

PASINEX RESOURCES LIMITED

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019**

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

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 September 30, 2019	As at December 31, 2018
Assets		
Current assets		
Cash	\$ 115,860	\$ 218,623
Trade receivables	20,476	24,358
Due from Horzum AS	173,248	97,101
Prepaid expenses and deposits	69,673	58,674
Total current assets	379,257	398,756
Non-current assets		
Equipment	20,806	23,854
Value added tax receivable	101,233	98,724
Exploration and evaluation assets (note 5)	1,851,588	1,759,459
Total non-current assets	1,973,627	1,882,037
Total assets	\$ 2,352,884	\$ 2,280,793
Shareholders' equity and liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 657,604	\$ 476,949
Due to related parties (note 12)	279,394	88,911
Shareholder loans (notes 7 and 12)	961,423	748,362
Total liabilities	1,898,421	1,314,222
Shareholders' equity		
Share capital (note 8)	12,888,506	12,882,506
Reserves	1,748,617	1,730,617
Deficit	(10,202,938)	(9,634,228)
Accumulated other comprehensive loss	(3,979,722)	(4,012,324)
Total shareholders' equity	454,463	966,571
Total liabilities and shareholders' equity	\$ 2,352,884	\$ 2,280,793

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

Subsequent events (note 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Equity gain from Horzum AS (note 4)	\$ 135,701	\$ 521,675	\$ 672,139	\$ 5,311,546
Expenses				
Impairment charge (note 5(b))	-	-	-	1,686,600
Exploration costs	71,729	291,332	155,521	618,636
General and administration costs (note 11)	291,752	460,526	1,085,716	1,531,037
Share-based payments (note 9(ii))	18,000	-	18,000	111,920
	(381,481)	(751,858)	(1,259,237)	(3,948,193)
Other income				
Other income	3,897	5,379	12,362	19,053
Foreign exchange gain	(3,368)	29,806	6,026	78,810
	529	35,185	18,388	97,863
Net (loss) income for the period	(245,251)	(194,998)	(568,710)	1,461,216
Other comprehensive income (loss)				
Item that will be reclassified subsequently to profit and loss:				
Currency translation adjustment	43,049	(2,566,143)	32,602	(4,024,101)
Total comprehensive (loss) for the period	\$ (202,202)	\$ (2,761,141)	\$ (536,108)	\$ (2,562,885)
Net (loss) income per share - basic (note 10)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.01
Net (loss) income per share - diluted (note 10)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.01
Weighted average number of shares outstanding				
- basic (note 10)	144,395,674	142,608,718	144,368,289	142,307,484
Weighted average number of shares outstanding				
- diluted (note 10)	144,395,674	142,608,718	144,368,289	142,649,716

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

	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net (loss) income for the period	\$ (568,710)	\$ 1,461,216
Dividend from Horzum AS	672,139	765,963
Adjustments for items not involving cash:		
Impairment charge	-	1,686,600
Interest accrual	38,061	-
Share-based payments	18,000	111,920
Equity gain from Horzum AS	(672,139)	(5,311,546)
Other	4,796	5,831
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(13,727)	(87,967)
Accounts payable and accrued liabilities	398,454	620,032
Due to (from) joint venture	(43,410)	(117,004)
Due to (from) related parties	-	20,477
Other	(7,705)	(3,090)
Net cash used in operating activities	(174,241)	(847,568)
Investing activities		
Exploration and evaluation assets (note 5)	(99,374)	(346,633)
Equipment acquisition	(3,421)	(7,552)
Net cash (used in) provided by investing activities	(102,795)	(354,185)
Financing activities		
Cash received from shareholder loans (note 7)	175,000	680,000
Net cash provided by financing activities	175,000	680,000
Net change in cash	(102,036)	(521,753)
Effect of foreign currencies on cash	(727)	(136,334)
Cash, beginning of period	218,623	741,727
Cash, end of period	\$ 115,860	\$ 83,640
Supplemental disclosure		
Shares issued for property acquisition (note 5)	\$ 6,000	\$ 264,000

