

## Globex Mining Ent. (GMX)

Company Report – October 13, 2018

**Globex Mining Enterprises Inc. is a North American focused exploration and development project generator. The Company has an exceptionally well-diversified portfolio of assets, with exposure to a wide range of commodities.**

**The value proposition for Globex is enhanced by the strategy to build diversification amongst the holdings of the Company. This means that management is always working to establish ownership of multiple properties, in different jurisdictions, and with leverage to many resources. Globex currently controls more than 160 properties.**

**Further diversification is achieved through a portfolio of approximately 48 royalty agreements held by the Company. One such royalty has already generated CDN \$1.83 million in revenue for Globex in 2018. This is in addition to option revenue.**

**The combination of these high-quality assets, from control of early stage exploration prospects through to productive royalties on operating mines, enables Globex to fund a variety of work activity while maintaining a pipeline of projects that lower the overall risk profile for the Company.**

**We reiterate our buy recommendation for Globex Mining Enterprises with a price target of \$1.08, which is 272% above today's stock price.**



- The abundance of priority targets that have been outlined at the Braunsdorf Project in Germany demonstrates the highly prospective nature of this large property area, and the opportunity that at least one new discovery zone may be achieved as the next phase of exploration work begins.

Globex shareholders have great leverage to this property as it is one of the active exploration prospects that remains wholly owned by the Company. While the expectations are high for discovery upside from Braunsdorf, this is just one of many exploration programs underway – at wholly owned projects, or through Joint-Venture arrangements funded by other companies. Each of these active programs has the potential to create significant shareholder value.



#### Market Data

Price	\$0.29
Sector	Metals & Mining
52-Week Price Range	\$0.29 - \$0.51
Shares Issued (m)	52.7
Market Cap (m)	\$15.3
Listings	GMX (TSX), GLBXF (US), G1MN (Fra)
Website	www.globexmining.com

## THE COMPANY

Globex Mining Enterprises Inc. is a North American focused exploration and development project generator. A project generator's business model is to acquire mineral properties, and to advance them, either to production or to ready them for optioning, joint venturing, or outright sale to a third party resource company.

The properties in a project generator's portfolio are typically optioned out to third parties - termed as Option Partners or optionees - in exchange for:

- A series of annual cash and/or share payments;
- An annual exploration work commitment; and
- A Gross Metal Royalty (GMR).

Upon the satisfaction of the above option terms, the property interest is transferred to the Option Partner. However, the option contract will terminate if annual payments and/or work commitments are not met. In that case, the property returns back to Globex.

Outright property sales may include cash and/or share payments and a form of royalty interest payable when projects achieve commercial production or another negotiated milestone.

Unlike investments in traditional junior resource companies, where most investors speculate on the outcome of one or two projects, Globex has a much lower downside as it puts its eggs in multiple baskets, allowing them to significantly reduce the inherent risk of the mineral exploration and development business.

Therefore, an investment in Globex is ideal for investors seeking exposure to the commodities markets and the resource sector without having to bet on the outcome of a single or handful of projects.

Moreover, Globex' model offers the potential to generate consistent and recurring revenues from royalties on the projects that eventually advance to production.

Globex' current mineral portfolio consists of approximately 160 early to mid-stage exploration, development and royalty properties which contain **Base Metals** (copper, nickel, zinc, lead), **Precious Metals** (gold, silver, platinum, palladium), **Specialty Metals and Minerals** (manganese, vanadium, titanium oxide, iron, molybdenum, lithium, cobalt, rare earths and associated elements) and **Industrial Minerals** (mica, silica, feldspar, pyrophyllite, kaolin, graphite, antimony as well as talc and magnesite).



**The Globex property map clearly shows the strong focus on Eastern Canada.**

A significant majority of Globex' properties are located in Eastern Canada, as the Company's geologists are true experts in the region. In addition, the Company appreciates the strong mining laws in Canada and the low political risk.

In September 2017 however, the Company acquired a major historic silver mining district in Saxony, Germany. The property allows Globex to tap into a whole new market, while staying consistent with its strategy regarding operating projects in countries with a stable legislature (Also read Property Portfolio).

Globex rarely acquires grass roots or very early stage projects. Instead, the Company is focused on acquiring properties which meet one or more of the following criteria:

- Historical or NI 43-101 resource estimates;
- Have reported past production;
- Have established drill targets or drill intersections of economic merit;
- Are located on major geological structures.

The Company maintains a tight capital structure with a little over 52.7 million shares outstanding, and no debt. Since its listing in 1987, it has never executed a reverse stock split.

Globex trades on the senior Toronto Stock Exchange under the symbol GMX, in the United States on the OTCQX International market with symbol GLBXF and in Europe on the Frankfurt, Berlin, Stuttgart, Munich, Tradegate and Lang & Schwarz stock exchanges with symbol G1MN.

The Company's head office is located in Toronto, Ontario, and its principal business office is located in Rouyn-Noranda, Quebec. In addition to the senior management team, Globex has 13 employees, including seven geologists, and three technicians.

## Revenue Model

In the past few years, Globex' revenue has been under pressure, varying between a low of \$750,000 (2013) and a high of \$3,963,315 (2017). The reason for these low revenues was the crisis in the resource sector. Very few companies were able to raise money to option or develop projects. Another consequence was that royalty income dropped significantly, as companies closed operating mines.

