

Transcript of update interview with Mr. Jack Stoch



**President & Chief Executive Officer
of Globex Mining Enterprises Inc.**



Toronto Stock Exchange: GMX

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Mr. Jack Stoch - President & Chief Executive Officer. Following a stint with Noranda Exploration Ltd., Mr. Stoch, in 1976, started acquiring and vending exploration projects, through his own consulting businesses, Jack Stoch Geoconsultant Services Ltd. and Geosol Inc. In 1983, he gained control of Globex and has since amassed a mature exploration portfolio. He has attracted a knowledgeable and well-connected Board of Directors and has expanded the Company's exploration, evaluation and mining team. In 1972, Mr. Stoch earned a B.Sc. in Geology from Sir George Williams University in Montreal, with additional graduate courses at McGill University. He was awarded the designation Acc. Dir., Accredited Director in 2007 by the Chartered Secretaries Canada and is a registered Professional Geologist in both Quebec and Saskatchewan, Canada.

SmallCaps Investment Research: A warm welcome everyone to a new interview on Smallcaps Investment Research. We're excited to have Mr. Jack Stoch, the President and CEO of Globex Mining Enterprises, with us today. Globex is a well-respected North American focused exploration and development project generator. It is listed on the Toronto Stock Exchange with ticker symbol GMX. Jack, it's a pleasure to have you with us, welcome.

Jack Stoch: Thank you, it's a pleasure to be here.

Jack, it's been a few months since our previous interview. So as a reminder, can you give us a brief recap of Globex.

Sure. Globex is listed on the senior Toronto Stock Exchange. We are also listed on six exchanges in Germany and on the OTCQX in the United States.

The Company is what we call a property bank. Our speciality is acquiring assets and working on them to potentially uncover the value of the projects. Then we either do more work ourselves, or we vend the projects off to other companies. These third parties pay us in cash and/or shares, and commit to a certain amount of exploration work in order to earn whatever is the agreed upon interest to be earned in the property. The interest is also subject to a Gross Metal Royalty if the project goes into production.

We are also a bit different in that we own all of our assets. As of the last count we have 161 projects, which includes 50 royalty bearing projects. In addition, we have money in the bank and no debt.

Up until a couple of months ago, all of Globex' properties were located in North America. That changed when you acquired a major historic silver mining district in Germany, called the Bräunsdorf license. Undoubtedly, you've already had the opportunity to acquire numerous properties outside of North America. So what made this one exceptional?

You are correct. We are offered properties outside of North America on a regular basis. However, we always look for a number of things in a project. For example, we look for a stable government, good mining laws, good environmental laws, and we look for societies that want mining, progress, jobs, and investments.

You can find one or two of those things in some projects, but it is hard to find a project with all of them. However, Germany is one of those few places in the world where all these features coalesce. There is good geology. There are also good mining laws as well as good environmental laws, both of which are similar to the Canadians. Furthermore, there is good access to the project, good history and the German government is keen on attracting investments. All in all, an ideal place to work.

What are your plans with the German property over the next 12 months?

This property is part of the Freiberg Silver Camp which was one of the original major silver camps in the world. As a matter of fact, anytime you go to a museum in Europe and you see silver, it is likely that it comes from the Freiberg area.

The property we have is 164 square kilometers, 36 kilometers long and 5 kilometers wide. This includes six significant historic silver mining camps and five minor mining camps or prospects.

Right now, we are compiling historical information. We have already put together an analysis that so far shows a minimum of 882 tonnes of silver that has come off our property in the past. This roughly translates at the current silver price to just under half a billion dollars' worth of silver. We are also compiling all the geological knowledge of the area.

We have done a preliminary assessment for any indication of mineralization in areas that are overburden covered. In the south half of the property, about 50% of the area is overburden covered. The north half is 80% overburden covered. Overburden covered areas were not explored as previously they did not have the tools to do so.

Most importantly however, 0% of the property was subject to modern exploration techniques. All the work done in the past was basically with pick and shovel. Due to the lack of modern exploration, we are looking at what is the potential and what exact activity should we pursue.

