

Globex Mining Enterprises Inc. (GMX)

April 06, 2019

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 working to establish ownership of multiple properties, in different jurisdictions, and with leverage to many resources. Globex currently controls 166 properties and/or property royalties.

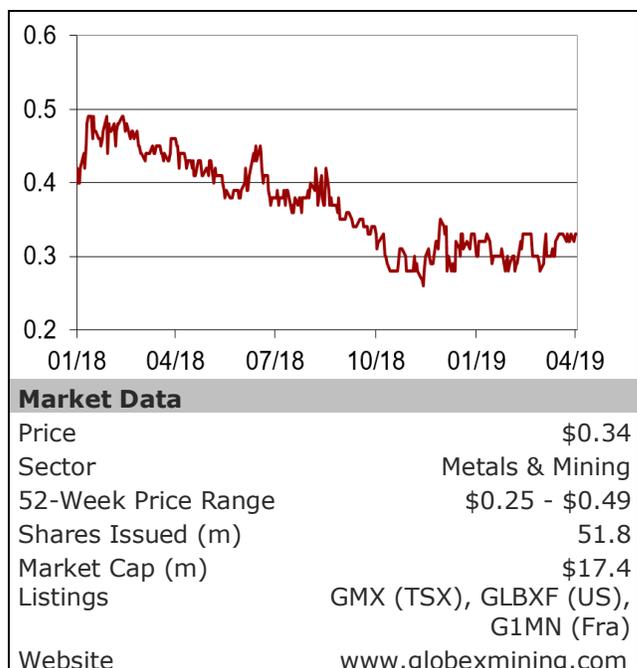
Diversification is further achieved through a portfolio of approximately 55 royalty agreements held by the Company. One such royalty has already generated CDN \$1.83 million in revenue for Globex in 2018. This is in addition to option revenue which combined with royalty revenue generated almost \$3 million in 2018.

With its large high-quality portfolio of resource property holdings, the active exploration programs underway, and the current income stream from ownership of royalties, Globex is providing shareholders with a dynamic platform for value creation.

We reiterate our buy recommendation for Globex Mining Enterprises with a price target of \$1.10, which is 223% above today's stock price.



- In 2018, Globex earned royalties of \$1,815,435 from Nyrstar's Mid Tennessee mine, and expects to continue receiving between \$100,000 and \$150,000 or more per month in 2019. In addition, Globex has a number of option agreements in place which are estimated to potentially generate gross option payments in excess of \$1.0 million in 2019.
- Globex shareholders may also be encouraged that the Company is working to support the share price through participation in a 1 million share buyback program that will contribute additional market demand for common stock, while also tightening the share structure. Globex already completed a similar program last year. Both programs demonstrate the strength of the balance sheet as Globex has maintained a cash position to afford the option to pursue this strategy.



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 along with exploration data and work credits.

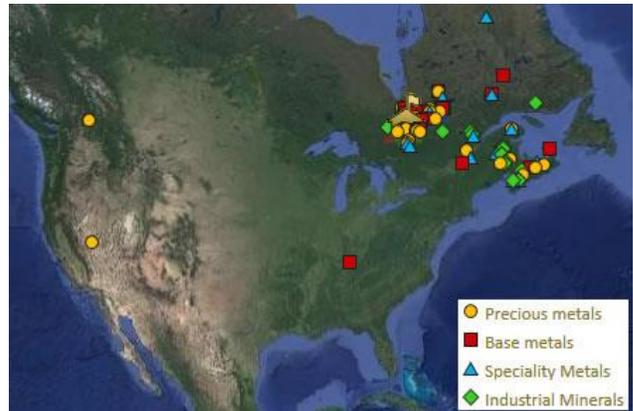
Outright property sales may include cash and/or share payments and a form of royalty interest payable when projects achieve commercial production, or another negotiated milestone.

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 166 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 51.2 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.

