



Transcript of initial interview with Mr. Jack Stoch



President and CEO of Globex Mining Enterprises Inc.



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Mr. Jack Stoch - President and CEO of Globex Mining Enterprises Inc. Following a stint with Noranda Exploration Ltd., Mr. Stoch, in 1976, started acquiring and vending exploration projects, through his own consulting businesses, Geoconseils Jack Stoch Ltee. and Geosol Inc. In 1983, he gained control of the Globex shell 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, Jack, a P.Geol., 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.us: Hello everybody and welcome. We have a special interview today on Smallcaps.us with Mr. Jack Stoch, the President and CEO of Globex Mining Enterprises. Globex is a well-diversified Company, active in the mining and exploration sector and is listed in the U.S. and Germany, but its main listing is on the Toronto Stock Exchange with ticker symbol GMX. Jack, I'm very pleased you could join us today, welcome.

Jack Stoch: Thank you very much, pleasure to be here.

Smallcaps.us: 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?

Jack Stoch: Sure. We are a senior Toronto Stock Exchange listed company which puts us into an elite group of companies. We only have 22.7 million shares issued, that's after 25 years. So what that tells you is that we're very, very careful with our shareholders' money, we treat the shareholder's money like it is our own. And myself and my wife being the largest shareholders, there is a reason to treat the money as our own. We have cash in the bank, we have no debt, we are a large property owner. We have over 115 projects. We only work in North America at the moment, we've never worked outside, we are diversified into all kinds of different minerals.

We have a little bit of a different philosophy about how we should work, in that we don't believe in debt, number one. We believe that we should treat it like a business, number two. And if you're treating something like a business, you should try to make money. And we make money from options and royalties. As a matter of fact, so far this year, we have a revenue of about \$3.8 million.

But the main thing that's different is the fact that we have so many assets, we own our assets and we're diversified. We believe that the final product that we're looking for is not copper, it's not gold, it's not zinc, it's not manganese or magnesium or talc, it's money, which is the final product from the sale.

And so, we have about half the periodic table within the portfolio of assets of the company, and we work on all of these assets and do deals on all of these assets. We think every single thing that we have should have the potential to be a mine. So we have excellent assets and we don't care what they are.

Smallcaps.us: Well, that's very interesting. And what is the strategy behind this, I mean how do you move the company forward?

Jack Stoch: The way a normal junior company moves forward, is it gets one or two properties and it raises money to spend on the property. If they're lucky, they advance the property and raise more money. And if not, they drop the property, acquire another one and raise more money. And what you end up doing is diluting your shareholders.

We have taken the position that we don't mind being minority shareholders. Therefore, the shareholders end up with their piece of the pie because we have fewer shares out as you can see by the 22.7 million shares out after 25 years.

So other companies come to us. For example, a company wants a gold property. So they come to us and ask us if we have a gold property that meets certain characteristics. We generally do have such properties because all of our properties have a reason. They either have historic resources or 43-101 resources or drill holes with values or surface showings, or geophysical conductors or stuff that is a combination of thereof.

So we option those properties to the companies and in return the companies pay us, generally over a four to five-year period, cash each year, shares in their company each year, and they're required to do a certain number of dollars of exploration each year to earn their interest in the property.

They can earn anywhere from 49 up to 100 percent interest. If they earn less than 100 percent interest then at the end of story we become a joint venture, plus we obtain a royalty. If it is a normal case where they want to earn 100 percent, we maintain what's called a gross overriding royalty. And a gross overriding royalty is a percentage of the metal as it comes out of the refinery or it comes out of the smelter, not subject to any cost. If it's a three percent gross overriding royalty and it's a gold deposit, we get three percent of the gold into our account.

And we also have gotten the advantage of their cash which we have received over the previous years which we use to fund our exploration and ongoing cost. Plus we have the shares which give us an interest in the company if we maintain the shares or we sold the shares and used that money to advance our other projects or to fund the acquisitions of more assets.

