

# **PASINEX RESOURCES LIMITED**

**(An Exploration Stage Company)**

## **Consolidated Financial Statements**

Year Ended December 31, 2014

*(Expressed in Canadian Dollars)*



## Independent Auditors' Report

To the Shareholders of Pasinex Resources Limited:

We have audited the accompanying consolidated financial statements of Pasinex Resources Limited (the "Company"), which comprise the consolidated statements of financial positions as at December 31, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2014 and 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian general accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada  
April 29, 2015

*MNP* LLP  
Chartered Accountants



ACCOUNTING > CONSULTING > TAX  
2300, 1055 DUNSMUIR STREET, VANCOUVER, BC V7X 1J1  
1.877.688.8408 P: 604.685.8408 F: 604.685.8594 [MNP.ca](http://MNP.ca)

**Pasinex Resources Limited**  
(An exploration stage company)  
Consolidated Statements of Financial Position  
As at December 31, 2014 and 2013  
(Expressed in Canadian dollars)

	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 151,045	\$ 46,037
GST/HST/VAT receivable	6,852	6,627
Other receivables	30,461	1,139
Prepaid expenses and deposits	42,558	20,160
Marketable securities (Note 5)	16,567	96,239
Due from joint venture (Note 9 and 13)	238,291	-
Due from Akmetal (Note 13)	134,388	27,133
	<b>620,162</b>	197,335
Investment in joint venture (Note 9)	61,974	18,470
Equipment (Note 8)	48,072	64,273
Exploration and evaluation assets (Note 10)	1,051,247	826,003
	<b>\$ 1,781,455</b>	<b>\$ 1,106,081</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 160,090	\$ 255,088
Due to related parties (Note 13)	24,492	23,957
	<b>184,582</b>	279,045
<b>Shareholders' equity</b>		
<b>Share capital</b> (Note 11)	<b>7,645,473</b>	5,542,917
<b>Share subscriptions received</b>	<b>19,800</b>	-
<b>Reserves</b> (Note 12)	<b>1,193,566</b>	1,051,855
<b>Deficit</b>	<b>(7,188,103)</b>	(5,689,680)
<b>Accumulated other comprehensive (loss)</b>	<b>(73,863)</b>	(78,056)
	<b>1,596,873</b>	827,036
	<b>\$ 1,781,455</b>	<b>\$ 1,106,081</b>

Approval on behalf of the Board of Directors:

*“Steven Williams”*

\_\_\_\_\_  
Director

*“Sven Olsson”*

\_\_\_\_\_  
Director

The accompanying notes are an integral part of these consolidated financial statements.

## Pasinex Resources Limited

(An exploration stage company)

Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

	2014	2013
<b>Expenses</b>		
Administrative fees	\$ 150,000	\$ 150,000
Advertising and promotions	178,245	66,708
Amortization	21,967	22,156
Consulting and management fees	336,961	335,861
Investor relations	54,573	-
Office and general	47,231	34,831
Professional fees	87,623	74,713
Project investigation costs	-	15,803
Share-based payments	233,632	-
Supplies and equipment	4,698	-
Transfer agent and regulatory authorities fees	23,181	19,029
Travel and meals	110,541	115,853
	<b>(1,248,652)</b>	<b>(834,954)</b>
<b>Other income (expenses)</b>		
Unrealized gain (loss) on marketable securities	1,318	186,000
Interest income	153	2,314
Equity loss of affiliates (Note 9)	(5,887)	(13,829)
Other expense	(14,080)	(11,600)
Other income	-	7,674
Gain (loss) on disposition of marketable securities (Note 5)	17,350	(126,632)
Foreign exchange gain (loss)	(8,980)	1,415
Impairment of mineral properties	(239,645)	(314,193)
	<b>(249,771)</b>	<b>(268,851)</b>
<b>Net income (loss) for the period</b>	<b>(1,498,423)</b>	<b>(1,103,805)</b>
<b>Other comprehensive income (loss)</b>		
Currency translation adjustment	4,193	(73,166)
<b>Comprehensive income (loss) for the period</b>	<b>(1,494,230)</b>	<b>(1,176,971)</b>
<b>Basic and diluted earnings (loss) per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>		
– basic and diluted	<b>69,938,488</b>	<b>54,156,446</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Pasinex Resources Limited

(An exploration stage company)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share Subscription Received	Reserves	Deficit	Accumulated Other Comprehensive (Loss)	Total
<b>Balance, December 31, 2012</b>	<b>51,447,105</b>	<b>\$ 4,985,681</b>	<b>\$ -</b>	<b>\$ 996,535</b>	<b>\$ (4,585,875)</b>	<b>\$ (4,890)</b>	<b>\$ 1,391,451</b>
Shares issued for property acquisition (Note 10)	550,000	55,000	-	-	-	-	55,000
Agent options exercised (Note 11)	76,000	12,711	-	(5,111)	-	-	7,600
Shares issued for cash	7,766,731	505,262	-	58,038	-	-	563,300
Share issue costs	-	(15,737)	-	2,393	-	-	(13,344)
Currency translation adjustment	-	-	-	-	-	(73,166)	(73,166)
Net loss for the year	-	-	-	-	(1,103,805)	-	(1,103,805)
<b>Balance, December 31, 2013</b>	<b>59,839,836</b>	<b>\$ 5,542,917</b>	<b>\$ -</b>	<b>\$1,051,855</b>	<b>\$ (5,689,680)</b>	<b>\$ (78,056)</b>	<b>\$ 827,036</b>
Shares issued for property acquisition (Note 10)	550,000	27,500	-	-	-	-	27,500
Shares issued for cash (Note 11)	15,972,140	1,569,482	-	-	-	-	1,569,482
Shares issued for debt (Note 11)	2,877,718	287,772	-	-	-	-	287,772
Warrants exercised (Note 11)	1,384,615	299,999	-	(111,538)	-	-	188,461
Share issue costs	60,000	(82,197)	-	19,617	-	-	(62,580)
Share subscription received	-	-	19,800	-	-	-	19,800
Share-based payments (Note 12)	-	-	-	233,632	-	-	233,632
Currency translation adjustment	-	-	-	-	-	4,193	4,193
Net loss for the year	-	-	-	-	(1,498,423)	-	(1,498,423)
<b>Balance, December 31, 2014</b>	<b>80,684,309</b>	<b>\$ 7,645,473</b>	<b>\$ 19,800</b>	<b>\$1,193,566</b>	<b>\$ (7,188,103)</b>	<b>\$ (73,863)</b>	<b>\$ 1,596,873</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Pasinex Resources Limited