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 (fully paid);
- Incur exploration expenditures of \$1,000,000 on the property (Completed); 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	\$1,815,435
Globex' annual royalty income from the Mid Tennessee Zinc Mine owned by Nyrstar.	

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 anticipates during 2019, receiving estimated monthly metal royalties from Nyrstar between \$100,000 and \$150,000 per month and moving upward from there due to rising zinc prices.

At December 31, 2018, Globex had a total of 55 royalty arrangements in effect at various stages.

PROPERTY PORTFOLIO

The heart and soul of Globex is obviously its property portfolio. Of the 166 projects that it currently holds, 80 are focused on precious metals (gold, silver, platinum, palladium), 57 on base metals and polymetallic (copper, zinc, lead, nickel), and 29 on specialty metals (talc,

iron, lithium, manganese, feldspar). The assets also include more than 40 former mines and over 53 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.

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
Total	4,171,000	6.36	853,000

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.



Part of the Timmins Talc-Magnesite Deposit.

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.

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.

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

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.

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. In addition Globex recently acquired 11 kilometers of the Eagle Gold Mine horizon which has many historic gold bearing drill holes.

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

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 Richmond 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 Richmond 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.

Prospecting in different areas of the property including Arntfield, Murphy zone, Francoeur shaft #1, Arntfield shaft #1, led to a

trenching program completed over late summer consisting of 9 trenches over a strike length of 302 meters 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 on the property. A secondary "South Shear" has been identified at the property, at 50 metres south and property parallel to the Main Shear.

In 2018, Globex continued fieldwork at the property. As numerous high-grade gold intervals had been reported from previous campaigns, the Company shifted its efforts to target new discovery zones which had the potential to build on the resource magnitude for the project.

One such target, the 450 Zone located at the southern edge of the property, yielded attractive gold values in preliminary surface stripping and channel sampling. Gold zones encountered across substantial widths during this program included assay values in the range of 7 grams per tonne over 9 m. Some of the most promising channel samples were located near the southern property boundary and this suggested that additional gold-bearing structures could exist beyond the property limits.



Part of the Francoeur property that was stripped from overburden and pressure washed to expose the bedrock.

Prompted by the ongoing positive results from the 450 Zone, Globex seized the opportunity

to secure ownership to adjoining claim groups further to the south. This greatly expanded the property area controlled by the Company and also created a much more attractive gold target on which to potentially build resources.

In February 2019, Globex reported the definition of new target areas based on the interpretation of the recently completed induced polarization survey. While prior exploration work had achieved success targeting the primary structural corridor including the newly discovered South Gold Zone, the 450 Zone may be related in part to a new cross-trending system that has been identified, extending along a northeast-southwest axis. Of greater interest, the geophysical anomalies related to this system indicate that where this cross trend intersects the normal regional trend, it shifts to a parallel orientation and displaces it.

The fact that early gold showings from the 450 Zone appear to confirm this geophysical interpretation builds further confidence that the intersection of the two structural targets may indeed lead to a highly mineralized section. Globex is characteristically following up on this potential immediately, with a drill program.

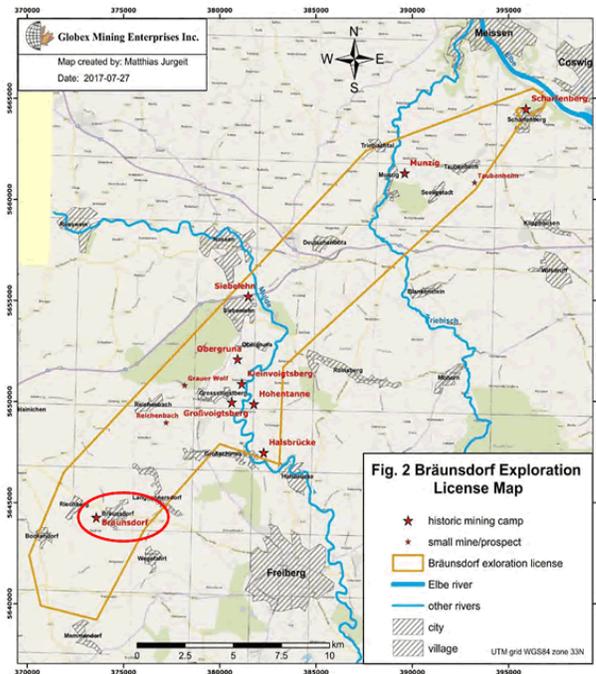
A series of about 7 drill holes will be completed at the 450 zone target area, for perhaps 1000 to 1500 meters of total drilling work. While risky, if the drill holes intersect gold values, the properties value will be enhanced. This is what the exploration business is all about.

