

## Transcript of initial interview with Mr. Jack Stoch



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



**Toronto Stock Exchange: GMX**

**January 21, 2017**

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

**Smallcaps Investment Research: Welcome everyone and thanks for tuning in to another interview on Smallcaps Investment Research. We're very pleased to have Mr. Jack Stoch, the President and CEO of Globex Mining Enterprises, with us today. Globex is a very solid and divers company in the mining and exploration sector, as it owns close to 150 properties. It is listed on the Toronto Stock Exchange with ticker symbol GMX. Jack, thanks so much for joining us, welcome.**

Mr. Jack Stoch: Thank you for inviting me.

**Globex is somewhat of an extraordinary member of the mining industry, as it doesn't just own a few properties which it tries to develop like most other companies. Can you give a brief introduction to help us get a feel for the Company?**

Sure, it'll be a pleasure. Globex is an exploration company, but as you said, we're a different kind of company. Although we do exploration work like most other companies, we also generate revenue by optioning out some of our properties to other companies. In return, we receive cash or shares from that company. And if they succeed in finding a deposit, we additionally end up with a royalty, which also generates revenue for us.

This is a bit of a different model from most exploration companies, as they generally have only one or two properties that they explore. If they find something, great. Then they raise more money to continue their exploration and development work. If they don't find anything, they drop the asset and

then they find another property to explore. In order to do that, they need to raise more money. There is constant dilution of the shareholders.

We don't do that. We have very minimal dilution. We are in business for over 30 years, and we only have 48 million shares outstanding. In addition, we've never done a roll back of our shares.

Globex is also somewhat different as it's listed on the big board, the Toronto Stock Exchange, not the Venture Exchange. To make it easier for our non-Canadian shareholders, we're also listed in the OTCQX in the U.S. and on 5 exchanges in Germany.

A final, but major, difference between Globex and most other resource companies is that we view that our end product is money. It's not copper, gold, silver, rare earths, or manganese. It is what is generated from all those products, and that's money. So instead of a company that focusses on gold or copper, we focus on anything that has a chance of making money. We have about half the periodic table, as well as industrial minerals, in our portfolio. We really are 50 companies combined into one Company with very few shares outstanding.

**Would it be possible to give us a couple of examples of agreements in which Globex earns royalties, or where it receives cash?**

Absolutely. We recently optioned on our Montalembert property to a company called Natan Resources. Based upon the Montalembert property, which is a high-grade

gold property, Natan was able to raise \$4 million for exploration work.

Now in order to earn a 100% interest in the property from Globex, Natan is required to:

- Pay Globex \$2.6 million over a four year period;
- Issue Globex eight and a half million shares of Natan's common stock; and
- Undertake \$15 million in work.

If Natan is successful and it earns a 100% interest in the property, we retain a 3.5% gross metal royalty, except for the first 150,000 ounces of gold production, where we retain a 6.5% gross metal royalty. Consequently, if the Montalembert project goes into production, Globex will receive a significant amount of money from that mine every year. That's an example of one of our option agreements.

As for an example of a royalty agreement, we have a royalty on a zinc mine, called the Mid Tennessee Mine, which is owned by Nyrstar. At a zinc price of between \$0.90 and \$1.10 per pound, we receive a 1% gross metal royalty and at a zinc price above \$1.10 per pound, we have a 1.4% gross metal royalty. By the way, "gross metal royalty" is a term that we invented. It basically means that we can ask to be paid in metal or in cash equivalent with no deductions for mining or processing costs.

As Nyrstar decided to put the Mid Tennessee Mine back into production this year, and at current zinc prices in the \$1.20's, Globex stands to receive over \$1.5 million per year in royalty payments.

**Would you give us an idea about the current revenues of Globex and also how do you see them developing going forward?**

Our revenue varies from year to year. For example, the last five years have been terrible with revenue anywhere from \$500,000 to \$600,000 a year. The reason was simple, very few companies were able to raise money to develop their projects and pay royalties. Now that the markets seem to

have turned around however, we expect our revenue to significantly increase again.

I already mentioned the royalty from the Mid Tennessee Mine. Next to that, we expect to receive about \$550,000 in the next month or two. Natan is paying us \$300,000 in the next couple of weeks, Manganese X Energy Corp is giving us another \$100,000, Walmer Capital Corp is paying us \$100,000, and Tres-Or Resources is giving us \$40,000, etc.

There's a lot of expenditure by other companies on our properties, so we're advancing our assets quite nicely.

**Another thing that's noteworthy about Globex is that although you own close to 150 properties, they're all located in North America. Why is that?**

Basically because we can't afford to lose money by investing in places where governments are unstable or laws are fluid, such as is the case in many African and South-American countries.

Globex is not big enough to withstand a major loss from being expropriated by a government. For example, in Columbia, the government recently passed a law, which created a park over part of a property on which a company had spent millions of dollars in exploration.