(An exploration stage company)

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) for the year	\$ (1,498,423)	\$ (1,103,805)
Adjustment for items not involving cash:		
Unrealized (gain) loss on marketable securities	(1,318)	(186,000)
Amortization	21,967	22,156
Impairment of mineral property	239,645	314,193
(Gain) loss on disposition of marketable securities	(17,350)	126,632
Other expenses	-	11,600
Share based payments	233,632	-
Equity loss on affiliates	5,886	13,829
Changes in non-cash operating working capital:		
HST/VAT receivable	(225)	32,012
Other receivables	(1,836)	14,607
Prepaid expenses and deposits	(22,267)	(14,394)
Due from Akmetal	(108,137)	(29,404)
Accounts payable and accrued liabilities	193,559	65,917
Due from Joint Venture	(239,907)	-
Due to related parties	-	(38,052)
<b>Net cash flows from (used in) operating activities</b>	<b>(1,194,774)</b>	<b>(770,709)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Exploration and evaluation assets	(437,950)	(379,211)
Equipment acquisitions	(7,208)	(8,968)
Acquisition of mutual funds	-	20,841
Investment in joint venture	(49,738)	-
Sale of marketable securities	98,350	127,500
<b>Net cash flows from (used in) investing activities</b>	<b>(396,546)</b>	<b>(239,838)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of shares for cash, net of share issue costs	1,667,864	557,556
Shares for asset acquisition	19,800	-
<b>Net cash flows from (used in) financing activities</b>	<b>1,687,664</b>	<b>557,556</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>96,344</b>	<b>(452,991)</b>
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>8,664</b>	<b>2,101</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>46,037</b>	<b>496,927</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 151,045</b>	<b>\$ 46,037</b>

### Supplemental disclosure with respect to cash flows (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

# **Pasinex Resources Limited**

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

Pasinex Resources Limited (formerly Triple Dragon Resources Inc.) (“Pasinex” or the “Company”) is a publicly listed company incorporated in British Columbia on February 21, 2006, and on August 4, 2006, it continued out of British Columbia and into the British Virgin Islands. On September 21, 2006, the Company changed its principal business activity and developed its business plan to enter the convention industry principally in Macau. On July 10, 2008, in connection with the change of control, the Company continued into British Columbia as a mineral exploration company in the exploration stage, engaged in the acquisition, exploration and development of mineral properties. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “PSE” and on the Frankfurt Stock Exchange (“FSE”) under the symbol “PNX”. The Company changed the fiscal year end from March 31<sup>st</sup> to December 31<sup>st</sup>, effective December 31, 2012. The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

These consolidated financial statements for the year ended December 31, 2014, were authorized for issue by the Audit Committee and Board of Directors on April 29, 2015.

### **2. GOING CONCERN**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast substantial doubt on the validity of this assumption. The Company is in the exploration stage and, accordingly, has not yet commenced revenue-producing operations. The Company has incurred losses since inception and the Company has an accumulated deficit as at December 31, 2014 of \$7,188,103 (2013 - \$5,689,680). The Company had a working capital of \$435,580 (2013 - \$108,843 deficiency). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing required to maintain its operations, and to ultimately attain future profitable operations. Management expects the Company to continue as a going concern and plans to meet any financing requirements through equity financing and seeking other business opportunities to expand the Company’s operations. The outcome of these matters cannot be predicted at this time and there are no assurances that the Company will be successful in achieving its goals. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There is, primarily as a result of the conditions described above, significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is not expected to be profitable during the ensuing twelve months and therefore must rely on securing additional funds from either equity financing or loan from shareholders or directors for cash consideration. During the year ended December 31, 2014, the Company received gross cash proceeds of \$1,565,282 (2013 - \$557,556) from financing activities. Though the Company has been successful at raising funds, there is no assurance that they will continue to generate sufficient funds for future operations.

### **3. BASIS OF PRESENTATION**

#### **a) Statement of Compliance**

These consolidated statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

# Pasinex Resources Limited

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2014 and 2013  
(Expressed in Canadian Dollars)

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## 3. BASIS OF PRESENTATION (continued)

### b) Basis of Measurement

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

### c) Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Judgement is used mainly in determining how a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Significant areas where management's judgement has been applied include:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs – Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.
- Functional currency – The functional currency for the Company's subsidiary and investment in joint venture, is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity in Turkey is the New Turkish Lira (TRY). Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.
- Joint Venture – Pursuant to the Joint Venture Agreement between Pasinex Arama ve Madencilik AS ("Pasinex Arama") and Akmetal Madencilik Sanayi ve Ticaret A.S. ("Akmetal") dated January 17, 2013, the Company has determined the Joint Venture is a form of joint venture and the Company is required to account for its shares in the joint venture company by using the equity method.
- Going concern – Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.
- Deferred taxes - deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery. As of December 31, 2014, the Company has not recognized any deferred income tax assets.

Significant areas requiring the use of management estimates and assumptions include:

- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the year; and
- The inputs used in accounting for share-based payment expenses.



# Pasinex Resources Limited

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2014 and 2013  
(Expressed in Canadian Dollars)

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The consolidated financial statements include the financial statements of Pasinex and its subsidiaries listed below:

	Jurisdiction	Nature of Operations	Equity Interest	
			2014	2013
Pasinex Arama	Turkey	Mineral exploration	100%	99.9975%

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Pasinex and its subsidiaries are collectively referred to as the “Company”. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions have been eliminated upon consolidation.

