Pasinex Resources Limited

Management's Discussion & Analysis
For the Years Ended December 31, 2018 and 2017
Discussion dated: April 30, 2019

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, 2018.

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 30, 2019.

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) timing and amount of estimated future production (iii) the supply and demand for, deliveries of, and the level and volatility of prices of zinc and other precious metals; (iv) the timing of the receipt of any outstanding regulatory and governmental approvals for the Company's projects; (v) the ability to meet social and environmental standards and expectations; (vi) the availability of financing for the Company's development of its properties on reasonable terms; (vii) the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; (viii) the ability to attract and retain skilled staff; (ix) exploration and development timetables; and (x) capital expenditure and operating cost estimates.

The Pinargozu zinc mine was placed into production without a feasibility study of mineral reserves demonstrating economic and technical viability, and as such, any forward-looking statements related to the performance of the Pinargozu mine may differ materially from actual results. The decision to operate a mine without a technical report or feasibility study creates increased uncertainty. Economic or technical results of the Pinargozu zinc mine may differ materially from forward-looking statements due to reduced zinc grade, variation in estimated mineral resources, increased difficulty in mining and other risks associated with the reliability of internal analytical results, geological interpretation and statistical inferences drawn from drilling and sampling.

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, expectations regarding currency fluctuations, possible variation in mineral resources or grade, counter party risk associated with sales of zinc material, 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, changes to government regulation 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. The other 50% owner is Akmetal Madencilik Sanayi ve Ticaret A.S. ("Akmetal"), a private Turkish company. 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), a high-grade zinc exploration project in Nevada ("Spur Zinc Project").

Selected Annual Consolidated Information

	Year Ended December 31		
	2018	**2017**	**2016**
Financial:			
Equity gain (loss) from Horzum AS	**$ (4,098,639)**	$ 8,153,698	$ 1,802,710
Adjusted equity gain from Horzum AS [1]	**$ 5,489,452**	$ 8,153,698	$ 1,802,710
Dividend received from investment in Horzum AS	**$ 1,523,538**	$ 1,183,215	$ -
Consolidated net income (loss)	**$ (8,429,326)**	$ 5,834,104	$ 829,906
Adjusted consolidated net income [1]	**$ 2,845,365**	$ 5,834,104	$ 829,906
Basic net income (loss) per share	**$ (0.06)**	$ 0.04	$ 0.01
Diluted net income (loss) per share	**$ (0.06)**	$ 0.04	$ 0.01
Cash used in operating activities	**$ 1,006,264**	$ 913,682	$ 554,654
Weighted average shares outstanding	**142,823,411**	133,888,679	109,458,400
As at December 31:			
Investment in Horzum AS	**$ -**	$ 8,045,296	$ 1,901,589
Total assets	**$ 2,280,793**	$ 11,622,820	$ 4,065,789
Total liabilities	**$ 1,314,222**	$ 235,623	$ 282,818
Equity	**$ 966,571**	$ 11,387,197	$ 3,782,971
Horzum AS operational data (100% basis):			
Zinc produced (wet) tonnes	**45,757**	57,675	26,462
Zinc sold (wet) tonnes	**46,154**	47,697	29,937
Zinc grade	**33%**	33%	33%
Gross margin [1]	**57%**	66%	39%
C$ cost per tonne mined [1]	**$ 229**	$ 183	$ 288
US$ cash cost per pound of zinc produced [1]	**$ 0.25**	$ 0.19	$ 0.29

[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 paid.
- Horzum AS cash flow is only reflected when dividends are received from Horzum AS to Pasinex.

Highlights

Financial Highlights

- For the year ended December 31, 2018 Pasinex incurred an $8.4 million loss compared to net income of $5.8 million for the year ended December 31, 2017. The decrease in net income is largely due to two impairments recorded in 2018 – an impairment on a receivable owing from the joint venture partner (Akmetal) to Horzum AS recorded in equity loss and an impairment on the Golcuk property.

- Adjusted net income, which removes the impact of the two impairments, was $2.8 million for 2018 and compares to $5.8 million net income for 2017.

- The equity loss from Horzum AS for the year ended December 31, 2018 was $4.1 million and the adjusted equity gain from Horzum AS, which adjusts for the receivable impairment, for 2018 was $5.5 million. This compares to an equity gain of $8.2 million for the same period in 2017. The mine continued to efficiently deliver production at comparable costs to last year, but lower zinc prices in 2018 negatively impacted gross sales resulting in lower operating income.

- The impairments recorded in 2018 are due to the following:

    - Impairment on receivable from Akmetal – $10.5 million impairment charge (net of foreign exchange gain and taxes) was included in equity loss from Horzum AS. The full amount of the receivable owing from Akmetal to Horzum AS was written down to zero to reflect significantly increased credit risk. The amounts owing are unsecured and Akmetal did not make any repayment on the amounts owing since June 2018. The financial condition of Akmetal is uncertain and as a result, under IFRS accounting principles, the Company was required to take a full impairment of the receivable.

      Management is vigorously attempting to find a resolution and collect the funds and remains confident that these funds will be appropriately reimbursed (see further details in *Loans and trade receivables – Akmetal*).

    - Impairment on the Golcuk property – a $1.7 million charge was recorded in the Pasinex loss for the year. 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.

- 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) resulting in a new zinc sulphide discovery and verified high grade zinc oxides: 43.9 metres at 14.2% zinc including 13.7 metres at 26.1% zinc and 5.6 ounces of silver (see also Pasinex press release dated September 11, 2018). The Company incurred $0.7 million in costs with respect to the program. As a result of these positive drill results the Company maintained its obligation under the Spur Option Agreement and paid a combination of US$200,000 cash and issued 2.2 million Pasinex common shares in September.

- The value of the TRY significantly declined in 2018. The TRY to Canadian dollar fell from a rate of 3.0 at January 1 to 3.9 at December 31 and the TRY to US dollar fell from a rate of 3.8 to 5.3 over the same period – both representing a greater than 30% devaluation in the TRY. The impact of the devaluation has a positive effect on Horzum AS TRY profitability because revenues are US dollar based, over 80% of costs are TRY based and there is minimal TRY cash on hand. However, the TRY based dividend and the net investment in Horzum AS are subject to foreign exchange risk. In 2018 the value of the net investment in Horzum AS decreased $2.4 million (shown as other comprehensive loss).

