

# **PASINEX RESOURCES LIMITED**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2019**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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### **Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of Pasinex Resources Limited (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

# Pasinex Resources Limited

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at March 31, 2019	As at December 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 170,123	\$ 218,623
Other receivables	25,647	24,358
Due from Horzum AS	25,076	97,101
Prepaid expenses and deposits	48,267	58,674
<b>Total current assets</b>	<b>269,113</b>	<b>398,756</b>
<b>Non-current assets</b>		
Equipment	22,891	23,854
Value added tax receivable	95,642	98,724
Investment in Horzum AS (note 4)	-	-
Exploration and evaluation assets (note 5)	1,796,724	1,759,459
<b>Total non-current assets</b>	<b>1,915,257</b>	<b>1,882,037</b>
<b>Total assets</b>	<b>\$ 2,184,370</b>	<b>\$ 2,280,793</b>
<b>Shareholders' equity and liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 504,418	\$ 476,949
Due to related parties (note 12)	190,316	88,911
Shareholder loans (notes 7 and 12)	748,362	748,362
<b>Total liabilities</b>	<b>1,443,096</b>	<b>1,314,222</b>
<b>Shareholders' equity</b>		
Share capital (note 8)	12,882,506	12,882,506
Reserves	1,730,617	1,730,617
Deficit	(9,849,078)	(9,634,228)
Accumulated other comprehensive loss	(4,022,771)	(4,012,324)
<b>Total shareholders' equity</b>	<b>741,274</b>	<b>966,571</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,184,370</b>	<b>\$ 2,280,793</b>

Basis of Measurement and Going Concern (note 2(b))

Subsequent events (notes 4(a) and 7)

Approved on behalf of the Board:

"Steven Williams" Director

"Victor Wells" Director

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

# Pasinex Resources Limited

## Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended March 31,	
	2019	2018
<b>Equity gain from Horzum AS (note 4)</b>	<b>\$ 250,055</b>	<b>\$ 2,984,186</b>
<b>Expenses</b>		
Impairment charge (note 5(b))	-	1,686,600
Exploration costs	42,803	41,859
General and administration costs (note 11)	429,694	483,212
Share-based payments (notes 9 and 12)	-	68,634
	<b>(472,497)</b>	<b>(2,280,305)</b>
<b>Other income</b>		
Other income	3,383	6,260
Foreign exchange gain	4,209	15,880
	<b>7,592</b>	<b>22,140</b>
<b>Net (loss) income for the period</b>	<b>(214,850)</b>	<b>726,021</b>
<b>Other comprehensive income (loss)</b>		
<b>Item that will be reclassified subsequently to profit and loss:</b>		
Currency translation adjustment	(10,447)	(190,167)
<b>Total comprehensive (loss) income for the period</b>	<b>\$ (225,297)</b>	<b>\$ 535,854</b>
<b>Net (loss) income per share - basic (note 10)</b>	<b>\$ (0.00)</b>	<b>\$ 0.01</b>
<b>Net (loss) income per share - diluted (note 10)</b>	<b>\$ (0.00)</b>	<b>\$ 0.01</b>
<b>Weighted average number of shares outstanding - basic (note 10)</b>	<b>144,354,371</b>	<b>142,154,370</b>
<b>Weighted average number of shares outstanding - diluted (note 10)</b>	<b>144,354,371</b>	<b>143,046,082</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