On February 1, 2012, the Company purchased all the assets of 0886183 B.C. Ltd. (“0886183 BC”, a private company incorporated in British Columbia) which included a company in Turkey, Pasinex Arama ve Madencilik A.S. (“Pasinex Arama”). On May 31, 2013, 0886183 BC was voluntarily dissolved. As a result, the Company deconsolidated all assets and liabilities associated with 0886183 BC. The dissolution of the subsidiary has nominal impact on the consolidated financial statements.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand; deposits in banks and highly liquid investments with an original maturity of three months or less. There were no cash equivalents as at December 31, 2014 and 2013.

### Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated using the straight-line or declining methods at the following annual rates:

Computer software	-	2 years on straight-line method
Fixtures and equipment	-	3-10 years on straight-line method
Mining equipment	-	30% on declining method
Vehicles	-	4 years on straight-line method

Additions during the period are amortized on a pro-rata basis based on the annual amortization amount.

### Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. There is no amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

# Pasinex Resources Limited

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2014 and 2013  
(Expressed in Canadian Dollars)

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the parent company and the Canadian subsidiary is the Canadian dollar. The functional currency of Pasinex Arama is New Turkish Lira (TRY). The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At year-end, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the year-end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit and loss.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the periods, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income ("OCI").

### Financial instruments

#### *Financial Assets*

Financial assets are classified into one of the following categories: fair value through profit or loss, loans and receivables, available-for-sale, or held-to-maturity. The classification depends on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. Management determines the classification of its financial asset at initial recognition. The Company's accounting policy for each category is as follows:

#### *(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term and are classified as current assets. Derivatives are also categorized as at fair value through profit or loss unless they are designated as hedges. Cash and cash equivalents are classified as at fair value through profit or loss and are measured at fair value. Marketable securities are classified as at fair value through profit or loss for those bought and held principally for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses recognized in earnings.

#### *(ii) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as "trading" assets, have not been designated at fair value through profit or loss or as available-for-sale and for which the holder may recover substantially all of its initial investment, other than because of credit deterioration. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivable are derecognized or impaired, as well as through the amortization process. Other receivables due from joint venture and due from Akmetal are classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

#### *(iii) Available-For-Sale*

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally of the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale financial assets are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. The Company does not have any financial assets classified as available-for-sales.

# Pasinex Resources Limited

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2014 and 2013  
(Expressed in Canadian Dollars)

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### (iv) Held-to-maturity

The held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any financial assets classified as held-to-maturity.

#### *Impairment on Financial Assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### *Financial Liabilities*

Financial liabilities are all classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company's due to related parties, and accounts payable and accrued liabilities are classified as other financial liabilities.

### Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

# **Pasinex Resources Limited**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

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## **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Share-based payment transactions (continued)**

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

### **Joint venture**

Pursuant to IFRS 11, Joint Arrangements, a venturer is required to classify its interest in a joint arrangement as a joint venture or joint operation. A joint venture will be accounted for using the equity method of accounting, whereas a joint operation will recognize the venturer's share of the assets, liabilities, revenue and expenses of the joint operation.

### **Provisions**

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

### **Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Warrants**

The fair value of warrants is measured at grant date, using the Black-Scholes option pricing model. Warrants issued as a finder's fee is recognized as share issuance costs with a corresponding increase in contributed surplus. Proceeds from issuances of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is deferred based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

# Pasinex Resources Limited

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

##### **Earning/Loss per share**

Basic earnings / loss per share is computed by dividing the net income or loss attributable to the owners of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to the owners of the Company and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

##### **Changes in accounting policies**

Effective January 1, 2014, the Company has adopted the following new and revised standards, along with any consequential amendments:

##### *IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation*

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure.

# Pasinex Resources Limited

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at December 31, 2014 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated.

#### *IFRS 2 Share-based payment*

The amendments to IFRS 2, issued in December 2013 clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

#### *IFRS 3 Business combinations*

The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014.

#### *IFRS 8 Operating segments*

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

#### *IFRS 9 Financial Instruments*

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 Financial instruments: recognition and measurement. IFRS (2014) is effective for reporting periods beginning on or after January 1, 2018.

#### *IAS 16 Property, plant and equipment and IAS 38 Intangible assets*

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

#### *IAS 24 Related party disclosures*

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

## Pasinex Resources Limited

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### 5. MARKETABLE SECURITIES

	2014		2013	
	Cost	Fair Market Value	Cost	Fair Market Value
	\$	\$	\$	\$
Public traded securities (a)	-	-	45,000	81,000
Mutual Funds (b)	16,053	16,567	16,053	15,239
Total	16,053	16,567	61,053	96,239

- (a) During the year ended March 31, 2011, the Company received 3,000,000 common shares of Lakeland Resources Inc. ("Lakeland") pursuant to the sale of the CAM property. Lakeland is a junior mineral exploration company listed on the TSX Venture Exchange ("TSX-V"). The 3,000,000 common shares were issued on August 19, 2010, and were subject to an escrow agreement. All of the common shares received have been released from escrow.

On March 22, 2013, the Company sold 2,000,000 shares of their investment in Lakeland at \$0.05 per share, in private transactions, to three individuals for proceeds of \$100,000. On July 2, 2013, the Company sold 550,000 shares of their investment in Lakeland at \$0.05 per share, in private transactions, to four individuals for proceeds of \$27,500. During the year ended December 31, 2014, the remaining 450,000 shares were sold in the market for proceeds of \$98,350.

- (b) During the year ended December 31, 2014, Pasinex Arama sold nil units (2013 – 3,268 units) of Class 5 and nil units (2013 – 949 units) of Class 6 mutual funds, respectively, for a gain on disposition of marketable securities of \$nil (2013 – \$868).

# Pasinex Resources Limited

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## 6. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

In accordance with IFRS, the Company shall disclose the comparison of carrying amounts and fair values of the Company's financial instruments that are carried in the consolidated financial statements. As of December 31, 2014 and 2013, the fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments, except for cash and cash equivalents and marketable securities. Marketable securities are measured at fair value based on price quotations at the reporting date.