Freiberg Silver Mining District, 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 Freiberg silver camp, which Globex has termed the Bräunsdorf Silver District (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.



The Bräunsdorf Property in Saxony, Germany.

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.

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.

A few days ago, Globex announced preliminary results from a ground magnetometer survey, which was conducted on the property earlier this year. The area surveyed covers a rectangular grid area approximately 6.5km long by 1 km wide elongated in a northeast-southwest direction covering the principal Neue Hoffnung Gottes (NHG) vein system including the Siegfried and Neue Hoffnung Gottes shaft areas and adjoining land to the northwest.



In one day, a technical operator can walk roughly 10-15 line kilometers of a ground magnetometer survey. 100 line kilometres is equivalent to 10 days of operator time and expenses whereas an Unmanned Airborne Vehicle (UAV) magnetometer system can collect high quality data from the same distance in a single day.

Historic production from the NHG silver vein system is estimated to be about 112.5 tonnes (3,616,959 oz. Ag) from a strike length of approximately 2,750m and depths of up to 250 m. All mining was manual pick and shovel mining followed by hand sorting undertaken between 1673 and 1862. Veins are reported to have reached widths of up to 4.2 m.

The magnetometer survey outlines a series of 3 parallel northeast-southwest trending, linear magnetic high anomalies. The NHG vein system seems to parallel the southeastern most of these magnetic anomalies within an area of magnetic low. The other linear anomalies suggest corresponding linear, parallel magnetic lows similar to the one beside the magnetic high that borders the NHG silver vein system. These are now priority target areas.

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

RECENT EVENTS

Renforth Continues to Advance Parbec Gold Property

The nature of the relationship with Renforth Resources has continued to evolve since Globex agreed to an option deal for its Parbec Gold Property in February 2015. Under the original terms of this arrangement, Renforth could earn 100% ownership of the property by paying a total of \$550,000 in cash along with 2 million Renforth shares, plus funding additional work commitments for \$4 million in exploration to advance the project. Globex also retained a Gross Metal Royalty (GMR) on Parbec, based on a sliding scale up to 2% if the price of gold held above \$1200.

Renforth has proven itself to be an ideal partner to advance the exploration work at Parbec. The company has completed several rounds of exploration during the tenure of the option deal, and the results have significantly expanded the established gold resources of the project. In September of 2018, Renforth reported an **updated NI43-101 compliant resource estimate for Parbec documenting 37,224 ounces of gold in the Indicated category, plus another 656,875 gold ounces Inferred.**

The steady pace of work has continued to the present. Renforth reported another round of assay results in February 2019 from a recently completed drilling program that encountered attractive gold values including **17.55 gpt gold across an interval of 1.5 meters.** This came from the Eastern extension of the deposit and demonstrates that the system remains open for further expansion. Renforth also reported an interval of **2 meters bearing 13.44 gpt gold** from another exploration zone of the property.

Given the outlook for continued exploration success, the two companies agreed a couple of weeks ago to revise the terms of their partnership. Globex reported that it has chosen to waive the remaining work commitment outstanding and is immediately transferring 100% ownership of the property to Renforth. We understand that Renforth still had to complete \$1.6 million in expenditures. With the option deal completed for the property, Globex remains leveraged to the further potential advancement of the project through its minority share ownership of Renforth, and the GMR that it holds in perpetuity.



