Introduction

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Pasinex Resources Limited (the "Company" or "Pasinex") should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017.

Management is responsible for the preparation of the financial statements and MD&A. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures in this MD&A are expressed in Canadian dollars, unless stated otherwise.

This MD&A has been prepared as of April 27, 2018.

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 the Company 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.

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 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 price, 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 Resources Limited ("Pasinex" or the "Company") is a publicly listed company incorporated in British Columbia. 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".

Pasinex owns 50% of Horzum Maden Arama ve İşletme Anonim Şirketi ("Horzum AS") which holds the producing Pinargozu high grade zinc mine. Under a direct shipping program, Horzum AS sells to zinc smelters / refiners. The Company accounts for its 50% joint venture interest as an equity accounted investment where its proportionate share of income is recorded as an equity gain in the statements of income and comprehensive income.

The Company also holds an option to acquire 80% of the Gunman high-grade zinc exploration project in Nevada.

Selected Annual Consolidated Information

	Year Ended December 31		
	2017	**2016**	**2015**
Financial:			
Equity gain from Horzum AS	**$ 8,153,698**	$ 1,802,710	$ 417,042
Dividend received from investment in Horzum AS	**$ 1,183,215**	$ -	$ -
Consolidated net income (loss)	**$ 5,834,104**	$ 829,906	$ (680,809)
Basic net income (loss) per share	**$ 0.04**	$ 0.01	$ (0.01)
Diluted net income (loss) per share	**$ 0.04**	$ 0.01	$ (0.01)
Cash used in operating activities	**$ 913,682**	$ 554,654	$ 563,115
Weighted average shares outstanding	**133,888,679**	109,458,400	82,472,473
As at December 31:			
Investment in Horzum AS	**$ 8,045,296**	$ 1,901,589	$ 377,794
Total assets	**$ 11,622,820**	$ 4,065,789	$ 2,368,863
Total liabilities	**$ 235,623**	$ 282,818	$ 381,901
Equity	**$ 11,387,197**	$ 3,782,971	$ 1,986,962
Horzum AS operational data (100% basis):			
Zinc produced (wet) tonnes	**57,675**	26,462	15,029
Zinc sold (wet) tonnes	**47,697**	29,937	13,906
Zinc grade	**33%**	33%	34%
Gross margin [1]	**64%**	39%	18%
C$ cost per tonne mined [1]	**$ 183**	$ 288	$ 265
US$ cash cost per pound of zinc produced [1]	**$ 0.19**	$ 0.29	$ 0.30

[1] See non-GAAP measures

The Company has a 50% joint venture interest in Horzum AS, which is equity accounted. This means in the Pasinex consolidated financial statements:

- Horzum AS net income is shown on one line in the income statement – Equity gain from Horzum AS
- Horzum AS net assets are shown in Investment in Horzum AS
- Horzum AS cash flow is only reflected when dividends are received from Horzum AS to Pasinex.

Highlights

Pasinex financial performance

- Net income for the year ended December 31, 2017 was $5.8 million, an increase of seven times net income from the year ended December 31, 2016 of $0.8 million because of the strong earnings from Horzum AS.

- Included in net income are the financial results for the Company's 50% joint venture interest in Horzum AS (shown as equity gain from Horzum AS). The equity gain in 2017 was $8.2 million compared to $1.8 million in 2016 reflecting the strong operational performance at Pinargozu (see further details below).

- In 2017, the Company received its first dividend from Horzum AS amounting to $1.2 million. In March 2018, a dividend of Turkish Lira ("TRY") 40 million was declared to Horzum AS shareholders to be paid in 2018 (Pasinex share being TRY 20 million or approximately $6.5 million). As of April 27, 2018, the Company received $0.8 million of this dividend, with the remainder to be paid during 2018.
- Proceeds of $1.8 million were received in 2017 from the exercise of 18.5 million warrants. This compares to proceeds of $1.2 million in 2016 from the exercise of 6.7 million warrants and the issuance of 12 million common shares.

- General and administration costs have increased in 2017 due to an increase in personnel costs and marketing costs reflecting the requirements of a growing company.

Pasinex corporate highlights

- In November 2017, the Company announced its maiden mineral resource estimate (National Instrument (NI) 43-101 compliant) for Pinargozu. As at June 30, 2017, the total Inferred Mineral Resource for 100% of the mine included 200,000 tonnes of zinc at an average grade of 31%.