We are certainly going to be doing an airborne electromagnetic and magnetic survey to improve the mapping of the various rock types. Through this, we will also establish marker horizons. The silver in this particular area is associated with a graphitic horizon, which should show up beautifully in an airborne electromagnetic survey. This will allow us to establish areas of priority for exploration.

Finally, I would add that not only silver was mined on this property. There also was production of lead, zinc, copper and a small amount of gold, as well as barite and fluorite. For all of these reasons, it is a very interesting project on which we have a lot of work to do.

You recently completed a private

placement in which you raised \$550,000. The extraordinary thing is that the issue price, at which the money was raised, was 55% higher than Globex' previous day closing price. How did you manage to do that?

Firstly, it is the question of how resolute you are about not offering the shares for less than the market price. Secondly, it is about making sure that people understand the value of the assets and how undervalued we really are.

The fund that participated in this placement has given us money before and thus they understand that we keep adding value and how undervalued we still are. I think that for them participating in the placement, even at a premium, was a relatively easy decision.

It is also worth pointing out that there were no broker warrants, no legal fees payable, and no warrants attached to this transaction. Therefore, not only was the placement priced at 55% above market, but we also did not have to hand out any 'freebies' that are usually associated with such offerings.

While we're on the topic of financials, in Globex' third quarter, which ended September 30th, revenues were somewhat softer than in the first and second quarters of the year. Why was that?

I believe that this was due to normal fluctuations of our business. Sometimes the money from the deals comes in one month, sometimes in others. It depends.

The important thing is that the revenue for the whole year is higher than last year and it is increasing steadily. We believe that our bank account and shares we own in other companies puts us on a solid footing. We now have almost \$4 million in cash and securities. This allows us to breathe easily for the next year or two as we carry our projects forward. Moreover, we have a stable royalty stream coming in from Nyrstar's Tennessee zinc mine. This accounts for at least US\$100,000

per month. We also expect that this is going to go up each month until they reach full production. Our revenue is also likely to be supported by other deals that we are in the process of negotiating, or that we already have negotiated, but are subject to due diligence periods.

In the current fourth quarter however, things look very different. Can you give us an overview of the option and royalty income that you already received since October 1st?

We have received various payouts. From the aforementioned Tennessee zinc project, we received CAD\$127,000 for October. From Falco Resources, we got CAD\$300,000 and CAD\$416,000 in shares plus warrants. We also received CAD\$170,000 from Chalice Gold Mines.

In November we received CAD\$300,000 in cash from Enforcer Gold and CAD\$170,000 worth of their shares, totaling CAD\$470,000.

To summarize, the situation is positive when compared to the last five years when we were busy acquiring projects, but lacked revenue.

Maybe it's a bit hard to forecast, but how do you see Globex' revenues developing in 2018?

I will just talk in generalities rather than specifics as it would be wrong to discuss the latter.

Next year is looking good. We are already discussing a number of new deals and we have a major deal that is currently undergoing its due diligence process. If this one goes through, the first year option payment would be larger than the whole fourth quarter of 2017. Thus, I believe it is going to be a good year.

As we have written in a number of our Research Reports, we feel that some of your properties alone justify Globex' entire market capitalization. Let's discuss a few of them. First, the

Francoeur-Arntfield Gold Mines. What can you tell us about those properties and their potential?

We acquired this gold project last year. We own a 100% interest in it and we believe there is a significant amount of potential.

The project is located in the Rouyn-Noranda mining camp, which is an established mining camp with both current and historic production. Our property covers about 8.5 kilometres of what is called the Francoeur-Wasa fault, a gold localising structure. On that structure, there are six different deposits already established as well as numerous dual intersections and surface gold occurrences.

Apart from a couple of specific areas, a lot of work on the property was done from 1924 to approximately 1941. Thus, the methodologies used to explore the area were different, as well as the geological theories. Not to mention the equipment and exploration techniques.

We have now been applying modern technologies and modern concepts to the project. Through these efforts, we are finding new gold showings. We are also re-establishing the old findings and studying their potential.

I would also add that this kind of project could easily be a standalone company with a market valuation potentially larger than the current market capitalization of Globex.