Going Concern

- In 2018, the Company paid its non-discretionary expenses and met its spending obligations under the Spur Option Agreement with the receipt of $1.5 million in dividends from Horzum AS and $745,000 in cash from shareholder loans, as well as cash on hand at January 1, 2018.

- At December 31, 2018 the Company's cash balance was $0.2 million with $0.6 million in current payables, excluding shareholder loans payable. As a measure to ensure the delivery of cash to Pasinex from Horzum AS, the two joint venture partners (Pasinex and Akmetal) 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 go directly to Horzum AS where Pasinex has shared control over cash disbursements. Pasinex will allocate funds towards outstanding liabilities at Horzum AS and ensure adequate funds are allocated to Pasinex to meet its payment obligations.

- The Company relies on dividends from Horzum AS to fund its spending. The 2019 production forecast for Pinargozu is approximately 19,000 tonnes (half of 2018 production), but in combination with the sale of inventory on hand at January 1, 2019 there should be adequate cash flow to fund operations at Horzum AS as well as fund non-discretionary spending at Pasinex for the next twelve months. Drilling will continue through 2019 at Pinargozu to find a parallel oxide system in an effort to increase 2019 production. Additional production could provide more cash flow to allow the Company to commence another drill program at the Spur Zinc Project.

- The Company is aggressively working with Akmetal to resolve the collectability of the trade receivable owing from them to Horzum AS. The discussions are focused on asset sales from Akmetal to Horzum AS or Pasinex, together with some formal structured loan repayment, as an offset for this receivable. Receipt of the trade receivables would provide significant cash flow to Pasinex through additional dividends.

- In March and April of 2019 Akmetal used approximately 6,000 tonnes of oxide from Horzum AS to fulfill an obligation to one of its customers. The oxide is being replaced with saleable material from Akmetal's other mines, but if the material is not replaced, the cash flows from Horzum AS would be significantly reduced.

- The Company has enhanced the controls over cash at Horzum AS and believes that as Akmetal improves its liquidity, Horzum AS should be able to deliver steady dividends to its partners. In the absence of these dividends the Company would need to secure funding from either equity financing or additional related party loans. There can be no assurance that the Company will be able to generate sufficient dividends from Horzum AS nor be able to generate funds from other sources.

Pinargozu Operations and Horzum AS Financial Update (100% basis)

- Pinargozu produced 45,757 tonnes of material in 2018 compared to 57,675 tonnes produced in 2017. Tonnage is down reflecting difficulties in gaining access to the available ore.

- Sales volumes are comparable between years, at 46,154 tonnes in 2018 and 47,697 tonnes in 2017.

- Gross sales decreased to $26.0 million in 2018 from $31.8 million in 2017; a result of lower zinc sulphide sales volumes and lower LME zinc prices in 2018.

- The average grade of the zinc product sold in 2018 was 33%, representing approximately 31.0 million pounds of contained zinc metal. This compares to approximately 39.4 million pounds sold in 2017 at an average grade of 33%.

- Cash costs per pound of production were higher between periods mainly because of the lower production.

- Gross margins (after accounting for all operational costs) are strong at 57% in 2018 despite of the lower sales volumes and prices. This compares to 66% in 2017.

- 50% of Horzum net income (loss) is shown as equity gain (loss) on the Pasinex consolidated financial statements. A large loss was incurred in 2018 compared to a gain in 2017 due to:

    - impairment of the Akmetal receivables to reflect the increased credit risk (refer to *Loans and trade receivables – Akmetal* for further details)
    - lower sales prices realized
    - marginally higher mining costs because some suppliers have increased costs in line with the devaluation of the TRY

  offset by foreign exchange gains recorded on the US dollar denominated receivables from Akmetal due to the devaluation of the TRY.

- Production guidance has been modified for 2019 from the guidance provided in the news release dated February 15, 2019 (see *Expectations for 2019)*. Horzum AS will continue to mine the known accessible oxide ore, but now the revised forecast includes an additional 3,000 tonnes of newly discovered ore. The company is engaged in a significant mine development program to open-up sulphide mineralization known to be at depth by new access through either a spiral development or use of an additional adit. This development is underway but has encountered strong water ingress at depth. This water ingress has delayed development while the Company works on a water control mitigation strategy. At this stage the anticipated production hiatus has moved to later in 2019 (from August of 2019 in the original guidance) while development is completed for access to the deeper mineralization. As a result, production of the deeper sulphide mineralization will likely not take place until 2020. Oxide production guidance has increased to between 17,000 and 18,000 tonnes from original guidance of between 9,000 and 10,000 tonnes, while the sulphide production guidance has decreased to between 1,000 and 2,000 tonnes from 5,000 to 7,000 tonnes.

Review of Annual Consolidated Financial Statements

Years Ended September 30, 2018 and 2017

The following is a summary income statement for Pasinex:

	Year Ended December 31	
	2018	**2017**
Equity gain (loss) from Horzum AS	**$ (4,098,639)**	$ 8,153,698
Impairment charge	**(1,686,600)**	-
Exploration costs	**(689,636)**	(77,649)
General and administration costs	**(2,044,713)**	(2,284,104)
Other income	**90,262**	42,159
Net income (loss)	**$ (8,429,326)**	$ 5,834,104

- Equity gain (loss) from Horzum AS represents the Company's 50% share of the net income (loss) 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 license for the property will be relinquished back to the Turkish government. The fair value has been estimated at zero resulting in an impairment charge of $1.7 million.

- 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 has been completed at the Spur Zinc Project for a total of 2,291 feet (698 metres) resulting in a new zinc sulphide discovery and verified high grade zinc oxides: 43.9 metres at 14.2% zinc including 13.7 metres at 26.1% zinc and 5.6 ounces of silver (see also Pasinex press release dated September 11, 2018). The Company incurred $0.6 million in costs with respect to the program, of which $0.3 million was incurred in the third quarter of 2018. The intersection of zinc sulphides in black shales beneath the high-grade zinc oxides at RH Main Zone was an unexpected positive finding 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.

- General and administration costs include the following:

		Year Ended December 31		
		2018		**2017**
General and administration costs				
Advertising and promotion	**$**	**152,954**	$	193,717
Consulting fees		**259,205**		586,038
Management fees and salaries		**657,681**		405,271
Share-based payments		**111,920**		363,980
Investor relations		**228,794**		168,515
Professional fees		**161,434**		167,937
Travel and meals		**324,075**		264,741
Office costs		**89,149**		70,325
Other expenses		**59,501**		63,580
	$	**2,044,713**	$	2,284,104

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

- Consulting fees in 2017 were largely due to costs incurred in conjunction with compilation of the NI 43-101 technical report and other geological work, which did not take place in 2018.

