Pasinex Resources Limited

Management's Discussion & Analysis
For the Three and Nine Months Ended September 30, 2019 and 2018
Discussion dated: November 27, 2019

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three and nine months ended September 30, 2019 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2018. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2018 and 2017, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Where the Turkish Lira is reported it is referenced as TRY. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 27, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the Secretary of the Company or on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements; as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Company. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "project", "could", "believe", "predict", "potential", "should" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should be considered carefully and investors should not place undue reliance on them as the Company cannot assure investors that actual results will be consistent with these forward-looking statements.

These statements speak only as of the date of this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) general business and economic conditions; (ii) 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, 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 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, a high-grade zinc exploration project in Nevada ("Spur Zinc Project").

Selected Quarterly Consolidated Information

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Financial:				
Equity gain from Horzum AS	**$ 135,701**	$ 521,675	**$ 672,139**	$ 5,311,546
Adjusted equity gain from Horzum AS (1)	**$ 1,217,147**	$ 521,675	**$ 2,470,539**	$ 5,311,546
Dividend received from investment in Horzum AS	**$ 135,701**	$ -	**$ 672,139**	$ 765,963
Consolidated net (loss) income	**$ (245,251)**	$ (194,998)	**$ (568,710)**	$ 1,461,216
Basic net income per share	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.01
Diluted net income per share	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.01
Cash used in operating activities	**$ 92,936**	$ 686,920	**$ 174,241**	$ 847,568
Weighted average shares outstanding	**144,395,674**	142,608,718	**144,368,289**	142,307,484

As at:	**September 30 2019**	**December 31 2018**
Investment in Horzum AS	**$ -**	$ -
Total assets	**$ 2,352,884**	$ 2,280,793
Total liabilities	**$ 1,898,421**	$ 1,314,222
Equity	**$ 454,463**	$ 966,571

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Horzum AS operational data (100% basis):				
Zinc product mined (wet) tonnes	**3,216**	10,619	**14,296**	36,736
Zinc product sold (wet) tonnes	**1,502**	12,979	**11,558**	35,651
Zinc product sold grade	**44%**	33%	**37%**	33%
Gross margin (1)	**73%**	52%	**64%**	68%
CAD cost per tonne mined (1)	**$ 398**	$ 193	**$ 306**	$ 166
USD cash cost per pound of zinc mined (1)	**$ 0.38**	$ 0.19	**$ 0.30**	$ 0.17

(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.

Highlights

Q3 Highlights

- For the three and nine months ended September 30, 2019 Pasinex incurred an approximately $0.25 million and $0.57 million loss, respectively, compared to a net loss of approximately $0.2 million for the three months ended September 30, 2018 and net income of approximately $1.5 million for the nine months ended September 30, 2018. The increase in net losses in 2019 is largely due to lower equity gains from Horzum AS, which in turn is due to lower production for the year and also lower realized zinc prices. In addition, the lower equity gain reflects the significant impairment of Akmetal debt to Horzum AS.

- The equity gains from Horzum AS for the three and nine months ended September 30, 2019 were approximately $0.14 million and $0.67 million, respectively, compared with approximately $0.5 million and $5.3 million for the same periods in 2018.

- In May 2019, the Company entered into a Debt Agreement with Akmetal to resolve the collectability of the trade receivable owing from them to Horzum AS. 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 (see *Loan Receivable – Akmetal)*. 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.

- During the third quarter of 2019, the local tax office in Turkey issued an action against the Turkish based directors and officers of Horzum AS for late payment of taxes due. Horzum AS has been in negotiations with the central tax office in Turkey to finalize a payment plan. Those negotiations are expected to be complete in December 2019.

- In September 2019 the underground workers at the Pinargozu mine in Turkey, commenced a strike action for late payment of their wages. This action was resolved during the month of October. Ore production at the Pinargozu mine resumed upon the workers return to work during October 2019.

- On September 11, 2019 the Company announced that it had changed the payment date on an option payment due on the Spur Option Agreement. The payment was originally scheduled to be made on September 11, 2019 and was changed to December 11, 2019. In addition, the 2019 exploration obligations were deferred to 2020.

- During the third quarter of 2019, the Company received $95,000 from related parties of the Company. Subsequent to the end of the quarter the Company received an additional $190,000 from those related parties.

