

## **Introduction**

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three months ended March 31, 2018 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2017. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Where the Turkish Lira is reported it is referenced as TRY. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of May 24, 2018, 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 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](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

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

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 ("Gunman project").

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

**Selected Quarterly Consolidated Information**

	<b>Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Financial:</b>		
Equity gain from Horzum AS	\$ 2,984,186	\$ 1,168,289
Dividend received from investment in Horzum AS	\$ 388,593	\$ -
Consolidated net income	\$ 726,021	\$ 863,030
Basic net income per share	\$ 0.01	\$ 0.01
Diluted net income per share	\$ 0.01	\$ 0.01
Cash used in operating activities	\$ 17,859	\$ 373,901
Weighted average shares outstanding	142,154,371	123,948,213
<b>As at:</b>		
	<b>March 31</b>	<b>December 31</b>
Investment in Horzum AS	\$ 4,339,326	\$ 8,045,296
Total assets	\$ 12,682,929	\$ 11,622,820
Total liabilities	\$ 691,244	\$ 235,623
Equity	\$ 11,991,685	\$ 11,387,197
<b>Horzum AS operational data (100% basis):</b>		
Zinc produced (wet) tonnes	13,037	11,786
Zinc sold (wet) tonnes	12,721	12,379
Zinc grade	35%	32%
Gross margin <sup>(1)</sup>	81%	50%
C\$ cost per tonne mined <sup>(1)</sup>	\$ 187	\$ 180
US\$ cash cost per pound of zinc produced <sup>(1)</sup>	\$ 0.19	\$ 0.21

<sup>(1)</sup> 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. The investment increases from the equity gain and decreases when dividends are declared.
- Horzum AS cash flow is only reflected when dividends are received from Horzum AS to Pasinex.

## **Highlights**

- Net income for the three months ended March 31, 2018 was \$0.7 million compared to \$0.9 million for the three months ended March 31, 2017. Earnings from Horzum AS improved by \$1.8 million but were offset by an impairment charge of \$1.7 million related to the Golcuk property.
- 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 for the three months ended March 31, 2018 was \$3.0 million compared to \$1.2 million for the same period in 2017 largely due to higher zinc prices realized on sales at Pinargozu (see further details below).
- 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. As of May 24, 2018, the Company received \$0.8 million of this dividend (\$0.4 million in the first quarter of 2018), with the remainder to be paid during 2018. In 2017, the Company received its first dividend from Horzum AS amounting to \$1.2 million, mostly received in the fourth quarter of 2017.
- The value of the TRY has shown a steady decline during the month of May, with a more significant drop since May 21. From May 1, the TRY to Canadian dollar fell from a rate of 3.17 to 3.77 and the TRY to US dollar fell from a rate of 4.06 to 4.85 – both representing a 20% devaluation in the TRY. The impact of the devaluation has a positive affect on Horzum AS profitability because revenues are US dollar based, over 80% of costs are TRY based and there is minimal TRY cash on hand. However, at May 25 a dividend of TRY 17.6 million remains outstanding to Pasinex, which is subject to foreign exchange risk.
- In May 2018, the Company completed an extensive geological review of the Golcuk property and made the decision to not advance it further. The fair value has been estimated at zero and including costs to dispose of \$0.4 million, an impairment charge of \$1.7 million was recorded for the three months ended March 31, 2018.
- Proceeds of \$0.5 million were received in the first quarter of 2017 from the exercise of 4.9 million warrants.
- General and administration costs have increased in 2018 due to an increase in personnel costs from the addition of two executives in the latter part of 2017.
- A drilling contract to drill a minimum of four drill holes not to exceed a total of 3,000 feet (900 metres) of oriented diamond core is expected to commence at the Gunman project by the end of May 2018 once ground works and bonding are complete. This initial drill program has been budgeted at US\$500,000.