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

	Assets measured at fair value as at December 31, 2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>At fair value through profit or loss</b>				
Cash and cash equivalents	151,045	-	-	151,045
Marketable securities	16,567	-	-	16,567
	167,612	-	-	167,612

  

	Assets measured at fair value as at December 31, 2013			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>At fair value through profit or loss</b>				
Cash and cash equivalents	46,037	-	-	46,037
Marketable securities	96,239	-	-	96,239
	142,276	-	-	142,276

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein. A discussion of the Company's use of financial instruments and their associated risk is provided below:

### a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada and in Turkey. Management believes that the credit risk with respect to receivables is remote. The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the statement of financial position date.



# **Pasinex Resources Limited**

## Notes to the Consolidated Financial Statements

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### **6. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (continued)**

#### b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at December 31, 2014, the Company had a cash balance of \$151,045 (2013- \$46,037) and current liabilities of \$184,582 (2013 - \$279,045). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company may manage its short term liquidity shortfall by obtaining additional loans from directors or by equity financing.

#### c) Market Risk

Market risk consists of currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency Risk - Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. Foreign currency risk also arises from the fluctuation in currency exchange between the Canadian dollar and TRY. The Company is exposed to currency risk with regards to its TRY denominated financial assets and financial liabilities. The Company has not entered into financial instruments to hedge against this risk. A 1% strengthening in Canadian dollar against TRY would have a before-tax effect of \$2,200 increase in accumulated other comprehensive income, based on amounts held at December 31, 2014 (2013 - \$3,000).

ii) Interest Rate Risk - Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is currently not exposed to interest rate risk.

The Company manages its common shares, stock options and warrants as capital. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its project for the benefit of its stakeholders. The Company is not subject to any externally imposed capital requirement.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of its mineral properties. The Board of Directors has not established quantitative capital structure criteria for management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business. The properties in which the Company currently has interest are in the exploration stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. In order to facilitate the management of capital and maintenance and development of future mining sites, the Company may issue new equity, incur additional debt, option its properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

### **7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities of the Company are due to service providers, mainly including regulatory fees, professional fees, consulting fees, and general office costs. All accounts payable and accrued liabilities for the Company fall due within the next 12 months.

## Pasinex Resources Limited

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### 8. EQUIPMENT

Cost	Vehicles	Fixtures & Equipment	Mining Equipment	
<b>December 31, 2012</b>	\$ 27,982	\$ 21,317	\$ 43,600	\$ 92,899
Additions/Disposals	-	3,973	4,995	8,968
Exchange adjustment	(2,842)	(2,630)	-	(5,472)
<b>December 31, 2013</b>	\$ 25,140	\$ 22,660	\$ 48,595	\$ 96,395
Additions/Disposals	-	7,208	-	7,208
Exchange adjustment	35	(30)	-	5
<b>December 31, 2014</b>	\$ 25,175	\$ 29,838	\$ 48,595	\$ 103,608
<b>Accumulated depreciation</b>				
<b>December 31, 2012</b>	\$ 2,874	\$ 3,212	\$ 4,905	\$ 10,991
Additions/Disposals	5,419	4,379	12,358	22,156
Exchange adjustment	(573)	(452)	-	(1,025)
<b>December 31, 2013</b>	\$ 7,720	\$ 7,139	\$ 17,263	\$ 32,122
Additions/Disposals	7,696	6,417	9,400	23,513
Exchange adjustment	(54)	(45)	-	(99)
<b>December 31, 2014</b>	\$ 15,362	\$ 13,511	\$ 26,663	\$ 55,536
<b>Net book value</b>				
<b>December 31, 2013</b>	\$ 17,420	\$ 15,521	\$ 31,332	\$ 64,273
<b>December 31, 2014</b>	\$ 9,813	\$ 16,327	\$ 21,932	\$ 48,072

### 9. JOINT VENTURE WITH AKMETAL

On June 28, 2012, the Company, through its wholly-owned Turkish subsidiary, Pasinex Arama, signed a non-binding Letter of Intent (“LOI”) with an arm’s length Turkey based miner, Akmetal Madencilik Sanayi ve Ticaret A.S. (“Akmetal”), to form a 50 / 50 joint venture to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Turkey. Under the terms of the LOI it is proposed that a joint venture company will be formed and held 50 / 50 by the two parties and will be controlled by a board consisting of equal representatives of both Pasinex and Akmetal. Both partners will equally fund exploration and other general costs associated to the joint venture’s course of business.

On October 29, 2012, the new joint venture company, Horzum Arama ve Isletme AS (“Joint Venture”), was formed while the Joint Venture Agreement had not been substantiated. On January 17, 2013, Pasinex Arama and Akmetal signed the Joint Venture Agreement effective the same day.

During the year ended December 31, 2013, the Joint Venture acquired, through staking, one property in Turkey: Pinargozu. The property is located within the Turkish Provinces of Adana, and was acquired for the potential to host base and precious metals.

## Pasinex Resources Limited

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### 9. JOINT VENTURE WITH AKMETAL (continued)

The initial capital of the new joint venture company was determined to be a total of TRY 500,000 and Pasinex Arama is obligated for 50% of the total, being TRY 250,000. As at December 31, 2014, Pasinex Arama has paid TRY 161,050 (CAD\$84,501) in cash toward the total required capital. The investment in the joint venture is accounted for using the equity method. Accordingly, during the year ended December 31, 2014, the investment has been adjusted for \$5,887 (2013 – \$13,829) of equity loss and foreign exchange difference.

	TL (\$)	CAD (\$)
At December 31, 2012	62,500	34,763
Loss from equity investees	(25,538)	(13,829)
Foreign exchange difference	-	(2,464)
At December 31, 2013	36,962	18,470
Additional investment in joint venture	98,550	49,738
Loss from equity investees	(11,664)	(5,887)
Foreign exchange difference	-	(347)
At December 31, 2014	123,849	61,974

As at December 31, 2014, the summarized financial information about the Joint Venture includes the following:

	TL (\$)	CAD (\$)
Current assets	3,283	1,643
Non-current assets		
Plant and equipment	321,876	161,067
Property costs	2,503,512	1,252,757
Other non-current assets	1,591	796
Current liabilities	(158,409)	(79,268)
Due to JV partners	(2,621,256)	(1,311,676)
Share capital	(125,000)	(62,550)
Deficit	74,403	37,231
	-	-

As at December 31, 2014, the property costs for the Joint Venture includes the following expenditures:

<b>Pinargozu Property cost details:</b>	TL (\$)	CAD (\$)
Deposits and guarantees	100,193	50,137
Preparation and development	2,403,319	1,202,621
Total	2,503,512	1,252,758

It should be noted that the Pinargozu license is held by the joint venture company. As such, the Pinargozu property exploration expenditures are reported on the balance sheet of the joint venture company Horzum AS. Any expenditures incurred by the Company on the Pinargozu license are recorded as due from the Joint Venture.

