

## **Introduction**

The following Management Discussion & Analysis ("MD&A") of the financial condition and results of the operations of Pasinex Resources Limited (the "Company" or "Pasinex") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2016 and 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Information contained herein is presented as of April 28, 2017, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Pasinex common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the Secretary of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements; as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Company. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "project", "could", "believe", "predict", "potential", "should" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should be considered carefully and investors should not place undue reliance on them as the Company cannot assure investors that actual results will be consistent with these forward-looking statements.

These statements speak only as of the date of this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) general business and economic conditions; (ii) the supply and demand for, deliveries of, and the level and volatility of prices of zinc and gold and other precious metals; (iii) the timing of the receipt of any outstanding regulatory and governmental approvals for the Company's projects; (iv) the ability to meet social and environmental standards and expectations;

(v) the availability of financing for the Company's development of its properties on reasonable terms; (vi) the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; (vii) the ability to attract and retain skilled staff; (viii) exploration and development timetables; and (ix) capital expenditure and operating cost estimates.

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity and, particularly the zinc and gold prices, access to skilled mining personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors contained in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

## **Description of Business**

Pasinex 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 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. On February 1, 2012, the Company purchased all the assets of 0886183 B.C. LTD. ("0886183 B.C.", a private company incorporated in British Columbia) which included a company in Turkey, Pasinex Arama ve Madencilik A.S. ("Pasinex Arama"). On March 2, 2012, the Company's major shareholder sold 19% of the Company's issued and outstanding share capital to a total of three individuals, effectively changing control of the Company. On May 31, 2013, 0886183 B.C. was voluntarily dissolved, and as a result, the Company deconsolidated all assets and liabilities associated with 0886183 B.C.

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".

## **Corporate and Operational Highlights**

### **Corporate**

On February 11, 2016, the Company issued 1,000,000 common shares to Eurasian Minerals Inc., valued at \$60,000, in accordance with the Golcuk Property agreement. The Company also issued 100,000 common shares to Zimtu Capital Corp., valued at \$6,000, for finder's fees in accordance with the Golcuk Property agreement.

On May 25, 2016, the Company also announced the appointment of John Barry, EurGeol & P.Geo as the Qualified Person (QP) effective immediately.

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On June 3, 2016, the Company completed a non-brokered private placement (the "Private Placement") of 12,000,000 units (the "Units") at a subscription price of \$0.05 per Unit for gross proceeds of \$600,000. Each Unit consists of one common share and one share purchase warrant (the "Warrant"). Each whole Warrant is exercisable into one additional common share (the "Warrant Share") of the Company at \$0.07 per Warrant Share for a period of one year from the closing.

On October 18, 2016, the Company granted 2,200,000 stock options to officers and directors of the Company. These options are exercisable at a price of \$0.19 per share for a period of two years from the date of issuance.

On November 28, 2016, the Company issued 664,483 common shares to Eurasian, valued at \$79,738, in accordance with the Amendment with the Golcuk Agreement.

Subsequent to December 31, 2016, 8,325,502 warrants were exercised for gross proceeds of \$769,060.

On February 6, 2017, 455,000 warrants with an exercise price of \$0.18 expired unexercised.

**Operations of Horzum AS Joint Venture ("Horzum AS JV")**

The major activity for Pasinex is the 50% owned Horzum AS JV. The remaining 50% is owned by Akmetal AS. The key focus within this Horzum AS JV is the Pinargozu zinc mine and exploration in Adana province, southern Turkey. At the Pinargozu mine there is mine activity and exploration / drilling activity on-going throughout all of 2016 and as at the date of this MD&A.