**Pinargozu Operations and Financial Update (100% basis)**

- Pinargozu produced 13,037 tonnes of material in the first quarter of 2018, an 11 percent increase from the 11,786 tonnes produced in the first quarter of 2017 and on track to meet 2018 guidance production of between 54,000 and 60,000 tonnes.
- Sales volumes are comparable between the first quarter of 2018 and 2017, at 12,721 tonnes and 12,379 tonnes, respectively.
- Gross sales increased to \$9.5 million in the first quarter of 2018 from \$5.8 million in the first quarter of 2017; largely a result of the higher zinc sales price realized.
- The average grade of the zinc product sold in the first quarter of 2018 was 35%, representing approximately 9.4 million pounds of contained zinc metal.
- Cash costs per pound of production were consistent between periods. The first quarter 2018 cash cost of US\$0.19 per pound of zinc produced would place Pinargozu as one of the lowest cost zinc producers.
- Horzum AS net income rose significantly in 2018 compared to 2017 largely due to the higher zinc sales price. Mining costs are comparable between periods therefore the higher sales price resulted in the significantly improved gross margin. 50% of Horzum net income is shown as equity gain on the Pasinex consolidated financial statements.

## **Review of Quarterly Consolidated Financial Statements**

### **Three Months Ended March 31, 2018 and 2017**

The following is a summary income statement for Pasinex:

	<b>Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Equity gain from Horzum AS	\$ 2,984,186	\$ 1,168,289
Impairment charge	(1,686,600)	-
Exploration costs	(41,859)	-
General and administration costs	(551,846)	(314,879)
Other income	22,140	9,620
<b>Net income</b>	<b>\$ 726,021</b>	<b>\$ 863,030</b>

- 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.
- In May 2018, the Company completed an extensive geological review including mapping, structure, mineralization and geological model/genesis and made the decision to not advance the Golcuk property. Although there is evidence of copper throughout the property the Company believes that it will be difficult to get sufficient contiguous mineralization that would underpin the Company's targets for economical tonnage. The property will either be transferred back to EMX Royalty Corporation, sold or the license will be relinquished to the Turkish government. The fair value of the property has been estimated at zero and costs to dispose of \$0.4 million have been accrued as at March 31, 2018 resulting in an impairment charge of \$1.7 million for the three months ended March 31, 2018.
- Exploration costs incurred in 2018 are a result of consulting 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.

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

- General and administration costs include the following:

	Three Months Ended March 31	
	2018	2017
<b>General and administration costs</b>		
Advertising and promotion	\$ 22,509	\$ 23,747
Consulting fees	52,070	98,590
Management fees and salaries	158,672	58,780
Share-based payments	68,634	-
Investor relations	88,846	12,527
Professional fees	36,494	31,956
Travel and meals	85,687	61,465
Office costs	22,576	16,381
Other expenses	16,358	11,433
	<b>\$ 551,846</b>	<b>\$ 314,879</b>

General and administration costs have increased period over period due to:

- Consulting fees in 2017 were largely due to costs incurred in conjunction with compilation of the NI 43-101 report and other geological work.
- Management fees and salaries increased in 2018 due to the addition of head office resources, including a Chief Financial Officer, Vice President Exploration and Manager Corporate Communications.
- 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 the fourth quarter of 2017 and \$59,934 in the first quarter of 2018. On January 24, 2018, 50,000 stock options were granted to a consultant of the Company at a price of \$0.20, expiring January 24, 2023. The stock options vested immediately and the fair value of the stock options at the date of grant of \$8,700 was fully expensed.
- 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.