So, our strategy is little dilution, lots of work, we get millions and millions and millions of dollars

of work done each year, but funded by other companies that take the risk. They take the dilution, they do all the management work, we keep our staff small and just focus on a small number of projects that we want to advance because we like those for whatever technical reasons more than other projects.

Smallcaps.us: Another thing that's noteworthy about Globex is that although you own over a hundred properties, they're all located in North America. Why is that?

Jack Stoch: It's really simple, political risk. There are a number of countries in the world that you could work in, which may have stringent rules and you're safe. But look at the Newmont, a \$5-billion-project they stopped because of rioting and they can't get access to their property. We're a small company, we can't afford to lose money because of political risk. So we only want to be in the places that are less expensive to work with and that have written mining laws, no corruption, and you can have access to your properties. And that's North America, Canada and the U.S.

Smallcaps.us: Okay, thank you. Now let's concentrate on some of the properties that Globex is developing itself. First, the copper-gold-zinc projects in the Chibougamau mining district in Quebec, of which Globex is 100 percent owner. Can you shed some light on the current situation there?

Jack Stoch: That is a really interesting play. There's a number of mining camps in Quebec, areas that have significant production within a spatially small area, like the Noranda mining camp, the Val-d'Or mining camp, Matagami and so on. One of the historic camps is the Chibougamau mining camp, which is a copper-gold mining camp. Within a very limited area, there's probably something like 20 mines that saw production.

We own seven of those former copper-gold producers, which have seen mining. Any one or two of which could stand alone as its own company. So what we're doing is, we're

spending over the next several months about \$400,000. We've hired a very senior geologist. He is recompiling all of the existing drill data, geological data from all the mines to see what the structure is within the mine structures and to see if there is mineralization that wasn't mined previously. Because when this area was mined, the price of copper was lower, the price of gold was lower very significantly. When this started, the price of gold, for example, was \$35.

The idea is that we want to get to the point where it becomes a standalone company, and we have started a company called Chibougamau Independent Mines Limited, it's a private company, 100 percent owned by Globex. All of the assets have been put into that and once we have everything in place, unless someone comes up to us with some unbelievably fantastic deal, we intend to spin this off as a dividend to our shareholders. We think it has very, very significant potential and I prefer to go at it alone and just dividend it out to our shareholders and finance it.

Smallcaps.us: Another exciting asset is the Turner Falls rare earths property in western Quebec, which is also 100 percent owned. What work has been conducted there and where would you like the project to be 6 to 12 months from now?

Jack Stoch: That is a Rare Earths project, on which we've done exploration, mapping and sampling. Previously in our prospecting, we've come across either boulders or some surface showings of very, very high-grade light and rare metals. There's going to be a little bit of delay in the reporting of the results because a lot of the results that came back were so high, they were beyond the upper detection limits of the methodology being used. We're starting to get the assays right now and things are looking very, very interesting.

The other thing that's interesting is that there was a company next door to us that just did a deal with Toyota, and they have light rare earths and a very simple metallurgy compared to some of the others. We are in the same area, we have values, which I think are going to be significantly

higher than what they've already announced and ours has a lot of heavies, which are the more high-value materials. So 6 to 12 months from now, we want to have finished at least one and possibly two drill campaigns on the property. We're actually just getting the pricing for the equipment and the access at the moment.

Smallcaps.us: I see. And then we have the Woodstock manganese-iron property in New Brunswick for which the first drill results were announced just a few weeks ago. This could become quite a unique project in North America, right?

Jack Stoch: Yeah, it has the potential. You see, manganese is used in steel-making. You cannot make steel without manganese. And the interesting thing is, there is no manganese production in North America. So 100 percent is imported. I view it as a strategic metal. If that is the case, and it is, then any place where you have the potential to do production of manganese is going to be interesting.

We've located our property, acquired a 100 percent interest in the property in New Brunswick, near a town called Woodstock, which I must say is a very welcoming area. Historically, just on one of several zones, they talk about 40 million tons historical, that is not to be relied upon because it's old data. But we went in and we did one set of cross-sectional drill holes just to see if it really was there. We ended up intersecting and actually stopping right in mineralization, unfortunately. But we've got a combined width of about 116 meters of 10 percent manganese and about 15 percent iron.