- During the quarter ended September 30, 2019, the Company appointed a new Chief Financial Officer to its management team. In addition, the Company's VP – Exploration resigned to pursue other endeavours.

Going Concern

- At September 30, 2019 the Company's cash balance was $0.1 million with $0.9 million in current payables, excluding shareholder loans payable.

- 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.

- In May 2019, the Company entered into a Debt Agreement with Akmetal to resolve the collectability of the trade receivable owing by them to Horzum AS. 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 (see *Loan Receivable – Akmetal)*. 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.

- During 2019 Akmetal used approximately 10,000 tonnes of zinc oxide product from Horzum AS to fulfill an obligation to one of its customers. Management is pursuing alternatives with Akmetal to have the material returned or paid for by Akmetal.

- The Company will continue to push Akmetal to return to Horzum AS, or pay for, the 10,000 tonnes of zinc oxide product they used and repay significant amounts of the debt owing through 2019. If this happens, Horzum AS should be able to deliver steady dividends to its partners. 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 $195,000 during the nine months ended September 30, 2019 and an additional $190,000 in October and November of 2019, from related parties to pay for certain overdue administration costs and the payment due on the Spur Option Agreement. 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.

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

- Pinargozu mined 3,216 tonnes in the third quarter versus 4,293 in the second quarter of 2019 and 6,787 tonnes of material in the first quarter of 2019. This compares with 13,037, 13,080 and 10,619 tonnes in the first, second and third quarters of 2018, respectively. As expected, mine production has decreased in 2019, because of difficulties in gaining access to the available ore and operating fewer shifts related to available cash.

- Similar to production, sales volumes are down between years, at 1,502 tonnes in third quarter 2019 versus 12,979 tonnes in the same period in 2018. Sales volumes for the nine months ended September 30, 2019 were 11,558 tonnes versus 35,651 tonnes for the same period in 2018.

- Lower sales volumes at lower zinc prices resulted in lower gross sales between periods. Gross sales for the third quarter of 2019 were approximately $1.4 million, which includes a $0.65 million price adjustment from a prior sale, compared to approximately $4.8 million in the same period in 2018, which includes a negative price adjustment of $2.7 million for a prior sale. For the nine months ended September 30, 2019 sales were approximately $7.2 million versus approximately $21.0 million for the same period in 2018.

- The average grade of the zinc product sold in the third quarter of 2019 was 44% versus 33% in the same period in 2018. This higher grade reflects predominantly zinc sulphide product being sold in the third quarter of 2019 versus lower grade zinc oxide product in the third quarter of 2018.

- 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 64% in 2019 despite the lower sales volumes and prices. This compares to 68% in 2018.

Review of Quarterly Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

The following is a summary income statement for Pasinex:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Equity gain from Horzum AS	**$ 135,701**	$ 521,675	**$ 672,139**	$ 5,311,546
Impairment charge	**-**	-	**-**	(1,686,000)
Exploration costs	**(71,729)**	(291,332)	**(155,521)**	(618,636)
General and administration costs	**(291,752)**	(460,526)	**(1,085,716)**	(1,531,037)
Share-based payments	**(18,000)**	-	**(18,000)**	(111,920)
Other income	**529**	35,185	**18,388**	97,863
Net (loss) income	**$ (245,251)**	$ (194,998)	**$ (568,710)**	$ 1,461,816

- Equity gain from Horzum AS represents the Company's 50% share of the net income of Horzum AS. Horzum AS is considered a joint venture for accounting purposes and as such the Company records its share of net income on one line in the income statement. Further details on the results of Horzum AS follow below – *Review of Horzum AS.*
- Exploration costs represent consulting at the Spur Zinc Project.
- In 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 has been relinquished to the Turkish government. The fair value has been estimated at zero which resulted in an impairment charge of $1.7 million in 2018.

Pasinex general and administration costs include the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
General and administration costs				
Advertising and promotion	**$ 4,036**	$ 8,593	**$ 41,061**	$ 130,107
Consulting fees	**58,946**	44,544	**236,797**	225,209
Investor relations	**512**	61,205	**11,065**	192,927
Management fees and salaries	**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
	$ 291,752	$ 460,526	**$ 1,085,716**	$ 1,531,037

- In general, Pasinex has reduced its overall spend on elective general and administrative costs during the three and nine months ended September 30, 2019 compared with the same periods in 2018 in order to conserve cash.

