mining options using the 2007 block model.

The current indicated resource estimate by ACA Howe using a cut-off grade of 0.03% Mo is a total of 65.66 million tonnes at an average of 0.064% Mo with an additional inferred resource of 10.24 million tonnes at an average of 0.054% Mo

Infrastructure is good with logging roads close by. The property is within the Mountain Pine Beetle infestation zone where a large number of pine trees have been killed in the last few years. This "natural deforestation" will ultimately have a negative impact on the local logging industry which is a mainstay of the economy of this part of British Columbia. Previously clear-cut felling was used to harvest stands of cultivated timber. There is not known to be any significant stands of virgin forest in this area. As a result of the devastation wrought by the Pine Beetle there is a demand for good quality employment and a workforce with heavy industry skills is readily available.

Figure 1: Looking to the north-west. This is a Wide view of the Lucky Ship deposit located on the ridge in the middle distance. Note the large areas of clear-cut felling and dead trees (brown) showing the extent of the Pine Beetle infestation. The Nanika River runs from left to right. Photograph courtesy of the company.

The local centre of Houston, BC, a town of about 2500 people, is about 85 km to the north-east by road. There are two producing mines within 200 km of Houston. Thompson Creek Metals' Endako Mine produces molybdenum concentrate from a Proven & Probable reserve of 276 million tonnes of ore. Endako has a molybdenum concentrate roasting facility. Imperial Metals Huckleberry Mine produces copper and molybdenum concentrates from a remaining reserve of 21.9 million tonnes of ore grading 0.40% copper (31st Dec 2006).

Figure 2: The Lucky Ship Deposit from the air. The drill roads and large areas of Pine Beetle infestation can clearly be seen by the number of dead, brown trees. Photograph courtesy of the company.

In addition to the mines currently operating in the area Thompson Creek Metals is also developing it's Davidson deposit, another large molybdenum porphyry deposit that is geological similar to Lucky Ship. . This deposit currently holds a Measured and Indicated resource estimate of 75.3 million tonnes at 0.295% MoS_2 and is slated to enter production as an underground mine.

Geology

Mineral occurrences on the Lucky Ship property have been known since the 1950's with Amax carrying out a limited drill program in the mid 1960's (approx 10,000m over 23 holes) and other workers carrying out limited work there until 2004.

Since New Cantech Ventures acquired the property (now totalling 16,995 hectares) in 2004 it has carried out 24,905 meters of diamond drilling in 98 (NQ & HQ) drill holes, 45km of IP and magnetometry, constructed a new access road, carried out initial engineering assessments and initiated baseline environmental monitoring. The majority of these expenses have been funded under the option agreement with Palm Clean Energy Inc.

The Lucky Ship pluton intrudes volcanoclastic and pyroclastic members of the Lower Jurassic Hazleton Group[1]. The pluton itself is made up of five phases, four of which have been shown to host to molybdenite (MoS_2) mineralisation. Two of these phases are porphyry intrusives and two are breccia phases. Six different styles of mineralisation have been identified so far with the dominant modes being vein/fracture hosted. Silicic and potassic alteration zones have been seen in and around the pluton, with silicification being dominant.

[1] A.C.A. HOWE INTERNATIONAL LIMITED Report No. 909, June 14, 2007

Figure 3: Drill core from Lucky Ship showing at least two phases of molybdenum mineralisation. The narrow cross-cutting veinlets show one phase and the less abundant banded vein, seen in the fourth row from the top, a second. Photograph courtesy of the company.

Preliminary metallurgical tests carried out by Canadian Environmental & Metallurgy Inc have shown that recoveries of up to 90% are possible by flotation. These bench-scale tests are to be scaled-up as per the recommendations in the Preliminary Economic Assessment.

Project Economics

The new estimate shows an NI 43-101 compliant indicated resource of 65.7Mt at 0.064% Mo and inferred resource of 10.2Mt at 0.054% Mo. This is an overall increase in both resource amount and contained metal.