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

**Review of Horzum AS**

**Key Performance Indicators**  
(shown on a 100% basis)

	Three Months Ended March 31		Three Months Ended		
	2018	2017	Dec 2017	Sept 2017	June 2017
Tonnes produced (wet)	<b>13,037</b>	11,786	15,748	15,760	14,381
Tonnes sold (wet):					
Zinc oxide	<b>10,904</b>	10,397	10,468	9,473	7,445
Zinc sulphide	<b>1,700</b>	1,982	1,999	4,240	999
Lead	<b>117</b>	-	108	263	323
	<b>12,721</b>	12,379	12,575	13,976	8,767
Average grades:					
Zinc oxide	<b>34%</b>	30%	29%	32%	33%
Zinc sulphide	<b>42%</b>	45%	44%	43%	45%
C\$ cost per tonne mined <sup>(1)</sup>	<b>\$ 187</b>	\$ 180	\$ 252	\$ 136	\$ 171
Equity gain	<b>\$ 2,984,186</b>	\$ 1,168,289	\$ 3,355,358	\$ 2,698,696	\$ 931,355

<sup>(1)</sup> See non-GAAP measures

Operating results

- Pinargozu achieved higher production in the first quarter of 2018 compared to the first quarter of 2017, but below the previous three quarters because of difficult ground conditions experienced in the first quarter of 2018. The Company still expects to achieve its production target for the year of between 54,000 and 60,000 tonnes.
- Sales volumes are comparable between the first quarter of 2018 and 2017, at 12,721 tonnes and 12,379 tonnes, respectively.
- The cost per tonne mined in the first quarter of 2018 was \$187 per tonne compared to \$180 per tonne in the first quarter 2017. Drilling in 2018 is mostly focused on expanding resources and finding new mineralization. As a result, drilling costs of \$0.3 million were capitalized in the first quarter of 2018 representing approximately 3,200 metres drilled. In addition, approximately 640 metres were developed in the first quarter of 2018. Consistent to 2017 development costs are expensed.



**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

Financial results

The equity gain in Horzum AS, which represents 50% of Horzum AS net income, rose significantly in 2018 compared to 2017 largely due to the higher zinc sales prices realized in the first quarter of 2018 compared to the first quarter of 2017.

Below are the statements of operation for Horzum AS for the first quarters of 2018 and 2017 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)*

	<b>Three Months Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue	\$ 9,497,707	\$ 5,846,959
Cost of sales	(2,312,987)	(2,659,356)
Selling, marketing and other distribution	(47,160)	-
General and administration costs	(185,804)	(265,953)
Other	722,696	-
	<b>7,674,452</b>	<b>2,921,650</b>
Income tax expense	<b>(1,706,080)</b>	<b>(585,072)</b>
<b>Net income</b>	<b>\$ 5,968,372</b>	<b>\$ 2,336,578</b>
Pasinex joint venture interest	<b>50%</b>	<b>50%</b>
<b>Equity gain from Horzum AS</b>	<b>\$ 2,984,186</b>	<b>\$ 1,168,289</b>

*Revenue*

The table below shows further details on revenue:

<i>(100% basis)</i>	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>March 31, 2018</b>		<b>March 31, 2017</b>	
	<i>(wet tonnes)</i>	<i>(C\$)</i>	<i>(wet tonnes)</i>	<i>(C\$)</i>
Zinc oxide sales	10,904	\$ 7,417,580	10,397	\$ 3,694,507
Zinc sulphide sales	1,700	1,924,837	1,982	1,986,837
Lead sales	117	155,290	-	-
Final sales adjustments related to 2016	-	-	-	165,615
<b>Total revenue</b>	<b>12,721</b>	<b>\$ 9,497,707</b>	<b>12,379</b>	<b>\$ 5,846,959</b>

Revenues have improved quarter over quarter due to higher zinc prices realized. The average London Metals Exchange ("LME") zinc price for the first quarter of 2018 was US\$1.55 per pound compared to US\$1.26 per pound in the first quarter of 2017.