See also Note 10 and 13.

## Pasinex Resources Limited

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### 10. EXPLORATION AND EVALUATION ASSETS

The following schedule shows the property spending for the years ended December 31, 2014 and 2013:

	Murray Property	May Property	Horzum JV Properties	Dadak Property	Golcuk Property	Turkey Other Properties	Total
Balance, December 31, 2012	\$174,366	\$50,501	\$ 228,840	\$ 67,785	\$ 196,330	\$ 56,577	\$ 774,399
Prepayment and deposits for mining claims	-	-	2,324	387	(21,794)	(26,840)	(45,923)
Additions during the period –							
Acquisition costs – shares issued	-	-	-	-	55,000	-	55,000
Property exploration costs							
Assays	-	-	1,026	936	6,757	-	8,719
Drilling	-	-	51	-	33,217	-	33,268
Fees	-	-	39,383	3,550	50,096	-	93,029
Field supplies and rentals	-	-	800	-	4,036	-	4,836
Geological and field personnel	-	-	68,195	-	56,621	-	124,816
Miscellaneous expenses	-	-	15,989	685	11,775	88	28,537
Travel and accommodation	-	-	22,053	1,376	37,838	-	61,267
VAT receivable – mining activities	-	-	33,406	355	18,843	-	52,604
Total additions during the period	-	-	180,903	6,902	274,183	88	462,076
Impairment of mineral properties	-	(50,501)	(233,849)	-	-	(29,843)	(314,193)
Foreign exchange adjustment	-	-	(5,418)	(8,061)	(36,895)	18	(50,356)
Balance, December 31, 2013	\$ 174,366	\$ -	\$ 172,800	\$ 67,013	\$ 411,824	\$ -	\$ 826,003
Additions during the year –							
Acquisition costs – shares issued	-	-	-	-	27,500	-	27,500
License costs	-	-	45,385	-	37,020	-	82,405
Property exploration costs							
Assays	-	-	-	-	21,918	-	21,918
Miscellaneous expenses	-	-	-	-	12,440	-	12,440
Drilling	-	-	-	-	96,823	-	96,823
Fees	-	-	(472)	(318)	45,877	-	45,087
Field supplies and rentals	-	-	-	-	1,935	-	1,935
Geological and field personnel	-	-	66,321	-	45,936	-	112,257
Travel and accommodation	-	-	-	-	36,952	-	36,952
VAT receivable – mining activities	-	-	(3,405)	11	31,527	-	28,133
Total additions during the year	-	-	107,829	(307)	357,928	-	465,450
Foreign exchange adjustment	-	-	156	(4,236)	710	-	(3,370)
Impairment of mineral properties	(174,366)	-	-	(62,470)	-	-	(236,836)
Balance, December 31, 2014	\$ -	\$ -	\$ 280,785	\$ -	\$ 770,462	\$ -	\$ 1,051,247

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## 10. EXPLORATION AND EVALUATION ASSETS (continued)

### Properties Held in Turkey

#### Horzum JV Properties

During the year ended December 31, 2013, the Company, through Pasinex Arama, acquired 6 properties in the vicinity of Horzum, Adana province, Turkey as part of the “Horzum generative” zinc exploration program, in addition to the 8 properties acquired during the nine months ended December 31, 2012. These properties were acquired to be included in the 50 / 50 joint venture with Akmetal and cover approximately 8,650 hectares within the Horzum area of Adana Province. During the year ended December 31, 2013, the Company has determined that they will not be incurring future exploration costs on some of the properties and have returned the licenses on these properties to the Government. During the year ended December 31, 2014, \$62,444 (2013 – \$180,903) in exploration costs and \$45,385 (2013 - \$nil) in license costs have been spent on the Horzum JV properties and \$nil (2013 – \$233,849) in spending related to the returned properties has been impaired. As at December 31, 2014, the Company has only the Akkaya Property with its exploration license in good standing. The process to transfer of the license of the Akkaya Property to the Joint Venture is still ongoing, therefore the Company is capitalizing all costs spent on the property until the transfer takes place. See also Note 9.

#### Golcuk Property

On July 19, 2012, the Company signed an option agreement (the “Agreement”) with Eurasian Minerals Inc. (“Eurasian”) and its wholly owned Turkish subsidiary, Eurasia Madencilik Ltd. STI, whereby Pasinex, through its wholly owned Turkish subsidiary, Pasinex Arama, can acquire a 100%-interest in the Golcuk Property (“Golcuk”) located in northeast Turkey. Under the Agreement, Golcuk will be forthwith transferred to Pasinex Turkey.

As consideration, upon granting of the mining obligation extension, Pasinex will issue to Eurasian Pasinex common shares as follows:

- (i) 500,000 shares within five (5) days after the granting of the extension (issued);
- (ii) 500,000 common shares on the one year anniversary of the Initial Issuance Date (issued);
- (iii) 1,000,000 common shares on the two year anniversary of the Initial Issuance Date (issued subsequent to December 31, 2014 – see Note 18); and
- (iv) 1,000,000 common shares on the three year anniversary of the Initial Issuance Date.

Eurasian will retain a 2.9% Net Smelter Royalty on Golcuk which Pasinex has the option of buying down to 2% within six years of the Agreement date for consideration of \$1,000,000.

Additionally, Pasinex will be required to complete minimum annual work commitments on the project as follows:

- (i) \$200,000 before the one year anniversary of the date of the transfer of Golcuk to Pasinex Turkey (the “Completion Date”);
- (ii) \$250,000 before the two year anniversary of the Completion Date; and
- (iii) \$250,000 before the end of the four year anniversary of the Completion Date.