Contained metal is up by a third in the indicated category, the indicated resource is up by 45%. The majority of the increase has come from proving up the margins of the mineralised envelope and by adding a new mineralized area in the north-west portion of the deposit. The information for this increase was obtained from drilling which took place between Feb 20th and August 27th, 2007.

The economic assessment carried out in June last year showed a positive outlook where molybdenum prices exceeded $20/lb (our model showed $20.44/lb). With the old mine plan and at moly prices over $30/lb the project showed some impressive paybacks, IRRs and NPV. The current “spot” moly price is about $32.75/lb and is showing few signs of softening in the near future.

Obviously a 33% increase in available metal will require a re-working of the mine plan, so we will wait until the company has a mineable reserve from a new mine plan before providing our own NPV calculations. More metals, even at a marginally lower grade, should not hurt the project economics. It should also provide additional peace of mind for New Cantech’s Korean partners who have just seen their interest grow by a third.

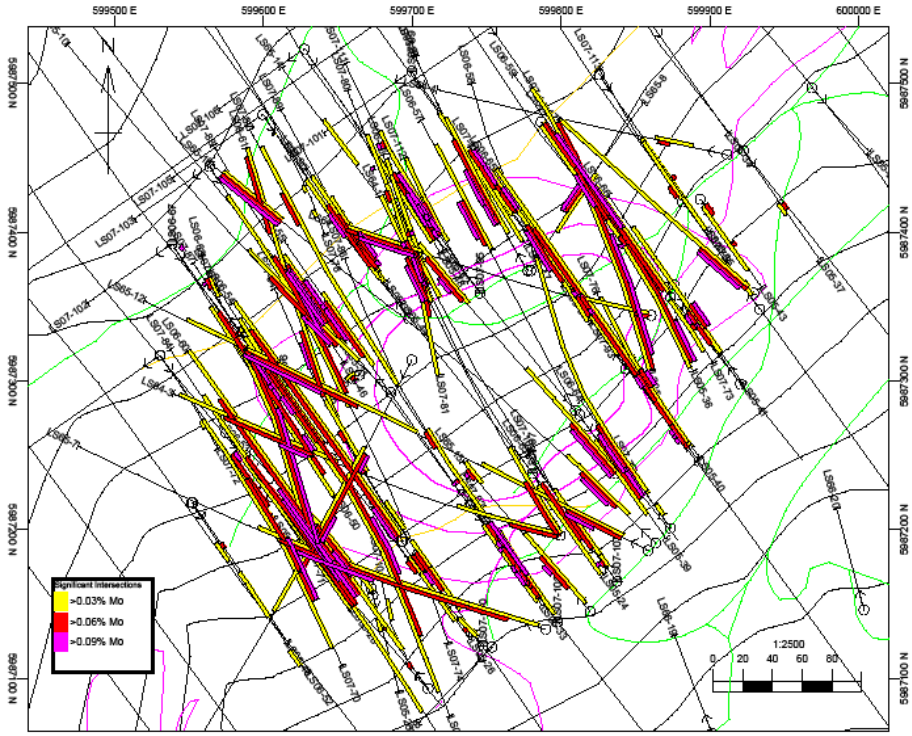


Figure 4: Drill hole map showing drill intersections projected to surface as of November 2007. Map courtesy of the company.