- 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.

- Stock options issued:

  - On December 4, 2017, 1 million stock options were granted to an employee 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 and $103,220 in 2018.
  - On January 24, 2018, 50,000 stock options were granted to a consultant of the Company at a price of $0.20 each, 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 in 2018.
  - On August 14, 2017, 1,200,000 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 immediately and the fair value of the stock options at the date of grant was $265,200. The fair value was expensed in 2017.

- 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 marketing efforts and an increased presence in Turkey from Pasinex executives.

- The budgeted general and administration costs for 2019 have been reduced by approximately 35% to focus only on non-discretionary spending.

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Year Ended December 31		Three Months Ended				
	2018	**2017**	**Dec 2018**	**Sept 2018**	**June 2018**	**March 2018**	**Dec 2017**
Tonnes produced (wet)	**45,757**	57,675	9,021	10,619	13,080	13,037	15,748
Tonnes sold (wet):							
Zinc oxide	**41,794**	37,783	10,504	10,435	9,951	10,904	10,468
Zinc sulphide	**4,056**	9,220	-	2,356	-	1,700	1,999
Lead	**304**	694	-	188	-	117	108
	46,154	47,697	10,504	12,979	9,951	12,721	12,575
Average grades:							
Zinc oxide	**32%**	31%	30%	30%	32%	34%	29%
Zinc sulphide	**44%**	44%	**-**	45%	**-**	42%	44%
C$ cost per tonne mined (1)	**$ 229**	$ 183	$ 437	$ 187	$ 161	$ 190	$ 252
Equity gain (loss)	**$ (4,098,639)**	$8,153,698	$ (9,410,185)	$ 521,675	$1,805,685	$2,984,186	$3,355,358

(1) See non-GAAP measures

Operating results

- Production at Pinargozu decreased in 2018 compared to 2017. Difficult access to available ore as well as difficult ground conditions have resulted in production tonnage being below expectation.

- The cost per tonne mined is higher in 2018 compared to 2017 due primarily to lower tonnage production in 2018 versus 2017 as well as higher labour costs, additional costs required for ground support and supplier increases to incorporate the weakening TRY. In the fourth quarter of 2018 costs were higher than previous quarters because drilling costs capitalized earlier in 2018 were expensed in the quarter.

Financial results

The equity gain (loss) in Horzum AS represents 50% of Horzum AS net income.

Below are the statements of operation for Horzum AS for year ended December 31, 2018 and 2017 with a reconciliation to the Company's equity gain (loss) as shown on the Pasinex consolidated financial statements.

(100% basis Canadian dollars)		Year Ended December 31		
		2018		**2017**
Revenue	**$**	**26,029,753**	$	31,833,371
Cost of sales		**(10,479,295)**		(9,691,707)
Selling, marketing and other distribution		**(782,038)**		(932,378)
Operating income		**14,768,420**		21,209,286
General and administration costs		**(415,395)**		(432,257)
Impairment of Akmetal receivable		**(28,337,420)**		-
Foreign exchange gain on receivable		**6,653,945**		-
Finance expense		**(285,563)**		-
Other		**197,884**		(371,317)
		(7,418,129)		20,405,712
Income tax expense		**(2,642,551)**		(4,098,315)
Net income (loss)	**$**	**(10,060,680)**	$	16,307,397
Pasinex joint venture interest		**50%**		50%
Share of net income (loss)		**(5,030,340)**		8,153,698
Impairment amount in excess of equity value		**931,701**		-
Equity gain (loss) from Horzum AS	**$**	**(4,098,639)**	$	8,153,698

Revenue

The table below shows further details on revenue:

(100% basis)	Year Ended December 31, 2018			Year Ended December 31, 2017		
	(wet tonnes)		*(C$)*	*(wet tonnes)*		*(C$)*
Zinc oxide sales	41,794	**$**	**21,494,973**	37,783	$	20,058,408
Zinc sulphide sales	4,056		**4,065,065**	9,220		10,334,226
Lead sales	304		**469,716**	694		1,001,393
Final sales adjustments related to 2016			**-**			439,344
Total revenue	46,154	**$**	**26,029,753**	47,697	$	31,833,371

Revenues have decreased year over year mainly due to lower zinc prices and moderately lower sales volumes. The average realized zinc price for 2018 was US$430 per tonne compared to US$500 per tonne in 2017.

Costs and other income/expense

Costs have increased moderately in 2018 compared to 2017 allowing for strong margins of greater than 50% even with lower production volumes and lower zinc prices.

The functional currency of Horzum AS is the TRY and the foreign exchange gain is a result of the revaluation of the US dollar receivables to TRY. The significant gain is a factor of the significant decline in the value of the TRY relative to the US dollar during the year.

Impairment of Akmetal receivable is described below, *Loan and trade receivables - Akmetal*.

The statutory rate for income taxes in 2018 is at a rate of 22% compared to 20% in 2017. A valuation allowance of $3.7 million reduced the expected tax recovery in 2018. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

(100% basis Canadian dollars)				
		Year Ended December 31		
		2018		**2017**
Income (loss) before income tax expense	**$**	**(7,418,129)**	$	20,405,712
Statutory tax rate		**22%**		20%
Expected income tax recovery (expense)		**1,631,988**		(4,081,142)
Non deductible expenses and foreign exchange		**(539,024)**		(17,173)
Valuation allowance		**(3,735,515)**		0
Income tax expense	**$**	**(2,642,551)**	$	(4,098,315)

Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis)		As at December 31 2018		As at December 31 2017
Assets				
Cash and prepaid expenses	**$**	**9,079**	$	35,172
Loan receivable - Akmetal		**14,859,606**		14,375,873
Trade receivables - Akmetal		**12,580,043**		4,574,872
Less - discount and allowance on Akmetal receivables		**(27,439,649)**		(859,487)
Trade receivables - other		**538,393**		8,772
Other current assets		**2,295,348**		2,597,543
Non current assets		**2,017,622**		1,535,910
Total assets	**$**	**4,860,442**	$	22,268,655
Liabilities				
Amounts due to shareholders and related parties	**$**	**3,970,164**	$	152,980
Other liabilities		**9,955,192**		6,025,083
		13,925,356		6,178,063
Equity		**(9,064,914)**		16,090,592
Total liabilities and equity	**$**	**4,860,442**	$	22,268,655

