Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three and six months ended June 30, 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 and six months ended June 30, 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 August 22, 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.

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 Spur Zinc Project (formerly named Gunman) high-grade zinc exploration project in Nevada ("Spur Zinc Project").

Selected Quarterly Consolidated Information

	Three Months Ended June 30		Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Financial:				
Equity gain from Horzum AS	**$ 1,805,685**	$ 931,355	**$ 4,789,871**	$ 2,099,644
Dividend received from investment in Horzum AS	**$ 377,370**	$ -	**$ 765,963**	$ -
Consolidated net income	**$ 930,193**	$ 450,463	**$ 1,656,214**	$ 1,313,493
Basic net income per share	**$ 0.01**	$ -	**$ 0.01**	$ 0.01
Diluted net income per share	**$ 0.01**	$ -	**$ 0.01**	$ 0.01
Cash used in operating activities	**$ 142,789**	$ 605,622	**$ 160,648**	$ 979,523
Weighted average shares outstanding	**142,154,370**	131,964,721	**142,154,370**	127,978,612
As at:	**June 30**	December 31		
Investment in Horzum AS	**$ 5,620,817**	$ 8,045,296		
Total assets	**$ 12,596,327**	$ 11,622,820		
Total liabilities	**$ 898,954**	$ 235,623		
Equity	**$ 11,697,373**	$ 11,387,197		
Horzum AS operational data (100% basis):				
Zinc produced (wet) tonnes	**13,080**	14,381	**26,117**	26,167
Zinc sold (wet) tonnes	**9,951**	8,767	**22,672**	21,146
Zinc grade	**32%**	34%	**33%**	33%
Gross margin (1)	**70%**	55%	**76%**	52%
C$ cost per tonne mined (1)	**$ 173**	$ 160	**$ 180**	$ 169
US$ cash cost per pound of zinc produced (1)	**$ 0.20**	$ 0.16	**$ 0.20**	$ 0.18

(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. 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.

Quarterly Highlights

- Net income for the three months ended June 30, 2018 was $0.9 million compared to $0.5 million for the three months ended June 30, 2017. The increase in net income is due to improved earnings from Horzum AS which improved by $0.9 million, partially offset by higher costs incurred for the drilling program at the Spur Zinc Project.

- 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 June 30, 2018 was $1.8 million compared to $0.9 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 the end of June 2018, the Company received $0.8 million of this dividend ($0.4 million in the second quarter of 2018), with the remainder of approximately $5 million (based on June 30 exchange rate) to be paid during the second part of 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.

- An initial drilling program of four inclined diamond drill holes has been completed at the Spur Zinc Project for a total of 2,291 feet (698 metres) with assay results pending. The Company incurred $0.3 million in costs in the second quarter with respect to the program.

- At June 30, 2018 the Company's cash balance was $0.4 million with $0.9 million in current payables outstanding and as of the date of this MD&A awaits further receipt of dividends from Horzum AS. In order for the Company to meet its general working capital obligations and fund the Spur Zinc Project drilling program, in August it received $350,000 in funds from certain of its shareholders and directors and anticipates receiving up to an additional $50,000. These loans were put in place as a bridge until the Company is in receipt of the remaining dividend owing from Horzum AS. As a measure to ensure the delivery of cash to Pasinex from Horzum AS, the two joint venture partners (Pasinex and Akmetal AS) altered the sales arrangement and entered into an agreement whereby all direct ore sales would be contracted by Horzum AS, rather than sold through Akmetal's trading company. As a result cash received from sales will go directly to Horzum AS where Pasinex has shared control over cash disbursements.

- The value of the TRY has continued to show a steady decline through the second quarter of 2018 and into August. From May 1, the TRY to Canadian dollar fell from a rate of 3.17 to 4.65 and the TRY to US dollar fell from a rate of 4.06 to 6.06 – both representing approximately a 47% devaluation in the TRY. The impact of the devaluation has a positive effect 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 August 22, a dividend of TRY 17.6 million remains outstanding to Pasinex, which is subject to foreign exchange risk. Since the start of the devaluation, the dividend in Canadian dollar terms, has decreased by $1.8 million.