To clarify the Company's business model further, both an example of an option agreement as well as a royalty stream are described in more detail below.

Late June 2016, Globex entered into an **Option Agreement** with Manganese X Energy Corp. (TSXV: MN) related to the Houlton Woodstock Manganese Property located in the Province of New Brunswick, Canada.

To earn a 100% interest in the property, subject to a 3% Gross Metal Royalty, Manganese X is required to:

- Make cash payments to Globex of \$200,000 (fully paid);
- Issue an aggregate of 4,000,000 common shares of Manganese X (2,000,000 have been issued and 2,000,000 shares are to be issued on April 22, 2018);

- Incur exploration expenditures of \$1,000,000 on the property; and
- Deliver a Preliminary Economic Assessment (PEA) to Globex on or before the fourth anniversary of the Option.

Nyrstar's Mid Tennessee mine on the other hand, has been one of Globex' best **Royalty Agreements** so far.

Globex is entitled to a 1.4% royalty when LME zinc prices are at or over US\$1.10 per lb, and a 1% royalty when the zinc price is between US\$0.90 and US\$1.09 per lb. The following table shows Globex's royalties from this project to date.

Year	Metal Royalty Income (US\$)
2010	\$124,741
2011	\$490,525
2012	\$403,266
2013	\$69,522
2014	\$1,020,232
2015	\$605,282
2016	\$0
2017	\$940,458
2018 (to date)	\$1,344,122
<b>Globex' annual royalty income from the Mid Tennessee Zinc Mine owned by Nyrstar.</b>	

The volatility in royalties is primarily due to the changes in zinc prices. Note that Nyrstar closed the mine mid-2015 due to low zinc prices. On September 27, 2016 however, Nyrstar announced that as a result of increased zinc prices it would restart its Mid Tennessee mining and processing operations.

Globex currently receives about CDN \$130,000 per month from Nyrstar and expects to continue receiving these royalties for many years to come (also read Recent Events).

At June 30, 2018, Globex had a total of 48 royalty arrangements in effect at various stages.

## PROPERTY PORTFOLIO

The heart and soul of Globex is obviously its property portfolio. Of the 159 projects that it currently holds, 78 are focused on precious metals (gold, silver, platinum, palladium), 53

on base metals and polymetallic (copper, zinc, lead, nickel), and 28 on specialty metals (talc, iron, lithium, manganese, feldspar). The assets also include more than 40 former mines and over 52 properties have historic and/or NI 43-101 resources.

As a rule of thumb, the Company only invests in properties that are located in countries with stable governments and mining laws. In addition, the Company’s full time geologists live in the Abitibi region in Northern Quebec. Consequently, they know the geology in the area extremely well. Moreover, they have a very good understanding of the exploration methods and the legal methods of acquiring ground in the region.

Below is an overview of a few assets that Globex has in its portfolio at the moment.

**There are many gems between its properties. This is important to understand because there are plenty of resource companies that only own one or two similar properties and that have the same or a higher valuation than Globex. Each of the below projects on their own justify Globex’s current market valuation.**

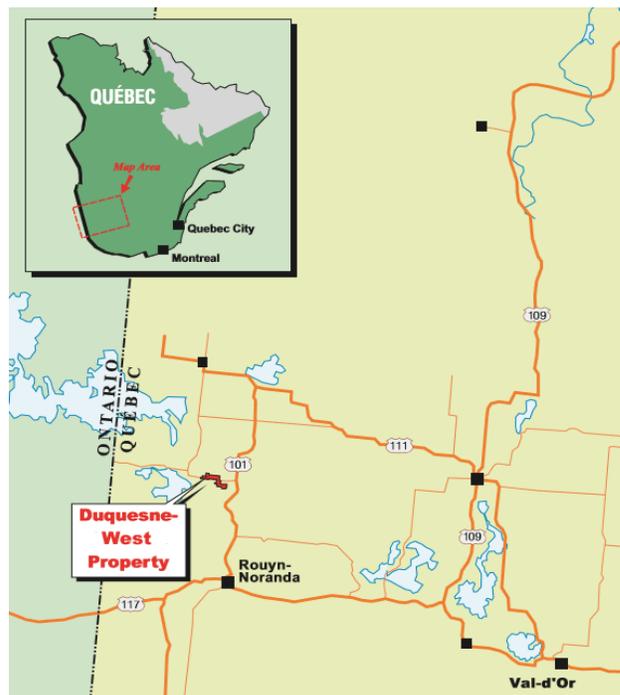
### Duquesne West Gold Property

The Duquesne West Property is comprised of 60 claims totalling 929 ha located 32 km northwest of the mining City of Rouyn-Noranda and 10 km east of the town of Duparquet, Quebec. The property is also located 4 km east and along strike from the past producing Beattie and Dorchester mines, which produced 8.4Mt @ 3.5 gpt Au and 1.2Mt @ 9.3 gpt Au, respectively, and 3.5 km west of the past producing high grade Duquesne Mine which produced 199,912 t @ 10.3 gpt Au.

The Property is held 100% by Duparquet Assets Ltd, a company owned 50% by Globex and 50% by Jack Stoch, President & CEO of Globex. Mr. Stoch invested in the project several years prior to becoming involved in Globex.

Over the years, the property has been optioned to many companies, including

Noranda Exploration, Santa Fe Canadian Mining Ltd., Kinross Gold, Queenston Mining Inc., Diadem Resources Ltd., and Xmet Inc.