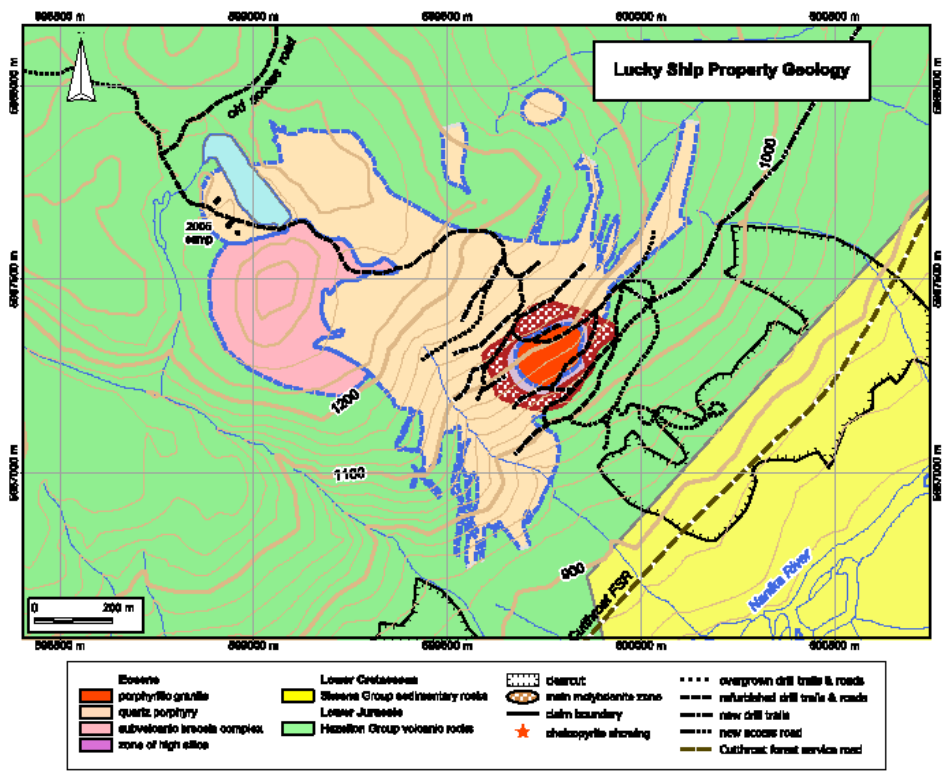


Figure 5: Property geology showing an annular zone of molybdenum mineralisation around a central granite porphyry core. Map courtesy of the company.

Other Properties

New Cantech is now far from the single asset company that we described in our initiation of coverage note in 2006. Assets have been acquired (all within Canada) that span the resource spectrum. They are mostly at relatively early stages of exploration/development but we feel it is now appropriate to describe their potential as the Lucky Ship property moves towards a Bankable Feasibility Study and, hopefully, through to production.

NWT Metals Properties

Camsell Lake

Located in the North West Territories (NWT), Camsell Lake lies on the eponymous Camsell Lake Greenstone Belt (CLGB). This appears to be a fairly standard greenstone belt terrain with mixed volcanics and sediments metamorphosed and surrounded by granitic intrusions.

Site visits by New Cantech geologists have been focussing on checking locations identified by the government geological survey in the early to mid 90s. So far New Cantech has taken chip samples with some extremely encouraging results from an area that has been previously sampled. The best assays returned so far are for sample #675413 which contains 1.3% zinc, 20.2% nickel, 0.3% cobalt, 11.6g/t gold and 26g/t silver. The company reports that this sample was triple checked by the lab and the figures shown are a numerical mean of the three analyses. Two other samples from the same area also showed nickel values exceeding 14%.

The mineralisation is reported to be a 20cm thick band of (semi)-massive gersdorffite, a nickel sulphide with subsidiary copper and zinc sulphides. The mode of occurrence as described implies a complex silver-bismuth-cobalt-nickel-arsenic (+/- uranium) vein ore[2] otherwise known as “five element veins”[3]. These have been economically extracted before in Canada.

The company considers this a priority exploration target and has allocated funds to advance this prospect in the upcoming season.

Munn Lake

The Munn Lake properties lie about 55km to the east of Camsell Lake. Between these two areas lies the new De Beers Snap Lake mine.

The Munn Lake area was identified as prospective by the Government geological survey at the same time as the Camsell Lake area and by the same worker[4] .

