



VSA Morning Miner

This Morning's News

M2 Cobalt (MC CN)[#]

M2 Cobalt (MC CN) has announced that it has acquired an additional four exploration licenses covering 850km². Three licenses (515kmm²) are located in the area surrounding the Kilembe licenses while the fourth (335km²) is contiguous with one of the licenses in the Bujagali area. The decision to include these additional license areas is based on a combination of historic findings and the recent successful Phase 1 work and M2 now has a very significant footprint of 1,564km² across seven licenses.

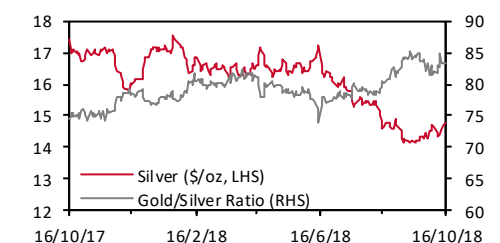
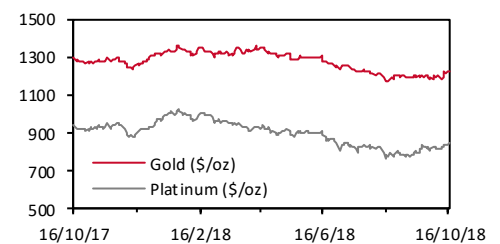
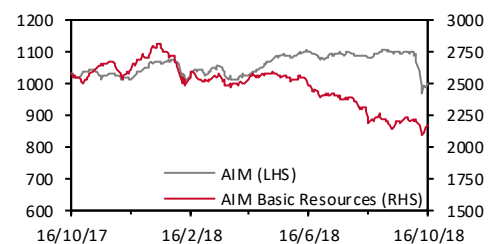
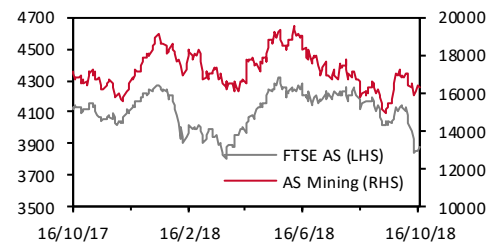
The consideration for the acquisition paid to **Olympic**, a private Ugandan company, consists of an upfront payment of US\$150k and 350k shares in M2 on approval by the TSX-V. Latterly M2 will pay US\$400k and 450k shares on the earlier of May 31 2019 or when the company raises a minimum of US\$3m in new equity. All issued shares are subject to a four-month hold. Based on the last close the total value of the acquisition was US\$810k which represents a highly attractive price, in our view, given the initial license areas were acquired for around US\$2m.

The acquisition allows M2 to take full advantage of the developing regional play at the Bujagali licenses where the company recently announced that it has now discovered five large scale cobalt anomalies. The acquisition of the additional license area means a significantly increased and continuous land package which follows a major thrust and fold belt on which the anomalies have been identified. The work to date has demonstrated the potential for Katanga style sedimentary copper cobalt mineralisation and this is a key additional license which enables the company to fully exploit the area's potential and we anticipate that M2 will carry out similar methodical geochemical and geophysical sampling across the new license.

At Kilembe two of the three new licenses are contiguous with the company's existing licenses on the Western extent of the Eastern branch of the Great Rift Valley in close proximity to the past producing Kilembe mine. These additional licenses therefore strengthen the company's presence in the region. The third license presents a new opportunity and is located on the Eastern escarpment of the Great Rift Valley on the opposite side to Kilembe. With examples of historic base metal workings there are known occurrences of mineralisation within this new license. The Great Rift Valley formed as the two plates drifted apart and the geology and mineralisation is therefore anticipated to be mirrored on opposite sides of the valley indicating significant potential akin to Kilembe.

We reiterate our Speculative Buy recommendation.

One-Year Charts



LME prices (US\$/lb)	Last Close	Day % Chg	-1 Year % Chg
Aluminium	\$0.92	-0.3%	-5.7%
Copper	\$2.81	-1.5%	-12.2%
Lead	\$0.94	-0.6%	-19.0%
Nickel	\$5.65	-1.6%	5.6%
Zinc	\$1.19	-1.2%	-20.8%

NOTE: #Indicates VSA house stock.

SOURCE: FactSet, as of last close.

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Stock Information

Stock	BBG TKR	Exchange/ Currency	Mkt Cap (m)	Last Close (Curr)	Rec	TP	Date of Recommendation
M2 Cobalt	MC CN	TSX-V (C\$/c)	12.5	25	SPEC BUY	n/a	12/06/18

NOTE: #VSA house stock. **SOURCE:** FactSet data, VSA Capital estimates. Pricing as of last close.

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 HOLD: The price of the stock is expected to move in a range between -10% and +10% in absolute terms over the next twelve months.
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Equities breakdown: 31 December 2017	Spec. BUY	BUY	HOLD	SELL
Overall equities coverage	26.3%	68.4%	5.3%	0.0%
Companies to which VSA has supplied investment banking services	25.0%	75.0%	0.0%	0.0%