Pasinex share-based payments are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Share-based payments	**$ 18,000**	$ -	**$ 18,000**	$ 111,920

- Stock options issued:
  - 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 and the fair value of the stock options at the date of grant was $18,000.
  - 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 was $8,700.
  - 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 vested 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 the balance of $103,220 expensed in 2018.

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Tonnes mined (wet)	**3,216**	10,619	**14,296**	36,736
Tonnes sold (wet):				
Zinc oxide product	**-**	10,435	**7,659**	31,290
Zinc sulphide product	**1,502**	2,356	**3,899**	4,056
Lead product	**-**	188	**-**	305
	1,502	12,979	**11,558**	35,651
Average grades for tonnes sold:				
Zinc oxide product	**0%**	30%	**33%**	32%
Zinc sulphide product	**44%**	45%	**46%**	44%
CAD cost per tonne mined (1)	**$ 398**	$ 193	**$ 306**	$ 166
Equity gain	**$ 135,701**	$ 521,675	**$ 672,139**	$ 5,311,546

(1) See non-GAAP measures

Operating results

- Production at Pinargozu decreased in the third quarter of 2019 compared to the first and second quarters of 2019 and also the same period in 2018. As expected, difficult access to available ore resulted in lower production tonnage and operating fewer shifts related to available cash. The lower tonnage has resulted in increased costs per tonne mined in 2019 versus 2018.

Financial results

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

Below are the statements of operation for Horzum AS for the three and nine months ended September 30, 2019 and 2018 with a reconciliation to the Company's equity gain as shown on the Pasinex consolidated financial statements.

(100% basis 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	**(3,819,444)**	-	**(6,821,533)**	-
General and administration expenses	**(61,245)**	(114,612)	**(361,894)**	(455,106)
Foreign exchange gain on receivable	**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)
	(741,952)	1,333,215	**(478,513)**	13,636,162
Income tax expense	**(643,399)**	(289,864)	**(1,401,942)**	(3,013,069)
Net income (loss)	**$ (1,385,351)**	$ 1,043,351	**$ (1,880,455)**	$ 10,623,093
Pasinex joint venture interest	**50%**	50%	**50%**	50%
Share of net income (loss)	**(692,676)**	521,676	**(940,228)**	5,311,547
Increase (recognition) of prior year equity losses	**692,676**	-	**940,228**	-
Dividend received	**135,601**	-	**672,139**	-
Equity gain from Horzum AS	**$ 135,601**	$ 521,676	**$ 672,139**	$ 5,311,547

Revenue

The table below shows further details on revenue:

(100% basis Canadian dollars)	Three Months Ended September 30, 2019		Three Months Ended September 30, 2018	
	Wet Tonnes	CAD	Wet Tonnes	CAD
Zinc oxide product sales	**-**	**$ -**	10,435	$ 4,873,790
Zinc sulphide product sales	**1,502**	**709,772**	2,356	2,395,933
Lead product sales	**-**	**-**	188	325,434
Final sales adjustments	**-**	**658,264**	-	(2,742,663)
Total revenue	**1,502**	**$ 1,368,036**	12,979	$ 4,852,494

(100% basis Canadian dollars)	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
	Wet Tonnes	CAD	Wet Tonnes	CAD
Zinc oxide product sales	**7,659**	**$ 4,016,189**	31,290	$ 16,153,663
Zinc sulphide product sales	**3,899**	**3,232,502**	4,056	4,320,770
Lead product sales	**-**	**-**	305	480,724
Final sales adjustments	**-**	**(48,182)**	-	-
Total revenue	**11,558**	**$ 7,200,509**	35,651	$ 20,955,157

Revenues have decreased year over year mainly due to lower sales volumes although lower zinc prices have contributed as well. Sales volumes have decreased as a result of lower production and available ore having been used by Akmetal.

Costs and other income/expense

Costs have decreased in 2019. Lower production resulted in lower variable mining costs, including fuel, vehicle expenses, explosives and ground support. Drilling costs remain consistent between periods. In addition, the TRY based costs when translated to Canadian dollars reduces the Canadian dollar costs because of the weaker TRY to the Canadian dollar.