**To-date, eight gold zones have been identified and drill tested with encouraging results at Duquesne West: Stinger, Fox, Shaft, North Shaft, South Shaft, Liz, Nip and 20-20.**

These Option Partners have conducted significant work on the property. Almost 110,000 metres of drilling by various parties have resulted in a NI 43-101 Technical Report that outlined an Inferred Resource in 8 distinct gold zones which total 4,171,000 tonnes grading 5.42 g/t Au (cut to 30 g/t Au) or 6.36 g/t Au (uncut) for 727,000 oz of gold (cut to 30 g/t Au) or 853,000 oz of gold (uncut).

Zone	Tonnes	Au g/t (Uncut)	Ounces (Uncut)
Liz	1,343,000	4.64	200,000
Fox	921,000	9.54	282,000
Nip-Nord	361,000	6.13	71,000
Nip-Sud	129,000	21.13	88,000
South Shaft	162,000	6.29	33,000
Shaft	468,000	4.51	68,000
Stinger	365,000	3.90	46,000
20-20	422,000	4.80	65,000
<b>Total</b>	<b>4,171,000</b>	<b>6.36</b>	<b>853,000</b>

**The Inferred Resource in 8 distinct gold zones for the Duquesne West Gold Property.**

Duquesne West is also a perfect example of how Globex generates revenue from a project. When the Company first acquired the project, it only had a historical resource of about 100,000 ounces of gold. Since then, it was optioned to seven different companies. And each company that has worked on it, has added ounces to the project.

If a company isn't able to make all the cash and share payments, or if it's not able to do all the work on the property that it is required to do, then the property is returned to Globex. So, although many millions of dollars have been invested on Duquesne West by other parties, each time it has come back to Globex because the companies weren't able to raise money to continue the development.

Consequently, Globex gains the ounces in the ground and the next group that the Company options the property to, has to pay a higher price because it contains more ounces.

Duquesne West is clearly a significant exploration project based on the continued growth of its mineral resource and the high-grade nature of the resource. Globex is currently seeking a suitable exploration partner that can complete exploration of the numerous gold zones and then take the project into production.

### Timmins Talc-Magnesite Deposit

Since the 1940s, a number of companies have conducted drilling and completed various economic, engineering and financial studies on the Timmins Talc-Magnesite property. In 2000, Globex was fortunate to purchase 100% of the asset, subsequent to Royal Oak Mines Inc. going into receivership.

A Preliminary Economic Assessment (PEA) conducted on the property by Micon in 2012 indicated an after-tax Net Present Value (NPV) of \$258 million at a discount rate of 8%, and an after-tax internal rate of return (IRR) of approximately 20% and a payback period of 5.8 years on the discounted cash flow.

Note that Globex has made significant progress since publishing the PEA, which is projected to significantly reduce the capital

cost, shorten the time periods to reach specific goals and eliminate project metallurgical risks.

#### TALC & MAGNESIA

**Talc** is the world's softest mineral. Although all talc ores are soft, platy, water repellent and chemically inert, no two talcs are quite the same. Talc is a vital part of everyday life. The magazines we read, the polymers in our cars and houses, the paints we use and the tiles we walk on are just some of the products that talc enhances.

**Magnesia** is a term used to describe various products from magnesium-rich sources. Magnesia plays a vital role in environmental protection. It is used to treat industrial wastewater by removing silica and precipitating heavy metals.

It is used to reduce air pollution by stripping sulfur dioxide from industrial air emissions. Its absorbent properties are used to clean up hazardous chemical spills.

In construction, the product is used to make cements, which are widely used in the flooring industry. Other industrial applications include use by the oil drilling industry in drilling muds, to make refractory bricks for furnaces, for wallboard and by the rubber industry as a vulcanizing agent.

In 2016, Globex reviewed and reinterpreted drilling data and sample analysis acquired during the period 2008 - 2014. During the first nine months of 2017, the Company completed various analyses, including QEMSCAN (Quantitative Evaluation of Materials by Scanning Electron Microscopy) of infill drilling.

This analysis and interpretation will be used to generate an updated resource estimate, which is expected to be completed in the first half of 2018.

Globex continues to explore various opportunities for the potential products that could be produced from this property.

## Joutel Mining Camp

The Joutel Quebec mining camp is actually an area with four historical deposits, of which Globex owns three. The Company owns the former Eagle Mine, a gold mine; the Joutel Copper Mine; and the Poirier Mine, a copper, zinc, silver, gold mine.

Globex drilled several holes at the Eagle project and hit significant amounts of gold. The Company believes that it has the potential to be expanded. That's also the case for the Joutel Mine, which has exploration potential to depth. The Poirier Mine already has over two million tonnes of copper, zinc, silver, gold mineralization outlined, with many potential areas to add more tonnage. In addition, the property has a shaft, and there are 27 underground levels.

Deposit	Tonnes	Cu (%)	Zn (%)	Au (g/t)
<b>Joutel</b>	242,000	10.37	-	-
<b>Poirier</b>				
West & Q Zones	1,400,863	1.24	9.77	-
East Lens	300,000	-	8.06	-
Main Zone	534,000	2.5	-	-
<b>Eagle Mine</b>	277,710	-	-	5.83
<b>The historical resources for the Joutel, Poirier, and Eagle Mine.</b>				

It has taken Globex several years to acquire three out of the four deposits. As a result, it's looking to vend this to a company that would take it on as a mining camp project rather than a single mine project. This represents a rare opportunity for a company, especially now that zinc and copper prices have gone up significantly.