Loan and trade receivables – Akmetal

Amounts due from Akmetal include a loan receivable of $14.9 million (2017 - $14.4 million) and trade receivables of $12.6 million (2017 – $4.6 million). Up until October 2018, the sale of zinc was largely sold to a subsidiary of Akmetal which in turn sold the material to third parties. The payments from Akmetal to Horzum AS have been historically slow and the trade receivable from Akmetal was growing. As a result, at the end of 2017, Horzum AS entered into an agreement with Akmetal to structure a formal repayment process, plus interest, for US$11.4 million. This covered all balances owing up until the end of November 2017 and commitments under the repayment plan were being met until June 2018. Throughout 2018 Horzum AS continued to sell its material through the subsidiary of Akmetal and payments from Akmetal continued to be slow resulting in a significant increase in the trade receivable. By December 31, 2018, US$550,000 of the US$11.4 million loan had been repaid (representing required payments up to June 2018). Payments of US$1.1 million were due to Horzum AS in the second half of 2018 under the terms of the loan agreement, of which none were paid by Akmetal, including no payments on the trade receivable. As of the date of this MD&A, April 30, 2019, there were still no payments received from Akmetal on either the loan or trade receivables.

In October the sales situation was changed whereby the zinc ore material was sold and invoiced directly to third parties from Horzum AS. The cash receipts from sales starting in November have been managed and controlled by Horzum AS, which requires authorization of payments from both Akmetal and Pasinex (as joint venture partners). The trade receivable did not increase in the fourth quarter of 2018. However, because of liquidity issues and obligations to its customers, in March and April of 2019 Akmetal used approximately 6,000 tonnes of oxide from Horzum AS increasing the trade receivable accordingly. Akmetal plans to provide saleable oxide from its other zinc mines to repay this used material. It is expected the material should be replenished by August of 2019.

Because Horzum AS did not receive any payment from Akmetal on the receivables outstanding for over nine months, along with liquidity issues Akmetal was facing during this same period, the Company has acknowledged that the credit risk on the Akmetal receivables has increased significantly and there is evidence of impairment. As a result, under the requirements of IFRS 9, management underwent an exercise to calculate its expected credit losses on the Akmetal receivables.

The Company is working with Akmetal on a number of alternative structures to receive payment of the receivable. This includes amongst other things, transferring other valuable mining assets to Horzum AS in return for a reduction of the receivable and sale of its share of Horzum AS. Company management believes Akmetal is slowly recovering from its liquidity shortfalls and therefore expects that the receivable should be fully recoverable and intends to rigorously pursue all means to collect the receivable. Should this receivable be recovered there would be a future re-adjustment in the financial statements reflecting such a recovery.

However, because of Akmetal's liquidity issues, past performance of non-payment (or default) along with the additional usage of inventory in 2019, management has assessed the probability of credit losses to be high.

As a result, as required under IFRS 9, the Company has taken a full impairment charge of the receivable. The Company will continue to vigorously pursue receipt of funds from Akmetal and re-assess the expected credit losses on a regular basis. Any recovery of the receivable will be recorded in the equity gain from Horzum AS.

Amounts due to shareholder and related parties

Amounts due to shareholders and related parties includes the dividend payable to Pasinex Arama of $3.7 million.

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 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 the equity loss recorded in 2018 and currency translation losses on the revaluation of the TRY financial statements to Canadian dollars.

Commitments

On October 16, 2018, Akmetal entered into a US$1.2 million loan facility with one of its customers for overpayments received on advanced provisional invoice payments received earlier in 2018. Horzum AS is a guarantor to the loan facility and recorded the full amount as a current liability. Akmetal did not made payments against the loan facility in 2018.

Expectations for 2019

(100% basis)	**Original Guidance for the Year Ended December 31, 2019**		**Revised Guidance for the Year Ended December 31, 2019**	
	(wet tonnes)	*(grade)*	*(wet tonnes)*	*(grade)*
Zinc oxide production	9,000 - 10,000	29% to 31%	17,000 - 18,000	29% to 31%
Zinc sulphide production	5,000 - 7,000	45% to 47%	1,000 - 2,000	45% to 47%
	14,000 - 17,000		18,000 - 20,000	
		(C$)		*(C$)*
Cost per tonne mined		$450 - $500		$400 - $450

- Horzum AS is going through a transition year in 2019. The known accessible oxide ore is depleting. As such the company is engaged in a significant mine development program to open-up sulphide mineralization known to be at depth by new access through either a spiral development or use of an additional adit. This development is underway but has encountered strong water ingress at depth. This water ingress has delayed development while the company works on a water control mitigation strategy. At this stage there is anticipated to be a production hiatus later in 2019 while development is completed for access to the deeper mineralization which may be delayed into 2020 before production can begin on the deeper sulphide mineralization.

- The production forecast for 2019 is significantly lower than 2018 production due to the transition as described above. The revised guidance reflects production of additional oxide ore that was discovered in the first quarter of 2019 and a delay in the hiatus in production required for the development until late in 2019.

- As development work is prioritized over production in 2019, the cost per tonne mined will increase because development costs are expensed against reduced production resulting in an estimated cost per tonne mined of between $400 and $450 per tonne. Costs incurred during the production downtime are not included in the cost per tonne mined guidance for 2019.

- Original and revised guidance assumes TL/C$ exchange rate of 4.0. Cost per tonne mined includes underground development and drilling. Revised guidance includes actual results to date and estimates for the remainder of the year based on the mining plan.

- The decision to enter production at the Pinargozu zinc mine was made without reference to a technical report or feasibility study prepared under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). Accordingly, the Company's production estimates and the economic viability of the mine may differ materially from the estimates contained herein.

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 foreign currency, 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 recovered in the fourth quarter of 2018, moving from an average price of US$1.48 per pound for the first half of the year to US$1.15 per pound in the third quarter and US$1.19 per pound for the fourth quarter of 2018. The zinc price is around US$1.30 per pound at the time of preparing this report. 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 in 2018, from 3.8 at the end December 2017 to 5.3 at December 31, 2018. The devaluation of the Turkish Lira is a benefit to Horzum AS as sales are denominated in US dollars or Euros, however, the devaluation has a negative impact to Pasinex on the TRY based 14 million dividend still owing.