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

Income tax expense

The statutory rate for income taxes in 2019 and 2018 is at a rate of 22%. 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)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Income before income tax expense	**$ (741,952)**	$ 1,333,215	**$ (478,513)**	$ 13,636,162
Statutory tax rate	22%	22%	22%	22%
Expected income tax recovery (expense)	**163,229**	(293,307)	**105,273**	(2,999,956)
Non deductible expenses	**33,649**	3,443	**(6,478)**	(13,113)
Tax recovery not recognized on impairment of Akmetal receivable	**(840,278)**	-	**(1,500,737)**	-
Income tax expense	**$ (643,399)**	$ (289,864)	**$ (1,401,942)**	$ (3,013,069)

Recognition of prior year losses

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 is to be applied against future equity gains beginning in 2019. In the three and nine months ended September 30, 2019 there were no equity gains therefore none of the unrecognized loss was used.

Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis Canadian dollars)	As at September 30 2019	As at December 31 2018
Assets		
Cash and prepaid expenses	**$ 1,771**	$ 9,079
Loan receivable - Akmetal	**33,698,159**	14,859,606
Trade receivables - Akmetal	**-**	12,580,043
Less - discount and allowance on Akmetal receiv	**(33,698,159)**	(27,439,649)
Trade receivables - other	**433,549**	538,393
Other current assets	**198,711**	2,295,348
Non current assets	**2,343,811**	2,017,622
Total assets	**$ 2,977,842**	$ 4,860,442
Liabilities		
Amounts due to shareholders and related parties	**$ 2,788,013**	$ 3,970,164
Other liabilities	**12,741,953**	9,955,192
Total liabilities	**15,529,966**	13,925,356
Deficit	**(12,552,124)**	(9,064,914)
Total liabilities and deficit	**$ 2,977,842**	$ 4,860,442

Loan receivable – Akmetal

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 (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.

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.

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.

Amounts due to shareholder and related parties

Amounts due to shareholders and related parties include the dividend payable to Pasinex Arama.

Other liabilities

These liabilities include income taxes payable and mining royalties payable. Mining royalties are payable to the government based on a formula of 2% of production value plus 30% of 4% of production value. The increase in other liabilities at September 30, 2019 compared with December 31, 2018 is primarily due to the non-payment on income and other taxes.

Equity

The increase in deficit at September 30, 2019 compared with December 31, 2018 is due to net loss incurred during the three and nine months of 2019.

Commitments

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).

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 product mined	9,000 - 10,000	29% to 31%	17,000 - 18,000	29% to 31%
Zinc sulphide product mined	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

- Revised guidance is the same as disclosed in the MD&A dated August 29, 2019.

- 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 in early 2020, while development is completed for access to the deeper mineralization which may be delayed into the first half of 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 and third quarter of 2019 and a delay in the hiatus in production required for the development until early 2020.

- 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/CAD 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. After two relatively strong quarters in the beginning of 2019 the zinc price dropped during the third quarter of 2019 to an average of US$1.06 per pound compared with US $1.24 per pound during the first six months of the year. This trend is consistent with 2018 where the zinc price average US $1.48 during the first six months of 2018 versus US $1.17 during the last six months of the year in 2018. The low-cost structure of Horzum AS has resulted in strong gross margins notwithstanding the downward trend in zinc prices.

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 had a substantial move higher in the latter half of 2018 and has generally been able to maintain those levels in 2019. The average rate in 2019 has been 5.6 compared with an average rate of 4.8 in all of 2018 and an average rate of 5.6 during the second half of 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 approximately 11 million TRY dividend still owing.

Liquidity and Financial Position

Cash Flows

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Cash used in operating activities				
Before changes in working capital	**$ (348,220)**	$ (714,909)	**$ (1,179,992)**	$ (2,045,979)
Dividend from Horzum AS	**135,701**	-	**672,139**	765,963
Changes in working capital	**119,583**	27,989	**333,612**	432,448
	(92,936)	(686,920)	**(174,241)**	(847,568)
Cash used in investing activities	**(28,375)**	(261,764)	**(102,795)**	(354,185)
Cash received from shareholder loans	**95,000**	680,000	**175,000**	680,000
Effect of foreign currencies	**30,715**	(73,364)	**(727)**	(136,334)
Net change in cash	**4,404**	(342,048)	**(102,763)**	(658,087)
Opening cash balance	**111,456**	425,688	**218,623**	741,727
Closing cash balance	**$ 115,860**	$ 83,640	**$ 115,860**	$ 83,640

Cash provided by (used in) operating activities

Cash used in operating activities before changes in working capital has decreased period over period in line with the decrease in general and administration costs as described above in financial performance.