Production statistics for 2016 are presented below in Table 1. Highlights are summarised here:

- In fiscal 2016, the Pinargozu mine produced approximately 26,462 tonnes (wet weight) of direct shipping mineralization at an average daily mining rate of about 76 tonnes / day.
- For the fourth quarter of 2016 production was 9,416 tonnes (wet weight) at an average rate of about 105 tonnes / day. The increased daily production realized in the fourth quarter was due to the addition of a new larger adit in August, 2016.
- In the fourth quarter of 2016, 9416 tonnes (wet weight) of direct shipping (DSO) material was sold at an average grade of about 30.3% Zn. This represents a total of 5.84 million pounds of zinc sold in the quarter. A lot of 413.5 tonnes (wet weight) of a DSO Pb product was also sold in this quarter.
- Overall, for fiscal 2016, a total of 26,462 tonnes of direct shipping (DSO) material was sold at an average grade of about 32.5% Zn with a contained zinc content of 17.61million pounds of zinc. The product was sold to zinc commodity traders and zinc metal producers.
- In fiscal 2016, the total revenue per tonne was about \$441 CAD / tonne mined and costs (including all mine development costs and drilling costs) were about \$304 CAD / tonne mined.

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Table 1 : Details of 2016 lot sales of product from Pinargozu mine are given below:

Lot number 2016	Date of sale	Type Oxide or Sulphide or Lead	Wet weight (t)	Moisture %	Dry Weight (t)	Initial Assay % Zn	Final Assay % Zn
<b>First Half 2016</b>							
1	1/28/2016	Oxide	1,556.560	6.82690	1,450.295		37.23
2	3/2/2016	Oxide	1,842.500	7.81266	1,698.551		35.06
3	3/30/2016	Sulphide	716.200	1.64000	704.454	49.90	49.90
4	4/7/2016	Oxide	1,685.620	7.67590	1,556.234	32.00	32.90
5	5/12/2016	Oxide	1,264.080	7.74900	1,166.126	33.27	33.80
6	6/9/2016	Oxide	1,238.040	7.50930	1,145.071	31.50	30.75
7	08-17/06/2016	Oxide	995.780	7.50000	921.096	31.12	31.15
<b>Subtotal</b>			<b>9,298.780</b>	<b>7.06%</b>	<b>8,641.827</b>		<b>35.1%</b>
<b>Q3 2016</b>							
8	7/1/2016	Oxide	1,298.520	6.92850	1,208.550	31.19	31.96
9	7/21/2016	Oxide	1,095.000	7.50000	1,012.880	31.00	31.11
10	7/27/2016	Oxide	100.360	6.83000	93.510	25.33	26.09
11	7/28/2016	Oxide	201.600	6.83000	187.831	25.33	26.09
12	8/2/2016	Oxide	185.580	6.83000	172.905	25.33	26.09
13	8/4/2016	Oxide	100.100	6.83000	93.260	25.33	26.09
14	8/17/2016	Oxide	1,000.000	7.50000	925.000	36.37	33.60
15	8/26/2016	Oxide	2,000.000	7.50000	1,850.000	34.99	33.59
16	9/2/2016	Oxide	284.000	6.00000	266.960	28.27	27.10
17	9/8/2016	Oxide	416.125	6.00000	391.158	29.38	27.60
18	9/20/2016	Oxide	66.18	6.00000	62.209	29.38	27.17
19	9/29/2016	Oxide	999.075	5.70858	942.042	35.00	35.06
<b>Subtotal Q3</b>			<b>7,746.540</b>	<b>6.97%</b>	<b>7,206.304</b>		<b>32.0%</b>