The drilling rig arrives at the Parbec Property.

In consideration of the accelerated completion of the option, Renforth agreed to grant Globex another 5 million shares (currently valued at \$225,000), thereby expanding its ownership interest and leverage to any further success achieved at Parbec. In addition, in the event that Renforth completes a consolidation of its share capital prior to March 2023, Renforth agrees to issue a further 1,500,000 shares to Globex on a post-consolidation basis.

In what may represent an even more valuable consideration, Renforth has also agreed to increase the total royalty held by Globex for the Parbec property to a fixed 3% GMR. Renforth has also committed to the payment of a one-time royalty of \$1 million upon the development of a gold mine and the first shipment of ore from the project. Globex has granted Renforth the right of first-refusal to purchase this GMR in the event that Globex chooses to sell its interest.

As the successful exploration programs have continued and the established gold resources continue to increase, the potential for development of a producing gold mine at

Parbec has also increased. These factors build value for the GMR and the prospect of a payment stream based on the royalty becomes more likely.

Globex Acquires Vast Crater Lake Scandium Property

In late March 2019, Globex issued an interesting update relating to a round of exploration getting underway in Quebec by Imperial Mining Group. With a package of property interests concentrated at the northwest side of the Crater Lake structure, Imperial has completed preliminary exploration work to suggest the potential for a scandium deposit.

A somewhat exotic metal with few primary production sources worldwide, scandium is a critical component involved in the manufacturing of many high-tech products and may be combined with other metals to form high-strength alloys. The presence of scandium, along with other economically attractive elements, has already been established within the holdings controlled by Imperial Mining. This prompted Globex to acquire by staking the remaining property holdings in the area, located to the southeast side of the Crater Lake structure.

Imperial Mining has commenced a 2500-meter drilling program to further validate the resource potential within the property holdings it controls on the Northwest side. Similar structural targets have been identified within the Globex Crater Lake property interests, and highly prospective surface exploration work suggests that the ore localizing rock unit extends onto the southeast side which is covered by Globex's claims.

Pending the results of this program conducted by Imperial, the prospect of a new discovery may elevate the status for the holdings controlled by Globex, such that an exploration effort may be warranted. Geologists for Globex are thus awaiting further confirmation in the region and will proceed with greater urgency in the event that an attractive discovery is presented to the north. Knowing that Globex simply staked the property, the upside potential is substantial.

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

The long-term outlook for gold remains positive. An analyst was quoted saying, “At this point, it’s very likely that we will get the occasional pullback due to a lot of resistance, but I think that what we are looking at is an opportunity to pick up the Gold markets very cheap. At this point, I think that the value hunters will continue to look at gold every time we pull back, as the US dollar looks very soft going forward with the Federal Reserve keeping interest rates low, and perhaps entering a more dovish stance. At this point, I think that eventually we will go looking towards the \$1350 level, and if we can get above there the market more than likely will continue to reach towards the \$1400 level.

Gold will continue to yield a boost not only from the Federal Reserve, but also from the geopolitical concerns that we see around the world. After this point, the US/China trade situation could continue to be a main driver as well. Looking at the US dollar will be crucial going forward, as if it falls we could see gold rally due to the Federal Reserve. However, if the US dollar rallies due to a “fear trade”, that should also push gold higher. While I do believe that we have a major amount of resistance just above, I think that the demand will far outweigh the area of selling.

I would not jump in with both feet, as you can get hurt if you are over levered. However, the longer-term outlook for gold is very good, as the US dollar is expected to lose value going later into the 2019 handle.”



5-year silver chart. Source: Kitco.com

Last year was disappointing, but the Silver Institute is predicting a “more supportive” climate for silver in 2019. Sales of the US Mint’s American Eagle coins rose 12% in January 2019, compared to the same month a year earlier. Silver should also benefit as the U.S. Federal Reserve is expected to ease off interest rate hikes.