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
Balance, December 31, 2017	142,154,371	\$ 12,618,506	\$ 1,618,697	\$ (1,204,902)	\$ (1,645,104)	\$ 11,387,197
Share-based payments	-	-	111,920	-	-	111,920
Currency translation adjustment	-	-	-	-	(1,457,958)	(1,457,958)
Net income for the period	-	-	-	1,461,216	-	1,461,216
Balance, September 30, 2018	142,154,371	\$ 12,618,506	\$ 1,730,617	\$ 256,314	\$ (3,103,062)	\$ 11,502,375
Balance, December 31, 2018	144,354,371	\$ 12,882,506	\$ 1,730,617	\$ (9,634,228)	\$ (4,012,324)	\$ 966,571
Issuance of shares	200,000	6,000	-	-	-	6,000
Share-based payments	-	-	18,000	-	-	18,000
Currency translation adjustment	-	-	-	-	32,602	32,602
Net loss for the period	-	-	-	(568,710)	-	(568,710)
Balance, September 30, 2019	144,554,371	\$ 12,888,506	\$ 1,748,617	\$(10,202,938)	\$ (3,979,722)	\$ 454,463

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

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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, through its 100% owned subsidiary Pasinex Arama ve Madencilik Anonim Sirketi. 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 November 27, 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 November 27, 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 September 30, 2019, the Company had a deficit of \$10,202,938 (December 31, 2018 – \$9,634,228) and has a working capital deficiency of \$1,519,164 (December 31, 2018 – \$915,466). For the nine months ended September 30, 2019, the Company had a net loss of \$568,710 (nine months ended September 30, 2018 – net income of \$1,461,216) and negative cash flows from operations of \$174,241 (nine months ended September 30, 2018 – negative cash flows \$847,568) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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 will 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 collectibility of the trade receivable owing by 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 4(a)). The terms of the Debt Agreement include a minimum amount of repayments on a monthly basis plus the chance for additional repayments from proceeds Akmetal would receive from the sale of its other assets. Akmetal has not honoured the terms of the Debt Agreement and has not been able to complete the sale of its other assets as it had planned. As a result, the financial position of Horzum AS and the Company have weakened further. At September 30, 2019 the receivable owing from Akmetal to Horzum AS was approximately \$33.7 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)). 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. The Company received net shareholder advances of \$175,000 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 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 September 30, 2019.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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 September 30, 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 September 30, 2019.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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 province 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.

	As at September 30, 2019	As at December 31, 2018
Opening balance	\$ -	\$ 8,045,296
Equity gain (loss) from Horzum AS	672,139	(5,030,340)
Add back loss in excess of investment	-	931,701
Dividend received from Horzum AS	(672,139)	(1,523,538)
Foreign exchange difference included in other accumulated comprehensive loss	-	(2,423,119)
Closing balance	\$ -	\$ -

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 (approximately \$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. 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. During the nine months ended September 30, 2019, \$672,139 (TRY 3 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 and Nine months Ended September 30, 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>	As at September 30, 2019	As at December 31, 2018
Current assets		
Cash and prepaid expenses	\$ 1,771	\$ 9,079
Loan receivable – Akmetal (note 4(a))	33,698,159	14,859,606
Trade receivables – Akmetal (note 4(a))	-	12,580,043
Less - discount and allowance on Akmetal receivables (note 4(a))	(33,698,159)	(27,439,649)
Trade receivables – other	433,549	538,393
Other receivables	198,711	361,101
Inventories	-	1,934,247
Total current assets	634,031	2,842,820
Non-current assets		
Plant and equipment	691,444	861,690
Deferred taxes	194,474	901,600
Other non-current assets	1,457,893	254,332
Total non-current assets	2,343,811	2,017,622
Total assets	\$ 2,977,842	\$ 4,860,442
Current liabilities		
Trade payable and other current liabilities (note 4(c))	\$ 4,606,460	\$ 6,247,953
Amounts due to shareholders and related parties (note 4(b))	2,788,013	3,970,164
Income taxes payable	8,029,081	3,565,426
Total current liabilities	15,423,554	13,783,543
Non-current liabilities		
Employee benefits and other liabilities	106,412	141,813
Equity		
Share capital	237,400	237,400
Surplus (deficit)	(5,439,675)	(3,559,220)
Foreign exchange difference	(7,349,849)	(5,743,094)
Total liabilities and equity	\$ 2,977,842	\$ 4,860,442
Pasinex ownership interest	50 %	50 %
Net assets (equity) from above	\$ (12,552,124)	\$ (9,064,914)
Pasinex ownership interest in Horzum AS	\$ (6,276,062)	\$ (4,532,457)
Unpaid dividend	2,928,617	3,600,756
Impairment in excess of equity value	3,347,445	931,701
Pasinex investment in Horzum AS	\$ -	\$ -