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<b>Q4 2016</b>							
20	10/10/2016	Oxide	500.140	6.90000	465.630	29.73	29.92
21	10/19/2016	Oxide	233.600	6.00000	219.584	28.02	28.86
22	10/19/2016	Oxide	991.000	6.00000	931.540	28.02	28.86
23	10/25/2016	Oxide	996.260	6.77303	928.783	32.00	31.33
24	10/27/2016	Oxide	765.310	7.62000	706.993	28.05	28.56
25	11/17/2016	Oxide	520.000	7.50000	481.000	28.05	28.56
26	11/24/2016	Oxide	997.420	7.91870	918.437		29.93
27	11/24/2016	Oxide	369.885	7.91870	340.595	31.18	31.93
28	12/1/2016	Oxide	634.340	8.15000	582.641	31.73	31.93
29	12/1/2016	Oxide	905.000	7.50000	837.120	31.73	31.93
30	12/12/2016	Oxide	999.900	9.92627	906.015	31.00	33.25
31	12/19/2016	Oxide	594.310	8.00000	546.765	30.31	30.92
32	12/22/2016	Oxide	495.910	6.00000	466.155	23.97	23.97
33	12/26/2016	Lead	413.540	1.42000	407.668	* Lead product	* Lead product
<b>Subtotal Q4</b>			<b>9,416.615</b>		<b>8,738.926</b>		<b>30.3%</b>
<b>Total 2016</b>			<b>26,461.935</b>	<b>7.09%</b>	<b>24,587.057</b>		<b>32.5%</b>

The production from the Pinargozu mine improved significantly in the fourth quarter of 2016 with the addition of the new third adit in August 2016. The quarterly production rate went from approximately 86 tonnes per day in the third quarter of 2016 to 105 tonnes per day in the fourth quarter of 2016. It is expected that this increased production rate will continue into fiscal 2017. At the date of this MD&A, the average production rate for the first quarter of 2017 is approximately 140 tonnes / day. This increase in production rate has led to a strong improvement of the financial performance of the Horzum AS JV which is expected to continue throughout 2017.

Drilling continued at Pinargozu throughout the fourth quarter of 2016. For most of the period two drills were operating. One drill operated from an underground drill site, looking for deeper sulphide mineralization associated with the oxide mineralization currently being mined. A second drill operated from various drill sites near Pinargozu mine, looking for step out manifestations of the mineralization. In total, 11,070 meters of drilling was conducted in 2016. Drilling, to look for extensions of the Pinargozu orebody, is a top priority and will continue in 2017.

Throughout the summer of 2016 Pasinex reported many drill results from 2015 and 2016. These results were reported in press releases on June 23, July 7, August 9 and September 7, 2016. All these news releases are available on the Pasinex website [www.pasinex.com](http://www.pasinex.com). Highlights included the announcement of drill intercepts of extremely high grade zinc sulphide (sphalerite)

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mineralization, reported on September 7<sup>th</sup> 2016. The recognition of this deeper sulphide mineralization was crucial to the decision taken by Horzum AS JV to drive a third adit into the Pinargozu mineralization. Work began on this third adit in the second quarter and was completed by late August 2016. This was announced to the market on September 20, 2016. This third adit enabled Horzum AS JV to double the daily production from Pinargozu mine because the third adit is bigger than the earlier two adits, permitting bigger equipment underground. The impact of the third adit was immediately notable, as fourth quarter average production reached around 105 tonnes per day.

Comments on the Financial Results of Horzum AS JV:

- The Horzum AS JV recorded gross sales of \$11,658,361 for 2016 with a net income of \$3,605,420 and a profit margin of 30.9%. This result particularly reflects the increased production in the second half of 2016.
- The fourth quarter gross sales were \$4,727,107 with a net income of \$2,013,635 (42.6%). This profit margin is up significantly from 11.5% in the first half of 2016 and 34.8% in the third quarter of 2016 and reflected the immediate impact of the new third adit leading to higher production rate, together with an increased value of product sold due to a strengthening zinc price. Exploration drilling has been expensed and included in operating costs. During the fourth quarter of 2016, approximately \$769,000 of early stage property development costs were offset against its revenues.
- The Horzum AS JV balance sheets show total assets of \$12,625,589 share capital of \$237,400 and a surplus of \$4,313,253 with a Foreign Exchange adjustment of (\$646,599). The significant increase in Shareholder Equity reflects the increased profitability of Horzum AS JV.
- The current assets of \$12,137,742 include inventory of \$1,215,068 which is direct shipping mineralization stock held at the Adana, Turkey warehouse. This inventory is recorded at the cost of production. The current assets also include a significant receivable from the related party trading company Akmetal Dis Ticaret Madencilik Sanayi ve Ticaret AS. This company which is effectively controlled by the partner Akmetal sells a lot of the product of the producing company Horzum AS JV.