Golcuk is classified as an operational license under the Turkish government mining regulations. As such, the property requires, at a minimum, a small-scale mining operation to be carried out each year in order to satisfy its operational license, and each year, the project must process approximately 900 tonnes of ore. On the completion and acceptance of the Agreement, Pasinex was to file a request for a one-year extension in regard to the Company’s small-scale mining obligation to the Turkish government. However, Pasinex applied for and obtained an Open Pit Application and management has determined that the granting of the Open Pit Application would replace the one-year extension requirement of the original option Agreement. The Company entered into an Amending Agreement with Eurasian to waive certain government requirement and the right to terminate the agreement. The Golcuk property was transferred to Pasinex Arama in September 2012.

During the year ended December 31, 2014, \$293,408 (2013 – \$219,183) in exploration costs and \$64,520 (2013 - \$55,000) in acquisition costs have been spent on the Golcuk Property.

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## 10. EXPLORATION AND EVALUATION ASSETS (continued)

### Properties Held in Turkey (continued)

#### Dadak Property

On May 14, 2012, the Company acquired, through staking, the Dadak Property in the province of Afyon in Turkey. During the year ended December 31, 2014, \$318 (2013 – \$6,902) in exploration costs have been recovered and the company impaired the property.

#### Other Properties

On May 14, 2012, the Company acquired, through staking, six properties in Turkey: Bereket, Bahceli, Kupluce, Bursa 1, Bursa 2a and Bursa 2b. The properties are located within the Turkish Provinces of Afyon, Artvin, and Bursa, and were acquired for the potential to host base and precious metals. The Company has determined that they will not be incurring future exploration costs on some of the properties and have returned the licenses for all of the properties to the Government. As a result, the Company recorded the impairment of mineral property of \$29,843.

### Properties Held in Canada

#### Murray Property

The Company acquired a 100% interest in one mineral claim northeast of Yellowknife, Northwest Territories, known as the Murray Property pursuant to a Mineral Property Acquisition Agreement dated April 17, 2008, between the Company and Zimtu Capital Corp. (“Zimtu”). The Company acquired the Property for \$15,509 cash. There was a 1% net smelter return royalty and a 1% gross overriding royalty on the Property, in favour of the original vendor of the property, which was relinquished on May 7, 2009. Zimtu is an arm’s length party to the Company. During the year ended December 31, 2014, the Company impaired the property.

#### May Property

On May 14, 2009, the Company acquired a 100% interest in a mineral lease comprising approximately 100.5 acres in the Northwest Territories known as the May Property from a third party. The May Property was acquired for total consideration of \$5,500 cash (paid) and the issuance of \$10,000 of common shares (issued) of the Company on May 14, 2010, and a further \$15,000 of common shares of the Company to be issued by May 14, 2011 (issued). There is a 2% net smelter return royalty on the Property payable to the Vendor upon the commencement of commercial production. On April 29, 2013, the lease was legally transferred back to the vendor and the Company recorded the impairment of the property.

## 11. SHARE CAPITAL

- a) Authorized: Unlimited common shares with no par value.
- b) Issued:

### **During the year ended December 31, 2014**

On February 12, 2014, the Company issued 500,000 common shares to Eurasian, valued at \$25,000, in accordance with the Golcuk Property agreement (see Note 9). The Company also issued 50,000 common shares to Zimtu Capital Corp., valued at \$2,500, for finder’s fees in accordance with the Golcuk Property agreement.

On April 7, 2014, the Company completed tranche 1 of a non-brokered private placement of 5,947,142 units (the “Units”) at a subscription price of \$0.07 per Unit for gross proceeds of \$416,300. Each Unit consists of one common share and one-half of a share purchase warrant (the “Warrant”). Each whole Warrant is exercisable into one additional common share (the “Warrant Share”) of the Company at \$0.12 per Warrant Share for a period of three years from closing. The Company paid \$18,304 in cash, and issued 27,200 broker warrants and 60,000 common shares to finders in connection with this private placement.

# Pasinex Resources Limited

## Notes to the Consolidated Financial Statements

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### 11. SHARE CAPITAL (continued)

b) Issued:

#### **During the year ended December 31, 2014** (continued)

On April 22 2014, the Company completed tranche 2 of a non-brokered private placement of 1,449,460 units (the "Units") at a subscription price of \$0.07 per Unit for gross proceeds of \$101,462. Each Unit consists of one common share and one-half of a share purchase warrant (the "Warrant"). Each whole Warrant is exercisable into one additional common share (the "Warrant Share") of the Company at \$0.12 per Warrant Share for a period of three years from closing.

On May 30, 2014, the Company issued 2,877,718 shares at a deemed value of \$0.10 to Zimtu Capital Corp. ("Zimtu") for the settlement of debt valued at \$287,772.

On June 30, 2014, 500,000 warrants were exercised at \$0.15 per warrant, and 384,615 warrants were exercised at \$0.10 per warrant, for total proceeds of \$113,462. As a result, the Company allocated \$61,538 from reserves.

On August 18, 2014, the Company closed a non-brokered private placement of 5,210,538 units (the "Units") at a price of \$0.13 per Unit for gross proceeds of \$677,370. Each Unit consists of one common share and one half of a share purchase warrant (the "Warrant"). Each whole Warrant will be exercisable into one additional common share (the "Warrant Share") of the Company at \$0.20 per Warrant Share for a period of three years from closing. Finder's fees are payable in connection with this private placement of \$18,356 and 141,200 share purchase warrants. Each of the finder's warrants are exercisable into a common share of the Company at \$0.20 per share for a period of three years.

On December 17, 2014, 500,000 warrants were exercised at \$0.15 per warrant, for total proceeds of \$75,000. As a result, the Company allocated \$50,000 from reserves.