## Pasinex Resources Limited

### Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended March 31,	
	2019	2018
<b>Operating activities</b>		
Net (loss) income for the period	\$ (214,850)	\$ 726,021
Dividend from Horzum AS	250,055	388,593
Adjustments for items not involving cash:		
Impairment charge	-	1,686,600
Share-based payments	-	68,634
Equity gain from Horzum AS	(250,055)	(2,984,186)
Other	2,558	1,860
Changes in non-cash working capital items:		
Prepaid expenses and deposits	7,673	32,048
Accounts payable and accrued liabilities	152,797	82,294
Due to (from) joint venture	67,124	(16,406)
Other	(6,238)	(3,317)
<b>Net cash provided by (used in) operating activities</b>	<b>9,064</b>	<b>(17,859)</b>
<b>Investing activities</b>		
Exploration and evaluation assets (note 5)	(48,710)	(82,905)
Equipment acquisition	(2,062)	(2,879)
<b>Net cash used in investing activities</b>	<b>(50,772)</b>	<b>(85,784)</b>
<b>Net change in cash</b>	<b>(41,708)</b>	<b>(103,643)</b>
<b>Effect of foreign currencies on cash</b>	<b>(6,792)</b>	<b>(5,319)</b>
<b>Cash, beginning of period</b>	<b>218,623</b>	<b>741,727</b>
<b>Cash, end of period</b>	<b>\$ 170,123</b>	<b>\$ 632,765</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

## Pasinex Resources Limited

### Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Number of Shares (note 8)	Share Capital (note 8)	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
<b>Balance, December 31, 2017</b>	<b>142,154,371</b>	<b>\$ 12,618,506</b>	<b>\$ 1,618,697</b>	<b>\$(1,204,902)</b>	<b>\$(1,645,104)</b>	<b>\$11,387,197</b>
Share-based payments	-	-	68,634	-	-	68,634
Currency translation adjustment	-	-	-	-	(190,167)	(190,167)
Net income for the period	-	-	-	726,021	-	726,021
<b>Balance, March 31, 2018</b>	<b>142,154,371</b>	<b>\$ 12,618,506</b>	<b>\$ 1,687,331</b>	<b>\$ (478,881)</b>	<b>\$(1,835,271)</b>	<b>\$11,991,685</b>
<b>Balance, December 31, 2018</b>	<b>144,354,371</b>	<b>\$ 12,882,506</b>	<b>\$ 1,730,617</b>	<b>\$ (9,634,228)</b>	<b>\$ (4,012,324)</b>	<b>\$ 966,571</b>
Currency translation adjustment	-	-	-	-	(10,447)	(10,447)
Net loss for the period	-	-	-	(214,850)	-	(214,850)
<b>Balance, March 31, 2019</b>	<b>144,354,371</b>	<b>\$ 12,882,506</b>	<b>\$ 1,730,617</b>	<b>\$ (9,849,078)</b>	<b>\$ (4,022,771)</b>	<b>\$ 741,274</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 1. Corporate information and nature of operations

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". The head office, principal address and registered and records office of the Company are located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Pasinex owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi ("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 directly to zinc smelters / refiners. The Company also holds an option to acquire 80% of the Spur high grade zinc exploration project in Nevada ("Spur Zinc Project").

These unaudited condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on May 28, 2019.

### 2. Basis of presentation

#### (a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These unaudited consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of May 28, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2018, except for the new accounting standards adopted as described below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in restatement of these unaudited consolidated interim condensed financial statements.

#### (b) Basis of measurement and going concern

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are measured at their fair value. The consolidated financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At March 31, 2019, the Company has a net equity deficit of \$9,849,078 (December 31, 2018 – \$9,634,228) and has a working capital deficiency position of \$1,173,983 (December 31, 2018 – \$915,466), and had a net loss of \$214,850 (three months ended March 31, 2018 – net income of \$726,021) and cash flows from operations of \$9,064 (three months ended March 31, 2018 – negative cash flows \$17,859) for the three months 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.

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## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 2. Basis of presentation (continued)

##### (b) Basis of measurement and going concern (continued)

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 has been working with Akmetal to resolve the collectability of the trade receivable owing from them to Horzum AS. In May 2019, a legally binding debt repayment agreement was signed between Akmetal, Pasinex and Horzum AS defining the terms of debt repayment amongst other conditions (see note 5(a)). At March 31, 2019 the receivable owing from Akmetal to Horzum AS was \$28 million. Until strong credit worthiness is demonstrated by Akmetal, accounting principles have required Pasinex to maintain an expected credit loss equivalent to the full balance of the receivable (see Note 4(a)). Management will ensure the terms of the debt repayment agreement are adhered to and continue to find additional solutions to expeditiously 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. In May 2019 the Company received an additional \$100,000 from a shareholder to pay for certain overdue administration costs. 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.