The Company views the financial results of Horzum AS JV for fiscal 2016 very positively. Mine production at Pinargozu was increased to approximately 105 tonnes per day of direct shipping ore for the fourth quarter versus approximately 58 tonnes per day for the first half of 2016. This increased production resulted in a positive profit margin of 30.9% for the year and greater than 42% for the fourth quarter 2016. Management continues to believe that the exploration opportunity for further zinc resource at Pinargozu is very good.

There was no exploration or mining activity on the Golcuk copper property, Sivas province, Turkey during the fourth quarter of 2016. The Company is preparing for a small drilling campaign at Golcuk in April 2017 per the amended agreement on the Golcuk option with Eurasian Minerals (news release December 6, 2016).

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**Horzum Arama ve Isletme**  
**Statement of Financial Position**

	<b>As at December 31, 2016 TRY</b>	<b>As at December 31, 2016 CAD</b>
<b>Assets</b>		
<b><u>Current assets</u></b>		
Cash and prepaid expenses	183,445	\$ 69,984
Trade receivables <sup>(1)</sup>	8,990,939	3,430,043
Other receivables	144,445	55,106
Amounts due from JV partners and related parties <sup>(2)</sup>	19,312,035	7,367,541
Inventory	3,184,974	1,215,068
	<u>31,815,838</u>	<u>12,137,742</u>
<b><u>Non-current assets</u></b>		
Property and equipment	884,449	337,417
Other non-current assets	394,313	150,430
	<u>1,278,762</u>	<u>487,847</u>
<b>Total assets</b>	<b><u>33,094,600</u></b>	<b><u>\$ 12,625,589</u></b>
<b>Current liabilities</b>		
Accounts payable and other current liabilities	1,187,014	452,846
Amounts due to JV partners and related parties <sup>(2)</sup>	21,481,570	8,195,218
<b>Non-current liabilities</b>		
Employee benefits and other liabilities	192,585	73,471
<b>Total liabilities</b>	<u>22,861,169</u>	<u>8,721,535</u>
<b>Equity</b>		
Share capital	500,000	237,400
Surplus	9,733,431	4,313,253
Foreign exchange difference		(646,599)
	<u>10,233,431</u>	<u>3,904,054</u>
<b>Total equity and liabilities</b>	<b><u>\$ 33,094,600</u></b>	<b><u>\$ 12,625,589</u></b>

<sup>(1)</sup> Included in trade receivables was \$2,420,054 (TRY 6,343,522) receivable from a company related to Akmetal.

<sup>(2)</sup> JV partners and related parties include Pasinex Arama, Akmetal and two companies related to Akmetal.



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**Horzum Arama ve Isletme**  
**Statement of Income**

	Year ended December 31, 2016 TRY	Year ended December 31, 2016 CAD
Revenues	26,514,352	\$ 11,658,361
Cost of revenues	<u>(15,445,447)</u>	<u>(6,791,363)</u>
Gross profit	11,068,905	4,866,998
General and administrative expenses	(814,118)	(357,969)
Income tax expense	<u>(2,055,058)</u>	<u>(903,609)</u>
<b>Profit for the year</b>	<b><u><u>8,199,729</u></u></b>	<b><u><u>\$ 3,605,420</u></u></b>
	<b>Three months ended December 31, 2016 TRY</b>	<b>Three months ended December 31, 2016 CAD</b>
Revenues	11,132,074	\$ 4,727,107
Cost of revenues	<u>(4,333,030)</u>	<u>(1,784,108)</u>
Gross profit	6,799,044	2,942,999
General and administrative expenses	(76,847)	(25,755)
Income tax expense	<u>(2,055,058)</u>	<u>(903,609)</u>
<b>Profit for the period</b>	<b><u><u>4,667,139</u></u></b>	<b><u><u>\$ 2,013,635</u></u></b>

## Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. During the quarter, equity markets in Canada showed signs of improvement, with equities increasing significantly during this period. Strong equity markets are favourable conditions for completing a public merger, financing or acquisition transaction. Apart from these and the discussion below on zinc prices, and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risks and Uncertainties" below.