On December 19, 2014, the Company closed a non-brokered private placement of 3,365,000 units (the "Units") at a price of \$0.11 per Unit for gross proceeds of \$370,150. Each Unit consists of one common share and one half of a share purchase warrant (the "Warrant"). Each whole Warrant will be exercisable into one additional common share (the "Warrant Share") of the Company at \$0.18 per Warrant Share for a period of two years from closing. Finder's fees are payable in connection with this private placement of \$3,520 and 32,000 share purchase warrants. Each of the finder's warrants are exercisable into a common share of the Company at \$0.18 per share for a period of two years. The common shares issued will be restricted from trading for a four month hold period in accordance with applicable securities laws. As at December 31, 2014, \$27,500 was included in other receivables and was subsequently received in January 2015.

#### **During the year ended December 31, 2013**

On February 4, 2013, 76,000 agent warrants were exercised at \$0.10 per share for gross proceeds of \$7,600. A total of \$5,111 was reversed out of reserves and credited to share capital in relation to the option exercise.

On February 12, 2013, the Company issued 500,000 common shares to Eurasian, valued at \$50,000, in accordance with the Golcuk Property agreement (see Note 9). The Company also issued 50,000 common shares to Zimtu Capital Corp., valued at \$5,000, for finder's fees in accordance with the Golcuk Property agreement.

On July 2, 2013, the Company completed a non-brokered private placement of 3,897,500 units (the "Units") at a price of \$0.08 per unit for gross proceeds of \$311,800. Each unit consists of one common share and one-half of a share purchase warrant (the "Warrant"). Each warrant will be exercisable into one common share of the Company at a price of \$0.16 for a period of 2 years. Of the total share subscriptions received, \$120,000 came from Zimtu Capital Corp. an arm's length party to the Company, who subscribed for 1,500,000 shares. The Company paid \$9,344 in finder's fees and issued 58,400 finder's warrants.

# Pasinex Resources Limited

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## 11. SHARE CAPITAL (continued)

c) Issued:

### During the year ended December 31, 2013 (continued)

On December 11, 2013, the Company completed a non-brokered private placement of 3,869,231 units (the “Units”) at a subscription price of \$0.065 per Unit for gross proceeds of \$251,500. Each Unit consists of one common share and one-half of a share purchase warrant (the “Warrant”). Each whole Warrant is exercisable into one additional common share (the “Warrant Share”) of the Company at \$0.10 per Warrant Share for a period of three years from closing. The fair value of the share at the date of issuance is \$0.05 where the exercise price of the Warrant is greater than the market price. As a result, the Company allocated \$53,038 to reserves for the Warrant based on the residual method. The Company paid \$4,000 in finder’s fees.

d) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2014		2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	5,533,365	\$ 0.15	1,650,000	\$ 0.15
Issued	7,986,071	\$ 0.14	3,883,365	\$ 0.13
Expired	(650,000)	\$ 0.15	-	-
Exercised	(1,384,615)	\$ 0.14	-	-
Balance, end of year	11,484,821	\$ 0.15	5,533,365	\$ 0.14

The following warrants were outstanding and exercisable at December 31, 2014:

Expiry Date	Exercise Price	2014
July 2, 2015	\$0.16	1,948,750
December 11, 2016	\$0.10	1,550,000
April 7, 2017	\$0.12	2,973,572
April 22, 2017	\$0.12	724,731
August 18, 2017	\$0.20	2,605,268
December 19, 2016	\$0.18	1,682,500
Total		11,484,821
Weighted average outstanding life of warrants		1.97 years



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## 11. SHARE CAPITAL (continued)

### d) Agent Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2014		2013	
	Number of Agent Warrants	Weighted Average Exercise Price	Number of Agent Warrants	Weighted Average Exercise Price
Balance, beginning of year	67,560	\$ 0.16	1,195,171	\$ 0.10
Granted	200,400	\$ 0.19	58,400	\$ 0.16
Exercised	-	-	(76,000)	\$ 0.10
Expired	(9,160)	\$ 0.15	(1,110,011)	\$ 0.10
Balance, end of year	258,800	\$ 0.18	67,560	\$ 0.16

The following agent warrants were outstanding and exercisable at December 31, 2014 and 2013:

Expiry Date	Exercise Price	2014	2013
December 21, 2014	\$0.15	-	9,160
July 2, 2015	\$0.16	58,400	58,400
April 7, 2017	\$0.12	27,200	-
August 18, 2017	\$0.20	141,200	-
December 19, 2016	\$0.18	32,000	-
Total		258,800	67,560
Weighted average outstanding life of warrants		2.03 years	1.43 years

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent warrants granted. Accordingly, share issue costs of \$19,617 (2013 - \$2,393) were recognized during the year ended December 31, 2014.

The fair value of each agent warrant grant was calculated using the following weighted average assumptions:

	2014	2013
Expected life (years)	2-3 years	2.00
Interest rate	1.01-1.24%	1.20%
Volatility	167-208%	228%
Dividend yield	N/A	N/A
Grant date fair value	\$0.06-0.11	\$0.04

### e) Shares held in escrow:

As at December 31, 2014, there are 712,500 common shares of the Company held in escrow (2013 - 2,137,500).

# Pasinex Resources Limited

## Notes to the Consolidated Financial Statements

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### 12. SHARE-BASED PAYMENTS

The Company has a Stock Option Plan (the “Plan”) in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the CSE. The expiry date for each option should be for a maximum term of five years. The Plan was most recently approved at the Company’s Annual General Meeting (“AGM”) on November 13, 2014.

On March 14, 2014, 1,500,000 stock options were granted to directors, officers, and consultants of the Company at a price of \$0.10 expiring on March 14, 2019. The stock options were 100% vested on issuance.

On December 19, 2014, 1,600,000 stock options were granted to directors, officers, and consultants of the Company at a price of \$0.14 expiring on December 19, 2019. The stock options were 100% vested on issuance.