Changes in working capital

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

Cash received from shareholder loans

During the quarter, the Company received $95,000 from shareholders of the Company to pay for certain overdue administration costs. This brings the total loans contributed by shareholders to $195,000 for the year. A portion of these proceeds was used to make a repayment on a separate shareholder loan of $20,000.

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 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. This has been amended to prior to December 11, 2019.
- In addition, minimum 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. This has been deferred to 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.

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 deferred the payment due on September 11, 2019 to December 11, 2019. As well it has deferred the exploration expenditure requirement for 2019 to 2020.

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 September 30, 2019, the Company had 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 June 30, 2018 – net income of $1,461,216) and cash outflows from operations of $174,241 (nine months ended September 30, 2018 – cash outflows $847,568). As a result of the above results the Company 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. Those dividends have been declining during 2019. As a result, the Company has relied on funding from certain related parties to meet its ongoing obligations. Assuming the adherence to the Debt Agreement by Akmetal and based on the 2019 production forecast for Pinargozu and the sale of inventory on hand at January 1, 2019 the Company would have adequate cash flow to fund Horzum AS, as well as the non-discretionary spending at Pasinex for at least the next twelve months.

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 Loan receivable - Akmetal). 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.

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 an additional $95,000 during the three months ended September 30, 2019 bringing the total loaned by related parties to $195,000 during the nine months ended September 30, 2019. In addition, the Company received $190,000 subsequent to the quarter ended September 30, 2019. 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 other than those owed in accordance with the Spur Option Agreement (*see Liquidity and Financial Position – Commitments*). 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, November 27, 2019, the Company has 144,354,371 issued and outstanding common shares and an aggregate of 4,050,000 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:

	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

Amounts Payable to related parties were as follows:

	Accrued Liabilities		Shareholder Loans	
	As at September 30 2019	**As at December 31 2018**	**As at September 30 2019**	**As at December 31 2018**
Steven Williams [(1)]	**$ 234**	$ -	**$ -**	$ -
7312067 Canada Limited [(1)]	**74,280**	13,560	**-**	-
Larry Seeley [(2)]	**36,846**	11,610	**-**	-
Sven Olsson [(2)]	**-**	9,563	**100,552**	115,453
Joachim Rainer [(2)]	**5,000**	-	**52,582**	50,197
Jonathan Challis [(2)]	**5,075**	-	**-**	-
1514341 Ontario Inc. [(3)]	**14,232**	14,232	**375,552**	291,356
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	**-**	-
Seeley Holdings Ltd. [(8)]	**-**	-	**432,737**	291,356
Rainer Beteiligungsgesellschaft [(9)]	**1,761**	-	**-**	-
2192640 Ontario Inc. [(10)]	**29,674**	-	**-**	-
Share-based payments	**$ 279,394**	$ 88,911	**$ 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, Jonathan Challis and Joachim Rainer 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 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 Chief Financial Officer 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 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	**30,000,591**	**20.75%**

Selected Consolidated Quarterly Financial Data

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

	Three Months Ended							
	Sept 2019	**June 2019**	**March 2019**	**Dec 2018**	**Sept 2018**	**June 2018**	**March 2018**	**Dec 2017**
Financial:								
Equity gain (loss) from Horzum AS	**$ 135,701**	$ 286,383	$ 250,055	$ (9,410,185)	$ 521,675	$ 1,805,685	$ 2,984,186	$ 3,355,358
Adjusted equity gain from Horzum AS (1)	**$ 1,217,147**	$ 333,363	$ 920,130	$ 519,503	$ 521,675	$ 1,805,685	$ 2,984,186	$ 3,355,358
Consolidated net income (loss)	**$ (245,251)**	$ (108,609)	$ (214,850)	$ (9,890,542)	$ (194,998)	$ 930,193	$ 726,021	$ 2,682,150
Adjusted consolidated net income (loss) (1)	**$ 1,107,597**	$ 511,137	$ 455,225	$ 39,146	$ (194,998)	$ 930,193	$ 726,021	$ 2,682,150
Basic net income (loss) per share	**$ -**	$ -	$ -	$ (0.07)	$ -	$ 0.01	$ 0.01	$ 0.02
Diluted net income (loss) per share	**$ -**	$ -	$ -	$ (0.07)	$ -	$ 0.01	$ 0.01	$ 0.02

(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 30, 2019 includes positive sales adjustments related to sales in prior quarters. 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.