Management believes that Pasinex is strongly leveraged to the zinc price and so management continuously monitors the global zinc market. The zinc price has moved up approximately 75% in 2016 from a low of around 65 c US / lb to a current price (April 2017) of 117 c US / lb. Pasinex believes that the major driver in this price increase has been an on going medium term mine supply side shortage of zinc stock. This has been due to several large zinc mine closures over the last few years. As the Horzum AS JV is now producing and selling zinc product there is a direct benefit being received for the higher zinc prices this year.



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Horzum AS JV sells their product in US dollars and then converts to Turkish Lira. As such, Horzum AS JV's financial performance also depends on the Turkish Lira (TL) to US Dollar (USD) exchange rate. This rate has changed favourably for the JV company in 2016, from about 2.92 in January 2016, to about 3.52 by the end December 2016 (a 21% change over 2016).

**Selected Annual Financial Information**

The following is selected financial data derived from the audited consolidated financial statements of the Company at December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total revenues	\$nil	\$nil	\$nil
Net income (loss)	\$829,906	\$(680,809)	\$(1,498,423)
Net income (loss) per share – basic	\$0.01	\$(0.01)	\$(0.02)
Net income (loss) per share – diluted	\$0.01	\$(0.01)	\$(0.02)
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
Total assets	\$4,065,789	\$2,368,863	\$1,781,455
Total non-current financial liabilities	nil	nil	nil
Distribution or cash dividends	nil	nil	nil

**Selected Quarterly Information**

A summary of selected information for each of the eight most recent quarters prepared in accordance with IFRS is as follows:

Three Months Ended	Net Revenues (\$)	Profit or (Loss)	
		Total (\$)	Per Share (\$)
2016-December 31	-	613,999	0.01
2016-September 30	-	417,898	0.00
2016-June 30	-	(77,673)	(0.00)
2016-March 31	-	(124,318)	(0.00)
2015-December 31	-	(69,340)	(0.00)
2015-September 30	-	(241,912)	(0.00)
2015-June 30	-	(21,177)	(0.00)
2015-March 31	-	(348,380)	(0.00)

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The Company's Canadian expenses have remained consistent over the last eight quarters, as the Company was actively exploring properties in Turkey. The significant reduction in loss for the period ended June 30, 2016 and the profit reported for the periods ended September 30, 2016 and December 31, 2016 was due to the equity gain from the Horzum AS JV which has been profitable in 2016.

## **Results of Operations**

### Year ended December 31, 2016, compared with year ended December 31, 2015

The Company's net income totaled \$829,906 for the year ended December 31, 2016, with basic and diluted income per share of \$0.01. This compares with a net loss of \$680,809 with basic and diluted loss per share of \$0.01 for the year ended December 31, 2015. The increase in net income of \$1,510,715 resulted mainly from:

- An increase in the equity gain from joint venture to \$1,802,710 from \$417,042 in the comparative period was due to the joint venture's profit increasing from the increase in the sales of zinc material together with a higher zinc price.
- A decrease in administrative fees of \$150,000 from the prior year was due to the cessation of a management services contract in Vancouver, BC, Canada. The Company relocated their corporate business to Toronto, Ontario and so no longer required this Vancouver based service contract.
- A decrease in consulting and management fees to \$310,215 from \$479,469 in the prior year was due to less consultants being used during the current year and the implementation of cost saving initiatives.
- An increase in professional fees to \$195,187 from \$75,760 resulted from an increase in the professional services required for legal, audit and accounting support during the current year.
- Property investigation costs for the year ended December 31, 2015 was \$92,435. The Company did not explore new property opportunities during the current year.
- An increase in travel and meals of \$27,952 over the prior year was due to increased travel to Turkey in the current year.
- An increase in the foreign exchange gain to \$12,854 from a loss of \$19,387 in the comparative period due to the fluctuation in the foreign exchange rate of the Turkish Lira in the current period.