Consequently, we want to be active in areas where there is stability, both politically and legally. For me, that means Canada, and parts of the United States.

That doesn't mean though that we're not looking at other countries where we feel that the governments are stable and the laws are respected by the courts. It's just that we haven't found anything worthwhile yet in those areas.

**Something that I'm very curious about, and I'm sure many of our listeners as well. Every resource company is looking for attractive properties in low risk jurisdictions. How come that Globex is able to find and acquire those properties while others aren't?**

Well, first because we have a very good team. We have six full-time geologists and exceptional support staff. Also, most of us live in the Abitibi in Northern Quebec, so we know the geology, we know where the mines are, we know where the horizons that have potential are.

Second, we have a very good understanding of the exploration methods and the legal methods of acquiring ground. We're able to act quickly and decisively, whereas companies that are, for example, based in Vancouver don't understand the laws, and don't necessarily understand how things function. All in all, we have the knowledge of the geology where to look and we have the knowledge of the systems.

**We already touched upon the rich asset portfolio of Globex, but let's discuss a few properties a bit more in-depth. First, the Pandora-Wood property near Cadillac, Quebec. This is actually a joint venture with two well-known resource companies. What work has been conducted on this property so far and where would you like it to be 12 months from now?**

This is very interesting property. Ownership is shared equally between JV partners Globex (50%) and Canadian Malartic Corporation (50%). We're the manager, while Agnico Eagle and Yamana are our partners through Malartic.

The property is situated in the heart of Quebec's premier gold producing district, the Cadillac Gold Camp, which is one of two major gold localizing structures in the Abitibi. The property actually hosts three former gold mines, which have not been properly explored to depth.

We have done drill programs on it in the past and have shown very good intersections, good widths, and good grades. We've also found a small high grade deposit off the main structure that we're looking at.

We want to do more exploration on the property, and we want to put the Ironwood deposit into production. With a grade higher

than 17 grams of gold per tonne, the property should generate a significant profit.

Overall, the entire project has the right geological address and it has the potential to generate several more mines, particularly with exploration to depth.

**Another exciting asset is the Duquesne West gold property in Quebec. What exploration and development work has been conducted on this one?**

The Duquesne West project is another very interesting one. We've already outlined 853,000 ounces of gold, NI 43-101 compatible. There are over half a dozen different zones, most of which are open. So there is plenty more exploration work that can be done.

Duquesne West is also a perfect example of how Globex generates revenue from a project. When we first acquired the project, it only had a resource of about 100,000 ounces of gold. Since then, we've optioned the property 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 to us, or if it's not able to do all the work on the property that it's required to do, then the property comes back to us. That's the way we structure our deals.

So although millions and millions of dollars have been invested on Duquesne West by other parties, each time it has come back to us because the companies weren't able to raise money to continue the development. Consequently, we gain the ounces in the ground and the next group that we option this property to pays us a higher price, simply because it contains more ounces.

Although we again have had requests to option the property, we're waiting for a more significant gold price. It is quite a phenomenal project.

**A third project that I'd like to cover is the Joutel mining camp in north-western Quebec. The camp is actually comprised**

**of three properties located in the same vicinity. What can you tell us about these three and their potential?**

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

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

This is a project that has taken us several years to acquire three out of the four deposits. We own a very large land package, and we're looking to vend this to a company that would take it on as a mining camp project rather than a single mine project.

We believe this represents a rare opportunity for a company, especially now that zinc and copper prices have gone up significantly. We expect to be garnering a significant interest on this project in the next little while.

**The final project is a very intriguing one. We understand that Globex will be doing some work on what might be a diamond property? Could you give us some color on that?**

This is certainly a bit of a different project. Last year, we acquired a platinum, palladium and nickel property. And while I was looking at the property, I noticed a magnetic signature, near our property, that looked like a kimberlite pipe signature - an igneous rock best known for sometimes containing diamonds.

So we staked the ground that contained the magnetic signature, and then we started doing some research on it. We found that in 2004 basal till sampling for indicator minerals had been conducted on the property. Pyrope

garnets were found down glaciation from where the magnetic signature was situated. The types of garnet found are often found with, and are indicative of, deep seated rocks such as kimberlites.

We put all our information together and showed it to an expert in diamond exploration. He looked at it and said "If we had that in the North-West territories we would have drilled it already".

Consequently, we're going to do a detailed ground magnetics and a electromagnetics survey. In fact, the crews are going in very shortly. If they find what we're hoping for, we'll be bringing in a drill and we're going to pop a couple of holes in it to find out if that magnetic anomaly is caused by a kimberlite? If we are right, we will most likely stake a huge area in the vicinity. We're able to do that, because we're sitting there alone.

This is a very exciting opportunity, because it has the right signature, it has the right geology, it has the right age, and it is located in a corridor where there is a producing diamond mine.