#### 3. Significant accounting policies

##### New accounting policies

##### *Leases ("IFRS 16")*

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The Company has no significant leases or leases greater than one year, therefore the application of the new standard had no impact on the unaudited condensed interim consolidated financial statements as at March 31, 2019.

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## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 3. Significant accounting policies (continued)

##### *Uncertainty over Income Tax Treatments (“IFRIC 23”)*

The Company adopted IFRIC 23 on January 1, 2019 on a modified retrospective basis without restatement of comparative information. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The adoption of the new standard had no impact on the unaudited condensed interim consolidated financial statements as at March 31, 2019.

##### *Business Combinations (“IFRS 3”)*

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy. There was no impact on the Company's unaudited condensed interim consolidated financial statements as at March 31, 2019.



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## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 4. Investment in Horzum AS

On January 17, 2013, the Company, through its wholly owned Turkish subsidiary, Pasinex Arama ve Madencilik ("Pasinex Arama"), entered into a joint venture agreement with Turkey based miner, Akmetal, to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Turkey. A joint venture company was formed, Horzum AS, held 50% by each joint venture partner. Horzum AS is controlled by a board consisting of equal representatives of both Pasinex and Akmetal.

In 2013, Horzum AS acquired the Pinargozu mine in Turkey. The property is located within the Turkish Provinces of Adana and has been in operation since 2016 producing high grade zinc. The investment in Horzum AS is considered a joint venture for accounting purposes and accordingly is accounted for using the equity method.

The following table shows the change in the value of the Company's 50% investment in Horzum AS.

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	As at March 31, 2019	As at December 31, 2018
<b>Opening balance</b>	\$ -	\$ 8,045,296
Equity gain (loss) from Horzum AS	250,055	(5,030,340)
Add back loss in excess of investment	-	931,701
Dividend received from Horzum AS	(250,055)	(1,523,538)
Foreign exchange difference included in other accumulated comprehensive loss	-	(2,423,119)
<b>Closing balance</b>	\$ -	\$ -

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Horzum AS can distribute its profits based on terms under the joint venture agreement which requires approval from Horzum AS's board of directors. In March 2018, after approval from its board of directors and shareholders, Horzum AS declared a TRY 40 million dividend, of which Pasinex's share was TRY 20 million (\$4.9 million). As of December 31, 2018, the Company had received \$1.5 million (TRY 6.0 million) and \$3.3 million (TRY 14 million) remained to be paid in 2019. Due to the uncertainty of collection of the remaining dividend from Horzum AS, Pasinex did not recognize the dividend receivable and will recognize the dividend in the period in which it is paid. In March 2019 \$250,055 (TRY 1 million) was received and recorded as equity gain. The dividend receivable is a TRY based obligation and as such will be subject to variations from foreign exchange fluctuations.

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 4. Investment in Horzum AS (continued)

#### Summarized Financial Statements for Horzum AS

Summarized financial information for Horzum AS, based on its IFRS financial statements and a reconciliation with the carrying amounts in the Company's consolidated financial statements, are set out below.