Horzum AS direct ships its zinc ore 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. In 2017, sales through Akmetal were

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

provisionally recorded at a price below the LME zinc price because of the uncertainty on final pricing. In 2017, pricing adjustments were made upon final invoicing (in the third and fourth quarters of 2017), at which time quantities and grades were finalized and prices adjusted to the LME zinc price as agreed with the buyer. In 2018 and for certain other sales of zinc in 2017, revenues are provisionally recorded at the LME zinc price expected upon settlement as stipulated by the sales contract, which would typically represent the LME zinc price around the time of shipping.

*Costs*

Costs are consistent between periods, but because of higher zinc prices realized gross margins improving significantly from approximately 50% in the first quarter of 2017 to 81% in the same period of 2018 (see Non-GAAP measures for calculation).

Other income largely is foreign exchange gains from the revaluation of US dollar denominated assets.

The statutory rate for income taxes in 2018 are at a rate of 22% compared to 20% in 2017.

Financial condition

The following are summary balance sheets for Horzum AS

**Statement of Financial Position**

---

<i>(100% basis)</i>	<b>As at March 31 2018</b>	<b>As at December 31 2017</b>
<b>Assets</b>		
Cash and prepaid expenses	\$ 16,275	\$ 35,172
Trade receivables - Akmetal	17,888,106	18,091,258
Trade receivables - Other	15,195	8,772
Amounts due from shareholders and related parties	-	-
Other current assets	2,554,252	2,597,543
Non current assets	1,851,260	1,535,910
<b>Total assets</b>	<b>\$ 22,325,088</b>	<b>\$ 22,268,655</b>
<b>Liabilities</b>		
Amounts due to shareholders and related parties	\$ 6,177,725	\$ 152,980
Other liabilities	7,382,510	6,025,083
	<b>13,560,235</b>	<b>6,178,063</b>
<b>Equity</b>	<b>8,764,852</b>	<b>16,090,592</b>
<b>Total liabilities and equity</b>	<b>\$ 22,325,088</b>	<b>\$ 22,268,655</b>

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

*Trade receivables - Akmetal*

Included in trade receivables – Akmetal is a loan amount for \$13.7 million. In November 2017, Horzum AS entered into an agreement with Akmetal to structure a formal repayment process, including interest, for US\$11.4 million of the trade receivable from Akmetal's subsidiary.

Under the terms of the formal agreement, Horzum AS received US\$250,000 in the first quarter of 2018. The repayment plan for the remaining US\$11.15 million (C\$14.4 million) to Horzum AS is as follows:

Second quarter 2018	386,820
Third quarter 2018	386,820
Fourth quarter 2018	1,031,520
First quarter 2019	<u>2,320,920</u>
Next 12 months	4,126,080
April to December 2019	10,057,320
2020	<u>193,410</u> + interest
	<u>\$ 14,376,810</u> + interest

Interest is to be paid at a rate equivalent to the Wall Street Journal (WSJ) prime rate. The loan receivable of \$13.7 million reflects the present value of the loan repayments discounted at the current WSJ prime rate. The remaining trade receivables of \$4.2 million are expected to be repaid based on typical trade terms as agreed with the customer.

*Amounts due to shareholder and related parties*

The amount at March 31, 2018 mainly represents the dividend owing to Pasinex Arama from Horzum AS.

*Other liabilities*

These liabilities include income taxes payable and mining royalties payable. The increase from 2017 is a result of additional taxes and royalties payable from first quarter 2018 results. 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 decrease in equity between periods is due to declaration of the TRY 40 million dividend offset slightly by the increase in net income.

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.

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

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

<i>(100% basis)</i>	<b>Guidance for the Year Ended December 31, 2018</b>	
	<i>(wet tonnes)</i>	<i>(grade)</i>
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	
		<i>(C\$)</i>
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 May 24, 2018 (\$0.4 million in the first quarter of 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 most of the remaining dividend 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. 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 remains strong in 2018 at a price of US\$1.40 per pound at May 18, 2018, slightly down from US\$1.50 per pound at December 31, 2017. The fundamentals of supply and demand still demonstrate continuing strength in the zinc price.