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Investment in Horzum AS (continued)

Statement of Operations for the period ended September 30,

(100% Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 1,368,036	\$ 4,852,494	\$ 7,200,509	\$ 20,955,157
Cost of sales	(323,532)	(2,264,592)	(2,443,909)	(6,624,154)
Selling, marketing and other distribution	(45,987)	(83,086)	(175,372)	(127,699)
Operating income	998,517	2,504,816	4,581,228	14,203,304
Impairment of Akmetal receivable (note 4(a))	(3,819,444)	-	(6,821,533)	-
General and administrative expenses	(61,245)	(114,612)	(361,894)	(455,106)
Foreign exchange gain	2,017,919	7,165,657	2,017,919	7,165,657
Finance expense	188	(7,195,681)	(27,753)	(7,195,681)
Other	122,113	(1,026,965)	133,520	(82,012)
Current income tax expense	(643,399)	(289,864)	(1,401,942)	(3,013,069)
Net (loss) income	\$ (1,385,351)	\$ 1,043,351	\$ (1,880,455)	\$ 10,623,093
Pasinex ownership interest	50 %	50 %	50 %	50 %
Share of net (loss) income	\$ (692,676)	\$ 521,676	\$ (940,228)	\$ 5,311,547
Increase of equity losses not recognized (note 4(d))	692,676	-	940,228	-
Dividend received	135,601	-	672,139	-
Equity gain from Horzum AS	\$ 135,601	\$ 521,676	\$ 672,139	\$ 5,311,547

(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 September 30, 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 10,000 tonnes of oxide product Akmetal used in the first nine months of 2019; and (iii) \$2.2 million in loan payments made to a customer on behalf of Akmetal (note 4(c))(the “Debt”). As per the Debt Agreement, the Debt is guaranteed by Akmetal. The Debt repayments will be by means of Akmetal’s delivery of all zinc sulphide product and some zinc oxide product from its wholly owned Horzum mine. Horzum AS will sell the product and proceeds from the sale will be used to repay the Debt. Akmetal is obligated to deliver a minimum of 300 tonnes of zinc product 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 September 2019, Akmetal used approximately 10,000 tonnes of Horzum AS zinc oxide product. The value of this material is included as part of the Debt. Akmetal has not honoured the terms of the Debt Agreement and has not been able to complete the sale of its other assets as it had planned. As a result, the financial position of Horzum AS and the Company has weakened further. 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 AS’s net working capital deficit.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Investment in Horzum AS (continued)

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 nonpayment (or default) along with the additional usage of Horzum AS inventory in 2019, management had assessed the probability of credit losses to be high.

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 reassess 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.

(c) Akmetal entered into a loan facility with one of its customers for overpayments received on advanced provisional invoice payments received in 2018. Akmetal did not make payments against the loan facility, but Horzum AS has paid a total of US\$2,211,008 (approximately \$2.9 million) to this customer. As at December 31, 2018, this amount was US\$900,000 (\$1.2 million).

(d) In 2018, the equity loss from Horzum AS was greater than its investment value so the loss was capped as the investment could not be less than zero. The unrecognized loss will be applied against future equity gains. In the nine months ended September 30, 2019, the loss of \$940,228 reduced the carryforward losses.

5. Exploration and evaluation assets

	Horzum Properties	Golcuk Property	Spur Project	Total
Balance, December 31, 2017	\$ 618,219	\$ 1,287,842	\$ 662,362	\$ 2,568,423
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)
Balance, December 31, 2018	574,137	-	1,185,322	1,759,459
Additions during the period:				
Acquisition costs - shares issued	-	-	6,000	6,000
Property exploration costs:				
Geological and field personnel	97,675	-	-	97,675
Total additions during the period	97,675	-	6,000	103,675
Foreign exchange adjustment	(11,546)	-	-	(11,546)
Balance, September 30, 2019	\$ 660,266	\$ -	\$ 1,191,322	\$ 1,851,588

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

5. Exploration and evaluation assets (continued)

(a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at September 30, 2019, the Company only held the Akkaya Property with its exploration license in good standing.