On the demand side, the Silver Institute expects the industrial fabrication sector should see a modest rise. Demand for silver from the photovoltaic (PV) demand is seen as strong, especially where governments support the move to renewable energy sources.

The Silver Institute said it expects the silver price to strengthen this year and average \$16.75 per ounce. That represents a 7% increase over 2018. Investors leery of the equity markets are expected to look for alternatives such as precious metals, and silver will benefit from their interest.



5-year copper chart. Source: Kitco.com

Global refined copper consumption will register steady growth over the coming years, driven by demand from the power industry, rising electric vehicle (EV) production and a positive global economic growth outlook, a new copper supply and demand outlook by Fitch Solutions shows.

Fitch forecasts that global copper demand will increase from 23.6mnt in 2018 to 29 .8mnt by 2027, at 2.6% annual growth.

But the global copper market will see persistent undersupply in the coming years, as global consumption, driven by China's power and infrastructure sectors and increasing EV production, continues to outpace supply growth, Fitch warns.

Based on Fitch's data, global refined copper demand will outpace production and the market will be in deficit over the next few years. Fitch specifically forecasts the global refined copper balance to register a deficit of 247kt in 2018, and to remain under-supplied through to 2021.



5-year nickel chart. Source: Kitco.com

The nickel price has started the new calendar year on a positive trend, with stainless steel consumption remaining healthy and the outlook for nickel-intensive electric vehicle battery demand remaining promising.

According to McKinsey research if annual electric vehicle (EV) production reaches 31 million vehicles by 2025 as expected then demand for high-purity class 1 nickel is likely to increase significantly from 33 Kt in 2017 to 570 Kt in 2025. Class 1 nickel is the "high purity" nickel that is used in electric vehicle lithium ion batteries. The stainless-steel

industry uses both class 1 and class 2 nickel (lower purity) and is the main driver of overall nickel demand.

McKinsey also states that "a shortfall in class 1 nickel production seems increasingly likely as current low nickel prices do not support class 1 nickel capacity expansions and alternative strategies.



5-year zinc chart. Source: Kitco.com

Over 2018 zinc has languished well below its base metal compatriots, falling as low as 32 percent under its starting point of US\$3,375 a tonne to US\$2,285 in mid-September.

In 2019, Wood Mackenzie forecasts a modest surplus in the concentrate market, a **recovery in the zinc price** and China's smelters making the necessary investments to become environmentally compliant is forecast to result in Chinese refined production rebounding. These factors should have a positive effect on zinc markets. Remember Globex has a zinc royalty related to the price of zinc.

FINANCIALS

For the year ended December 31, 2018, revenues totalled \$3,050,420 which was \$912,895 lower than the \$3,963,315 reported in the comparable period in 2017. The year's revenues consisted of:

- option income and advance royalties of \$1,234,985 (2017 - \$3,022,857), and
- metal royalties of \$1,815,435 (2017 - \$940,458) from the Nyrstar Mid-Tennessee Mines.

In fiscal year 2018, total expenses reached \$2,540,476 as compared to \$2,887,317 in

fiscal year 2017. This represents a decrease of \$346,841 mainly related to a decrease in salaries, professional fees, as well as in exploration and evaluation expenses.

	12/31/18	12/31/17
Revenues	902,357	1,842,248
Operating Expenses	672,230	723,724
Profit (Loss) From Operations	(103,165)	1,118,524
Other Income (Loss)	(194,026)	(69,920)
Net Income (Loss)	(336,088)	1,024,567
Selected income statement data for the quarters ending December 31, 2018 and December 31, 2017. Source: Company Filing		

The Corporation's net loss totaled \$95,627 for the year ended December 31, 2018, with basic and diluted loss per share of \$0.00. This compares with a net income of \$754,866 with basic income per share of \$0.02 and diluted income per share of \$0.01 for the year ended December 31, 2017. Increase in net loss was principally due to the decline in revenues.