- Proceeds of $1.5 million were received in the first half of 2017 ($1.0 million in the second quarter of 2017) from the exercise of 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.

Pinargozu Operations and Financial Quarterly Update (100% basis)

- Pinargozu produced 13,080 tonnes of material in the second quarter of 2018, slightly below the 14,381 tonnes produced in the second quarter of 2017 due to more difficult ground conditions.

- Sales volumes are slightly higher between the second quarter of 2018 and 2017, at 9,951 tonnes and 8,767 tonnes, respectively.

- Gross sales increased to $6.6 million in the second quarter of 2018 from $4.2 million in the second quarter of 2017; a result of the higher zinc sales price realized at higher volumes.

- The average grade of the zinc product sold in the second quarter of 2018 was 32%, representing approximately 6.5 million pounds of contained zinc metal.

- Cash costs per pound of production were somewhat higher between periods because there were no lead sales (credits to costs) in the second quarter of 2018. The second quarter 2018 cash cost of US$0.20 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 marginally higher between periods but the higher sales price results in a significantly improved gross margin. 50% of Horzum net income is shown as equity gain on the Pasinex consolidated financial statements.

- Production guidance has been modified for 2018 reflecting the more difficult ground conditions encountered through the year. Zinc production is expected to decrease to a range of between 47,300 tonnes and 53,500 tonnes compared to the original guidance of between 54,000 to 60,000. However, higher grades are anticipated which should result in consistent production between the original and revised guidance.

Review of Quarterly Consolidated Financial Statements

Three and Six Months Ended June 30, 2018 and 2017

The following is a summary income statement for Pasinex:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Equity gain from Horzum AS	**$ 1,805,685**	$ 931,355	**$ 4,789,871**	$ 2,099,644
Impairment charge	**-**	-	**(1,686,600)**	-
Exploration costs	**(285,445)**	-	**(327,304)**	-
General and administration costs	**(630,585)**	(491,959)	**(1,182,431)**	(806,838)
Other income	**40,538**	11,067	**62,678**	20,687
Net income	**$ 930,193**	$ 450,463	**$ 1,656,214**	$ 1,313,493

- 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 took 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 back to the Turkish government. The Company will determine the best course of action, but in either case, the fair value has been estimated at zero resulting in an impairment charge of $1.7 million which was recorded in the first quarter of 2018.

- Exploration costs incurred in 2018 are a result of drilling costs and consulting fees at the Spur Zinc Project. An initial drilling program of four inclined diamond drill holes was completed in August for a total of 2,291 feet (698 metres) with assay results pending. The intersection of zinc sulphides in black shales beneath the high-grade zinc oxides at RH Main Zone was very surprising and is highly significant from an exploration perspective. RH Main Zone has been the main focus of previous, and predominantly, RC drilling. It is only one of at least four other prospects where mineralization occurs at surface along a three to four kilometre trend between Big Canyon and Horse Canyon on the east flank of the Diamond Range.

- Under the Spur Option Agreement, Pasinex is required to spend a minimum of US$250,000 in exploration expenditures before December 5, 2018. The initial drill program is expected be completed by the end of August at an estimated cost of US$500,000. $0.3 million was incurred, largely for drilling, in the second quarter of 2018. Further work on the Spur Zinc Project will be dependent on the results of the drill program and funds sent from Horzum AS to Pasinex.