- Pasinex through its wholly-owned subsidiary Pasinex Resources Nevada Limited ("Pasinex Nevada"), entered into an option agreement with Cypress Development Corp ("Cypress") and Silcom Systems Inc. ("Silcom") to earn up to an 80% interest in the Gunman zinc project ("Gunman Project") located in White Pine County, Nevada.

- Pasinex announced several management changes through 2017 including the appointments of Ms. Wendy Kaufman as Chief Financial Officer, Mr. John Barry as Vice President, Exploration and Mr. Evan White as Manager of Corporate Communications.

Pinargozu Operations and Financial Update (100% basis)

- Pinargozu achieved its production expectations for 2017 producing 57,675 tonnes of material. This compares to 26,462 tonnes in the previous year.

- Sales of zinc and lead have also increased in 2017 compared to 2016 but not to the same extent as production. Horzum AS sold 47,697 tonnes of material in 2017 compared to 29,937 tonnes in 2016. At December 31, 2017 there were approximately 10,000 tonnes of zinc oxide material stockpiled awaiting shipment. This material was sold in March 2018.

- The average grade of the zinc product sold in 2017 was 33%, representing approximately 32.6 million pounds of contained zinc metal.

- Horzum AS net income rose significantly in 2017 compared to 2016 largely due to the higher production/sales at the mine at higher sales prices. 50% of Horzum net income is shown as equity gain on the Pasinex consolidated financial statements.

- In 2016, mining costs (including all mine development and drilling costs) were $288 per tonne mined. For 2017 the costs per tonne mined were $183 per tonne (also including mine development and drilling costs). The lower cost per tonne mined for 2017 versus 2016 reflects the improved productivity due to higher tonnage mined.

Review of Annual Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

The following is a summary income statement for Pasinex:

	Year Ended December 31	
	2017	**2016**
Equity gain from Horzum AS	**$ 8,153,698**	$ 1,802,710
Exploration costs	**(77,649)**	-
General and administration costs	**(2,284,104)**	(1,024,092)
Other income	**42,159**	51,288
Net income	**$ 5,834,104**	$ 829,906

- Equity gain from Horzum AS represents the Company's 50% share of the net income of Horzum AS. Horzum AS is considered a joint venture for accounting purposes and as such the Company records its share of net income on one line in the income statement. Further details on the results of Horzum AS follows below – Review of Horzum AS.

- Exploration costs incurred in 2017 are a result of staking and claims fees for the Gunman Project. Under the Option Agreement, Pasinex is required to spend a minimum of US$250,000 in exploration expenditures before December 5, 2018. A 1,000 metre diamond core drill program with geological support is planned for the first half of 2018 at an estimated cost of US$500,000. Further work on the Gunman Project will be dependent on the results of the drill program.

- General and administration costs include the following:

	Year Ended December 31	
	2017	**2016**
General and administration costs		
Advertising and promotion	**$ 193,717**	$ 110,834
Consulting fees	**586,038**	53,053
Management fees and salaries	**405,271**	257,162
Share-based payments	**363,980**	112,200
Investor relations	**168,515**	55,140
Professional fees	**167,937**	195,187
Travel and meals	**264,741**	123,624
Office costs	**70,325**	72,648
Other expenses	**63,580**	44,244
	$ 2,284,104	$ 1,024,092

General and administration costs have increased year over year largely attributed to costs associated with the growth of the Company. Specifically:

- Consulting fees increased largely due to costs incurred in conjunction with compilation of the NI 43-101 report and other geological work.

- Management fees and salaries increased due to the addition of head office resources, including a Chief Financial Officer, Vice President Exploration and Manager Corporate Communications.

- On August 14, 2017, 1.2 million stock options were granted to an officer and an employee of the Company at a price of $0.25 each, expiring August 14, 2022. The stock options vested in 2017. The fair value of the stock options at the date of grant was $265,200 and was fully expensed as a share-based payment in 2017. In addition, on December 4, 2017, 1 million stock options were granted to a director of the Company at a price of $0.25 each, expiring December 4, 2022. 400,000 of these stock options vested immediately and the remaining 600,000 stock options vest over a six-month period from date of grant. The fair value of the stock options at the date of grant was $202,000 of which $98,780 was expensed in 2017. In 2016, 2.2 million stock options were granted to directors and officers of the Company at a price of $0.19, expiring October 18, 2018. The stock options vested immediately and the fair value of the stock options of $112,200 was fully expensed.

- Advertising and promotion, as well as investor relation costs increased as the Company ramped up communication efforts in line with its marketing strategy.

- An increase in travel and meals is mainly a result of the travel associated with additional consulting and marketing efforts.

- General and administration costs for 2018 are expected to be similar to 2017.