#### Statement of Financial Position

<i>(100% basis Canadian dollars)</i>	<b>As at March 31, 2019</b>	<b>As at December 31, 2018</b>
<b>Current assets</b>		
Cash and prepaid expenses	\$ 1,119	\$ 9,079
Loan receivable – Akmetal (note 4(a))	27,986,371	14,859,606
Trade receivables – Akmetal (note 4(a))	-	12,580,043
Less - discount and allowance on Akmetal receivables (note 4(a))	(27,986,371)	(27,439,649)
Trade receivables – other	672,729	538,393
Other receivables	3,561	361,101
Inventories	879,785	1,934,247
<b>Total current assets</b>	<b>1,557,194</b>	<b>2,842,820</b>
<b>Non-current assets</b>		
Plant and equipment	762,798	861,690
Deferred taxes	1,125,869	901,600
Other non-current assets	379,585	254,332
<b>Total non-current assets</b>	<b>2,268,252</b>	<b>2,017,622</b>
<b>Total assets</b>	<b>\$ 3,825,446</b>	<b>\$ 4,860,442</b>
<b>Current liabilities</b>		
Trade payable and other current liabilities (note 4(c))	\$ 3,557,750	\$ 6,247,953
Amounts due to shareholders and related parties (note 4(b))	3,386,255	3,970,164
Income taxes payable	4,312,937	3,565,426
<b>Total current liabilities</b>	<b>11,256,942</b>	<b>13,783,543</b>
<b>Non-current liabilities</b>		
Employee benefits and other liabilities	107,774	141,813
<b>Equity</b>		
Share capital	237,400	237,400
Surplus (deficit)	(2,756,702)	(3,559,220)
Foreign exchange difference	(5,019,968)	(5,743,094)
<b>Total liabilities and equity</b>	<b>\$ 3,825,446</b>	<b>\$ 4,860,442</b>
Pasinex ownership interest	50 %	50 %
Net assets (equity) from above	\$ (7,539,270)	\$ (9,064,914)
Pasinex ownership interest in Horzum AS	\$ (3,769,635)	\$ (4,532,457)
Unpaid dividend	3,086,200	3,600,756
Impairment in excess of equity value	683,435	931,701
<b>Pasinex investment in Horzum AS</b>	<b>\$ -</b>	<b>\$ -</b>

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 4. Investment in Horzum AS (continued)

#### Statement of Operations for the year ended March 31,

<i>(100% Canadian dollars)</i>	<b>2019</b>	<b>2018</b>
Revenue	\$ 4,254,339	\$ 9,497,707
Cost of sales	(1,647,247)	(2,312,987)
Selling, marketing and other distribution	(118,123)	(47,160)
Operating income	2,488,969	7,137,560
Impairment of Akmetal receivable (note 4(a))	(1,037,741)	-
General and administrative expenses	(122,244)	(185,804)
Other	(1,818)	722,696
Current income tax expense	(832,041)	(1,537,401)
Deferred income tax recovery (expense)	307,394	(168,679)
Net income	\$ 802,519	\$ 5,968,372
Pasinex ownership interest	50 %	50 %
Share of net income	\$ 401,260	\$ 2,984,186
Recognition of prior year losses (note 4(d))	(401,260)	-
Dividend received	250,055	-
Equity gain from Horzum AS	\$ 250,055	\$ 2,984,186

(a) On May 10, 2019, the Company entered into a legally binding debt repayment agreement ("Debt Agreement") with Akmetal and Horzum AS. The debt owing from Akmetal to Horzum AS as at March 31, 2019 includes (i) the former loan receivable and trade receivable from Akmetal that arose from when Akmetal was selling Horzum AS zinc material; (ii) the cost of approximately 4,000 tonnes of oxide material Akmetal used in March 2019; and (iii) \$1.2 million in loan payments made to a customer on behalf of Akmetal (note 4(c)) (the "Debt"). All of this Debt is to be consolidated in the Akmetal parent entity. The Debt repayments will be by means of Akmetal's delivery of all sulphide zinc and some oxide zinc material from its wholly owned Horzum mine. Horzum AS will sell the material and proceeds from the sale will be used to repay the Debt. Akmetal will guarantee a minimum of 300 tonnes of zinc material per month. In addition, a portion of proceeds from sale of certain other of Akmetal assets will also be used to repay the Debt. In addition, the Debt Agreement provides other enhancements to the Joint Venture Agreement and will terminate by December 31, 2020.

By the end of April 2019, Akmetal used approximately 6,300 tonnes of Horzum AS zinc oxide material. At March 31, 2019, 4,000 tonnes were included as Debt. The Company will continue to find alternatives to resolve the replenishment of this inventory on a quicker timeline. This inventory along with 2019 sales projections are needed to ensure sufficient cash flow is available to fund the Horzum AS operations, pay dividends to Pasinex and fund Horzum's net working capital deficit of \$9.7 million.