- General and administration costs include the following:

	Three Months Ended June		Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
General and administration costs				
Advertising and promotion	**$ 115,895**	$ 84,281	**$ 138,404**	$ 108,028
Consulting fees	**128,595**	209,942	**180,665**	308,532
Management fees and salaries	**160,166**	60,890	**318,838**	119,670
Share-based payments	**43,286**	-	**111,920**	-
Investor relations	**42,876**	7,727	**131,722**	20,254
Professional fees	**34,917**	35,773	**71,411**	67,729
Travel and meals	**70,095**	54,458	**155,782**	115,923
Office costs	**22,022**	16,266	**44,598**	32,647
Other expenses	**12,733**	22,622	**29,091**	34,055
	$ 630,585	$ 491,959	**$ 1,182,431**	$ 806,838

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 and $43,286 in the second 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 and an increased presence in Turkey from Pasinex executives.

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Three Months Ended June 30		Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Tonnes produced (wet)	**13,080**	14,381	**26,117**	26,167
Tonnes sold (wet):				
Zinc oxide	**9,951**	7,445	**20,855**	17,842
Zinc sulphide	**-**	999	**1,700**	2,981
Lead	**-**	323	**117**	323
	9,951	8,767	**22,672**	21,146
Average grades:				
Zinc oxide	**32%**	33%	**33%**	31%
Zinc sulphide	**-**	45%	**42%**	45%
C$ cost per tonne mined (1)	**$ 173**	$ 160	**$ 180**	$ 169
Equity gain	**$1,805,685**	$ 931,355	**$4,789,871**	$2,099,644

(1) See non-GAAP measures

Operating results

- Production at Pinargozu decreased in the second quarter of 2018 compared to the second quarter of 2017. Year to June production is comparable between years. Difficult ground conditions experienced in 2018 have resulted in production below expectation. The Company has revised its production target for the year to between 47,300 and 53,500 from its original guidance of between 54,000 and 60,000 tonnes. Higher anticipated grades, however, should result in comparable pounds of zinc being produced.

- Sales volumes are slightly higher in 2018 due to timing of shipments.

- The cost per tonne mined is somewhat higher in 2018 compared to 2017 due to higher labour costs and additional costs required for ground support.

- Drilling in 2018 is mostly focused on expanding resources and finding new mineralization. As a result, drilling costs of $0.1 million were capitalized in the second quarter of 2018 representing approximately 2,500 metres drilled and $0.4 million capitalized for the six months to June 2018 for 5,700 metres drilled. In addition, approximately 1,380 metres were developed in the first half of 2018, of which 730 metres were in the second quarter. Consistent with 2017, development costs are expensed.

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 2018 compared to 2017.

Below are the statements of operation for Horzum AS for the three and six months ended June 30 2018 and 2017 with a reconciliation to the Company's equity gain as shown on the Pasinex consolidated financial statements.

(100% basis Canadian dollars)	**Three Months Ended June 30**		**Six Months Ended June 30**	
Revenue	**$ 6,604,956**	$ 4,220,269	**$ 16,102,663**	$ 10,067,228
Cost of sales	**(2,046,575)**	(1,530,831)	**(4,359,562)**	(4,190,187)
Selling, marketing and other distribution	**2,547**	-	**(44,613)**	-
General and administration costs	**(154,690)**	(361,978)	**(340,494)**	(627,931)
Other	**222,257**	-	**944,953**	-
	4,628,495	2,327,460	**12,302,948**	5,249,110
Income tax expense	**(1,017,125)**	(464,750)	**(2,723,205)**	(1,049,822)
Net income	**$ 3,611,371**	$ 1,862,710	**$ 9,579,742**	$ 4,199,288
Pasinex joint venture interest	**50%**	50%	**50%**	50%
Equity gain from Horzum AS	**$ 1,805,685**	$ 931,355	**$ 4,789,871**	$ 2,099,644

Revenue

The table below shows further details on revenue:

(100% basis)	**Three Months Ended June 30, 2018**		**Three Months Ended June 30, 2017**	
	(wet tonnes)	*(C$)*	*(wet tonnes)*	*(C$)*
Zinc oxide sales	9,951	**$ 6,604,956**	7,445	$ 2,940,733
Zinc sulphide sales	-	**-**	999	1,124,619
Lead sales	-	**-**	323	154,917
Total revenue	9,951	**$ 6,604,956**	8,767	$ 4,220,269

