



VSA Morning Miner

This Morning's News

M2 Cobalt (MC CN)[#]

M2 Cobalt (MC CN) has announced the discovery of six additional major anomalies at its Bujagali licenses in central Uganda. The infill sampling programme and first phase of exploration has yielded significant large-scale results. We had previously indicated that the Waraji target, which has now been expanded from 750mx550m to 1,000mx900m, within the Bujagali licenses appeared to be host to Katanga style sediment hosted cobalt-copper mineralisation and with these additional anomalies identified this is now building towards what could be a much larger regional play. Given that this style of mineralisation is the most important geological source of cobalt globally, M2's ability to demonstrate scale brings greater credibility to our view that Uganda offers an attractive route for investors to gain exposure to DRC style cobalt projects without the high associated political risk.

The overall results have so far demonstrated a significant number of high grade cobalt and copper samples with 51 rock grab samples of 0.1%-1.75% Co, 39 of between 0.1%-0.8% Cu, 141 samples of between 0.01%-0.13% Co and 236 samples of 0.01%-0.05% Cu. Although rock samples are not sufficient to be considered representative given the level of weathering at surface in tropical regions like Uganda these surface grades are encouraging, in our view.

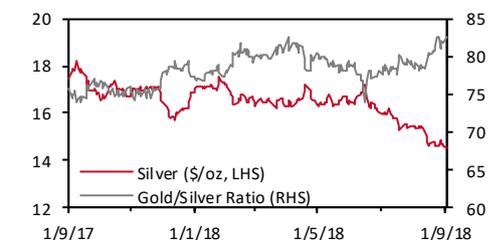
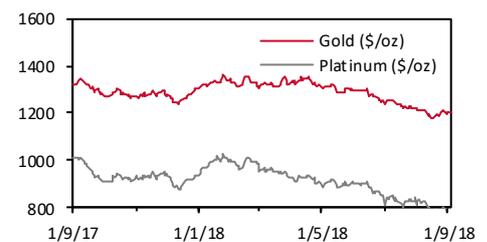
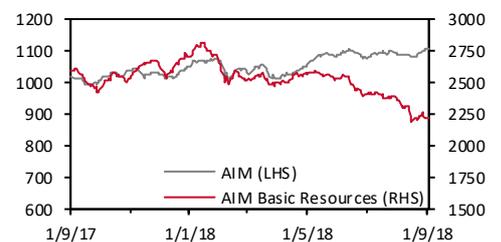
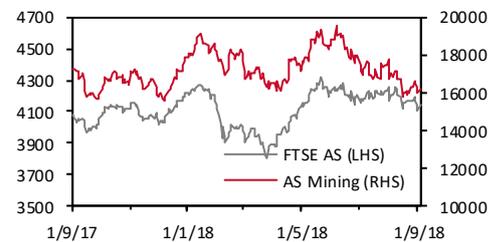
These soil samples have confirmed the presence of mineralisation following anomalies shown by high resolution ground magnetics and VTEM surveys. The largest of the anomalies revealed by geophysics is the Club anomaly which is 2kmx1.7km.

In addition to the sediment hosted anomalies M2 has made further progress at Bombo with further ultramafic style mineralisation identified and an additional 2.1kmx1.0km anomaly containing up to 0.08% Ni, 0.03% Cu and 0.05% Co in soil. The original Bombo target has been expanded via the trenching programme from 1.2kmx0.9km to 2.2kmx1km.

M2 has made real progress in the last few months demonstrating extensive mineralisation of cobalt, copper and nickel and is now in a strong position to begin initial drilling of its more advanced targets.

We reiterate our Speculative Buy recommendation.

One-Year Charts



LME prices (US\$/lb)	Last Close	Day % Chg	-1 Year % Chg
Aluminium	\$0.94	-1.3%	-1.4%
Copper	\$2.70	-1.1%	-12.2%
Lead	\$0.95	1.9%	-11.3%
Nickel	\$5.75	-2.6%	5.5%
Zinc	\$1.12	-1.2%	-21.4%

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)	14.3	28	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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Equities breakdown: 31 December 2017	Spec. BUY	BUY	HOLD	SELL
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