During the year end December 31, 2018, since 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 acknowledged that the credit risk on the Akmetal receivables had increased significantly and there was 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. Due to Akmetal's liquidity issues, past performance of non-payment (or default) along with the additional usage of Horzum AS inventory in 2019, management had assessed the probability of credit losses to be high.

## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

#### 4. Investment in Horzum AS (continued)

As a result, as required under IFRS 9, the Company took a full impairment charge of the loan and trade receivables at December 31, 2018. Entering into the legally binding Debt Agreement provides a legal mechanism for Horzum AS to receive payment of the Debt but it still does not demonstrate credit worthiness from Akmetal and as a result the receivable remains written down to zero and additions to the receivable from usage of inventory by Akmetal have been written down to zero as well. 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.

(b) Amounts due to shareholders and related parties include the dividend payable to Pasinex Arama of \$3.3 million.

(c) 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 make payments against the loan facility, but Horzum AS paid US\$900,000 (\$1.2 million) to this customer.

(d) In 2018, the equity loss from Horzum AS was greater than its investment value so the loss was capped so the investment would not be less than zero. The unrecognized loss is to be applied against future equity gains. In the three months ended March 31, 2019 the equity gain of \$401,260 reduced the carryforward losses.

#### 5. Exploration and evaluation assets

	Horzum Properties	Golcuk Property	Spur Project	Total
<b>Balance, December 31, 2017</b>	<b>\$ 618,219</b>	<b>\$ 1,287,842</b>	<b>\$ 662,362</b>	<b>\$ 2,568,423</b>
Additions during the year:				
Acquisition costs - cash	-	-	258,960	258,960
Acquisition costs - shares issued	-	-	264,000	264,000
Property exploration costs:				
Geological and field personnel	-	2,119	-	2,119
Miscellaneous expenses	-	53,751	-	53,751
Total additions during the year	-	55,870	522,960	578,830
Foreign exchange adjustment	(44,082)	(26,579)	-	(70,661)
Impairment	-	(1,317,133)	-	(1,317,133)
<b>Balance, December 31, 2018</b>	<b>574,137</b>	<b>-</b>	<b>1,185,322</b>	<b>1,759,459</b>
Property exploration costs:				
Geological and field personnel	48,710	-	-	48,710
Total additions during the period	48,710	-	-	48,710
Foreign exchange adjustment	(11,445)	-	-	(11,445)
<b>Balance, March 31, 2019</b>	<b>\$ 611,402</b>	<b>\$ -</b>	<b>\$ 1,185,322</b>	<b>\$ 1,796,724</b>

##### (a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at March 31, 2019, the Company only held the Akkaya Property with its exploration license in good standing.

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## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 5. Exploration and evaluation assets (continued)

##### (b) Golcuk Property

In May 2018, the Company met with EMX Royalty Corporation (option holder) and finalized an extensive geological review including mapping, structure, mineralization and geological model/genesis and made the decision to not advance the Golcuk property. Although there is evidence of copper throughout the property the Company believes that it will be difficult to get sufficient contiguous mineralization that would underpin the Company's targets for economical tonnage. The license for the property will be relinquished to the Turkish government. The fair value of the property has been estimated at zero and costs to dispose of \$0.4 million, which resulted in an impairment of \$1.7 million. At March 31, 2019, \$0.2 million remains accrued (note 6) which is expected to be spent in the second quarter of 2019 to rehabilitate the property prior to relinquishment to the government.

##### (c) Spur Zinc Project

Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Cypress Development Corp ("Cypress") and Caliber Minerals Inc. ("Caliber") (formerly named Silcom Systems Inc.) to earn up to an 80% interest in the Spur Zinc Project located in White Pine County, Nevada ("Option Agreement").

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

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

To acquire initial 51% of the Spur Zinc Project:

- In December 2017, a cash payment was made to Caliber of US\$125,000 (\$158,897) and 2.2 million Pasinex Common Shares (value of \$484,000) were issued to Caliber and Cypress
- In September 2018, a cash payment of US\$200,000 (\$258,960) and issuance of 2.2 million Pasinex Common Shares (value of \$264,000) were made to Caliber and Cypress
- Prior to September 11, 2019 a payment of US\$100,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- In addition, minimal exploration expenditures as defined in the Option Agreement must be spent as follows:
  - ◆ US\$250,000 prior to December 5, 2018 (paid)
  - ◆ 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 Option Agreement.

