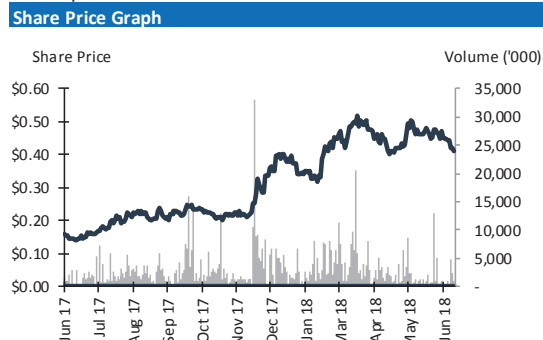




Global Geoscience Limited (GSC)

Funded to Construction, Waiting for PFS

Recommendation	Hold
Previous	Speculative Buy
Risk	Very High
Price Target (A\$)	\$ 0.42
Previous	\$ 0.40
Share Price (A\$)	\$ 0.41
ASX Code	GSC
52 week low - high (A\$)	0.14-0.52
Capital structure	
Shares on Issue (M)	1,469
Market Cap (A\$M)	602
Net Cash/(Debt) (A\$M)	85
EV (A\$m)	517
Options on issue (M)	67
12mth Av Daily Volume ('000)	3,011
Board	
Mr James D. Calaway	Non Executive Chairman
Mr Bernard Rowe	Managing Director
Mr Alan Davies	Non Executive Director
Mr Patrick Elliott	Non Executive Director
Dr John Hofmeister	Non Executive Director
Major Shareholders	
Mycatmax	5.7%
Mahsor	5.6%
Holdrey	4.0%



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The analyst does not own GSC securities.
 Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own GSC securities.
 Cranport Pty Ltd does not own GSC securities.
 Refer to end of report for details.

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Event:

- **\$53M placement; revised assumptions, change in PT, recommendation.**

Analysis:

- **GSC recently completed a A\$53M placement** of 130M shares at \$0.41/sh, a 7.9% discount to the closing price on 12 June 2018 of \$0.445/sh. The raise ensures the company is well-funded for the upcoming PFS and subsequent DFS through to construction decision at CY19e end.
- **Updated project parameters** include: 3-4Mtpa starter pit for 6-9 years (previously 2Mtpa for 10yrs) based on unchanged 26Mt mineralisation in the constrained pit. The company has firmed up the addition of an on-site acid plant with co gen power plant instead of importing sulphuric acid. Processing is now looking more likely to be via vat leach rather than heap leach processing (previous FSBe assumption).
- **Continue to target cash cost per tonne of LC of \$3,500-4,500/t for lithium carbonate and \$400-500/t boric acid (unchanged).**

Earnings and Valuation:

- **We have an increased risked valuation of \$0.42 per share for GSC (previously \$0.40).** Our valuation is underpinned by a risked NPV₁₀ of A\$719M for Rhyolite Ridge, assuming US\$280M capex (previously US\$250M), 4Mt throughput (2.5Mtpa) to produce 29.7ktpa lithium carbonate and 234.1ktpa boric acid in the first six years. We have pushed back first production six months to FY22e, and decreased our long term forecast for lithium carbonate to US\$10,711/t (previously \$11,331/t).
- **We maintain a risked valuation (42% factor)** as the project is still at PFS stage, and Resource primarily in Indicated category. We see scope to decrease the applied risk factor arising from the PFS release, more detailed project metrics including clarification on cost breakdown, conversion of Resource to Reserve.
- **We continue to assume GSC will require a further equity raise in the future and assume a 50:50 debt equity financing of the project capex.**
- **On an unrisked basis, we have a valuation of \$1.01/sh (previously \$1.02/sh),** based on an unrisked project NPV₁₀ of \$2,076M (previously \$1,856M).

Recommendation:

- **We downgrade our recommendation for GSC to Hold from Speculative Buy, on valuation grounds noting strong recent price momentum.** We continue to hold the view the project's strategic location, contemplated dual product and income stream, and large, shallow lying deposit with mineralogy conducive to high recoveries are positive factors and keenly anticipate the upcoming PFS to provide further certainty on project metrics and potentially unlock further value we currently see as risked.
- We have a **price target of \$0.42 per share (previously \$0.40)**, and note the possibility for rerate given a number of **upcoming catalysts** including: 1) PFS release in Q3CY18e; 2) updates on Environmental Approval process; 3) DFS release in 2HCY19e; 4) Development decision CY19e end; 5) Further positive drilling results.