## Francoeur-Arntfield Gold Mines

In March 2016, Globex signed a Binding Letter of Intent with Richmont Mines Inc. to acquire a 100% interest in the Francoeur and Arntfield Mines, west of Rouyn-Noranda, Quebec. The purchase included a modern office building, headframe and hoist, core facility, machine shop and sundry equipment.

A mineral resource (Measured and Indicated 320,000 t @ 6.47 gpt Au (66,600 oz Au) and

Inferred 18,000 t @ 7.17 gpt Au (4,150 oz Au)) had been identified by Richmont in the West Zone of the Francoeur mine using a cut-off grade of 4.3 gpt Au and a gold price of USD \$965. The resource remains open at depth and is accessible by shaft and underground ramp and 3 fully developed levels.



**Part of the old trenches which were filled with organic debris.**

Shortly after Globex acquired the properties, it began reviewing the large geological data bank to identify priority target areas for exploration. A few months later, the Company initiated a small drill program on the property with some remarkable results. For example, drill hole FS-16-35 intersected a near-surface gold zone grading 1.19 gpt Au over a core length of 74 m (242 ft). (Intersection width. True width unknown)

Even more interesting is that 750 m to the southeast of drill hole FS-16-35, Globex located an old trench partially exposed over a 20m length which in grab samples returned some amazing assays of 10.18 g/t Au, 10.15 g/t Au, 9.53 g/t Au, 6.79 g/t Au and 1.54 g/t Au. It is surprising that surface material with such high gold values was deemed not worth following up upon and mining at the time.

Prospecting in different areas of the property including Arncoeur, Murphy zone, Francoeur shaft #1, Arntfield shaft #1, led to a trenching program completed over late summer consisting of 9 trenches totalling approximately 302 meters in length and averaging 4 meters in width.

Results showed that the Francoeur-Wasa Shear is the dominant structural feature extending through the property and is associated with no fewer than six historic gold mines in the district. A secondary "South Shear" has been identified at the property, running south and parallel to the Main Shear.

In the spring of 2018, Globex personnel visited an area of the property where historical maps showed a number of trenches, probably from the 1930's, and a limited number of drill holes. They undertook a program of prospecting and localizing the historical trenches and drill holes on what is now called the 450 Zone. A total of 25 grab samples were collected principally from rock exposures within the historical trenches or nearby. Ten of the grab samples assayed over 1 gram per ton including 14.16 g/t Au, 11.55 g/t Au, 7.06 g/t Au, 6.27 g/t Au, and 5.55 g/t Au. Subsequently Globex stripped and pressure washed 3 areas and undertook 110 channel samples. Assays are expected shortly.

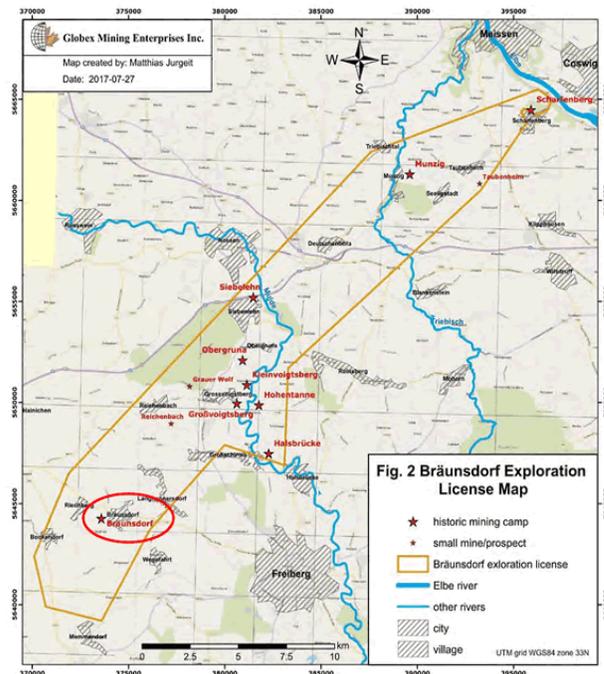
It is notable that all of these positive results were generated from a very small portion of the property area. The new zones remain open with expansion potential to depth and laterally, while numerous other gold zones and mineralized areas remain to be tested elsewhere on the property.

## Freiberg Silver Mining District In Germany

When investors think about mining in Europe, they will most likely end up with an image of gold or silver mines in the Middle Ages when those particular commodities were used as currency. Globex Mining on other hand sees a 21st century investment opportunity.

In September 2017, the Company acquired a 5-year exploratory license for a major silver mining district in the state of Saxony in Germany. The area, part of the well-known Freiberg Mining Field, is roughly 164 square kilometres (~63 square mile) large and consists of numerous previously active mining projects, with some dating back to the 12th century. Throughout its history, one area of the Freiburg silver camp, which Globex has

termed the Bräunsdorf Property (see image below), has yielded at least 882 tonnes of silver (worth well over US \$450 million at current prices) from high-grade veins and relatively shallow levels.



