

# Cancana Announces Binding Term Sheet on Financing With The Sentient Group and Acquisition of Rio Madeira

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TORONTO, ONTARIO--(Marketwired - Dec 20, 2013) - [Cancana Resources Corp.](#) (TSX VENTURE:CNY) (the "Company" or "Cancana") announces today the execution of a binding term sheet, (the "Agreement"), with Ferrometals BV, ("Ferrometals"), in connection with the acquisition of Rio Madeira Comercio Importacao E Exportacao De Minerios, ("Rio Madeira"), and proposed financings of up to an aggregate of C\$6.25 million in Cancana.

Pursuant to the terms of the Agreement, The Sentient Group ("**Sentient**"), indirectly through Ferrometals (a special purpose vehicle established by Sentient), will provide funding to Ferrometals to acquire all of the issued and outstanding shares of Rio Madeira from the existing shareholders of Rio Madeira. This is pursuant to a transaction scheduled to close on or before December 20, 2013 for aggregate consideration of US\$11.5 million (US\$10 million in cash and US\$1.5 million by way of assumption of debt), (the "**Rio Acquisition**").

Subject to the terms of the Agreement, (which include customary due diligence, shareholder and regulatory approval, and the negotiation and execution of definitive agreements), Sentient will provide funding to Ferrometals to enable Ferrometals to invest an aggregate of C\$5.95 million in Cancana, (the "**Financings**"), (as described below), to facilitate Cancana investing the proceeds from the Financings to subscribe for shares of Rio Madeira (the "**Cancana Rio Acquisition**"). In addition, Cancana will transfer all of the shares which it holds in its subsidiary, M.L.B. de Nogueira Mineração ("**MLB**") to Rio Madeira in exchange for shares in Rio Madeira, (the "**MLB Transfer**"). Both the Cancana Rio Acquisition and the MLB Transfer will subject to regulatory and shareholder approval and if approved will result in Cancana holding 50% of the issued and outstanding shares of Rio Madeira, (collectively, the Financings, the Cancana Rio Acquisition and the MLB Transfer shall be referred to as the "**Transactions**").

The terms of the Financings consist of the following:

1. Ferrometals will purchase 8,500,000 units, (each a "**Unit**"), of Cancana at a price of C\$0.20 per Unit, each Unit shall consist of one common share,(a "**Common Share**"), in the capital of Cancana and one Common Share purchase Warrant, (a "**Warrant**"), for aggregate gross proceeds of C\$1.7 million. Each Warrant shall be exercisable into a Common Share at a price of C\$0.25 per Common Share and shall be exercisable for a period of 2 years from the date of issuance. Concurrently with the closing of the Debenture Financing, (as defined below), Ferrometals shall purchase 2,500,000 Units of the 8,500,000 units for aggregate gross proceeds of C\$500,000, (the "**Interim Financing**"), in order to provide Cancana with interim working capital to fund its existing mining operations in Brazil and for general working capital purposes; and
2. Ferrometals will purchase a secured convertible note, (the "**Convertible Note**"), to be issued by Cancana for a purchase price of C\$4.15 million (approximately C\$4.25). The Convertible Note will have a term of 3 years and bear interest at a rate of 8% per annum, which interest shall be capitalized for the first 2 years. The principal and any capitalized interest shall be convertible, in whole or in part, into Common Shares at a price of C\$.20 per Common Share at the option of Ferrometals.

As a result of the Financings, Ferrometals will become a new "Control Person" as such term is defined under the rules of the TSX Venture Exchange and therefore, the closing of the Financings, (excluding the Interim Financing), shall be subject to regulatory approval and the approval of the shareholders of Cancana at a meeting to be held within 120 days from the date of this announcement.

Upon the successful closing of the Financings, Ferrometals will have the right to nominate one (1) individual

to the Board of Directors of Cancana provided that Ferrometals owns at least 5% of the issued Common Shares, (on an "as-converted basis"). In the event that Ferrometals owns at least 30% of the issued Common Shares, (on an "as-converted basis"), Ferrometals will have the right to nominate two individuals to the Board of Directors of Cancana.

Subsequent to obtaining all requisite approvals for and the closing of the Transactions, Rio Madeira will operate as a 50/50 joint venture between Cancana and Ferrometals pursuant to the terms of a joint venture and operating agreement to be negotiated and executed by the parties.

In order to continue to fund its existing operations in Brazil, Cancana is proposing to close a non-brokered private placement of convertible debentures, (the "**Debentures**"), for aggregate gross proceeds of up to C\$300,000 (the "**Debenture Financing**"). The Debentures shall have identical terms to the Convertible Note and the Debenture Financing being provided by Ferrometals, the anticipated to close on or before January 30, 2014.

In connection with the Financings and the Debenture Financing, the Company may pay to certain eligible finders (the "**Finders**") a cash fee of up to 6% of the gross proceeds raised through each Finder from the sale of Units and up to 4% of the gross proceeds raised through each Finder from the sale of the Convertible Notes and the Debentures. Cancana will also issue finder's warrants to the Finder(s) for up to that number of Common Shares equal to 6% of the Units issued in the Financings, with such finder's warrants exercisable at a price of \$0.20 per Common Share for a period of two years from the date of issuance.

Rio Madeira, is a producing Manganese mine that has been in operation for the past 8 years. Rio Madeira produces lump ore of varying sizes and is located adjacent to, and mainly contiguous with, Cancana's Manganese claims and operations. Rio Madeira holds title to 15 mineral claims that total approximately 62,000 hectares in size.

Andrew Male, President & CEO of Cancana, commented: "I am very pleased for our shareholders that our discussions with Sentient, a leading global resource investor, has resulted in the culmination of this transformational transaction for Cancana and the acquisition of Rio Madeira. Cancana has been exploring a number of structures to facilitate the acquisition and financing of Rio Madeira over the past 9 months in the face challenging market conditions, and we believe this series of related transactions not only provides the necessary financing to close acquisition of Rio Madeira but also aligns Cancana with a leading partner in the global resource industry to accelerate the commercialization of its mineral assets in Brazil."

[Cancana Resources Corp.](http://www.cancanacorp.com) is an exploration stage company with assets in Brazil and Canada. The Company has transitioned into trial mining and is poised to continue to expand seeking projects that increase its resource base and provide for near term production and revenue. All available resource reports and information on the Company's properties are located on the Company website: [www.cancanacorp.com](http://www.cancanacorp.com).

Issued on behalf of the Board of Directors of [Cancana Resources Corp.](http://www.cancanacorp.com)

Andrew Male, CEO and Director

*This press release contains forward-looking information under Canadian securities legislation. forward-looking information includes, but is not limited to, statements with respect to completion of the Financings, the development potential and timetable of the Rio Madeira project and Cancana's other assets in Brazil and Canada; Cancana's ability to raise additional funds necessary; the future price of manganese, the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production, development and exploration; costs of future activities; capital and operating expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the*

*actual results, level of activity, performance or achievements of Cancana to be materially different from those expressed or implied by such forward-looking statements, including but not limited to those risks described in the annual information form of Cancana and in its public documents filed on SEDAR from time to time. Although management of Cancana has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Cancana does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.*

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