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.

Adjusted equity gain from Horzum AS

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of adjusted equity gain:				
Equity gain as per Pasinex statement of loss	**$ 135,701**	$ 521,675	**$ 672,139**	$ 5,311,546
Add back from Horzum AS statement of operation:				
50% of impairment of Akmetal receivable	**1,909,722**	-	**3,410,767**	-
Recognition (increase) of prior year equity losses	**(692,676)**	-	**(940,228)**	-
Receipt of dividend recorded as equity gain	**(135,601)**	-	**(672,139)**	-
Adjusted equity gain	**$ 1,217,147**	$ 521,675	**$ 2,470,539**	$ 5,311,546

Adjusted consolidated net income

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of adjusted consolidated net income:				
Income (loss) as per Pasinex statement of income	**$ (245,251)**	$ (194,998)	**$ (568,710)**	$ 1,461,216
Add back:				
Impairment charge	**-**	-	**-**	(1,686,000)
Equity gain from Horzum AS	**135,701**	-	**672,139**	-
Adjusted equity gain	**1,217,147**	-	**2,470,539**	-
Adjusted consolidated net income	**$ 1,107,597**	$ (194,998)	**$ 2,573,968**	$ (224,784)

Cost per tonne mined

The following table provides a reconciliation of cost per tonne mined to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of cost per tonne mined				
Cost of sales per Horzum income statement	**$ 323,532**	$ 2,264,592	**$ 2,443,909**	$ 6,624,154
Inventory change	**957,380**	(210,498)	**1,934,247**	(513,718)
	$ 1,280,912	$ 2,054,094	**$ 4,378,156**	$ 6,110,436
Tonnes mined	**3,216**	10,619	**14,296**	36,736
CAD Cost per tonne mined	**$ 398**	$ 193	**$ 306**	$ 166

US$ cash cost per pound of zinc produced

The following table provides a reconciliation of US$ cash cost per pound of zinc mined to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

		Three Months Ended September 30		Nine Months Ended September 30	
		2019	**2018**	**2019**	**2018**
Reconciliation of US$ cash cost per pound of zinc product mined					
Cost of sales per Horzum income statement adjusted for inventory change		**$ 1,280,912**	$ 2,054,094	**$ 4,378,156**	$ 6,110,436
Less - sales of lead product		**-**	(325,435)	**-**	(480,725)
		1,280,912	1,728,659	**4,378,156**	5,629,711
Translate to US$	A	**$ 969,947**	$ 1,322,717	**$ 3,294,076**	$ 4,372,591
Zinc tonnes mined (wet)		**3,216**	10,619	**14,296**	36,736
Zinc product grade mined		**39%**	33%	**38%**	33%
Moisture loss		**7%**	7%	**7%**	7%
Pounds of zinc mined	B	**2,571,564**	7,133,167	**11,138,195**	25,168,776
US$ cash cost per pound of zinc mined	A/B	**$ 0.38**	$ 0.19	**$ 0.30**	$ 0.17

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 September 30		Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of gross margin				
Operating income per Horzum AS income statement	**$ 998,517**	$ 2,504,816	**$ 4,581,228**	$ 14,203,304
Revenue	**$ 1,368,036**	$ 4,852,494	**$ 7,200,509**	$ 20,955,157
Gross margin (gross margin / revenue)	**73%**	52%	**64%**	68%

Risks and Uncertainties

The Company's business contains significant risk due to the nature of mining, exploration and development activities. The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in the United States of America 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. The Company is also exploring and developing other opportunities and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic and base mineral price volatility.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2018, available on SEDAR at **www.sedar.com**

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Information

Additional information about the Company can be found on their Disclosure Hall page at www.cnsx.ca, the Company's website at www.pasinex.com, or on www.sedar.com.