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Year Ended December 31		Three Months Ended				
	2017	**2016**	**Dec 2017**	**Sept 2017**	**June 2017**	**March 2017**	**Dec 2016**
Tonnes produced (wet)	**57,675**	26,462	15,748	15,760	14,381	11,786	9,416
Tonnes sold (wet):							
Zinc oxide	**37,783**	28,807	10,468	9,473	7,445	10,397	9,007
Zinc sulphide	**9,220**	716	1,999	4,240	999	1,982	-
Lead	**694**	414	108	263	323	-	414
	47,697	29,937	12,575	13,976	8,767	12,379	9,421
Inventory balance (tonnes)	**11,909**	5,273					
Average grades:							
Zinc oxide	**31%**	32%	29%	32%	33%	30%	30%
Zinc sulphide	**44%**	50%	44%	43%	45%	45%	-
C$ cost per tonne mined (1)	**$ 183**	$ 288	$ 252	$ 136	$ 171	$ 180	$ 247
Equity gain	**$ 8,153,698**	$ 1,802,710	$ 3,355,358	$ 2,698,696	$ 931,355	$ 1,168,289	$ 1,006,817

(1) See non-GAAP measures

Operating results

- Pinargozu achieved its production expectations for 2017 producing 57,675 tonnes of material. This compares to 26,462 tonnes in the previous year. The increase is mainly due to the addition of the third larger adit which was completed in August 2016 allowing access to more areas of the mine.

- Sales of zinc and lead have also increased in 2017 compared to 2016 but not to the same extent as production. Horzum AS sold 47,697 tonnes of material in 2017 compared to 29,937 tonnes in 2016. At December 31, 2017 there were approximately 10,000 tonnes of zinc oxide stockpiled awaiting shipment. This material was sold in March 2018.

- The cost per tonne mined in 2017 was $183 per tonne compared to $288 per tonne in 2016. The lower cost per tonne mined for 2017 versus 2016 reflects the improved productivity due to higher tonnage mined. Mining costs in both years included development costs to open new mining areas (stopes), drifts to open new drilling sites, as well as ramping costs, including a spiral from the 740 level to the 810 level. Drilling for the year focused on expanding resources and finding new mineralization. Approximately 3,000 metres were developed and 14,900 metres drilled in 2017. The completion of the maiden NI 43-101 compliant mineral resource for Pinargozu indicates a longer live for the mine and as such certain development costs and drilling should be capitalized and amortized over the life of the mine in future years.

- In December 2017, the maiden National Instrument 43-101 resource report for Pinargozu was issued and can be found on the Pasinex web site at www.pasinex.com. The report indicates 200,000 tonnes of inferred resource at 31% zinc.

Financial results

The equity gain in Horzum AS, which represents 50% of Horzum AS net income, rose significantly in 2017 compared to 2016. This is largely due to the higher production/sales at the mine at higher sales prices. Below are the statements of operation for Horzum AS for 2017 and 2016 with a reconciliation to the Company's equity gain as shown on the Pasinex consolidated financial statements.

Statements of operations - Horzum AS

(100% basis Canadian dollars)	Year Ended December 31	
	2017	**2016**
Revenue	**$ 31,833,371**	$ 11,658,361
Cost of sales	**(9,691,707)**	(6,791,363)
Selling, marketing and other distribution	**(932,378)**	(68,690)
General and administration costs	**(432,257)**	(324,488)
Other	**(371,317)**	35,209
	20,405,712	4,509,029
Income tax expense	**(4,098,315)**	(903,609)
Net income	**$ 16,307,397**	$ 3,605,420
Pasinex joint venture interest	**50%**	50%
Equity gain from Horzum AS	**$ 8,153,698**	$ 1,802,710

Revenue

The table below shows further details on revenue:

(100% basis)	Year Ended December 31, 2017		Year Ended December 31, 2016	
	(wet tonnes)	*(C$)*	*(wet tonnes)*	*(C$)*
Zinc oxide sales	37,783	**$ 20,058,408**	28,807	$ 10,457,446
Zinc sulphide sales	9,220	**10,334,226**	716	422,299
Lead sales	694	**1,001,393**	414	778,616
Final sales adjustments related to 2016		**439,344**		-
Total revenue	47,697	**$ 31,833,371**	29,937	$ 11,658,361

For the year ended December 31, 2017 Horzum AS gross sales were $31.8 million, almost three times greater than the $11.7 million recognized in the same period of 2016. The improvement is due to increased production and sales, as well as higher zinc prices. In addition, higher volumes of zinc sulphides were sold in 2017, which demand a significantly higher sales price.