(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 September 30, 2019, \$0.2 million remains accrued (note 6) 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 an 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 (deferred to December 11, 2019) and issuance of 200,000 Pasinex Common Shares (issued) to Cypress
- In addition, minimum 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 (deferred to December 5, 2020)
 - ◆ 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 minimum exploration expenditures of US\$1,850,000.

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5. Exploration and evaluation assets (continued)

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.

On September 12, 2019, the Company announced they have reached an agreement with Cypress and Caliber to change the terms relating to the earn-in option agreement on the Spur Zinc Project in Nevada, USA.

The agreement changes the date of the US\$100,000 option payment to December 11, 2019 and defers the 2019 exploration obligations to 2020, bringing the exploration obligations to US\$1,600,000 for 2020. The underlying licenses are in good standing until September 2020.

6. Accounts payable and accrued liabilities

	As at September 30, 2019	As at December 31, 2018
Trade payables	\$ 432,415	\$ 135,431
Accrued liabilities (a)	225,189	341,518
Total	\$ 657,604	\$ 476,949

(a) Accrued liabilities include \$0.2 million related to costs to prepare the Golcuk property for relinquishment of license (note 5(b)).

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. During the nine months ended September 30, 2019, the Company received an additional \$195,000 from two shareholders and repaid \$20,000 to another shareholder. For the nine months ended September 30, 2019, interest expense of \$36,093 was recorded in other income.

As at September 30, 2019, the shareholder loans and accrued interest thereon was \$961,423 (December 31, 2018 - \$748,362). Subsequent to the end of the quarter the Company received an additional \$190,000 from those related parties.

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Unaudited

8. Share capital

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

(b) Issued and outstanding common shares:

	2019		2018	
	Common Shares	Amount	Common Shares	Amount
Balance, January 1,	144,354,371	\$ 12,882,506	142,154,371	\$ 12,618,506
Payment under Option Agreement for the Spur Zinc Project (note 5(c))	200,000	6,000	-	-
Balance, September 30,	144,554,371	\$ 12,888,506	142,154,371	\$ 12,618,506

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 periods presented:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2017	6,350,000	\$ 0.19
Granted (i)	50,000	0.20
Balance, September 30, 2018	6,400,000	\$ 0.19
Balance, December 31, 2018	4,200,000	\$ 0.19
Granted (ii)	500,000	0.09
Expired	(650,000)	0.11
Balance, September 30, 2019	4,050,000	\$ 0.19

(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.

(ii) On July 25, 2019, 500,000 stock options were granted to an officer of the Company at a price of \$0.09 each, expiring July 25, 2024. The stock options vested immediately. The fair value of the stock options at the date of grant of \$18,000 was estimated using the Black Scholes valuation model with the following assumptions: a 5 year expected term; a 129% expected volatility based on historical trends; risk free interest rate of 1.36%; share price at the date of grant of \$0.04; and an expected dividend yield of 0%.

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9. Stock options (continued)

The Company had the following stock options outstanding as of September 30, 2019:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (years)
	Outstanding	Exercisable		
December 19, 2019	1,300,000	1,300,000	\$ 0.14	0.22
August 14, 2022	1,200,000	1,200,000	\$ 0.25	2.87
December 4, 2022	1,000,000	1,000,000	\$ 0.25	3.18
January 24, 2023	50,000	50,000	\$ 0.20	3.32
July 25, 2024	500,000	500,000	\$ 0.09	4.82
	4,050,000	4,050,000	\$ 0.19	2.34

10. Net (loss) income per common share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net (loss) income	\$ (245,251)	\$ (194,998)	\$ (568,710)	\$ 1,461,216
Denominator				
Weighted average number of common shares - basic	144,395,674	142,608,718	144,368,289	142,307,484
Effect of dilutive securities	-	-	-	342,232
Weighted average number of common shares - diluted	144,395,674	142,608,718	144,368,289	142,649,716
Net (loss) income per share - basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.01
Net (loss) income per share - diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.01

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Unaudited

11. General and administration costs

General and administration costs are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Advertising and promotion	\$ 4,036	\$ 8,593	\$ 41,061	\$ 130,107
Consulting fees (note 12)	58,946	44,544	236,797	225,209
Investor relations	512	61,205	11,065	192,927
Management fees and salaries (note 12)	57,139	178,624	301,355	497,462
Office and general	36,008	19,585	96,248	64,183
Professional fees	32,106	38,438	123,665	109,849
Transfer agent and regulatory fees	21,612	6,781	40,755	23,250
Travel and meals	78,827	97,980	222,988	270,652
Other	2,566	4,776	11,782	17,398
General and administration costs	\$ 291,752	\$ 460,526	\$ 1,085,716	\$ 1,531,037