Indi

One of the Indi claims (out of a total number of 4 held by New Cantech), located on the Silver Coin properties, near Stewart, BC holds a small NI-43-101 compliant inventory of gold. On its own this is not economic to mine (17koz of gold at 0.58g/t for measured, indicated and inferred categories). However the area is the location of the Silbak-Premier Mine, subject to intense exploration by other companies and considered prospective for multiple mineralised zones both along the know trend of the

[2] Ore Microscopy & Ore Mineralogy 2nd ed, Craig & Vaughan
[3] www.em.gov.bc.ca/Mining/Geolsurv/MetallicMinerals/MineralDepositProfiles/PROFILES/I14.htm - Website of the Ministry of Energy Mines & Natural Resources, BC
[4] RM Johnson 1992 and 1996 for the NWT Geoscience Office

Silver Coin deposit and parallel to it according to a report filed on SEDAR[5]. The Silbak-Premier Mine started in 1918 and operated on and off until April 1996 extracting silver, gold and in places zinc[6].

The adjacent claims (forming the rest of the Silver Coin property) are the subject of an NI-43-101 compliant report estimating an inferred resource of 500koz of gold and 2.11Moz of silver in 11.3Mt at 1.6g/t for gold and 6.64g/t for silver[7]. These properties are being explored by Pinnacle Mines and the results of 24,000m drilling program are expected to increase this resource estimate, possibly to over 1Moz of gold resource. New Cantech holds no rights over that resource but is taking encouragement that its own adjacent claims could hold more resources than already identified.

Sweeney Lake

Located about 120km south of Houston, BC, the Sweeney Lake claims are considered prospective for copper and possibly moly. Grab samples containing over 2% copper were taken during geological mapping. Induced Polarisation (IP) surveys, magnetometry and geochemical surveys have been carried out since 2005 with results that encouraged the company to carry out some shallow drill holes using a small portable drill. This was aborted in late 2006 because the drill was not powerful enough to penetrate the overburden.

A large (800m long) geochemical anomaly (copper and molybdenum in soil) discovered on site may be a result of transported material, but the company intends to systematically drill to bedrock to test this hypothesis. Before New Cantech starts a larger scale drilling program it intends to consult First Nations representatives to identify any areas of concern. The region holds the record for the world's largest annual snowfall at over 140ft in one year.

Ted Properties

Optioned from Tournigan Gold Corp (TSX-V: TVC) these properties surround the Sweeney Lake property. The claims are 3km south of Huckleberry Mine which started production in 1997. This mine, which is still in production, is a substantial 19,000tpd open pit copper-molybdenum producing porphyry with current ore reserves of 21.9Mt at 0.4% copper and 0.07% moly. Its operator, Imperial Metals Inc (TSX: III), has an on-going step-out exploration program that is concentrating on extending the mineral resource to the north of the current pit towards the Ted properties[8].

Eight kilometers to the south-east of the Huckleberry Mine, Gold Reach Resources Ltd (TSX-V: GRH) is undertaking a drilling program in an area where previous drilling intersected significant copper, gold and moly mineralisation within a porphyry intrusive complex[9].

The option agreement with Tournigan allows for New Cantech to earn 70% rights over the properties by

- paying $25,000 (already paid)
- issuing and delivering 500,000 common shares of the Company (50,000 common shares have been issued so far) at a deemed price of $0.83 per share over a 5 year period
- incurring exploration expense of $300,000 over a five year period

If New Cantech exercises the option Tournigan must choose between one of the following paths

- enter into a 70/30 joint venture with New Cantech
- take a 10% carried interest
- take a 2% NSR royalty

[5] Technical Report on the Indi Claims at the Silver Coin Property, Stewart, British Columbia. David M.R.Stone. Minefill Services Inc
[6] http://minfile.gov.bc.ca/Summary.aspx?minfilno=104B++054, Government of British Columbia, Ministry of Energy Mines and Minerals website
[7] www.pinnaclemines.com – Pinnacle Mines company website
[8] Imperial Metals Inc Annual Information Form For the Year Ended December 31, 2006
[9] www.goldreachresources.com/exploration/Seel.htm - Gold Reach Resources Ltd company website

The proximity of other copper/moly activity provides strong encouragement that these properties may also be host to porphyry style metal deposit(s).