Balance Sheet as of December 31, 2018

At December 31, 2018, the Corporation had cash and cash equivalents of \$2,704,326 (December 31, 2017 - \$1,572,189) and cash reserved for exploration of \$743,873 (December 31, 2017 - \$954,579). In addition, it had investments with a fair market value of \$904,544 (December 31, 2017- \$1,459,781) which represents shares received under mining option agreements.

The Corporation's working capital (based on current assets minus current liabilities) was \$4,228,989 at December 31, 2018 (December 31, 2017 - \$4,032,313).

On March 8, 2018, the Company announced that it would conduct a normal course issuer bid ("NCIB"). Under the NCIB, Globex was entitled to repurchase for cancellation up to 1,000,000 common shares, representing 2.15% of Globex's "public float" as of March 7, 2018. The Company has completed the 1 million buyback program and has already initiated a second 1 million share NCIB.

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

	12/31/18	12/31/17
Cash and Cash Eq.	2,704,326	1,572,189
Cash Reserved for Exploration	743,873	954,579
Investments	904,544	1,459,781
Total Current Assets	4,605,511	4,253,815
Reclamation Bonds	789,120	776,555
Total Assets	5,859,955	5,463,693
Total Current Liabilities	376,522	221,502
Total Stockholder Equity	4,553,421	4,211,049
Selected balance sheet data for December 31, 2018 and December 31, 2017. Source: Company Filing		

OUTLOOK & VALUATION

Globex Mining Enterprises Inc. 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.

Investors' attraction for mineral exploration companies is driven by the potential for spectacular gains that are often generated with the achievement of significant discoveries. One of the most important considerations regarding junior explorers therefore is the determination to carry out exploration programs and continue towards the achievement of at least one defined resource deposit.

The most successful junior explorers have demonstrated the ability to carry out early stage fieldwork programs that can improve the overall odds for success, prior to embarking on the more expensive drilling work later in the process. As the geophysical surveying techniques have advanced in recent years these programs have become a valuable tool to generate high profile drill targets.

Similarly, the skills of the management team to secure the ownership of significant property

holdings, and to select the most attractive districts for exploration activity establishes the foundation for a successful discovery program. Globex has built a suite of diversified property holdings with leverage in many districts at the forefront of mineral exploration.

The combined approach to focus its efforts in the most attractive areas and follow through with ambitious work activity has led to resource expansion at several of the prospects held by the Company. This then contributes to more shareholder value.

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 less than \$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 51.2 million shares outstanding, the intrinsic value of Globex' shares derived from our model is \$1.10.

Based on these calculations, we reiterate our buy recommendation for Globex Mining Enterprises with a price target of \$1.10, which is 223% above today's stock price.

SHARE DATA & OWNERSHIP

As of April 1, 2019 Globex, had a little over 51.2 million common shares outstanding. Jack

Stoch and his spouse, Dianne Stoch (director of Globex) own 5.12 million shares, or approximately 10.8% 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 51 million shares outstanding without a single reverse stock split.

Finally, Globex also has close to 3 million stock options outstanding with an average exercise price of \$0.30. 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 Masters 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 2016 – FY 2018

PERIOD ENDING	FY 2016	FY 2017 *	FY 2018
Revenue	1,700,500	3,963,315	3,050,420
Operating Expenses			
Salaries	376,001	506,617	421,046
Administration	291,096	345,030	333,580
Exploration & Evaluation Expenditures	1,493,119	1,564,867	1,428,395
Total Operating Expenses	2,645,121	2,887,317	2,540,476
Operating Income or (Loss)	(944,621)	1,075,998	509,944
Income from Continuing Operations			
Increase (decrease) in Fair Value of Financial Assets	(65,039)	(143,282)	(657,977)
Income (Loss) Before Tax	(930,391)	795,435	(28,254)
Income and Mining Tax Expense (Recovery)	218,198	40,549	67,373
Net Income (Loss)	(712,193)	754,886	(95,627)

Annual Income Statement FY 2016 – FY 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.



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