A second property is the Timmins Talc-Magnesite deposit. Could you explain what it is that makes this property so attractive?

There are a couple of features that render this property attractive, most of which are connected to the products that make up the deposit. That is high grade, high brightness talc and magnesium oxide.

This particular property is unique in that both of these products are present in large potentially open pitable quantities. The deposit is also located within a short distance of the major Timmins mining camp.

What makes this high grade, high brightness talc so interesting, is that it is a sought after key additive in plastics. For example, in dashboards or side panels for automobiles. Manufacturers of plastics typically use petroleum derivatives, talc fillers, and dye to make these items. The dye is very expensive however. Consequently, the manufacturers prefer using more high brightness talc in order to use less dye and thus lower costs.

Furthermore, most of the high-quality talc currently comes from China or Afghanistan. This is not something that the manufacturers prefer due to the potential instability of the supply. As the Chinese economy is expanding, they might want to reduce the amount of high brightness talc that is exported from China. Our property is well positioned to offset this decline in supply and offer a stable and reliable product.

It is likely that due to the nature of the project, we could have a 200 or 300 year of supply available by open pit means. This only strengthens the already significant potential of the property.

Magnesium oxide also offers interesting opportunities. The standard use of the product is for refractory bricks. These are used as liners in furnaces and other high-temperature items, even your household fireplace. As magnesium oxide can withstand these very high temperatures, it is an important and necessary component.

However, the growth potential for the product is wallboard, which is commonly known as gyprock. In the past, wallboard was routinely made out of gypsum, which has several features that make it useful. However, one major negative aspect is that it absorbs water. This can cause issues in bathrooms or basements, as gyprock allows poisonous black mould to develop, which can be a serious health risk.

Nowadays there are companies that use magnesium oxide instead of gypsum, which solves this potentially dangerous issue as the product does not absorb water.

The potential for this application is significant, especially in humid environments. The manufacturers in North America are already adapting to this as they are building plants for the utilisation of magnesium oxide to produce wallboard.

Our magnesium oxide has been tested to see whether it could be used in this process and it can. The same applies to the previously mentioned applications of our high brightness talc.

We are looking at a project where 85% of the rock can be used to create exceptional minerals with clear applications in various industries, which are in high demand and expanding.

Would you also give some colour on the Normetal/Normetmar properties?

These two projects are mainly focused on zinc. Normetal was the third largest massive sulphide deposit in the Abitibi of Quebec. It was mined by Noranda Mines. They have done solid work, however there could be potential for salvaging some of leftover material.

Normetmar is a small polymetallic deposit of zinc with a bit of copper and silver. The potential in this project is the lack of exploration work, especially to depth and along strike. We think this project has exploration potential.

Moreover, at Normetmar, we are starting off with about 300,000 tonnes of material in place. There is also a ramp already present, as well as access to the underground at about 3,000 feet from the Normetal mine.

So a decent project with excellent geology. Let's see with time where we go with that.

As a final question, what are some of the highlights that we can expect from Globex in 2018?

More income from royalties and or options. We are hoping that a number of our projects will go towards commercial production. One

such possibility could be the lithium project run by Sayona Mining. They are aiming for production in 2019. However, as they move forward, the start-up date may be sooner than that.

I also believe that you can expect a lot more work being done on our projects. They are currently drilling, or have recently drilled, on half a dozen projects. For example, our vanadium royalty property in Chibougamau is currently being drilled by Vanadium One. Another one being drilled is the feldspar property by Enerspar, along the St. Lawrence river in Quebec. Our Nordeau East and West projects are also being drilled by Chalice Gold. Nippon Dragon is working on our Rocmec project, and Renforth is working on our Parbec gold deposit, just to name a few.

We have also expanded our own exploration budget to maintain our asset base, and to advance some of our own projects in the next year.

Finally, we expect our royalty revenue to increase as the Tennessee zinc mine reaches full production. Thus, there is plenty of things to be excited about.

Excellent. Jack, we really appreciate the time you've taken to speak with us today. All the best to you and Globex, and I look forward to speaking with you again soon.

Thank you very much and thank you for your interest.

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