An approximate 10,000 tonne zinc stockpile was accumulated through the last part of 2017 to accommodate a shipment on a large vessel. The stockpile was sold in the first quarter of 2018.

Horzum AS direct ships its zinc material and prices it based on a multiplier which considers the grade of the zinc and an average LME zinc price depending on the number of days in the quotational period as defined in the contract or as agreed with the buyer. Zinc is largely sold to a subsidiary of Akmetal who in turn sells the material to third parties. Sales through Akmetal are provisionally recorded at a price below the LME zinc price because of the uncertainty on final pricing. Certainty concerning pricing occurs upon final invoicing, at which time quantities and grades are finalized and price is adjusted to the LME zinc price as agreed with the buyer. Certain other sales of zinc are provisionally recorded as revenue at the LME zinc price expected upon settlement as stipulated by the sales contract. At the end of 2017, only two invoices remain provisionally priced with minimal adjustments expected upon finalization.

Costs

The cost of sales and general and administration costs have increased in conjunction with the increase in production. However, the mine benefitted from economies of scale resulting in gross margins improving from approximately 39% in 2016 to 64% in 2017 (see Non-GAAP measures for calculation).

Income taxes are at a rate of 20% and the expense in 2017 and 2016 reflects this. In 2018, the statutory tax rate in Turkey has been increased to 22%.

Financial condition

The following are summary balance sheets for Horzum AS

Horzum AS
Statement of Financial Position

		As at December 31		
(100% basis)		**2017**		**2016**
Assets				
Cash and prepaid expenses	**$**	**35,172**	$	69,984
Trade receivables - Akmetal		**18,091,258**		2,420,054
Trade receivables - Other		**8,772**		1,009,989
Amounts due from shareholders and related parties		**-**		7,367,541
Other current assets		**2,597,543**		1,270,174
Non current assets		**1,535,910**		487,847
Total assets	**$**	**22,268,655**	$	12,625,589
Liabilities				
Amounts due to shareholders and related parties	**$**	**152,980**	$	8,195,218
Other liabilities		**6,025,083**		627,193
		6,178,063	$	8,822,411
Equity		**16,090,592**		3,803,178
Total liabilities and equity	**$**	**22,268,655**	$	12,625,589

Trade receivables - Akmetal

Included in trade receivables – Akmetal is a loan amount for $13.4 million. In November 2017, Horzum AS entered into an agreement with Akmetal to structure a formal repayment process, including interest, for the trade receivable that was outstanding at September 30, 2017 from Akmetal's subsidiary. The repayment plan for US$11.4 million (C$14.3 milllion) to Horzum AS is as follows:

First quarter 2018	$ 313,625	
Second quarter 2018	376,350	
Third quarter 2018	376,350	
Fourth quarter 2018	1,003,600	
2018	2,069,925	
2019	12,043,200	
2020	188,175	+ interest
	$ 14,301,300	+ interest

Interest is to be paid at a rate equivalent to the Wall Street Journal (WSJ) prime rate. The loan receivable of $13.4 million reflects the present value of the loan repayments discounted at the current WSJ prime rate. The remaining trade receivable is expected to be repaid based on contract terms.

Other liabilities

These liabilities include income taxes payable and mining royalties payable. The increase from 2016 is a direct correlation to the increase in revenues and net income. Mining royalties are payable to the government based on a formula of 2% of production value plus 30% of 4% of production value.

Equity

The increase in equity between periods is due to the increase in net income offset by a dividend paid to Horzum AS shareholders of TRY 7.1 million.

Expectations for 2018

In 2018, Pinargozu plans to continue to deliver strong production with a focus on maximizing cash flows to its shareholders. In addition, Horzum AS will focus on growth initiatives through near-mine exploration and resource expansion.

The following table highlights the operating guidance for Pinargozu for 2018:

(100% basis)	**Guidance for the Year Ended December 31, 2018**	
	(wet tonnes)	*(grade)*
Zinc oxide production	50,000 - 54,000	29% to 31%
Zinc sulphide production	3,000 - 4,000	37% to 39%
Lead production	1,000 - 2,000	54% to 56%
	54,000 - 60,000	
		(C$)
Cost per tonne mined		$205 - $230
Capital expenditures, including exploration and evaluation assets		$1,700,000 - $2,000,000
Underground development and drilling		$4,500,000 - $5,000,000

Guidance assumes TL/C$ exchange rate of 3.15. Cost per tonne mined includes underground development and drilling, some of which may be capitalized in 2018 reducing the cost per tonne mined.