IXL Properties

An area close to the IXL properties used to be known as the Franklin Mining Camp, a camp which was established in 1896 in the shadow of Mt McKinley (the one in BC not the one in Alaska). The area is known to have been worked from 1904[10]. The shows seen so far on these properties are polymetallic skarn-type mineralisation. Assays of up to 11.9% Zn, 6.7% Pb and 107.6 g/t Ag have been seen in grab samples taken this year from outcrops and float.

Helicopter-borne Aero-TEM surveys flown this summer showed a 750m long EM anomaly which co-incides with at least one outcrop showing mineralisation. Three drill cores were subsequently taken with the results are expected soon.

Diamonds

The diamond projects on New Cantech's books are not under active exploration.

Sceptre-Tiara Project

Between 2000 and 2004 New Cantech in Joint Venture with International Samuel Exploration Corp. and Dasher Energy Corp, under an option agreement with Stornoway Ventures Ltd, conducted an exploration program on the 69 claims that made up this project. The exploration program included airborne geophysics (gravity) and ground-based till sampling. While some encouraging results were produced ISE has decided not to proceed with any further work on these claims and 47 of them have now been allowed to lapse. Of the remaining 22 claims 8 more will be allowed to lapse in November.

Outram and MacKay Lake

This project was located in the same general area as the final two projects described below (Camsell Lake and Munn Lake). Following air-borne and ground-based geophysical surveys by partner company Peregrine Diamonds, another partner in this venture has decided to pull out. Remaining are New Cantech and Nordic Diamonds with Peregrine in on an option.

Investment Interests

Nanika has recently taken an interest in two Canadian listed junior exploration companies. These are International Samuel Exploration Corp (SAZ) and Canasia Industries Corporation (CAJ)

International Samuel Exploration owns the mineral rights contiguous to the VMS Ventures copper discovery at Reed Lake, Manitoba. In May 2008, VMS Ventures announced 18.99 metres of drill intersection at 7.0% copper and 0.17% zinc. International Samuel owns a 50% interest in an 81,000 hectare of licences to the North, South and West of the VMS property. The geology of part of the International Samuel property and the VMS

[10] Technical Report on the IXL Properties, Franklin Camp Linda Caron, 2007

Ventures property is very similar. Drilling should start shortly. International Samuel is also exploring for diamonds in the Canadian Arctic.

Nanika owns 400,000 shares in International Samuel Exploration, a stake that at the current price of 12c. is valued at C$48,000.

We hope to be able to produce a fuller report on International Samuel Exploration shortly.

Canasia Industries Corporation is the 50% partner with International Samuel in the Manitoba copper/zinc prospect. In addition owns the right to more than 450,000 acres of potash claims. Canasia's shares have quadrupled to 40c. during the past twelve months. Nanika owns 400,000 shares, so its investment in this company is currently worth C$0.16m.

Molybdenum Market Update

Much has been said in the last two years about this previously side-lined metal. The spectacular rise in moly prices seen in 2004-2006 from around $5/lb to over $30/lb has moderated as more capacity is brought towards market. However not much of that capacity is actually producing concentrate yet and there remains a very strong fundamental demand for this metal, mainly in the production of corrosion resistant steels, a market that takes around 75% of current moly production.