### Three months ended December 31, 2016, compared with three months ended December 31, 2015

The Company's net income totaled \$613,999 for the three months ended December 31, 2016, with basic and diluted income per share of \$0.01. This compares with a net loss of \$69,340 with basic and diluted loss per share of \$0.00 for the three months ended December 31, 2015. The increase in net income of \$683,339 resulted mainly from:

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- An increase in the equity gain from joint venture to \$1,006,817 from an equity loss \$33,923 in the comparative period was due to the joint venture's profit increasing from the increase in the sales of zinc material together with a higher zinc price.
- A decrease in administrative fees of \$37,500 from the prior three months was due to the cessation of a management services contract in Vancouver, BC, Canada. The Company relocated their corporate business to Toronto, Ontario and so no longer required this Vancouver based service contract.
- A decrease in consulting and management fees to \$79,048 from \$144,355 in the prior three months was due to less consultants being used during the current three months and the implementation of cost saving initiatives.
- An increase in professional fees to \$87,716 from \$5,155 resulted from an increase in the professional services required for legal, audit and accounting support during the current three months.
- Property investigation costs for the three months ended December 31, 2015 was \$52,916. The Company did not explore new property opportunities during the current three months.
- An increase in travel and meals of \$17,589 over the prior three months was due to increased travel to Turkey in the current three months.
- A decrease in the foreign exchange loss to \$287 from a loss of \$181,664 in the comparative period due to the fluctuation in the foreign exchange rate of the Turkish Lira in the current period.

The Company's total assets at December 31, 2016 were \$4,065,789 (December 31, 2015 - \$2,368,863) and total liabilities were \$282,818 (December 31, 2015 - \$381,901). The increase in total assets of \$1,696,926 resulted mainly from the cash proceeds from the Private Placement and the equity gain from the joint venture offset by cash spent on operating costs. The Company has sufficient cash to pay its existing liabilities of \$282,818 at December 31, 2016.

## **Liquidity and Financial Position**

### **Cash Flows**

At December 31, 2016, the Company had cash of \$311,958 compared to \$25,749 at December 31, 2015. The increase in cash of \$286,209 resulted from cash outflow in operating activities and investing activities of \$554,654 and \$489,983, respectively offset by cash inflow from financing activities of \$1,337,748.

Operating activities were affected by non-cash items of amortization of \$11,683, gain on sale of marketable securities of \$1,333, share-based payments of \$112,200 and equity gain from joint venture of \$1,802,710. The net change in non-cash working capital balances of \$295,600 reflects an increase in goods and services tax receivable of \$129,467, an increase in prepaid expenses and deposits of \$14,611, a change in due from related parties of \$513,287, a decrease in accounts payable and accrued liabilities of \$36,178 and a decrease in due to related parties of \$37,431.

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Cash outflow for investing activities of \$489,983 resulted from \$455,024 for expenditure on exploration and evaluation assets and an investment in joint venture of \$39,111 offset by \$4,152 from proceeds of sale of marketable securities.

Financing activities generated cash inflow of \$1,337,748 consisted of \$1,245,248 from cash proceeds from the issuance of shares and share subscription received of \$92,500.