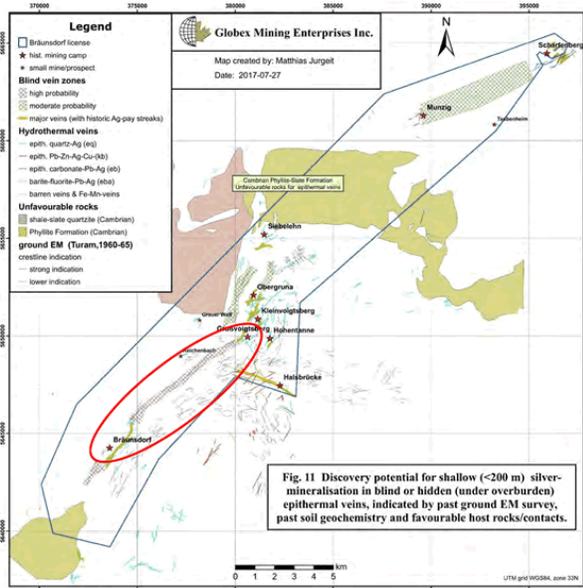
Even though the area was alternately active or inactive for around 750 years, Globex sees a clear opportunity. The main reason for this is that the Bräunsdorf Property was never thoroughly nor modernly explored. Be it for obvious point in time technological limitations or economic reasons, all of the mines and overburden covered areas along mineralized trends were never revisited with modern technology and know-how. Given the quality of the previous deposits, this makes the area very attractive.

### The Bräunsdorf Property in Saxony, Germany.

By compiling the historical data, the Company has already identified perspective areas where silver deposits may be found. On top of that, it is possible that the area may also be rich in other metals or minerals, such as graphite, gold, zinc, lead, barite, tin and fluorite some of which were mined in the past.

While Globex's property contains several interesting areas, the Company has already identified one zone which deserves plenty of attention. It is a roughly 7 km (4.35 miles) stretch of land, coined the Fortuna Target,

between two of the historical mining projects (Bräunsdorf and Großvoigtsberg) as highlighted on the map below in red.



The underlying mining operations of both mines suggest that the silver veins continue in the area between each other which could mean that there is a connection between the two properties and a potential deposit. The Bräunsdorf mine yielded almost 113 tonnes of silver in the past with a grade around 1kg/t Ag and the Großvoigtsberg mine yielded roughly 31 tonnes at a high grade of up to 3.5kg/t Ag, which could mean that a significant amount of higher grade silver might be in between. An in-depth exploration study was never undertaken likely due to the presence of overburden on the 7 km stretch of land.

Another area of interest is around the Munzig mining camp, which was never a fully operational mine due to water issues, which are not likely to be a challenge anymore. While the grades of the deposits that were found in the 19th century were lower than in the rest of the area, the width of the vein was significant (up to 15 meters) and likely suggests further deposits.

Securing ownership of a prominent past-producing mining camp with such a rich history of prior operations is a value proposition for shareholders. But considering the fact that the property has not been

subjected to thorough, modern exploration activity, the potential for a new discovery at Braunsdorf is more likely than a typical greenfields prospect. This makes the appeal that much greater as Globex continues with its active exploration program.

In June of this year, the Company reported progress on an extensive fieldwork program that has been underway at the property since the fall of 2017. Work focused on collecting samples from surface outcrops, along with grab samples selected at rock dumps remaining from previous mining operations. In addition, geologists were fortunate to have access to small portions of drill core that remain from drill programs conducted in the past by prior operators from tin exploration.

Globex also analyzed historic geological maps in the early phase evaluation of the project and completed soil sampling to generate data for further interpretation related to soil geochemistry that may be of use for later phases of surface exploration work.

While the range of assay results for the various samples is indeed encouraging, including high grade values of silver, lead, zinc and copper, the objective of the program was to define targets for a subsequent round of drilling work. Globex is now working towards establishing the limits of previous mining activity and planning drill targets to investigate the potential for new mineralized zones.

These include the Fortuna Target, and also the Reichenbach and Steinberg Targets have been defined based on surface sampling of exposed outcrops and vein extensions. As these two areas were not subjected to historic mining and therefore represent the potential for entirely new discovery areas.

In addition, deep drilling targets have been defined for the potential continuity of mineralization beyond the limits of historic mine workings. The Braunsdorf North and South Targets, for example, are based on previously mined high-grade silver sections at the lower elevations of the workings, where narrow veins yielded grades as high as 4,000 grams per tonne silver. The potential for discovery of new high-grade ore shoots of

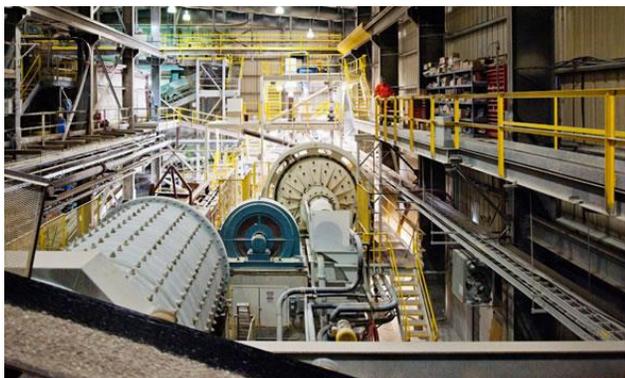
similar magnitude represents a compelling opportunity for a follow up drill program in this area.

At least a dozen priority targets have been outlined from this first phase of fieldwork, including shallow target areas where the potential for a successful outcome is enhanced given the widespread historic mining outlined, and the extensive database of indicator elements and soil anomalies.