So if you look at it, compared to some other big projects being worked on in the U.S., our grade is double or triple the grade of what is being looked at in the United States. We've done some initial metallurgical work and it looks like the treatment of this material should not be a problem.

Smallcaps.us: Okay. Let's move over to two subsidiaries of Globex that may be spun out to shareholders sometime in the future.

First, we have Worldwide Magnesium Corporation, which is 90 percent owned by Globex and which holds the promising Timmins Talc-Magnesite property. What can you tell us about that?

Jack Stoch: Well, we have a project, we actually picked up the project in a bankruptcy sale of a gold mining company. This is again, a reflection of our philosophy of we don't care what it is, as long as it has the potential of making money. There was bankruptcy sale of a gold mining company, everybody concentrated on the gold assets, we looked at all the assets, and we're able to pick up this particular asset for less than the price of a Volkswagen. And we got with it, about \$10 million of metallurgical test work, drill data, we got surface rights, as well as indications of a very large body of magnesite-talc and mineralization.

We've done some drilling, we've got a 43-101 resource of about 35 million tons down to 100 meters in a very limited area of the property. We would not be surprised if the property has huge multiples of that. And you can actually see it as you walk along the zone and you can see that it just keeps going north and south and east and west.

We've done a fair bit of metallurgical test work. We can separate out the talc and the magnesite. Interestingly when we first acquired this thing, we thought the talc was going to be an impurity, which we'd have to remove. It turns out that the talc is of a very, very good quality. It has a high brightness and is perfect for a number of industrial uses. And it actually may have more value as a final product than the products that we can make out of the magnesite.

So, we engaged Jacobs Engineering and a number of other firms to work with us to do a pre-feasibility study. We're on the third draft of the pre-feasibility study, so it should be completed shortly. The results look very, very good and we think that the cash on cash produced by this particular project is going to be exceptional. And we hope to be able to announce that in the near future.

The idea is that once the pre-feasibility study is done, we either bring in an industrial mineral partner and/or we spin it off as a dividend to shareholders. Again, this is another example of trying to get the value recognized.

Smallcaps.us: Another subsidiary that deserves a special mention is Eco Refractory Solutions, a 75 percent subsidiary of Globex. This company doesn't own a mining property but is actually commercializing a hydrometallurgical process for the recovery of gold from refractory ores.

Jack Stoch: Yes, you're right. We don't own a property within this particular subsidiary, but we're actually looking at acquiring some, but that is secondary. What the company has is a technology, which what we know from test work, is successful at recovering gold from what's called refractory gold ores. Refractory gold ores are ores where the actual recovery of gold is limited, maybe 10 percent, 40 percent, 50 percent, maybe more, but you can't get most of the gold out when you're basically putting it out in your tailings.

So there's a lot of mines that are not in production because they can't recover the gold or they've dumped the gold in the tailings and those tailings are lying around with the gold just sitting there with no method of recovery. We've done a number of tests for companies that have had problems. We've gotten well over 90 percent recoveries from the test work that we've done.

We think that this methodology has a good commercial application. It has a lot of advantages.

- It looks like the capital cost is much lower than any of the existing methods, for example, the ones that use autoclaves;
- It also doesn't require a fine grind, you can do it on a coarse grind which means that there's lower wear and tear on equipment and lower energy cost.
- You don't need to burn the material, so it has a lower energy cost again.

Two of the other aspects which are very, very interesting are:

- Refractory gold is often associated with arsenopyrite. And when you break down the arsenopyrite, you end up putting arsenic into the tailings. In our methodology, you end up putting up arsenate into the tailings but the arsenate is stable. The environmental groups and environmental branches of government like it because you are not polluting.
- The other great thing about it is that it takes your other sulphides, for example, pyrite and pyrrhotite, and it oxidizes them. So when you put them into your tailings, you're not going to end up with what's called acid drainage. You don't get acid being formed and going into the environment and killing life forms and organics.
- And one last advantage, I just like to mention, is that a lot of the reagents used in the process are recyclable, and we have a patent on that recycling. That makes a huge economic difference.