Liquidity and Financial Position

Cash Flows

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

	Year Ended December 31	
	2018	**2017**
Cash used in operating activities		
Before changes in working capital	**$(2,524,159)**	$(1,948,320)
Dividend from Horzum AS	**1,523,538**	1,183,215
Changes in working capital	**(5,643)**	(148,577)
	(1,006,264)	(913,682)
Cash used in investing activities	**(324,976)**	(474,448)
Cash received from issuance of shares	**-**	1,835,554
Issuance of shareholder loans	**745,000**	-
Effect of foreign currencies	**63,136**	(17,655)
Net change in cash	**(523,104)**	429,769
Opening cash balance	**741,727**	311,958
Closing cash balance	**$218,623**	$741,727

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 and exploration costs as described above in financial performance.

Dividend from Horzum AS

The dividend received represents a portion of the $5.1 million dividend declared.

Changes in working capital

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

Cash used in investing activities

In 2018, Pasinex met its obligation under the Spur Option Agreement and paid US$200,000 ($258,960) in cash and issued 2.2 million Pasinex Common Shares. In 2017, Pasinex paid US$125,000 ($158,897) in cash and issued 2.2 million Pasinex Common Shares. The remaining expenditures are mostly with respect to work on the Golcuk property.

Cash received from the issuance of shares

In 2017, proceeds of $1.8 million were received from the exercise of warrants. As at December 31, 2017 and September 30, 2018, the Company had no warrants outstanding.

Issuance of shareholder loans

In 2018 the Company entered into loans with certain shareholders and directors of the Company (the "lenders") in the form of promissory notes amounting to $748,362 (includes $3,362 of accrued and unpaid interest). 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 to the lenders. 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 Caliber 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)
- Cash payment of US$200,000 ($258,960) cash and issuance of 2.2 million Pasinex Common Shares to Caliber and Cypress (made in September 2018)
- 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 (spent)
  - 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.

The Company has commenced discussions with Cypress and Caliber to allow for the deferral of exploration expenditures if required.

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, 2018, the Company has a net equity deficit of $9,634,228 (2017 – $1,204,902) and has a working capital deficiency position of $915,466 (2017 – positive working capital of $618,576) and had a net loss of $8,429,326 (2017 – net income of $5,834,104) and negative cash flows from operations of $1,006,264 (2017 – $913,682) for the year then ended and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

The Company relies on dividends from Horzum AS to fund its spending. Based on the 2019 production forecast for Pinargozu and the sale of inventory on hand at January 1, 2019 the Company expects there to be adequate cash flow to fund Horzum AS as well as non-discretionary spending at Pasinex for at least the next twelve months. Drilling will continue through 2019 at Pinargozu to find a parallel oxide system in an effort to increase 2019 production. The Company is also working with Akmetal to resolve the collectability of the trade receivable owing from them to Horzum AS. At December 31, 2018 the receivable owing from Akmetal to Horzum AS was $27 million. Although accounting principles required Pasinex to take a full impairment of the receivable (see *Loan and trade receivables - Akmetal*), management is vigorously attempting to find a resolution and collect the funds. Receipt of the trade receivables would provide significant cash flow to Pasinex through additional dividends.

In the absence of the receipt of dividends from Horzum AS the Company would need to secure funding from either equity financing or additional related party loans. There can be no assurance that the Company will be able to generate sufficient dividends from Horzum AS nor be able to generate funds from other sources.

Accordingly, these conditions represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to the carrying values of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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, April 29, 2019, the Company has 144,354,371 issued and outstanding common shares and an aggregate of 4,200,000 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.

A summary of the related party transactions are as follows:

	Year Ended December 31	
	2018	**2017**
Related party transactions		
Management fees and salaries	**$ 585,818**	$ 211,575
Consulting fees	**66,438**	203,478
Share-based payments	**103,220**	319,780
Interest expense on shareholder loans	**12,506**	-
	$ 767,982	$ 734,833

Amounts payable to related parties were as follows:

	Accrued liabilites		Shareholder Loans	
	As at December 31, 2018	**As at December 31, 2017**	**As at December 31, 2018**	**As at December 31, 2017**
Steven Williams [1]	**$ 13,560**	$ -	**$ -**	$ -
Larry Seeley [2]	**11,610**	-	**-**	-
Sven Olsson [2]	**9,563**	14,297	**115,453**	-
1514341 Ontario Inc. [3]	**14,232**	-	**291,356**	-
Irus Consulting Ltd. [4]	**7,500**	7,500	**-**	-
Victor Wells [5]	**18,000**	6,000	**-**	-
Wendy Kaufman [6]	**1,145**	-	**-**	-
Sonar Koldas [7]	**13,301**	-	**-**	-
Seeley Holdings Ltd. [8]	**-**	-	**291,356**	-
Joachim Rainer [2]	**-**	-	**50,197**	-
	$ 88,911	$ 27,797	**$ 748,362**	$ -

(1) Steven Williams is the Chief Executive Officer of the Company.
(2) Sven Olsson, Larry Seeley and Joachim Rainer were directors of the Company at December 31, 2018 and 2017. On March 31, 2019 Sven Olsson resigned as a director of the Company.
(3) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.
(4) Irus Consulting Ltd. is a company controlled by John Barry, Vice President Exploration of the Company.
(5) Victor Wells is a director and the Chairman of the Company.
(6) Wendy Kaufman is the Chief Financial Officer of the Company.
(7) Soner Koldas is the Country Director in Turkey.
(8) Seeley Holdings Ltd. Is a company controlled by a family member of Larry Seeley, a director of the Company.

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

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

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

Review of Quarterly Consolidated Financial Statements

Three Months Ended December 31, 2018 and 2017

The following is a summary income statement for Pasinex:

(100% basis Canadian dollars)	Three Months Ended December 31	
	2018	**2017**
Equity gain (loss) from Horzum AS	**$ (9,410,185)**	$ 3,355,358
Impairment charge	**-**	-
Exploration costs	**(71,000)**	(77,649)
General and administration costs	**(401,756)**	(607,334)
Other income	**(7,601)**	11,775
Net income (loss)	**$ (9,890,542)**	$ 2,682,150

Equity gain (loss) from Horzum AS

Equity gain (loss) from Horzum AS represents the Company's 50% share of the net income (loss) of Horzum AS and in 2018 includes an impairment of the receivable from Akmetal (as described earlier). Adjusted equity gain (a non-gaap measure) for the fourth quarter of 2018 was $519,503 and adjusted net income for the same period was $39,146. The decrease in the gain is largely due to lower sales prices. Below are the statements of operation for Horzum AS for the fourth quarter of 2018 and 2017 with a reconciliation to the Company's equity gain as shown above.