Horzum AS sells their product in US dollars which are then converted to Turkish Lira. As such, Horzum AS's financial performance also depends on the TRY to US Dollar (USD). The USD / TRY exchange rate has changed favourably in 2018, from 3.8 at the end December 2017 to 4.0 at March 31, 2018.

## Liquidity and Financial Position

### Cash Flows

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

	Three Months Ended	
	March 31	
	2018	2017
Cash used in operating activities		
Before changes in working capital	\$(501,071)	\$(304,081)
Dividend from Horzum AS	388,593	-
Changes in working capital	94,619	(69,820)
	<u>(17,859)</u>	<u>(373,901)</u>
Cash used in investing activities	(85,784)	(41,191)
Cash received from issuance of shares	-	490,060
Effect of foreign currencies	(5,319)	(413)
<b>Net change in cash</b>	<u>(108,962)</u>	<u>74,555</u>
Opening cash balance	741,727	311,958
<b>Closing cash balance</b>	<u>\$632,765</u>	<u>\$386,513</u>

#### *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.

#### *Dividend from Horzum AS*

The dividend received represents a portion of the TRY 20 million dividend declared and expected to be received through 2018.

#### *Changes in working capital*

The change between periods is largely a function of timing of payable payments.

#### *Cash received from the issuance of shares*

In the first quarter of 2017, proceeds of \$0.5 million were received from the exercise of 4.9 million warrants. As at December 31, 2017 and March 31, 2018, the Company had no warrants outstanding.

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

**Commitments**

In December 2017, 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 (made in December 2017)
- 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.

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

**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 March 31, 2018, 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. The dividend payable to Akmetal will be used to reduce the trade receivable owing from Akmetal to Horzum AS. As of May 24, 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 amounts owing from the dividend 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.

**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.

## **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 12 to the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2018.

To the knowledge of the directors and officers of the Company, as at March 31, 2018, 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>29,728,191</b>	<b>20.91%</b>

### **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.



**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

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.

	Three Months Ended	
	March 31	
	2018	2017
<b>Reconciliation of cost per tonne mined</b>		
Cost of sales per Horzum income statement	\$ 2,312,987	\$2,659,356
Inventory change	125,131	(534,348)
	<u>2,438,118</u>	<u>2,125,008</u>
Tonnes produced	13,037	11,786
<b>Cost per tonne mined</b>	<b>\$ 187</b>	<b>\$ 180</b>

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	
	March 31	
	2018	2017
<b>Reconciliation of US\$ cash cost per pound of zinc produced</b>		
Cost of sales per Horzum income statement adjusted for inventory change	\$ 2,438,118	\$2,125,008
Less - sales of lead	(155,290)	-
	<u>2,282,828</u>	<u>2,125,008</u>
Translate to US\$ <span style="float: right;">A</span>	<u>\$ 1,804,322</u>	<u>\$1,605,719</u>
Zinc tonnes produced (wet)	13,037	11,786
Zinc grade	35%	32%
Moisture loss	7%	7%
Pounds of zinc produced <span style="float: right;">B</span>	<u>9,376,484</u>	<u>7,829,792</u>
<b>US\$ cash cost per pound of zinc produced A/B</b>	<b>\$ 0.19</b>	<b>\$ 0.21</b>

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

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

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	
	March 31	
	2018	2017
<b>Reconciliation of gross margin</b>		
Net income per Horzum income statement	<b>\$ 5,968,372</b>	\$2,336,578
Add back income taxes	<b>1,706,080</b>	585,072
Gross margin	<b>7,674,452</b>	2,921,650
Revenue	<b>9,497,707</b>	5,846,959
<b>Gross margin (gross margin / revenue)</b>	<b>81%</b>	50%

## 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](http://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

**Pasinex Resources Limited**  
**Management's Discussion & Analysis**  
**For the Three Months Ended March 31, 2018 and 2017**  
**Discussion dated: May 24, 2018**

---

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](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).