In 2017, the Company received $1.2 million in dividends from Horzum AS. In March 2018 a TRY 40 million dividend was declared to both shareholders (Pasinex share is approximately $6.5 million). The Company has received $0.8 million to April 27, 2018 and expects to receive the remaining amount in instalments during 2018. The funds received from the dividends have not been subject to withholding tax. The Company expects that about $5 million of the $6.5 million will be subject to 15% withholding tax upon repatriation to Canada.

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 2017, 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 from US$1.21 per pound at December 31, 2016 to US$1.50 per pound at December 31, 2017. The price remains still strong as of April 26, 2018 at a price of US$1.42 per pound. 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 Horzum

AS is now producing and selling zinc product there is a direct benefit being received for the higher zinc prices this year.

Horzum AS sells their product in US dollars and to a lesser extent in Euros which are then converted to Turkish Lira. As such, Horzum AS's financial performance also depends on the Turkish Lira (TL) to US Dollar (USD) and Euro exchange rates. The USD / TL exchange rate has changed favourably for the Joint Venture company in 2017, from 3.5 at the end December 2016 to 3.8 at December 31, 2017.

Liquidity and Financial Position

Cash Flows

A summary of the Company's cash flows is as follows:

	Year Ended December 31	
	2017	**2016**
Cash used in operating activities		
Before changes in working capital	**$(1,948,320)**	$(850,254)
Dividend from Horzum AS	**1,183,215**	-
Changes in working capital	**(148,577)**	295,600
	(913,682)	(554,654)
Cash used in investing activities	**(474,448)**	(489,983)
Cash received from issuance of shares	**1,835,554**	1,245,248
Cash received from share subscriptions	**-**	92,500
Effect of foreign currencies	**(17,655)**	(6,902)
Net change in cash	**429,769**	286,209
Opening cash balance	**311,958**	25,749
Closing cash balance	**$741,727**	$311,958

Cash used in operating activities

Cash used in operating activities before changes in working capital has increased period over period in line with the increase in general and administration costs as described above in financial performance.

Cash used in investing activities

Cash used in investing activities mainly includes spending related to the Golcuk property and Gunman Project. At Golcuk, spending increased in 2017 in conjunction with the drilling campaign as required under the option agreement with EMX Royalty Corporation. Small scale mining was also undertaken in order to satisfy the conditions under its operational license. In addition, in September 2017, as required under the option agreement, an advance royalty payment equal to the equivalent of 75 troy ounces of gold was made. The Company issued 224,150 common shares and $62,425 in cash to settle the obligation.

Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Cypress and Silcom to earn up to an 80% interest in the Gunman Project located in White Pine County, Nevada ("Gunman Option Agreement").

The Gunman Option Agreement's total consideration to acquire an 80% interest is staged over four years payable in a combination of cash and Pasinex common shares. In addition, the Company must incur minimum exploration expenditures totalling US$2,950,000 over the same four year period. The Company can accelerate payments to acquire ownership sooner and also has no obligation to continue payments if the Company decides not to proceed in exercising the option.

The spending and associated ownership over the four years is as follows:

To acquire initial 51% of the Gunman Project:

- Cash payment made to Silcom of US$125,000 ($158,897) and issuance of 2.2 million Pasinex Common Shares (value of $484,000) to Silcom and Cypress
- Prior to September 11, 2018 a payment of US$200,000 cash and issuance of 2.2 million Pasinex Common Shares to Silcom and Cypress
- Prior to September 11, 2019 a payment of US$100,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- In addition, minimal exploration expenditures as defined in the Option Agreement must be spent as follows:
    - US$250,000 prior to December 5, 2018
    - US$800,000 prior to December 5, 2019
    - US$800,000 prior to December 5, 2020.

If the 51% option is exercised, Pasinex will enter into a joint venture agreement with Cypress.

Total consideration to acquire the 51% interest includes US$425,000 in cash payments, issuance of 4.6 million Pasinex Common Shares and minimal exploration expenditures of US$1,850,000.

To acquire an additional 29% of the Gunman Project:

- Prior to December 5, 2021 a payment of US$250,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- Spend an additional US$1.1 million in exploration expenditures as defined in the Gunman Option Agreement.

Cash used in financing activities

During the year ended December 31, 2017, 18,467,971 warrants were exercised for gross proceeds of $1.8 million. In the year ended December 31, 2016, 12 million shares were issued for net proceeds of $0.6 million. As at December 31, 2017, the Company had no warrants outstanding.