(100% basis)	**Six Months Ended June 30, 2018**		**Six Months Ended June 30, 2017**	
	(wet tonnes)	*(C$)*	*(wet tonnes)*	*(C$)*
Zinc oxide sales	20,855	**$ 14,022,536**	17,842	$ 6,635,240
Zinc sulphide sales	1,700	**1,924,837**	2,981	3,111,456
Lead sales	117	**155,290**	323	154,917
Final sales adjustments related to 2016		**-**		165,615
Total revenue	22,672	**$ 16,102,663**	21,146	$ 10,067,228

Revenues have improved quarter over quarter due to higher zinc prices realized. The average London Metals Exchange ("LME") zinc price for the first half of 2018 was US$1.48 per pound

(US$1.41 per pound in the second quarter) compared to US$1.22 per pound in the first half of 2017 (US$1.18 per pound in the second quarter).

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 has been largely sold to a subsidiary of Akmetal who in turn sells the material to third parties. In 2017, sales through Akmetal were 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 have increased in 2018 compared to 2017, but because of higher zinc prices realized gross margins improving significantly from approximately 55% in 2017 to over 70% in 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

(100% basis)		As at June 30 2018		As at December 31 2017
Assets				
Cash and prepaid expenses	**$**	**10,291**	$	35,172
Loan receivable - Akmetal		**13,881,187**		13,516,386
Trade receivables - Akmetal		**4,955,440**		4,574,872
Trade receivables - Other		**48,886**		8,772
Amounts due from shareholders and related parties		**-**		-
Other current assets		**2,828,251**		2,597,543
Non current assets		**1,748,605**		1,535,910
Total assets	**$**	**23,472,660**	$	22,268,655
Liabilities				
Amounts due to shareholders and related parties	**$**	**4,996,901**	$	152,980
Other liabilities		**7,158,237**		6,025,083
		12,155,138		6,178,063
Equity		**11,317,522**		16,090,592
Total liabilities and equity	**$**	**23,472,660**	$	22,268,655

Loan receivable - Akmetal

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$550,000 in the first half of 2018. The repayment plan for the remaining US$10.85 million (C$14.3 milllion) to Horzum AS is as follows:

Third quarter 2018	$ 394,230	
Fourth quarter 2018	1,051,280	
First quarter 2019	2,365,380	
Second quarter 2019	2,365,380	
Next 12 months	6,176,270	
July to December 2019	7,884,600	
2020	197,115	+ interest
	$ 14,257,985	+ interest

Interest is to be paid at a rate equivalent to the Wall Street Journal (WSJ) prime rate. The loan receivable of $13.9 million reflects the present value of the loan repayments discounted at the current WSJ prime rate.

Trade receivables – Akmetal

As described earlier, most of Horzum AS sales are sold through a subsidiary of Akmetal. In August, 2018, the Company together with Akmetal finalized an agreement whereby it was agreed all future sales of ore would be sold directly to third parties from Horzum AS. As a result, proceeds from the sales are expected to be paid to Horzum AS based on industry standard payment terms.

Amounts due to shareholder and related parties

The amount at June 30, 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 half 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.

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

(100% basis)	**Original Guidance for the Year Ended December 31, 2018**		**Revised Guidance for the Year Ended December 31, 2018**	
	(wet tonnes)	*(grade)*	*(wet tonnes)*	*(grade)*
Zinc oxide production	50,000 - 54,000	29% to 31%	40,000 - 45,000	30% to 32%
Zinc sulphide production	3,000 - 4,000	37% to 39%	7,000 - 8,000	40% to 42%
Lead production	1,000 - 2,000	54% to 56%	300 - 500	54% to 56%
	54,000 - 60,000		47,300 - 53,500	
		(C$)		*(C$)*
Cost per tonne mined		$205 - $230		$180 - $200
Capital expenditures, including exploration and evaluation assets		$1,700,000 - $2,000,000		$1,000,000 - $1,500,000
Underground development and drilling		$4,500,000 - $5,000,000		$3,000,000 - $4,000,000