## RECENT EVENTS

### Nyrstar Increases Resource at Middle Tennessee Mines Property

The Middle Tennessee Mines is comprised of three operating mines: Gordonsville, Elmwood and Cumberland and one project Stonewall, all operated by Nyrstar NV. Zinc mineralization occurs in what is known as Mississippi Valley type deposits. At the current zinc price, Globex retains a 1.4% Gross Metal Royalty.



Ongoing mining activities at Nyrstar's Middle Tennessee Mines.

Earlier this year, Nyrstar announced exciting news for Globex shareholders, as total Ore Reserves at the Middle Tennessee Mines increased by 1.08 million tonnes, which was largely attributable to higher zinc prices and lower treatment charges, together with the conversion of Measured and Indicated Resources to Ore Reserves.

In terms of Resources, a total of 730 thousand tonnes of Measured and Indicated Resources was added, and this was due to discovery of extensions to mineralization and remodelling parts of the orebody. A cut-off

grade of 2.0% Zn has been applied to all mines in the estimation of Mineral Resources.

The expansion of the deposit is obviously excellent news, as it indicates that Globex will potentially longer enjoy the monthly royalty that it receives from Nyrstar.

### Globex Expands Royalty Portfolio with NSR for Kewagama Gold Mine

Globex recently announced that it had purchased a Net Smelter Royalty (NSR) on the Kewagama Gold Mine property in Quebec. This property is located within the prestigious Cadillac Trend, a corridor of highly prospective geology that has been one of the most productive gold belts in all of Canada for more than 100 years.

The terms of the royalty are structured such that a cash payment representing 2% of the Net Smelter Value is due for all production that may be generated from the three claims that comprise the property. There is currently no ongoing mining underway at this project, however the NSR remains in effect should future development of a producing mine be completed, and the royalty is automatically carried over if the property itself is transferred to another company.

The Kewagama Gold Mine is owned by Radisson Mining Resources Inc. (RDS-TSXV) and forms the eastern portion of their O'Brien Gold Project covering an area of 111.7 ha (276 acres). Last month Radisson reported an updated resource estimate for the O'Brien project documenting 233,491 ounces of gold in the Indicated category and 194,084 ounces of gold in the Inferred category, nearly doubling the previously outlined gold resource for the property.

Radisson has indicated that aggressive exploration will continue at both O'Brien and Kewagama. This is good news for Globex shareholders. Considering the successful results achieved in previous rounds of exploration, it is likely that the gold resource will increase further as this talented team follows up with more work.

While Globex is not required to commit any funding towards the further development of

the Kewagama Gold Mine, the royalty becomes more valuable.

## THE MARKET

Although, as noted above, Globex’s number of properties typically grows during down years for commodities, its revenue significantly increases when metal prices point upwards, as it is able to close more JV and option agreements. Therefore, it’s important to look at the overall market expectations for a wide number of major commodities.



5-year gold chart. Source: Kitco.com

While some analysts have described gold’s recent price action as boring, others see the market as a coiled spring, building a base as it waits for sentiment to shift. Many analysts have said the gold market, which has dropped almost 12% from April, has fully priced in the Federal Reserve’s current monetary policy trajectory and is now primed to see a relief rally.

Jasper Lawler, head of Research at the London Capital Group, said that gold prices have been dragged down because of surging momentum in the U.S. dollar as markets have been pricing in aggressive monetary policy action from the U.S. central bank. However, he added that that particular trade is running out of steam and could potentially reverse next week.

“After the strong rally we have seen in the U.S. dollar the market needs something more than Fed’s current steady path for interest rates,” he said. “From a risk/reward standpoint, the gold market looks good at these levels.”



5-year silver chart. Source: Kitco.com

Silver’s price behavior is unusual, making it a challenging investment psychologically. There’s so little interest in silver these days that even traditional primary silver miners are actively diversifying into gold!

But just when silver is universally left for dead, one of its massive up legs or bull markets suddenly ignites. Some catalyst, typically a major gold rally, convinces investors to return to silver. Their big capital inflows easily overwhelm the tiny global silver market, catapulting this metal sharply higher.



5-year copper chart. Source: Kitco.com

It’s been a tough few months for copper. Yet spot sales of copper to China are booming, say executives at two leading copper suppliers, reaching levels not seen for several years, and exchange inventories have fallen sharply.

Consequently, commodity-focused hedge funds, trading houses, banks and brokers are almost unanimously positive on the near-term outlook for the metal used in pipes and wires.

Copper’s longer-term outlook is also being bolstered by miners’ newfound discipline, said

Evy Hambro, who manages BlackRock Inc.’s World Mining Fund. The lack of investment in new mine supply “is building up to this very strong case for the next few years,” he said in a Bloomberg Television interview.



**5-year nickel chart. Source: Kitco.com**

After a gravity-defying run, nickel has now also succumbed to weakness in the industrial metals complex as global trade fears mount.

The metal, mainly used in stainless steel manufacture, is down from more than a three-year high hit late June 2018.

The recent weakness however has not altered the bullish longer term outlook for nickel from industry research house Wood Mackenzie, "While stainless steel production – currently nearly 80% of total demand for nickel – is expected to stay solid over the coming years, booming demand from the electric vehicle battery market is set to fundamentally alter the structure of the industry."