(100% basis Canadian dollars)	Three Months Ended December 31	
	2018	**2017**
Revenue	**$ 4,755,352**	$ 12,438,958
Cost of sales	**(3,855,141)**	(3,255,239)
Selling, marketing and other distribution	**(335,095)**	(932,378)
Operating income	**565,116**	8,251,341
General and administration costs	**39,711**	529,838
Impairment of Akmetal receivable	**(28,337,420)**	-
Foreign exchange gain on receivable	**(511,712)**	-
Finance expense	**6,910,118**	-
Other	**279,896**	(371,317)
	(21,054,291)	8,409,862
Income tax recovery (expense)	**370,518**	(1,699,145)
Net income (loss)	**$ (20,683,773)**	$ 6,710,717
Pasinex joint venture interest	**50%**	50%
Share of net income (loss)	**(10,341,886)**	3,355,358
Impairment amount in excess of equity value	**931,701**	-
Equity gain (loss) from Horzum AS	**$ (9,410,185)**	$ 3,355,358

The table below shows further details on Horzum AS revenue:

(100% basis)	**Three Months Ended December 31, 2018**			**Three Months Ended December 31, 2017**		
	(wet tonnes)		*(C$)*	*(wet tonnes)*		*(C$)*
Zinc oxide sales	10,504	**$**	**5,280,057**	10,468	$	4,906,130
Zinc sulphide sales	-		**-**	1,999		2,568,796
Lead sales	-		**-**	108		184,265
Final sales adjustments related to Q2 and Q3 2018			**(524,705)**			-
Final sales adjustments related to Q2 and Q3 2017			**-**			4,779,767
Total revenue	10,504	**$**	**4,755,352**	12,575	$	12,438,958

Revenues were lower in the fourth quarter of 2018 compared to the same period of 2017 due to lower quantities sold at lower prices. In addition, in 2017 $4.8 million in positive 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 occurred upon final invoicing, at which time quantities and grades were finalized and price was adjusted to the LME zinc price as agreed with the buyer. In 2018, negative sales price adjustments were made on second and third quarter 2018 sales.

Cost of sales at Horzum AS were higher in the quarter reflecting the impact of Turkish inflation on costs and an adjustment to expense previously capitalized drilling costs.

Exploration costs

Exploration costs incurred in 2018 are a result of consulting fees for the Spur Zinc Project.

General and administration costs

General and administration costs include the following:

	Three Months Ended December 31			
		2018		**2017**
General and administration costs				
Advertising and promotion	**$**	**22,847**	$	32,428
Consulting fees		**33,996**		130,258
Management fees and salaries		**160,219**		96,711
Share-based payments		**-**		98,780
Investor relations		**35,867**		55,770
Professional fees		**51,585**		60,101
Travel and meals		**53,423**		91,606
Office costs		**24,966**		29,156
Other expenses		**18,853**		12,524
	$	**401,756**	$	607,334

General and administration costs have decreased period over period largely due to lower consulting fees and lower overall planned spending.

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 vested 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 of 2017.

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

	Three Months Ended December 31	
	2018	**2017**
Cash used in operating activities		
Before changes in working capital	**$(478,180)**	$(571,900)
Dividend from Horzum AS	**757,575**	1,183,215
Changes in working capital	**(438,091)**	(71,966)
	(158,696)	539,349
Cash used in investing activities	**29,209**	(178,903)
Cash received from issuance of shares	**-**	-
Issuance of shareholder loans	**65,000**	-
Effect of foreign currencies	**199,470**	(17,985)
Net change in cash	**134,983**	342,461
Opening cash balance	**83,640**	399,266
Closing cash balance	**$218,623**	$741,727

Cash used in operating activities before changes in working capital has decreased in 2018 reflecting the lower general and administration costs and exploration costs in the fourth quarter of 2018. The change in working capital in the fourth quarter of 2018 is due to a large draw down of payables following the receipt of funds from the Horzum AS dividend. Cash used in investing activities in the fourth quarter of 2017 was largely in regard to option payments for the Spur Zinc Project.

Selected Consolidated Quarterly Financial Data

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

	Three Months Ended							
	Dec 2018	**Sept 2018**	**June 2018**	**March 2018**	**Dec 2017**	**Sept 2017**	**June 2017**	**March 2017**
Financial:								
Equity gain (loss) from Horzum AS	**$ (9,410,185)**	$ 521,675	$ 1,805,685	$ 2,984,186	$ 3,355,358	$ 2,698,696	$ 931,355	$ 1,168,289
Adjusted equity gain from Horzum AS [(1)]	**$ 519,503**	$ 521,675	$ 1,805,685	$ 2,984,186	$ 3,355,358	$ 2,698,696	$ 931,355	$ 1,168,289
Consolidated net income (loss)	**$ (9,890,542)**	$ (194,998)	$ 930,193	$ 726,021	$ 2,682,150	$ 1,838,461	$ 450,463	$ 863,030
Adjusted consolidated net income (loss) [(1)]	**$ 39,146**	$ (194,998)	$ 930,193	$ 726,021	$ 2,682,150	$ 1,838,461	$ 450,463	$ 863,030
Basic net income (loss) per share	**$ (0.07)**	$ -	$ 0.01	$ 0.01	$ 0.02	$ 0.01	$ -	$ 0.01
Diluted net income (loss) per share	**$ (0.07)**	$ -	$ 0.01	$ 0.01	$ 0.02	$ 0.01	$ -	$ 0.01

(1) See non-gaap measures.

The quarterly adjusted consolidated net income for Pasinex is highly correlated to results from its 50% owned investment in Horzum AS. The adjusted equity gain changes are a result of tonnes produced and sold as well as the zinc price. The equity gain for the three months ended September 2018 include negative sales price adjustments of $1.4 million related to sales from the first half of 2018. The equity gain for the three months ended December 2017 include approximately $2 million in positive sales price adjustments related to sales from the second and third quarters of 2017. Consolidated net income also includes the Company's general and administration costs and exploration expenditures related to the Spur Zinc Project, both of which had been increasing in line with the Company's growth plans.