Original guidance assumes TL/C$ exchange rate of 3.15 and revised guidance assumes TL/C$ exchange rate of 4.25. 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. The Company has received $0.8 million to the end of June ($0.4 million in the second quarter of 2018) and expects to receive the remaining amount of approximately $5 million (based on June 30 exchange rate) in instalments during 2018. The funds received from the dividends have not been subject to withholding tax. The Company expects that about $4 million of the $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. 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 been strong in 2018 at an average price of US$1.48 per pound for the first half of the year. On August 21, however, the price had dropped to US$1.10 per pound. The fundamentals of supply and demand still demonstrate continuing strength in the zinc price and because of the low cost structure of Horzum, gross margins would be expected to remain strong.

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 TRY to US Dollar (USD). The USD / TRY exchange rate has changed favourably in 2018, from 3.8 at the end December 2017 to 4.6 at June 30, 2018. The devaluation of the Turkish Lira is a benefit to Horzum AS as sales are denominated in US dollars, however, the devaluation has a negative impact to Pasinex on the TRY based 17.6 million dividend still owing.

Liquidity and Financial Position

Cash Flows

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

	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Cash used in operating activities				
Before changes in working capital	**$(829,999)**	$(480,006)	**$(1,331,070)**	$(784,087)
Dividend from Horzum AS	**377,370**	-	**765,963**	-
Changes in working capital	**309,840**	(125,616)	**404,459**	(195,436)
	(142,789)	(605,622)	**(160,648)**	(979,523)
Cash used in investing activities	**(6,637)**	(159,739)	**(92,421)**	(200,930)
Cash received from issuance of shares	**-**	1,023,960	**-**	1,514,020
Effect of foreign currencies	**(57,651)**	(1,519)	**(62,970)**	(1,932)
Net change in cash	**(207,077)**	257,080	**(316,039)**	331,635
Opening cash balance	**632,765**	386,513	**741,727**	311,958
Closing cash balance	**$425,688**	$643,593	**$425,688**	$643,593

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 $5.8 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 associated with the drilling at the Spur Zinc Project.

Cash received from the issuance of shares

In the first half of 2017, proceeds of $1.5 million were received from the exercise of warrants. As at December 31, 2017 and June 30, 2018, the Company had no warrants outstanding.

Subsequent event – cash received from shareholder loans

Pasinex has arranged to receive funds from certain shareholders and directors of the Company (the "lenders") in the form of promissory notes. The Company has received $350,000 and expects to receive up to an additional $50,000. The funds have assisted the Company's immediate working capital requirements and facilitated payments required to complete the drilling program at its Spur Zinc Project in Nevada.

The promissory notes are payable on demand by the lenders and bear interest at 6% per annum, payable quarterly in arrears commencing September 15, 2018. The Company can pre-pay the promissory notes ratably to the lenders, which it plans to do as dividends are received from Horzum AS. The promissory notes are secured by all the property and assets of the Company.

Commitments

In December 2017, Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Cypress and Caliber to earn up to an 80% interest in the Spur Zinc Project (formerly the Gunman Project) located in White Pine County, Nevada ("Spur Option Agreement").

The Spur 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 the initial 51% of the Spur Zinc 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 Caliber 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 Caliber 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 Spur Zinc 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 Spur Option Agreement.

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 June 30, 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 (Pasinex share being approximately $5.8 million). The dividend payable to Akmetal will be used to reduce the trade receivable owing from Akmetal to Horzum AS. As of August 22, 2018, the Company has received $0.8 million in dividends, which covers greater than half of the Company's expected nondiscretionary spending.