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

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## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 6. Accounts payable and accrued liabilities

	As at March 31, 2019	As at December 31, 2018
Trade payables	\$ 162,431	\$ 135,431
Accrued liabilities (a)	341,987	341,518
Total	\$ 504,418	\$ 476,949

(a) Accrued liabilities include \$0.2 million related to costs to prepare the Golcuk property for relinquishment of license (note 5(b)), which are expected to be incurred in the second quarter of 2019.

#### 7. Shareholder loans

On August 1, 2018 the Company entered into loans with certain shareholders and directors of the Company (the "lenders") in the form of promissory notes amounting to \$400,000. 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.

On September 25, 2018 the promissory notes were amended to reflect additional funding of \$345,000 and \$3,362 of accrued and unpaid interest. The remainder of the terms were consistent with the August 1 promissory notes. For the three months ended March 31, 2019, interest expense of \$11,072 was recorded in other income.

In May 2019, the Company received an additional \$100,000 from one shareholder.

#### 8. Share capital

(a) Authorized: Unlimited common shares with no par value.

(b) Issued and outstanding common shares:

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	2019		2018	
	Common Shares	Amount	Common Shares	Amount
Balance, January 1,	144,354,371	\$ 12,882,506	142,154,371	\$ 12,618,506
Balance, March 31,	144,354,371	\$ 12,882,506	142,154,371	\$ 12,618,506

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## Pasinex Resources Limited

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#### 9. Stock options

The Company has a Stock Option Plan (the "Plan") in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the CSE. The expiry date for each option should be for a maximum term of five years. The Plan was most recently approved at the Company's 2015 Annual General Meeting.

The following table reflects the continuity of stock options for the years presented:

	Number of Options	Weighted Average Exercise Price
<b>Balance, December 31, 2017</b>	<b>6,350,000</b>	<b>\$ 0.19</b>
Granted (i)	50,000	0.20
<b>Balance, March 31, 2018</b>	<b>6,400,000</b>	<b>\$ 0.19</b>
<b>Balance, December 31, 2018</b>	<b>4,200,000</b>	<b>\$ 0.19</b>
Expired	(550,000)	0.10
<b>Balance, March 31, 2019</b>	<b>3,650,000</b>	<b>\$ 0.21</b>

(i) 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. The fair value of the stock options at the date of grant of \$8,700 was estimated using the Black Scholes valuation model with the following assumptions: a 5 year expected term; a 133% expected volatility based on historical trends; risk free interest rate of 2.05%; share price at the date of grant of \$0.20; and an expected dividend yield of 0%. The fair value was expensed in 2018.

The Company had the following stock options outstanding as of March 31, 2019:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (years)
	Outstanding	Exercisable		
December 19, 2019	1,400,000	1,400,000	\$ 0.14	0.72
August 14, 2022	1,200,000	1,200,000	\$ 0.25	3.38
December 4, 2022	1,000,000	1,000,000	\$ 0.25	3.68
January 24, 2023	50,000	50,000	\$ 0.20	3.82
	3,650,000	3,650,000	\$ 0.21	2.45

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## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

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#### 10. Net (loss) income per common share

Basic and diluted net (loss) income per share are as follows for the years presented:

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	Three Months Ended March 31,	
	2019	2018
<b>Numerator:</b>		
Net (loss) income	\$ (214,850)	\$ 726,021
<b>Denominator</b>		
Weighted average number of common shares - basic	144,354,371	142,154,370
Effect of dilutive securities	-	891,712
Weighted average number of common shares - diluted	144,354,371	143,046,082
Net (loss) income per share - basic	\$ (0.00)	\$ 0.01
Net (loss) income per share - diluted	\$ (0.00)	\$ 0.01

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#### 11. General and administration costs

General and administration costs are as follows:

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	Three Months Ended March 31,	
	2019	2018
Advertising and promotion	\$ 28,166	\$ 22,509
Consulting fees (note 12)	96,197	86,196
Investor relations	9,273	88,846
Management fees and salaries (note 12)	118,866	124,546
Office and general	28,580	22,576
Professional fees	37,418	36,494
Supplies and equipment	-	1,142
Transfer agent and regulatory authorities fees	11,788	13,356
Travel and meals	93,818	85,687
Other	5,588	1,860
General and administration costs	\$ 429,694	\$ 483,212

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# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

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Unaudited

### 12. 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 includes 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 had transactions with the Company during the year. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management personnel related entities on an arm's length basis.