**5-year zinc chart. Source: Kitco.com**

Also, zinc is experiencing downward pressure amidst concerns of a global trade war. Zinc is a vital component used to produce a huge

range of products. This includes consumer goods such as cars and electronics, as well as industrial applications such as steel coatings for infrastructure projects to prevent the steel from rusting.

Zinc prices already hit a ten-year high earlier this year, but that may be just the beginning. Analysts at CRU Group forecast that zinc price will reach another peak the coming quarters. Similarly, Citi analyst Max Layton expects a jump in zinc prices.

## FINANCIALS

During the three-month period ended June 30, 2018, revenues totalled \$569,065 which was \$245,117 lower than the \$814,182 reported in the comparable period in 2017. During the six-month period ended June 30, 2018, revenues totalled \$1,696,769 which was \$21,714 lower than the \$1,718,483 reported in the comparable period in 2017.

In 2017, Globex completed a number of option arrangements as a result of the renewed level of financings in the junior mining sector. This wasn’t repeated in 2018.

	06/30/18	06/30/17
Revenues	569,065	814,182
Operating Expenses	672,230	697,082
<b>Profit (Loss) From Operations</b>	<b>(103,165)</b>	<b>117,100</b>
Other Income (Loss)	(194,026)	(321,094)
<b>Net Income (Loss)</b>	<b>(336,088)</b>	<b>(231,367)</b>

**Selected income statement data for the quarters ending June 30, 2018 and June 30, 2017. Source: Company Filing**

During the three-month period ended June 30, 2018, the total expenses were \$672,230 as compared to \$697,082 in the comparative period of 2017. This represents a decrease of \$24,852 mainly related to a decrease in salaries and professional fees. During the six-month period ended June 30, 2018, the total expenses were \$1,180,826 as compared to \$1,464,673 in the comparative period of 2017. This represents a decrease of \$283,847 mainly related to a decrease in salaries and professional fees as well as in exploration and evaluation expenses.

During the three-month period ended June 30, 2018, Globex reported a net loss of \$336,088 as compared to a net loss of \$231,367 in 2017. During the six-month period ended June 30, 2018, Globex reported a net income of \$82,987 as compared to a net income of \$109,413 in 2017.

### Balance Sheet as of June 30, 2018

At June 30, 2018, the Company had cash and cash equivalents of \$2,508,992 (June 30, 2017 - \$884,195) and cash reserved for exploration of \$464,341 (June 30, 2017 - \$1,058,907). In addition, it had investments with a fair market value of \$1,034,033 (June 30, 2017 - \$1,032,943) which represents shares received under mining option agreements.

	06/30/18	06/30/17
Cash and Cash Eq.	2,508,992	884,195
Cash Reserved for Exploration	464,341	1,058,917
Investments	1,034,033	1,032,943
<b>Total Current Assets</b>	<b>4,330,663</b>	<b>3,212,759</b>
Reclamation Bonds	783,805	781,714
<b>Total Assets</b>	<b>5,590,679</b>	<b>3,668,883</b>
<b>Total Current Liabilities</b>	<b>426,230</b>	<b>215,603</b>
Total Stockholder Equity	4,313,678	1,777,267
<b>Selected balance sheet data for June 30, 2018 and June 30, 2017. Source: Company Filing</b>		

On October 2nd, 2018, Globex issued a total of 1,750,000 flow-through shares under a private placement at a price of \$0.50 per share for gross proceeds of \$875,000. The fair value of these shares was \$568,750 (\$0.325 per share) based on the TSX closing price on October 2, 2018.

It's also important to note that Globex doesn't have any long-term debt or similar contractual commitments.

## OUTLOOK & VALUATION

Globex Mining Enterprises may be considered to be a hybrid junior resource company. Like most junior explorers, the Company controls

attractive properties with the potential for exploration and discovery.

The success that it has been able to achieve at high priority property holdings, such as Francoeur/Arntfield, is a catalyst to support a higher market value for the stock as the project is advanced with further work.

The value proposition for Globex is enhanced by the strategy to build diversification amongst the holdings of the Company. This means that management is always working to establish ownership of multiple properties, in different jurisdictions, and with leverage to many resources. There are currently more than 160 properties controlled by Globex.

Further diversification is achieved through a portfolio of royalty agreements held by the Company. Again, these royalties range across resource leverage and development status for the various projects. There are currently 48 royalties held by Globex.

The synergies of this diverse asset base create opportunities for the Company to build shareholder value. Exploration success achieved at a resource property may lead to a premium transaction to vend ownership to another company and possibly create a new royalty controlled by Globex. Alternately, successful exploration work by a third-party company may build increased resources that will add royalty value over the life of a mine, as was recently reported by Nyrstar.

The combination of these high-quality assets, from control of early stage exploration prospects through to productive royalties on operating mines, enables Globex to fund a variety of work activity while maintaining a pipeline of projects that lower the overall risk profile for the Company.

### Valuation

As Globex has so many assets, it's sometimes hard for investors and brokers to understand its true value, in contrast to a resource company that is developing one or two properties. This situation has led to an undervaluation of Globex.

The Company currently has a market capitalization of around \$17 million for all its assets combined. For comparison's sake, take the Company's Francoeur-Arntfield Property. Any other company that has a single asset with the same characteristics as Francoeur-Arntfield, would easily trade at Globex' valuation. The Francoeur/Arntfield asset is just one of so many properties in its portfolio.

Because project generators hold and advance several properties in their portfolio through option partnerships, the most appropriate method to evaluate such a company is through peer comparison.