**Another way how you increase shareholder value is by spinning out certain assets of Globex. For example, a few years ago, you spun-out a number of properties into a new publicly traded company called Chibougamau Independent Mines. What has happened with Chibougamau since and do you plan to spin-out other assets in the future.**

Oh boy, Chibougamau Independent Mines is such a beautiful company. It owns about half of the Chibougamau mining camp which is a copper and gold camp.

I felt that we weren't getting the recognition of the value of that asset within Globex. So I decided to spin it out. The mistake I made was that I spun it out in the worst of markets. Now would have been the time to do it.

Anyway, we spun it out, raised some money, and conducted two drill campaigns. We hit



mineralization in each program, but still the stock of Chibougamau kept going down. Currently it's trading at about 7 or 8 cents.

We've actually increased the asset size even more since then. Late 2016, we completed two drill programs. One on a zinc gold project called Berrigan, and one on a copper gold project called Bateman. We've hit significant mineralization on pretty much every single hole, so it looks very good. And we'll be doing some more work.

I continue to believe that spin-outs are one of the ways how we can gain value for our shareholders. Except, we have to do it in a proper market.

**Between 2012 and 2015 conditions for resource companies were really tough. In fact, many companies in the sector went out of business. Contrary to that, Globex prospered during that period. How were you able to benefit from that depressed market?**

Most junior companies live for the moment. When things are good, they'll ride high, and when things are bad they'll disappear.

We, on the other hand, have a very long-term vision. We want to profit from all aspects of the market. The last five years have been terrible. Metal prices were low. Stock prices were low. Making it extremely difficult to raise money.

But if you had a long-term vision, you couldn't have asked for a better time to acquire assets, because the companies that couldn't raise money were losing their assets. And we were able to acquire those, often valuable, assets at minimal cost.

To give you an idea how silly it got during those tough years. We noticed that a certain company wasn't going to renew its claim on an asset which had over 150 drill holes, many with gold values. We approached that company and asked them to give us their property and in return we would give them a royalty. Instead of accepting our offer, they simply gave us the asset without wanting

anything in return. That's how fed-up some people got with the negativity.

Those tough years were the very best of years if you were interested in asset accumulation. They were the very worst of years if you were trying to raise money. I like to think we were lucky as hell and our team was smart as hell.

**Another important item that we should cover, is what sets you apart from your competitors?**

One thing is our long-term view. I think that's very important. If you have a long-term view you don't get too fussed about the fact that things are negative. And you don't get unrealistic when things get very good.

One of the other things that set us apart is we're extremely frugal. As we mentioned at the beginning of this discussion, we own our assets. Most companies don't own their assets, they option them from other people like us. And if they don't pay, then they lose them.

We not only own our exploration assets, we also own our office buildings, our core storage, all of our equipment, our trucks, etc. That's not the way most junior companies work, as they rent everything. They rent their offices, their trucks, their office equipment, their photocopier, etc.

Consequently, when things turn bad, they're in trouble and by extension shareholder are in trouble.

It's a bit of a different mindset on how we move forward. That sets us apart from almost all of the other companies.

**And as a final question, what are the two or three most compelling reasons for a long term investor to consider Globex Mining today?**

First, that we can survive the downturns. In fact, downturns are often our best years to acquire assets.

Another strong point of Globex is its diversity. When gold is good, everybody jumps into gold. When copper is good, everybody jumps into copper. When rare earths are good, everybody jumps into rare earths. But we have them all. We don't have to jump into anything, we're already there. We can take optimal advantage of the fluctuations in the market. As investor interest changes, we have good assets in our portfolio.

One negative aspect of having so many assets though is that it's sometimes hard for investors and brokers to understand the true value of the Company. Let me give an example. Globex' stock is currently trading at around 45 cents, which gives us a market cap of approximately \$22 million. Now take our Duquesne West property. Any other company that has a single asset with the same characteristics as Duquesne West, would easily trade at our valuation. At Globex, Duquesne West is just one of the almost 150 properties that we have in our portfolio.

The other thing which sets us apart is that we make money. That sounds like an obvious

thing, but most junior companies don't make money, they spend money. We however, actually generate an income. And in the good years we generate a fair amount more than what we spend. That's also how we minimize shareholder delusion.

Finally, as I indicated before, we have about 48 million shares outstanding and we've never done a roll back in 30 years. I'm one of largest shareholders of Globex, so I have a vested interest to make this work. And I think the respect that we have for our shareholders and for the fact that they've put their money in us is an important factor that sets us apart. We feel a kinship between the Company and the shareholders. I think in a large degree the shareholders who know us and have been following us for some time feel the same way.

**Fantastic. Jack, It's been a pleasure speaking with you today. Thank you for sharing your thoughts with us and we'd be more than happy to have you back for an update in the future.**

Thank you for your interest and your time.

## **Interview Feedback**

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/why-just-one-of-globex-150-assets-justifies-its-current-market-capitalization-globex-mining-ceo-jack-stoch-explains>

Transcripts are edited for clarity.

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