A summary of the related party transactions and balances is as follows:

	Three Months Ended March 31,	
	2019	2018
Management fees and salaries	\$ 118,866	\$ 124,546
Consulting fees	44,708	44,007
Share-based payments	-	59,934
Interest expense on shareholder loans	11,072	-
	<b>\$ 174,646</b>	<b>\$ 228,487</b>

Amounts payable to related parties were as follows:

	As at March 31, 2019	As at December 31, 2018
<b>Due to related parties:</b>		
Steven Williams <sup>(1)</sup>	\$ 42,757	\$ 13,560
Larry Seeley <sup>(2)</sup>	11,610	11,610
Sven Olsson <sup>(2)</sup>	-	9,563
Joachim Rainer <sup>(2)</sup>	5,000	-
Jonathan Challis <sup>(2)</sup>	2,726	-
1514341 Ontario Inc. <sup>(3)</sup>	14,232	14,232
Irus Consulting Ltd. <sup>(4)</sup>	25,122	7,500
Victor Wells <sup>(5)</sup>	24,000	18,000
Wendy Kaufman <sup>(6)</sup>	38,811	1,145
Soner Koldas <sup>(7)</sup>	26,058	13,301
	<b>\$ 190,316</b>	<b>\$ 88,911</b>
<b>Shareholder loans (note 7):</b>		
1514341 Ontario Inc. <sup>(3)</sup>	\$ 291,356	\$ 291,356
Seeley Holdings Ltd. <sup>(8)</sup>	291,356	291,356
Sven Olsson <sup>(2)</sup>	115,453	115,453
Joachim Rainer <sup>(2)</sup>	50,197	50,197
	<b>\$ 748,362</b>	<b>\$ 748,362</b>

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

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### 12. Related party balances and transactions (continued)

- (1) Steven Williams is the Chief Executive Officer of the Company.
- (2) Larry Seeley, Joachim Rainer and Jonathan Challis were directors of the Company at March 31, 2018. 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, the 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 March 31, 2019, 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
<b>Larry Seeley</b>	<b>29,728,191</b>	<b>20.59 %</b>

### 13. Segmented information

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on the location:

	As at March 31, 2019	As at December 31, 2018
<b>Non-current assets by geographic segment</b>		
Turkey	\$ 729,935	\$ 696,715
United States	1,185,322	1,185,322
	<b>\$ 1,915,257</b>	<b>\$ 1,882,037</b>
	As at March 31, 2019	As at December 31, 2018
<b>Total assets by geographic segment</b>		
Turkey	\$ 934,157	\$ 994,452
Canada	64,891	101,019
United States	1,185,322	1,185,322
	<b>\$ 2,184,370</b>	<b>\$ 2,280,793</b>

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## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 13. Segmented information (continued)

<b>Three Months Ended March 31, 2019</b>	<b>Canada</b>	<b>Turkey</b>	<b>United States</b>	<b>Total</b>
Equity gain from joint venture	\$ -	\$ 250,055	\$ -	\$ 250,055
Net (loss) income	\$ (338,564)	\$ 166,517	\$ (42,803)	\$ (214,850)

  

<b>Three Months Ended March 31, 2018</b>	<b>Canada</b>	<b>Turkey</b>	<b>United States</b>	<b>Total</b>
Equity gain from joint venture	\$ -	\$ 2,984,186	\$ -	\$ 2,984,186
Net (loss) income	\$ (502,085)	\$ 1,270,382	\$ (42,276)	\$ 726,021