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, 2018 and 2017, 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, 2018				
Cash	$ 218,623	$ -	$ -	$ 218,623
As at December 31, 2017				
Cash	$ 741,727	$ -	$ -	$ 741,727

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

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

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 attributable to its cash balances, trade receivables and related party receivables. 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 trade receivables is remote because of receipt of upfront payments from most customers. The credit risk on related party receivables has been assessed as high (refer to *Loan and trade receivables – Akmetal*), except for Due from Horzum AS because it was repaid subsequent to December 31, 2018. 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

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company had a cash balance of $218,623 (2017 - $741,727) and current liabilities of $1,314,222 (2017 - $235,623). 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. Shareholder loans are due on demand from the shareholders but because of the related party nature and the ownership interests of these shareholders, it is unlikely the shareholders would call the loan until ample funds are available in the Company. The Company may manage its short term liquidity shortfall by obtaining additional loans from directors or by equity financing. See also discussion on going concern in *Financial Condition*.

c) Market Risk

Market risk consists of currency risk, interest rate risk and price 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 increments as excess cash is available 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, 2018, the translation of the assets and liabilities of Pasinex Arama resulted in foreign currency translation adjustments of $2,367,220 recorded in other comprehensive loss. For the year ended December 31, 2018, 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 $0.7 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, 2018, 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 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. No changes were made to management's approach from 2017. 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.

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.

<u>Adjusted equity gain from Horzum AS</u>

The following table provides a reconciliation of equity loss of Horzum AS to adjusted equity gain from Horzum AS.

	Three Months Ended December 31 2018	Year Ended December 31 2018
Reconciliation of adjusted equity gain:		
Equity loss as per Pasinex statement of loss	$ (9,410,185)	$ (4,098,639)
Add back from Horzum AS statement of operation:		
50% of impairment of Akmetal receivable	14,168,710	14,168,710
50% of finance expense (discount on receivable reversed in the fouth quarter)	(3,159,896)	-
50% of foreign exchange gain on receivable	270,868	(3,326,973)
Income tax effect of above add backs	(418,293)	(321,946)
Impairment amount in excess of equity value	(931,701)	(931,701)
Adjusted equity gain	$ 519,503	$ 5,489,452

<u>Adjusted consolidated net income</u>

The following table provides a reconciliation of consolidated loss to adjusted net income.

	Three Months Ended December 31 2018	Year Ended December 31 2018
Reconciliation of adjusted net income:		
Loss as per Pasinex statement of loss	$ (9,890,542)	$ (8,429,326)
Add back:		
Equity loss from Horzum AS	9,410,185	4,098,639
Impairment charge	-	1,686,600
Adjusted equity gain	519,503	5,489,452
Adjusted net income	$ 39,146	$ 2,845,365

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	
	2018	**2017**
Reconciliation of cost per tonne mined		
Cost of sales per Horzum income statement	**$ 10,479,295**	$ 9,691,707
Inventory change	**21,021**	834,200
	10,500,316	10,525,907
Tonnes produced	**45,757**	57,675
Cost per tonne mined	**$ 229**	$ 183

	Three Months Ended December 31		Year Ended December 31	
	2018	**2017**	**2018**	**2017**
Reconciliation of cost per tonne mined				
Cost of sales per Horzum income statement	**$ 3,855,141**	$ 3,255,239	**$ 10,479,295**	$ 9,691,707
Inventory change	**83,368**	707,390	**21,021**	834,200
	3,938,509	3,962,629	**10,500,316**	10,525,907
Tonnes produced	**9,021**	15,748	**45,757**	57,675
Cost per tonne mined	**$ 437**	$ 252	**$ 229**	$ 183

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	
		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		**$ 3,938,509**	$ 3,962,629	**$ 10,500,316**	$10,525,907
Less - sales of lead		**-**	(184,265)	**(469,716)**	(1,001,393)
		3,938,509	3,778,364	**10,030,600**	9,524,514
Translate to US$	**A**	**$ 2,980,558**	$ 2,971,580	**$ 7,739,661**	$ 7,335,013
Zinc tonnes produced (wet)		**9,021**	15,748	**45,757**	57,675
Zinc grade		**30%**	31%	**33%**	33%
Moisture loss		**7%**	7%	**7%**	7%
Pounds of zinc produced	**B**	**5,548,718**	10,009,302	**31,016,831**	39,377,535
US$ cash cost per pound of zinc produced	**A/B**	**$ 0.54**	$ 0.30	**$ 0.25**	$ 0.19

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	
	2018	**2017**	**2018**	**2017**
Reconciliation of gross margin				
Operating income per Horzum income statement	**$565,116**	$ 8,251,341	**$14,768,420**	$21,209,286
Add back final price adjustments related to other periods	**524,705**	(4,779,767)	**-**	(439,344)
Gross margin	**1,089,821**	3,471,574	**14,768,420**	20,769,942
Revenue (excluding price adjustment related to other periods)	**5,280,057**	7,659,191	**26,029,753**	31,394,027
Gross margin (gross margin / revenue)	**21%**	45%	**57%**	66%

Risks and Uncertainties

The Company's business contains significant risk due to the nature of mining, exploration and development activities. In addition to the usual risks associated with an investment in a junior resource company, management and the directors of the Company believe that, in particular, the following risk factors should be considered by prospective investors. It should be noted that this list is not exhaustive and that other risk factors may apply. 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 below that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Risks to Profitability

The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in the United States and Turkey. The Company's properties have no established mineral reserves and there is no assurance that any of the Company's projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors.

The profitability of the Company's current operations will be directly related to the performance of the Pinargozu zinc mine located in Turkey, which operates without a technical report or established mineral reserves. The development of a mining operation typically involves large capital expenditures and a high degree of risk and uncertainty. Mining operations put into production without first establishing mineral reserves supported by a NI 43-101 technical report and completed feasibility study are subject to much higher risk of economic or technical failure. As the Pinargozu mine (held by Horzum AS) was put into production without a feasibility study or mineral reserves demonstrating economic and technical viability, there is increased uncertainty. The economic and technical risk of failure at the Pinargozu mine is increased by operating without a technical report, and the ore grade, estimated mineral resources, profitability of the mine, the life of the mine, the difficulty in mining zinc ore, the cost in maintaining the mine and any other economic or technical projection may differ materially from the Company's estimates, which would have a material and adverse effect on the Company's results.

Moreover, the ability of the Pinargozu mine to generate positive cash flow for the Company largely depends on the ability for Horzum AS to collect receivables from Akmetal, the Company's distribution partner. If any of the loan receivables owing to the Company from Akmetal are deemed unrecoverable, the Company's business, results of operations and financial condition may experience a material adverse impact.