So we think this has a lot of potential, but we're in a very conservative business and so it's hard to get people, even when you show them the great results, to go forward. We're looking at trying to acquire some assets so we can do this ourselves. And use that as a showcase to show the technology works.

Smallcaps.us: Well, that's good to know. Something else that differentiates Globex from many other companies in the mining industry, and you already mentioned it before, is that after being in business for so many years, you only have 22.7 million shares outstanding. So how is that possible and can you tell us some more about the shareholder structure of the company?

Jack Stoch: The shareholder structure of the company is really simple. We have 22.7 million shares outstanding. There are no warrants. We are very frugal, we're very careful with our shareholders' money. The reason we only have 22.7 million shares outstanding is, as I indicated

before, that we let other companies take the risk and we maintain a royalty interest on our projects. We let them take the dilution and carry the projects forward, then use the revenue from those companies to bring the company forward.

Smallcaps.us: And, would you mind sharing a bit about Globex's management team and the other key members of the company?

Jack Stoch: Sure. One of the other things that makes us a little bit different is the people that are on the board. No doctors, no dentists, no lawyers, just four geologists and a mining accountant.

One of our board members is a senior vice president of Centerra Gold, a billion-dollar gold company. One of our directors is a mineral economist, one of our directors used to be one of the analysts for Caisse de Dépôt et Placement du Québec, which is one of the biggest funds in North America. I, myself am a geologist, my wife Dianne is the corporate secretary of the Company and has 19 years of accounting and planning experience for Noranda Mines. Between us, we all have over 180 years of hands-on experience.

Smallcaps.us: Now, Jack, as you just indicated, you've already been involved in the mining industry for many years. So that makes me very curious to know your view on the commodities markets in general and how you see them developing in the coming months?

Jack Stoch: Well, with what's going on in the world right now, seeing beyond today is really very difficult. My personal view is that we're going through an extremely rough period which everybody knows. I think for the base metals, we're going to go through a relatively slow recovery, I think that the smart money is going to be acquiring base metals and be in a position where when things recover enough that they're going to have a nice slice of the pie.

I think the present weakness in precious metals makes absolutely no sense. And I think that this is going to be extremely short-term. Let's hope

I'm right, because it's a really a life and death aspect as far as financing in our industry. The health of our industry seems to rely upon people's views of precious metal health.

And looking at what's going on in Europe and the United States and worldwide with all the economic difficulty, with all the wars and conflicts, with the anti-mining aspect, like for example, what happened with Newmont in Peru and their \$5 billion-dollar project, there are going to be shortages and these shortages are going to cause demand for those companies that are in production, or those who can mine in areas and jurisdictions where mining is allowed. And where you don't have difficulty getting approval to put projects into production.

I'm very, very positive. If I wasn't positive, why would I be in this business?

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

Jack Stoch: We started as a company with one property and now we're up to over 115. We're probably going to be adding another three or four over the next very short period of time. And each one of these projects has value. It takes time to develop them, we could develop them in a much shorter period of time, either prove them or disprove them by diluting our shareholders,

wasting a lot of money and not worrying about the long-term effects on the value aspect for our shareholders. But we think that our methodology, our approach is the way to go.

The reward is high but not as quick as with some of the other methods. The risk is much more moderate than other firms in the junior sector. One of the other things is our diversification. It sets us apart from other companies but and it also offers some protection. Obviously, there's no 100 percent protection in this market, but if gold prices are down, we have base metals. And if base metals are down, we have manganese and magnesium. If that's down, we have rare earths. It would require a worldwide recession for all of our assets to be of little value or of little potential, and that's not going to happen.

So, we have a lot of things going for us, and we're an exploration company, we're a royalty company, we're an option company. We're basically an anything that makes money company.

Smallcaps.us: 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 near future.

Jack Stoch: Thanks for taking the time to talk to me.

Interview Feedback

We welcome your questions and feedback regarding this interview at: <http://smallcaps.us/jack-stock-ceo-of-globex-mining-explains-strategy-behind-owning-over-115-properties>

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