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Management fees and salaries	\$ 52,590	\$ 121,472	\$ 269,590	\$ 413,310
Consulting fees	43,897	6,000	133,986	41,390
Share-based payments	18,000	-	18,000	103,220
Interest expense on shareholder loans	12,906	-	36,415	-
	\$ 127,393	\$ 127,472	\$ 457,991	\$ 557,920

Pasinex Resources Limited

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Unaudited

12. Related party balances and transactions (continued)

Amounts payable to related parties were as follows:

	As at September 30, 2019	As at December 31, 2018
Due to related parties:		
Steven Williams ⁽¹⁾	\$ 234	\$ -
7312067 Canada Limited ⁽¹⁾	74,280	13,560
Larry Seeley ⁽²⁾	36,846	11,610
Sven Olsson ⁽²⁾	-	9,563
Joachim Rainer ⁽²⁾	5,000	-
Jonathan Challis ⁽²⁾	5,075	-
1514341 Ontario Inc. ⁽³⁾	14,232	14,232
Irus Consulting Ltd. ⁽⁴⁾	28,835	7,500
Victor Wells ⁽⁵⁾	36,000	18,000
Wendy Kaufman ⁽⁶⁾	16,667	1,145
Soner Koldas ⁽⁷⁾	30,790	13,301
Rainer Beteiligungsgesellschaft ⁽⁹⁾	1,761	-
2192640 Ontario Inc. ⁽¹⁰⁾	29,674	-
	\$ 279,394	\$ 88,911
Shareholder loans (note 7):		
1514341 Ontario Inc. ⁽³⁾	\$ 375,552	\$ 291,356
Seeley Holdings Ltd. ⁽⁸⁾	432,737	291,356
Sven Olsson ⁽²⁾	100,552	115,453
Joachim Rainer ⁽²⁾	52,582	50,197
	\$ 961,423	\$ 748,362

(1) Steven Williams is the Chief Executive Officer of the Company. 7312067 Canada Limited is controlled by Steven Williams.

(2) Larry Seeley, Joachim Rainer and Jonathan Challis were directors of the Company at December 31, 2018 and September 30, 2019. Sven Olsson was a director of the Company until his resignation on March 31, 2019.

(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. Mr. Barry was the Vice President Exploration of the Company until his resignation on July 23, 2019.

(5) Victor Wells is a director and the Chairman of the Company.

(6) Wendy Kaufman was the Chief Financial Officer ("CFO") of the Company until her resignation on June 30, 2019.

(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.

(9) Rainer Beteiligungsgesellschaft is owned by Joachim Rainer a director of the Company.

(10) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO 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.

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12. Related party balances and transactions (continued)

To the knowledge of the directors and officers of the Company, as at September 30, 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
Larry Seeley	29,990,591	20.75 %

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 September 30, 2019	As at December 31, 2018
Non-current assets by geographic segment		
Turkey	\$ 782,305	\$ 696,715
United States	1,191,322	1,185,322
	\$ 1,973,627	\$ 1,882,037

	As at September 30, 2019	As at December 31, 2018
Total assets by geographic segment		
Turkey	\$ 1,075,511	\$ 994,452
Canada	86,051	101,019
United States	1,191,322	1,185,322
	\$ 2,352,884	\$ 2,280,793

Nine Months Ended September 30, 2019	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 672,139	\$ -	\$ 672,139
Net (loss) income	\$ (868,026)	\$ 454,837	\$ (155,521)	\$ (568,710)

Nine Months Ended September 30, 2018	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 5,311,546	\$ -	\$ 5,311,546
Net (loss) income	\$ (1,347,108)	\$ 3,429,107	\$ (620,783)	\$ 1,461,216

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13. Segmented information (continued)

Three Months Ended September 30, 2019	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 135,701	\$ -	\$ 135,701
Net (loss) income	\$ (243,304)	\$ 69,782	\$ (71,729)	\$ (245,251)

Three Months Ended September 30, 2018	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 521,675	\$ -	\$ 521,675
Net (loss) income	\$ (366,157)	\$ 464,319	\$ (293,160)	\$ (194,998)