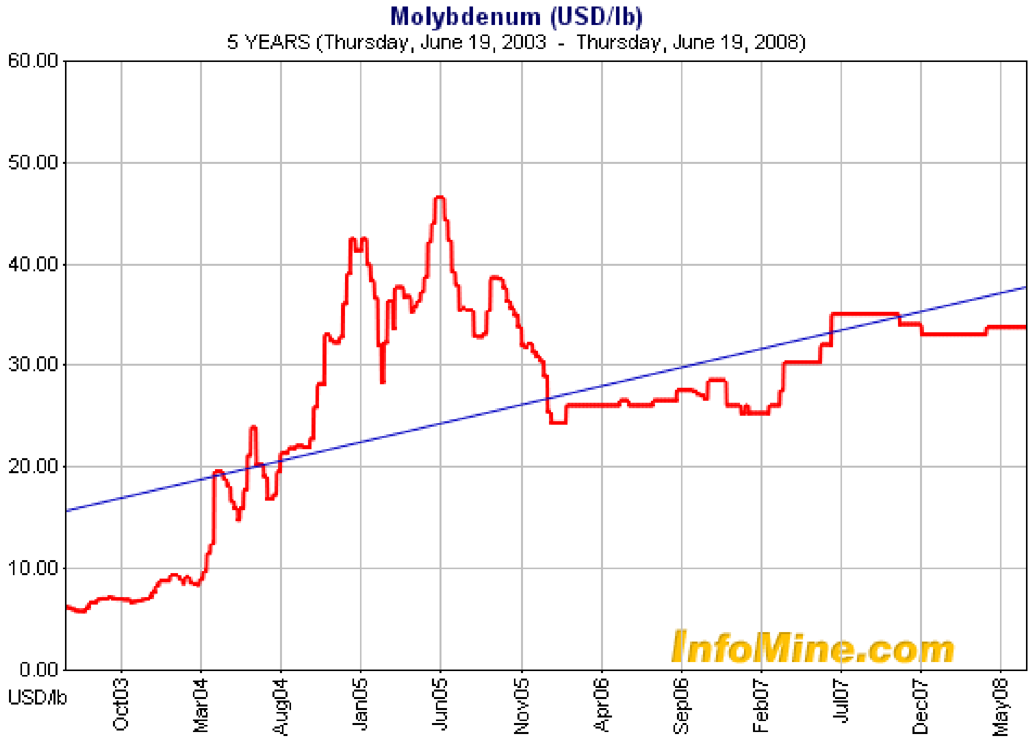
Speakers at a Mining Journal presentation in London on October 25th 2007 were upbeat about the long term prospects for the blue metal, on the back of continuing strong demand from the speciality steels industry in the EU (which can use relatively high Mo grades to provide steels to specific requirements), the larger volume lower Mo grade stainless steels produced in the US (used in most oil and chemical plants) as well as increasing demand from the Chinese market (up 60% in the last 4 years). Crucially none of the expected substitution was seen as nickel prices peaked has materialised. This is due to both austenitic (nickel-rich) stainless steels and ferritic (chromium-rich) stainless requiring molybdenum to achieve the much desired corrosion resistance. It was also noted that the new lightweight duplex steels use molybdenum where its extra cost is offset by the reduction in total steel used. Bringing an engineers perspective to proceedings Chris Davie of Virgin Metals Inc opined that after the oil pipeline failures in Alaska no engineer worth his/her salt would ever underspec a pipeline again and would now tend to over-specification to the benefit of the moly market.

Anthony Warwick-Ching of CRU Strategies, the keynote speaker at the London event, noted that in contrast to previous molybdenum price spikes the upsurge in metal value had not returned to a base level and that the production shortfall predicted over the next 10 years did not look like being met, even as some of the larger mid-term moly-only mines come on stream. He predicted a conservative 4.5% demand growth for that period. In a report in Feb 2008 CPM Group of New York predicted 5.8% demand growth for 2008 and tight supplies of the blue metal.