Financial Condition

The application of the going concern concept 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. At December 31, 2017, the Company does not have enough cash on hand to fund its expected nondiscretionary obligations for the year. Funding sources for 2018 include dividends from Horzum AS and/or securing funding from either equity financing or related party loans. Horzum AS declared a TRY 40 million dividend payable to both of its 50% shareholders to be paid in instalments through 2018 (Pasinex share being approximately $6.5 million). The dividend payable to Akmetal will be used to reduce the trade receivable owing from Akmetal to Horzum AS. As of April 27, 2018, the Company has received $0.8 million in dividends, which covers greater than half of the Company's expected nondiscretionary spending. The Company expects to receive the remaining $5.7 million in dividends during 2018. Receipt of the dividend should allow the Company to fund its nondiscretionary obligations, fund growth opportunities and grow its cash balance. Horzum AS is expected to maintain a greater than 50% gross margin in 2018 and therefore deliver positive net income. Sales from Horzum AS are sold to its Turkish 50% shareholder and payment of the dividend is dependent on Horzum AS collecting on its current trade receivables and future sales. The Company has received positive indication that funds will be received but there is no assurance that this will be the case and that the Company will be able to generate funds from other sources.

See "Risks and Uncertainties" below and "Cautionary Note Regarding Forward-Looking Statements" above.

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.

Commitments and Contingencies

As of the date of this MD&A, the Company has no commitments and contingencies. 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 constantly changing and generally more restrictive. The Company does not believe that there are currently any decommissioning liabilities at its sites, nor subject to known additional environmental liabilities or mitigation measures.

Share Capital

As of the date of this MD&A, the Company has 142,154,371 issued and outstanding common shares and an aggregate of 6,350,000 stock options outstanding.

Review of Quarterly Consolidated Financial Statements

Three Months Ended December 31, 2017 and 2016

The following is a summary income statement for Pasinex:

	Three Months Ended December 31	
	2017	**2016**
Equity gain from Horzum AS	**$ 3,355,358**	$ 1,006,817
Exploration costs	**(77,649)**	-
General and administration costs	**(607,334)**	(405,760)
Other income	**11,775**	12,942
Net income	**$ 2,682,150**	$ 613,999

Equity gain from Horzum AS

Equity gain from Horzum AS represents the Company's 50% share of the net income of Horzum AS. The increase in the gain is largely due to higher production/sales at the mine at higher sales prices. Below are the statements of operation for Horzum AS for the fourth quarter of 2017 and 2016 with a reconciliation to the Company's equity gain as shown above.

Statements of operations - Horzum AS

(100% basis Canadian dollars)	Three Months Ended December 31	
	2017	**2016**
Revenue	**$ 12,438,958**	$ 4,727,107
Cost of sales	**(3,255,239)**	(1,784,108)
General and administration costs and other	**(773,857)**	(25,756)
	8,409,862	2,917,243
Income tax expense	**(1,699,145)**	(903,609)
Net income	**$ 6,710,717**	$ 2,013,634
Pasinex joint venture interest	**50%**	50%
Equity gain from Horzum AS	**$ 3,355,358**	$ 1,006,817

The table below shows further details on Horzum AS revenue:

(100% basis)	Three Months Ended December 31, 2017			Three Months Ended December 31, 2016		
	(wet tonnes)		(C$)	(wet tonnes)		(C$)
Zinc oxide sales	10,468	**$**	**4,906,130**	9,007	$	3,948,491
Zinc sulphide sales	1,999		**2,568,796**	-		-
Lead sales	108		**184,266**	414		778,616
Final sales adjustments related to Q2 2017			**1,550,918**			-
Final sales adjustments related to Q3 2017			**3,228,849**			-
Total revenue	12,575	**$**	**12,438,959**	9,421	$	4,727,107

Revenues were higher in the fourth quarter of 2017 compared to the same period of 2016 due to higher quantities sold at higher prices. In addition, $4.8 million in final sales adjustments were recorded in connection with second and third quarter 2017 sales. In 2017, a large portion of sales made through Akmetal were provisionally recorded at a price below the LME zinc price because of the uncertainty on final pricing with respect to a new customer Akmetal was selling to. Certainty concerning pricing occurs upon final invoicing, at which time quantities and grades are finalized and price is adjusted to the LME zinc price as agreed with the buyer.

Cost of sales at Horzum AS were higher due to the higher sales and production, but also the costs include a provision for royalty to the Turkish government in the amount of $1.2 million related to 2017 production.

Exploration costs

Exploration costs incurred in 2017 are a result of staking and claims fees for the Gunman Project.