The following is a summary of option transactions under the Company’s stock option plan for the years ended December 31, 2014 and 2013:

	2014		2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	250,000	\$ 0.25	1,371,250	\$ 0.21
Granted	3,100,000	\$ 0.12	-	-
Expired	(250,000)	\$ 0.25	(1,121,250)	\$ 0.20
Balance, end of year	3,100,000	\$ 0.12	250,000	\$ 0.25

The following stock options were outstanding and exercisable as at December 31, 2014:

Expiry Date	Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life (Years)
March 14, 2019	\$ 0.10	1,500,000	4.20
December 19, 2019	\$ 0.14	1,600,000	4.97
	\$ 0.12	3,100,000	4.60

The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. Accordingly, share based compensation costs of \$233,632 (2013 - \$nil) were recognized during the year ended December 31, 2014. The fair value of each option grant was calculated using the following weighted average assumptions:

	2014	2013
Expected life (years)	5.00	N/A
Interest rate	1.37-1.60%	N/A
Volatility	123-131%	N/A
Dividend yield	N/A	N/A
Grant date fair value	\$0.06-0.09	N/A

# Pasinex Resources Limited

Notes to the Consolidated Financial Statements

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## 13. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company during the year. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management personnel related entities on an arm's length basis.

A summary of the related party transactions and balances is as follows:

<b>Related Party Transactions</b>	<b>Year ended December 31, 2014</b>	<b>Year ended December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Management and consulting fees	257,072	287,082
Geological fees	66,150	75,300
Rental income	-	(1,139)
<b>Total</b>	<b>323,222</b>	<b>361,243</b>

<b>Amounts Due to (from) Related Parties</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Clinton Smyth	10,237	14,808
Baris Yildirim	-	1,861
Jonathan Challis	5,087	-
Steven Williams	9,168	6,148
<b>Total Amount Payable</b>	<b>24,492</b>	<b>22,817</b>

These transactions are in the normal course of operations and have been valued in these financial statements at the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2014, Pasinex Arama provided project management and technical management services to Akmetal for Akmetal's 100%-owned license, numbered IR-1179, located in the Adana area. Pasinex Arama incurred total amounts of \$134,388 (2013 - \$27,133) which will be reimbursed by Akmetal to Pasinex Arama in Fiscal 2015.

During the year ended December 31, 2014, the Company provided project management and technical management services to the joint venture's 100%-owned license, named Pinargozu. The Company incurred total amounts of \$238,291 (2013 - \$nil) which will be reimbursed by the joint venture in Fiscal 2015. See Note 9.

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## 14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Year ended December 31, 2014		Year ended December 31, 2013	
Income tax paid	\$	-	\$	-
Interest paid	\$	-	\$	-
Fair market value of agent warrants exercised	\$	-	\$	5,111
Fair market value of agent warrants granted	\$	19,617	\$	2,393
Shares issued for debt	\$	287,772	\$	-
Shares issued for property	\$	27,500	\$	55,000

## 15. SEGMENT INFORMATION

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on the location:

	2014		2013	
Non-current assets by geographic segment				
Canada	\$	-	\$	351,777
Turkey		1,161,293		556,969
	\$	1,161,293	\$	908,746

## 16. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statement of operations and comprehensive loss for the years ended December 31, 2014 and 2013:

	2014		2013	
Income (loss) before taxes:	\$	(1,498,423)	\$	(1,103,805)
Statutory tax rate		26.00%		25.75%
Expected income tax(recovery)		(389,590)		(284,268)
Non-deductible items		63,208		(6,572)
Change in estimates		(34,841)		(42,653)
Changes enacted rates		-		(27,674)
Functional currency adjustments		(39,774)		956
Share issuance costs		(21,371)		(4,053)
Foreign tax rate difference		13,282		27,761
Change in deferred tax asset not recognized		409,086		336,503
Total income taxes (recovery)	\$	-	\$	-

The British Columbia corporate tax rate has increased during the year, resulting in an increase in the Company's combined statutory tax rate.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at December 31, 2014 and December 31, 2013 are comprised of the following:

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## 16. INCOME TAXES (continued)

### Canada

		<b>2014</b>		<b>2013</b>
Non capital loss carryforwards	\$	<b>1,137,006</b>	\$	859,132
Exploration and evaluation assets		-		(45,335)
Capital Losses		<b>9,640</b>		16,575
Equipment		<b>3,095</b>		4,701
Financial instruments		-		(4,680)
Financing costs		<b>33,317</b>		27,755
		<b>1,183,058</b>		858,148
Deferred tax asset not recognized		<b>1,183,058</b>		858,148
Net deferred tax asset (liability)	\$	-	\$	-

### Turkey

		<b>2014</b>		<b>2013</b>
Exploration and evaluation assets		<b>51,695</b>		-
Investment in joint venture		<b>14,869</b>		-
Net Operating loss carryforwards	\$	<b>161,848</b>	\$	144,237
		<b>228,412</b>		144,237
Deferred tax asset not recognized		<b>228,412</b>		144,237
Net deferred tax asset (liability)	\$	-	\$	-

The Company has non capital loss carryforwards of approximately \$4,373,095 (2013: \$ 3,304,354) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Canada	
Expiry	
2025	79,380
2026	117,636
2027	132,495
2028	375,751
2029	647,937
2030	260,700
2031	528,568
2032	630,743
2033	670,806
2034	929,079
Total	4,373,095

In addition, the Company has capital loss of \$74,150 (2013: \$127,500), which may be carryforward indefinitely and apply to reduce future capital gains.

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## 16. INCOME TAXES (continued)

The Company has net operating loss carryforwards of approximately \$809,239 (2013: \$721,183) which may be carried forward to apply against future year income tax for Turkish tax purposes.

	Turkey
Expiry	
2016	13,067
2017	207,482
2018	445,896
2019	142,794
Total	809,239

## 17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's consolidated financial statements presentation.

## 18. SUBSEQUENT EVENTS

- a) On February 6, 2015, the Company closed a non-brokered private placement of 910,000 units (the "Units") at a price of \$0.11 per Unit for gross proceeds of \$100,100. Each Unit consists of one common share and one half of a share purchase warrant (the "Warrant"). Each whole Warrant will be exercisable into one additional common share (the "Warrant Share") of the Company at \$0.18 per Warrant Share for a period of two years from closing. The common shares issued will be restricted from trading for a four month hold period in accordance with applicable securities laws.
- b) On February 12, 2015, the Company issued 1,000,000 common shares to Eurasian, valued at \$120,000, in accordance with the Golcuk Property agreement (see Note 9). The Company also issued 100,000 common shares to Zimtu Capital Corp., valued at \$12,000, for finder's fees in accordance with the Golcuk Property agreement.