### **Liquidity and Financial Position**

The Company is actively investigating financing alternatives in order to continue funding the Canadian corporate entity and exploration associated with the Golcuk project in Turkey. Most of the funding has been raised through the issuance of shares. Funds have been received by the Joint Venture project in Turkey, and it is expected that these funds will increase during fiscal 2017 as more product is sold. These funds meet all the JV company development and capital requirements including on-going exploration by Horzum AS, mine development costs and capital equipment for the JV company. The availability of financing, as and when needed, to fund the Company's activities cannot be assured. See "Risks and Uncertainties" below. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

The Company's cash at December 31, 2016 is not anticipated to be sufficient to fund its current liabilities of \$282,818 and the estimated operating expenses of \$800,000 for fiscal 2017, however subsequent to the year end the Company raised approximately \$769,000 from the exercise of warrants. The Company will need to raise equity capital in amounts sufficient to fund working capital requirements. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risks and Uncertainties" below and "Caution Note Regarding Forward-Looking Statements" above.

### **Environmental Contingency**

The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of the date of this MD&A, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

### **Off-Balance-Sheet Arrangements**

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

### **Share Capital**

As of the date of this MD&A, the Company had 129,587,752 issued and outstanding common shares, an aggregate of 4,190,000 options outstanding, an aggregate of 10,005,269 warrants outstanding, an aggregate of 141,200 agents warrants outstanding, each entitling the holder to acquire one common share. Therefore, the Corporation had 143,924,221 common shares on a fully diluted basis.

## Transactions with Related Parties

### Related Party Balances and Transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which include 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 period. 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:

	Year ended December 31, 2016 (\$)	Year ended December 31, 2015 (\$)
<b>Management and consulting fees</b>		
Steven Williams <sup>(1)</sup>	136,000	96,000
Irus Consulting Ltd. <sup>(2)</sup>	39,102	44,550
Marrelli Support Services Inc. <sup>(3)</sup>	32,750	nil
DSA Corporate Services <sup>(4)</sup>	24,020	nil
Sven Olsson <sup>(5)</sup>	9,992	18,000
Victor Wells <sup>(5)</sup>	2,000	nil
Clinton Smyth <sup>(6)</sup>	nil	36,300
Jody Bellefleur <sup>(7)</sup>	nil	19,500
<b>Total</b>	<b>243,864</b>	<b>214,350</b>

	Year ended December 31, 2016 (\$)	Year ended December 31, 2015 (\$)
<b>Share-based payments</b>		
Steven Williams	30,600	nil
Sven Olsson	12,750	nil
Larry Seeley <sup>(5)</sup>	10,200	nil
Victor Wells	17,850	nil
Joachim Rainer <sup>(5)</sup>	10,200	nil
Johnathan Challis <sup>(5)</sup>	10,200	nil
John Barry <sup>(5)</sup>	12,750	nil
Jo-Anne Archibald <sup>(4)</sup>	3,825	nil
Cindy Davis <sup>(3)</sup>	3,825	nil
<b>Total</b>	<b>112,200</b>	<b>nil</b>

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<b>Amounts payable</b>	<b>December 31, 2016 (\$)</b>	<b>December 31, 2015 (\$)</b>
Steven Williams	50,522	25,944
Marrelli Support Services Inc.	2,222	nil
DSA Corporate Services	2,549	nil
Sven Olsson	4,959	nil
Clinton Smyth	nil	50,890
Larry Seeley	nil	2,872
Jody Bellefleur	nil	12,600
<b>Total</b>	<b>60,252</b>	<b>92,306</b>

- (1) Steven Williams is Chief Executive Office of the Company.
- (2) Irus Consulting Ltd. is controlled by John Barry, a director of the Company.
- (3) Mrs. Cindy Davis, the Chief Financial Officer ("CFO") of the Company, is also a senior employee of Marrelli Support Services Inc. ("Marrelli Support"). Marrelli Support also provides accounting services to the Company.
- (4) DSA Corporate Services ("DSA") is affiliated with Marrelli Support through a common officer. DSA provides corporate and secretarial services for the Company.
- (5) Director of the Company.
- (6) Jody Bellefleur is the former CFO of the Company.
- (7) Clinton Smyth is a former VP of Exploration of the Company.

These transactions are in the normal course of operations and have been valued in the consolidated 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.