General and administration costs

General and administration costs include the following:

	Three Months Ended December 31			
		2017		**2016**
General and administration costs				
Advertising and promotion	**$**	**32,428**	$	32,909
Consulting fees		**130,258**		18,467
Management fees and salaries		**96,711**		60,581
Share-based payments		**98,780**		112,200
Investor relations		**55,770**		25,827
Professional fees		**60,101**		87,716
Travel and meals		**91,606**		30,813
Office costs		**29,156**		28,102
Other expenses		**12,524**		9,145
	$	**607,334**	$	405,760

General and administration costs have increased period over period largely attributed to costs associated with the growth of the Company. These costs include increased marketing efforts and shareholder communications, enhanced Pasinex management team as well as associated additional travel expenses.

In addition, in the fourth quarter of 2017, 1 million stock options were granted to a director of the Company, of which 400,000 vested immediately and 600,000 will vest over a six month period from the date of grant. The fair value of the stock options was $202,000, of which $98,780 was expensed in the fourth quarter. In the fourth quarter of 2016, 2.2 million stock options were granted to directors and officers of the Company. These options vested immediately and as a result the fair value of the options of $112,200 was fully expensed.

The following is a summary cash flow for the Company for the fourth quarter.

	Three Months Ended December 31	
	2017	**2016**
Cash provided by (used in) operating activities		
Before changes in working capital	**$(571,900)**	$(278,070)
Dividend from Horzum AS	**1,056,495**	-
Changes in working capital	**54,754**	358,340
	539,349	80,270
Cash used in investing activities	**(178,903)**	(460,494)
Cash received from issuance of shares	**-**	670,546
Effect of foreign currencies	**(17,985)**	(8,252)
Net change in cash	**342,461**	282,070
Opening cash balance	**399,266**	29,888
Closing cash balance	**$741,727**	$311,958

Cash used in operating activities before changes in working capital has increased reflecting the higher general and administration costs and exploration costs in 2017. The majority of the dividend from Horzum AS was received in the fourth quarter. Cash used in investing activities in the fourth quarter of 2017 was largely in regard to option payments for the Gunman Project. In the fourth quarter of 2016, cash used in investing activities was for the Golcuk property and exploration near the Pinargozu mine. Cash received from issuance of shares in the fourth quarter of 2016 was from the exercise of warrants.

Selected Quarterly Consolidated Information

	Three Months Ended							
	Dec 2017	Sept 2017	June 2017	March 2017	Dec 2016	Sept 2016	June 2016	March 2016
Financial:								
Equity gain from Horzum AS	**$ 3,355,358**	$ 2,698,696	$ 931,355	$ 1,168,289	$ 1,006,817	$ 593,671	$ 185,978	$ 16,244
Consolidated net income	**2,682,150**	1,838,461	450,463	863,030	613,999	417,898	(77,673)	(124,318)
Basic net income per share	**$ 0.02**	$ 0.01	$ -	$ 0.01	$ 0.01	$ -	$ -	$ -

The quarterly financial information shows the trend in improving net income for the Company which is directly attributable to the increase in production and sales at its 50% owned investment in Horzum AS.

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, 2017 and 2016, 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.

	Level 1	Level 2	Level 3	Total
As at December 31, 2017				
Cash	$ 741,727	$ -	$ -	$ 741,727
As at December 31, 2016				
Cash	$ 311,958	$ -	$ -	$ 311,958
Marketable securities	11,342	-	-	11,342
	$ 323,300	$ -	$ -	$ 323,300

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 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:

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, 2017, the Company had a cash balance of $741,727 (2016 - $311,958) and current liabilities of $235,623 (2016 - $282,818). 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. See also note 2(b) for additional discussion on going concern.

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. The Company received dividends from its investment in Horzum AS. Dividends are declared in TRY and paid to the Company in instalments over a six to nine month period and therefore subject to foreign currency risk arising from the fluctuation in currency exchange between the Canadian dollar and TRY. In addition, during the year ended December 31, 2017, the translation of the assets and liabilities of Pasinex Arama resulted in foreign currency translation adjustments of $973,628 recorded in other comprehensive loss. For the year ended December 31, 2017, if the TRY to Canadian dollar exchange rate increased/decreased by 5% with all other variables held constant, other comprehensive loss would have been approximately $0.5 million 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. Sales in Horzum AS are subject to fluctuations in zinc price. For the year ended December 31, 2017, if the price of zinc increased/decreased by 10% with all other variables held constant, consolidated net income and comprehensive income would have been approximately $1.2 million higher/lower.

d) Capital Structure

In addition to its cash balances, the Company manages its common shares, stock options and warrants as capital. Management reviews its capital management approach on an ongoing basis and will assess making adjustments within the context of the Company's strategy, economic conditions and risk characteristics of its assets. To adjust or maintain the capital structure, the Company may issue new equity, incur debt, enter into joint venture arrangements, or dispose of certain assets. The Company's key policy guidelines for managing capital structure is to ensure there is enough funding to complete its commitments under option agreements and other growth initiatives while maintaining a conservative level of debt relative to total capital and earnings within the context of its financial forecasts for pricing, costs and production.