It has been pointed out by various observers that the big copper-moly miners who had optimised their moly recoveries over the last 3 years or so, at the expense of their copper productivity, were now starting to see moly production fall and could not be reasonably expected to increase production to meet the shortfall. Previously by-product moly was 70% of that coming to market. Now the proportion coming from primary or moly-only mines has risen from 30% to 40% and is expected to rise to 50% in the next 3-4 years.

It should be noted that the Climax and Henderson moly-only mines are both undergoing restarts or advanced restart studies. In the previous phases of the commodities cycle these two mines probably provided the buffer to a volatile moly spot price as the supply of by-product moly from the large copper producers waxed and waned. Together they represent the single largest supply-side influence on moly prices and Freeport-MacMoRan (NYSE:FCX), through their Climax subsidiary, predict that they will be producing around 70Mlb (31,750t) of moly per year by 2012. Total moly demand is estimated by CRU to be around 450Mlb per year in 2008.

The potential of China as both supply and consumer of molybdenum is notable. Where previously China had supplied a large proportion of the worlds moly its contribution to the international market is now only at 10% due to internal mining policy and export limitations. Its potential to restart its own moly mining capacity cannot be ignored, but recent experience of mine “privatisation” has shown that it leads to a severe drop in productivity as unskilled operators rush to take advantage of liberalisation. The majority of these small privately-owned moly mines have now been shut down and not yet been replaced by either larger and better run private mines or by fully state controlled alternatives.



In combination with the restriction of export licensing the closure of these mines has slashed the amount of moly coming out of China. There is, of course, the potential that that the focus and momentum may be regained at some time in the future, but given China's current focus in acquiring large advanced projects in partnership with western companies or located in less stable regions (e.g. DRC) it seems unlikely that China will become a dominant exporter of unfinished moly products in the near future. We expect it to follow a similar policy to that which it takes with tungsten, where punitive taxation and export quotas effectively limit raw material export from China and reward value-added finished product export. Of course there are many finished products that it would be politically sensitive to outsource (military aircraft parts, nuclear reactor vessels, etc) and indeed potentially illegal to outsource in some countries, so total dominance in finished speciality metals products and high-moly steels is not a realistic aim for China.

Many analysts see the Democratic Republic of Congo (DRC) as the joker in the pack. Though most attention goes to the copper-cobalt deposits, it has undoubtedly large molybdenum potential and Chinese para-statals have been very active in this country. Recent deals between the DRC government and these para-statals swap a reported $9bn infrastructure investment for extensive mineral rights. It remains to be seen whether molybdenum is on China's shopping list within the DRC. It should be remembered that China's consumption of Africa's raw materials affects prices of those commodities mostly indirectly as it is really only the finished products are likely to hit 'the shelves' in any volume. Exceptions to this entative rule are the bulk commodities such as iron ore and coal where the finished product requires very little or no processing.

The long-term supply contracts that China currently favours for all commodities bring a great deal of security to the sellers but at the expense of overall returns. One has only to examine China's response to recent iron ore price rises to see how poorly it deals with fast-moving markets. The relatively civilised negotiations with producers of previous years degenerated to near intimidation in late 2007 and have since moved on to potential hostile acquisition of sources of production in the open market, especially in Australia.

So from most perspectives the moly market is very healthy and looks like supporting new moly-only starts or restarts in short to mid-term. The continuing rise in demand, to the tune of the output of one new Thompson Creek every year, may be partially met by the projects on the horizon but there is a sleeping dragon out there that is almost certain to play a renewed part in the moly market in the long term.

Conclusion

New Cantech Ventures has come through its travails of 2007 with a stronger, more robust resource base and a more focussed management team. The resource increase is substantial and should shift the project economics into more positive territory, subject to a positive new mining plan. Additional shallow resources in the north-west portion of the deposit should help lower the break-even price and payback period once the economic modelling has been reworked to take account of the new resource estimate.

We believe that NCV is in advanced discussions with the Korean consortium to concrete the process of turning the Lucky Ship deposit into a producing mine.