In August 2018 the Company received $350,000 in shareholder loans and anticipates another $50,000 to pay for working capital commitments and the drilling program at the Spur Zinc Project. The funds are expected to bridge the gap until the next dividend instalment from Horzum AS is made. The Company has arranged for all sales going forward from August to be sold directly to third party customers rather than through Akmetal's trading company. This will allow Pasinex better control over cash and as a result the Company does expect to receive sufficient funds to cover its remaining nondiscretionary spending for the year. Horzum AS is expected to maintain a greater than 50% gross margin in 2018 and therefore deliver positive net income. The Company has agreed with Akmetal that funds will be received directly by Horzum AS from sale of the zinc product, 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 142,154,370 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 and six months ended June 30, 2018.

To the knowledge of the directors and officers of the Company, as at June 30, 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:

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

Selected Consolidated Quarterly Financial Data

The following table provides a summary of unaudited financial data for the last eight quarters:

	Three Months Ended							
	June 2018	**March 2018**	**Dec 2017**	**Sept 2017**	**June 2017**	**March 2017**	**Dec 2016**	**Sept 2016**
Financial:								
Equity gain from Horzum AS	**$ 1,805,685**	$ 2,984,186	$ 3,355,358	$ 2,698,696	$ 931,355	$ 1,168,289	$ 1,006,817	$ 593,671
Consolidated net income	**$ 930,193**	$ 726,021	$ 2,682,150	$ 1,838,461	$ 450,463	$ 863,030	$ 613,999	$ 417,898
Basic net income per share	**$ 0.01**	$ 0.01	$ 0.02	$ 0.01	$ -	$ 0.01	$ 0.01	$ -
Diluted net income per share	**$ 0.01**	$ 0.01	$ 0.02	$ 0.01	$ -	$ 0.01	$ 0.01	$ -

The quarterly financial information shows the trend in improving net income for the Company which is due to increased sales from higher production and higher zinc prices at its 50% owned investment in Horzum AS. The equity gain for the three months ended December 2017 also include approximately $2 million in sales price adjustments related to sales from the second and third quarters of 2017.

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.

	Three Months Ended June 30		Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Reconciliation of cost per tonne mined				
Cost of sales per Horzum income statement	**$ 2,046,575**	$1,530,831	**$ 4,359,562**	$4,190,187
Inventory change	**210,498**	765,361	**335,629**	231,013
	2,257,073	2,296,192	**4,695,191**	4,421,200
Tonnes produced	**13,080**	14,381	**26,117**	26,167
Cost per tonne mined	**$ 173**	$ 160	**$ 180**	$ 169

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 June 30		Six Months Ended June 30	
		2018	**2017**	**2018**	**2017**
Reconciliation of US$ cash cost per pound of zinc produced					
Cost of sales per Horzum income statement adjusted for inventory change		**$ 2,257,073**	$2,296,192	**$ 4,695,191**	$4,421,200
Less - sales of lead		**0**	(154,917)	**(155,290)**	(154,917)
		2,257,073	2,141,275	**4,539,901**	4,266,283
Translate to US$	**A**	**$ 1,749,127**	$1,591,789	**$ 3,552,904**	$3,197,394
Zinc tonnes produced (wet)		**13,080**	14,381	**26,117**	26,167
Zinc grade		**32%**	34%	**33%**	33%
Moisture loss		**7%**	7%	**7%**	7%
Pounds of zinc produced	**B**	**8,581,721**	10,148,759	**17,695,176**	17,822,565
US$ cash cost per pound of zinc produced	**A/B**	**$ 0.20**	$ 0.16	**$ 0.20**	$ 0.18

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 June 30		Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Reconciliation of gross margin				
Net income per Horzum income statement	**$ 3,611,371**	$1,862,710	**$ 9,579,742**	$4,199,288
Add back income taxes	**1,017,125**	464,750	**2,723,205**	1,049,822
Gross margin	**4,628,495**	2,327,460	**12,302,948**	5,249,110
Revenue	**6,604,956**	4,220,269	**16,102,663**	10,067,228
Gross margin (gross margin / revenue)	**70%**	55%	**76%**	52%

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.