Based on 52.7 million shares outstanding, the intrinsic value of Globex' shares derived from our model is \$1.08.

**Based on these calculations, we reiterate our buy recommendation for Globex Mining Enterprises with a price target of \$1.08, which is 272% above today's stock price.**

## SHARE DATA & OWNERSHIP

As of October 2, 2018 Globex had a little over 52.7 million common shares outstanding. Jack Stoch and his spouse, Dianne Stoch (director of Globex) own 4.94 million shares, or approximately 9.68% of the total outstanding shares, plus stock options.

One of the primary risks of traditional resource companies is share dilution. That is absolutely not the case with Globex. The Company has been in business for over 30 years, and it still has only 50 million shares outstanding without a single reverse stock split.

Finally, Globex also has a little over 3 million stock options outstanding with an average exercise price of \$0.29. Each stock option entitles its holder to purchase one common share of the Company.

## MANAGEMENT

### ■ JACK STOCH – PRESIDENT AND CEO

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, listed it in 1987, 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.

### ■ DIANNE STOCH – Director

Prior to joining Globex over 20 years ago, Dianne Stoch was employed by Noranda Inc. for more than 18 years, in a variety of accounting/financial positions including Head Office Corporate Planner and Senior Accountant Analyst, revenue planner for the Horne smelter in Rouyn-Noranda. In 2007, Mrs. Stoch was awarded the designation Acc. Dir., Accredited Director, from the Chartered Secretaries Canada.

### ■ JOHANNES H. C. VAN HOOF – DIRECTOR

Mr. van Hoof has held senior positions at various European financial institutions, including PVF Pension Funds, Paribas Capital Markets and Bankers Trust. His roles during the past 22 years include senior Portfolio Manager, senior Risk Manager, Deputy Head of global equity derivatives, Managing Director responsible for M&A arbitrage, derivatives arbitrage and venture capital investments as well as Chairman and Senior Executive Officer of Soros Funds Limited in London. In 2002, Mr. van Hoof founded VHC Partners alternative investment management group, active in hedge fund management, corporate and project finance advisory services, private equity investments and charitable projects.

### ■ IAN ATKINSON – DIRECTOR

Ian Atkinson, M.Sc, A.K.C., D.I.C., a geologist, is currently a Director of Kinross following his appointment in February 2016. Mr. Atkinson was previously President and

CEO, and a Director, of Centerra Gold. He has more than 40 years of experience in the mining industry with extensive background in exploration, project development and mergers and acquisitions. Prior to his ten-year tenure at Centerra, Mr. Atkinson held various senior leadership positions with Hecla Mining Company, Battle Mountain Gold, Hemlo Gold Mines and the Noranda Group. Mr. Atkinson holds a Bachelor of Science degree in geology from King's College, University of London and a Master degree in geophysics from the Royal School of Mines, University of London.

▣ **CHRIS BRYAN – DIRECTOR**

Chris Bryan is a retired geologist, previously President of CBIM, a private OSC-registered investment counsel. From 1994 to 1995 Chris was President of Ophir Capital Inc., an investment management company. Prior to that, Mr. Bryan was Vice-President, Director and Portfolio Manager of Bolton-Tremblay Inc. Chris received his B.Sc. (Geology) from Sir George Williams University, a graduate diploma in Geological Sciences from McGill University and in 1978, a B. Comm. from Concordia University, Montreal.

## ANNUAL INCOME STATEMENT FY 2014 – 6M 2018

PERIOD ENDING	FY 2016	FY 2017 *	6M 2018
Revenue	1,700,500	3,963,315	1,696,769
<b>Operating Expenses</b>			
Salaries	376,001	506,617	165,933
Administration	291,096	345,030	197,984
Exploration & Evaluation Expenditures	1,493,119	1,564,867	703,924
Total Operating Expenses	2,645,121	2,887,317	1,180,826
<b>Operating Income or (Loss)</b>	<b>(944,621)</b>	<b>1,075,998</b>	<b>515,943</b>
<b>Income from Continuing Operations</b>			
Increase (decrease) in Fair Value of Financial Assets	(65,039)	(143,282)	(328,278)
Income (Loss) Before Tax	(930,391)	795,435	205,851
Income and Mining Tax Expense (Recovery)	(218,198)	40,549	122,864
<b>Net Income (Loss)</b>	<b>(712,193)</b>	<b>754,886</b>	<b>82,987</b>

**Annual Income Statement FY 2015 – 6M 2018. Source: Company Filings**

\* During the year ended December 31, 2017, the Corporation changed its accounting policy for mineral properties and deferred exploration expenses to recognize these costs in the Statements of Income (loss) and Comprehensive Income (loss) in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources. Management believes that the change in accounting policy will result in clearer and more relevant financial information.

The previous accounting policy was that the mineral properties and the deferred exploration expenses were capitalized in respect of each identifiable area of interest, once the legal right to explore had been acquired, until the technical feasibility and commercial viability of extracting a mineral resource demonstrated.



## Toronto Stock Exchange: GMX

### Company Headquarters

86, 14th Street  
Rouyn-Noranda, Quebec J9X 2J1  
Canada

### Company Contact Information

Mr. Jack Stoch, President & CEO  
Phone: +1 819-797-5242  
info@globexmining.com

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Contact: [editor@smallcaps.us](mailto:editor@smallcaps.us)

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