Reliability of Mineral Resource Estimates

As the Company has not established mineral reserves supported by a NI 43-101 technical report, there is no assurance that the Company's resource or production estimates can be relied upon. The Company currently relies on internal mineral resource estimates for the basis of its projections and forward-looking information. Mineral resources are estimates based on sampling of the mineralized material in a deposit and such estimates may not be found to be accurate. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimation of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The Company's mineral resource estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, all of which may prove to be unreliable. Furthermore, there are risks related to the reliability of analytical results and unforeseen possible variations in grade or other considerations.

Exploration Risk

The exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current mining, exploration and development programs of the Company will result in profitable commercial mining operations.

Commodity Markets

The price of the Company's securities, its financial results, and its access to the capital required to finance its production and exploration activities may in the future be adversely affected by declines in the price of zinc. Zinc prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of zinc by various dealers, financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, and international political and economic trends, conditions and events. If these or other factors adversely affect the price of zinc that are the subject of the Company's production and exploration efforts, the market price of the Company's securities may decline.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the Company's control, including without limitation, the supply and demand for minerals. In addition, the metals industry in general is intensely competitive and there is no assurance that, even if apparently commercial quantities and qualities of metals are discovered, a market will exist for their profitable sale. Commercial viability of zinc and other mineral deposits may be affected by other factors that are beyond the Company's control, including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure, the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, and environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability such that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital or having its mineral projects be rendered uneconomic. These risks are accentuated because of the lack of a NI 43-101 technical report on mineral reserves at the Pinargozu mine. Without a NI 43-101 technical report, economic and technical viability of the Pinargozu mine cannot be assured.

Option and Joint Venture Agreements

The Company has and may continue to enter into option agreements and/or joint ventures as a means of acquiring property interests. Any failure of any partner to meet its obligations to the Company or other third parties, or any disputes with respect to third parties' respective rights and obligations could have a material adverse effect on the Company's rights under such agreements. Furthermore, the Company may be unable to exert direct influence over strategic decisions made in respect of properties that are subject to the terms of these agreements, and the result may be a materially adverse impact on the strategic value of the underlying mineral claims.

Property Titles

The principal property interests that the Company owns, controls or has the right to acquire by option or agreement come variously under the *3213 Turkish Mining Law* (Turkey)*,* the *Federal Land Policy and Management Act* (United States), and the *General Mining Law of 1872* (United States), each of which has its own registration and management systems. Although the Company has either obtained title opinions or reviewed title for the material properties that it owns, controls or has the right to acquire by option or agreement, there is no guarantee that title to such mineral property interests will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. The Company may also experience challenges in effecting the transfer of title to certain of its mineral properties. There may be valid challenges to the title of the mineral property interests which, if successful, could impair development and/or operations.

Financing Risks

Although the Company currently generates operating cash flow from the Pinargozu mine, the Company's distribution partner, Akmetal, has been slow to pay Horzum AS and trade receivables are growing. The Company has no other source of operating cash flow and there is no assurance additional funding will be available for further exploration, development and maintenance of its projects. Further exploration and development of the Company's properties may be dependent upon its ability to obtain financing through equity or debt, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Company's projects, the loss of right to the Company's properties, or the ability to finance the continued operation of the Pinargozu mine.

Mining Risks and Insurance

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Risks Related to Operations in a Foreign Jurisdiction

The Company's business operates in a foreign jurisdiction where there are added risks and uncertainties due to the different economic, cultural and political environments. The Corporation's mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation and policy relating to the mining industry. Other risks of foreign operations include political unrest, labour disputes and unrest, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries (including nationalization of mines), foreign taxation, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. Local economic conditions can also adversely affect the security of the Company's operations and the availability of supplies. In addition, risks of operations in Turkey include fluctuations in currency exchange rates, inflation, and significant changes in laws and regulations including but not limited to tax regulations, permitting and expropriation. These risks may limit or disrupt the Company's projects, reduce financial viability of local operations, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation. There can be no assurance that changes in the government or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect the Company's business, financial condition, results of operation and prospects.

Government Regulations, Permitting and Taxation

The Company's production and exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its activities, its various licences and permits must be obtained and kept current. There is no guarantee that the Company's licences and permits will be granted, or that once granted will be extended. In addition, the terms and conditions of such licences or permits could be changed and there can be no assurances that any application to renew any existing licences will be approved. There can be no assurance that all permits that the Company requires will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development or maintenance of its properties. The Company will also have to obtain and comply with permits and licences that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions. Future taxation of mining operators cannot be predicted with certainty so planning must be undertaken using present conditions and best estimates of any potential future changes.

Health, Safety and Community Relations

The Company's operations are subject to various health and safety laws and regulations that impose various duties on the Company's operations relating to, among other things, worker safety and obligations in respect of surrounding communities. These laws and regulations also grant the relevant authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance with such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Company's operations. The Company has made, and expects to make in the future, significant expenditure to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, to create social and economic benefit in the surrounding communities near the Company's mineral properties.

Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds. There is also a risk that environmental and other laws and regulations may become more onerous, making it more costly for the Company to remain in compliance with such laws and regulations.

Reliance on Key Personnel

The Company's development to date has largely depended and in the future will continue to depend on the efforts of key management and other key personnel. Loss of any of these people, particularly to competitors, could have a material adverse effect on the Company's business. Further, with respect to future development of the Company's projects, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is becoming more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside the Company's control, including competition for human capital and the high level of technical expertise and experience required to execute this development, will affect the Company's ability to employ the specific personnel required. The failure to retain or attract a sufficient number of key skilled personnel could have a material adverse effect on the Company's business, results of operations and financial condition. The Company has not taken out and does not intend to take out 'key person' insurance in respect of any directors, officers or other employees.

Competitive Industry Environment

The mining industry is highly competitive, both domestically and internationally. The Company's ability to acquire properties and develop mineral reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration, of which there is a limited supply. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter competition from other mining companies in its efforts to hire experienced mining professionals. Competition could adversely affect the Company's ability to attract necessary funding or acquire suitable producing properties or prospects for mineral exploration in the future. Competition for services and equipment could result in delays if such services or equipment cannot be obtained in a timely manner due to inadequate availability, and could also cause scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project development, exploration or construction costs and result in project delays.

Global Financial Conditions

Recent global financial conditions have been characterized by increased volatility and access to public financing, particularly for junior mining companies. These conditions may affect the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company or at all. If such conditions continue, the Company's operations could be negatively impacted.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Use of Accounting Estimates and Judgements

Refer to Note 3 of the Company's Consolidated Financial Statements.

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.