Pasinex Arama provides project management and technical management services to Akmetal for Akmetal's 100%-owned license, numbered IR-1179, located in the Adana area. The balance of receivable from Akmetal is \$nil as of December 31, 2016 (December 31, 2015 - \$128,007). This property may be transferred to the Joint Venture pending approval from the Turkish government.

Pasinex Arama provides project management and technical management services to the Joint Venture for Pinargozu property and Horzum JV Properties which may be transferred to the Joint Venture. The balance of receivable from the Joint Venture is \$nil as of December 31, 2016 (December 31, 2015 - \$419,821).

To the knowledge of the directors and officers of the Company, as at December 31, 2016, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

	<b>Number of Common Shares</b>	<b>Percentage of Outstanding Common Shares</b>
<b>Larry Seeley</b>	<b>28,728,191</b>	<b>23.69%</b>

## **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, 2016 and 2015, 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 marketable securities which 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.

<b>As at December 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 311,958	\$ nil	\$ nil	\$ 311,958
Marketable securities	11,342	nil	nil	11,342
	<b>\$ 323,300</b>	<b>\$ nil</b>	<b>\$ nil</b>	<b>\$ 323,300</b>

<b>As at December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 25,749	\$ nil	\$ nil	\$ 25,749
Marketable securities	17,160	nil	nil	17,160
	<b>\$ 42,909</b>	<b>\$ nil</b>	<b>\$ nil</b>	<b>\$ 42,909</b>

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 the consolidated 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:



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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 statements of financial position date.

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, 2016, the Company had a cash balance of \$311,958 (2015 - \$25,749) and current liabilities of \$282,818 (2015 - \$381,901). All of the Company's accounts payable and accrued liabilities and due to related parties 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. During the year ended December 31, 2016, the translation of the assets and liabilities of Pasinex Arama resulting in foreign currency translation adjustments of \$537,083 to other comprehensive income. For the year ended December 31, 2016, if the TRY to Canadian dollar rate increased/decreased by 5% with all other variables held constant, other comprehensive income would have been approximately \$54,000 higher/lower.

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.

iii) Price risk - the Company is exposed to price risk with respect to commodity prices, particularly the price of zinc. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to zinc prices, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's future profitability and viability depend upon the world market price of zinc. Zinc prices have fluctuated widely in recent years. The Joint Venture's sales are subject to fluctuations in zinc price. For the year ended December 31, 2016, if the price of zinc increased/decreased by

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10% with all other variables held constant, net income and comprehensive income would have been approximately \$583,000 higher/lower.

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.

### **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

### **Disclosure of Internal Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Risks and Uncertainties**

The Company, and the securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

The Company has a very limited history of operations, is in the early stage of development and has received no revenues other than insignificant interest revenues. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to obtain adequate financing in the future or, if available, that the terms of such financing will be favourable. The Company currently has no intention of paying any dividends in the future.

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, no assurance can be given that the Company's interests may not be challenged by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

The exploration of mineral properties involves significant risks which even experience, knowledge and careful evaluation may not be able to avoid. The price of metals has fluctuated widely, particularly in recent years as it is affected by numerous factors which are beyond the Company's control including international economic and political trends, expectations of inflation or deflation, currency exchange fluctuations, interest rate fluctuations, global or regional consumptive patterns, speculative activities and increased production due to new extraction methods. The effect of these factors on the price of metals, and therefore the economic viability of the Company's interests in the mineral properties cannot be accurately predicted. Furthermore, changing conditions in the financial markets, and Canadian Income Tax legislation may have a direct impact on the Company's ability to raise funds for exploration expenditures. A drop in the availability of equity financings will likely impede spending. As a result of all these significant risks, it is quite possible that the Company may lose its investments in the Company's mineral property interests.

## **Additional Information**

Additional information about the Company can be found on their Disclosure Hall page at [www.cnsx.ca](http://www.cnsx.ca), the Company's website at [www.pasinex.com](http://www.pasinex.com), or on [www.sedar.com](http://www.sedar.com).