The Company's investment policy is to hold access 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.

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, for similar transactions to non-key management personnel related entities on an arm's length basis. The Company's related party transactions are described in Note 15 to the Company's annual consolidated financial statements for the year ended December 31, 2017.

To the knowledge of the directors and officers of the Company, as at December 31, 2017, 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:

	Number of Common Shares	Percentage of Outstanding Common Shares
Larry Seeley	**29,728,191**	**20.91%**

Non-GAAP measures

The Company has included certain non-GAAP performance measures throughout this document. These performance measures are employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Cost per tonne mined

The following table provides a reconciliation of cost per tonne mined to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

	Year Ended December 31	
	2017	**2016**
Reconciliation of cost per tonne mined		
Cost of sales per Horzum income statement	**$ 9,691,707**	$6,791,363
Inventory change	**834,200**	839,466
	10,525,907	7,630,829
Tonnes produced	**57,675**	26,462
Cost per tonne mined	**$ 183**	$ 288

	Three Months Ended				
	Dec 2017	**Sept 2017**	**June 2017**	**March 2017**	**Dec 2016**
Reconciliation of cost per tonne mined					
Cost of sales per Horzum income statement	**$ 3,255,239**	$2,246,281	$ 1,696,939	$2,659,356	$ 1,784,108
Inventory change	**707,390**	(104,203)	765,361	(534,348)	540,246
	3,962,629	2,142,078	2,462,300	2,125,008	2,324,354
Tonnes produced	**15,748**	15,760	14,381	11,786	9,416
Cost per tonne mined	**$ 252**	$ 136	$ 171	$ 180	$ 247

US$ cash cost per pound of zinc produced

The following table provides a reconciliation of US$ cash cost per pound of zinc produced to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

		Three Months Ended December 31		Year Ended December 31	
		2017	**2016**	**2017**	**2016**
Reconciliation of US$ cash cost per pound of zinc produced					
Cost of sales per Horzum income statement adjusted for inventory change		**$ 3,962,629**	$2,324,354	**$10,525,907**	$7,630,829
Less - sales of lead		**(184,266)**	(778,616)	**(1,001,393)**	(778,616)
		3,778,363	1,545,738	**9,524,514**	6,852,213
Translate to US$	**A**	**$ 2,971,579**	$1,162,209	**$ 7,335,013**	$5,174,215
Zinc tonnes produced (wet)		**15,748**	9,416	**57,675**	26,462
Zinc grade		**31%**	30%	**33%**	33%
Moisture loss		**7%**	7%	**7%**	7%
Pounds of zinc produced	**B**	**10,009,302**	5,791,678	**39,377,535**	17,632,858
US$ cash cost per pound of zinc produced	**A/B**	**$ 0.30**	$ 0.20	**$ 0.19**	$ 0.29

Treatment and refining costs are not included in the US$ cash cost per pound.

Gross margin

The following table provides a reconciliation of gross margin to net income (the nearest GAAP measure) per the Horzum AS Statements of Operations.

	Three Months Ended December 31		Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Reconciliation of gross margin				
Net income per Horzum income statement	**$ 6,710,717**	$2,013,635	**$16,307,397**	$3,605,421
Add back income taxes	**1,699,145**	903,609	**4,098,315**	903,609
Gross margin	**8,409,862**	2,917,244	**20,405,712**	4,509,030
Revenue	**12,438,959**	4,727,107	**31,833,372**	11,658,361
Gross margin (gross margin / revenue)	**68%**	62%	**64%**	39%

Risks and Uncertainties

The Company is in the project exploration and development stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic and base mineral price volatility. There is no assurance that the Company's funding initiatives will continue to be successful to fund its planned projects, which are now focused on the joint venture in Turkey.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2017, available on SEDAR at **www.sedar.com**.

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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim 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 unaudited condensed interim 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.

Additional Information

Additional information about the Company can be found on their Disclosure Hall page at www.cnsx.ca, the Company's website at www.pasinex.com, or on www.sedar.com.