

**PASINEX RESOURCES LIMITED
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020
(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 March 31, 2020	As at December 31, 2019
Assets		
Current assets		
Cash	\$ 36,403	\$ 30,634
Other receivables	32,301	25,668
Prepaid expenses and deposits	39,669	43,268
Total current assets	108,373	99,570
Non-current assets		
Equipment	16,582	18,149
Value added tax receivable	83,495	90,829
Exploration and evaluation assets (note 4)	1,939,790	1,956,489
Total non-current assets	2,039,867	2,065,467
Total assets	\$ 2,148,240	\$ 2,165,037
Shareholders' deficiency and liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 691,539	\$ 670,399
Due to related parties (note 11)	492,973	394,886
Shareholder loans (notes 6 and 11)	1,380,495	1,166,779
Total liabilities	2,565,007	2,232,064
Shareholders' deficiency		
Share capital (note 7)	12,888,506	12,888,506
Reserves	1,777,117	1,748,617
Deficit	(11,063,526)	(10,667,078)
Accumulated other comprehensive loss	(4,018,864)	(4,037,072)
Total shareholders' deficiency	(416,767)	(67,027)
Total liabilities and shareholders' deficiency	\$ 2,148,240	\$ 2,165,037

Basis of measurement and going concern (note 2(c))

Subsequent event (note 14)

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 Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended March 31,	
	2020	2019
Equity gain from Horzum AS (note 3)	\$ 3,298	\$ 250,055
Expenses		
Impairment of Horzum AS receivable	33,922	-
Exploration costs	43,933	42,803
General and administration costs (note 10)	266,834	418,622
Interest expense (note 6)	18,216	11,072
Share-based payments (notes 8 and 11)	28,500	-
	(391,405)	(472,497)
Other income		
Other income	3,810	3,383
Foreign exchange (loss) gain	(12,151)	4,209
	(8,341)	7,592
Net loss for the period	(396,448)	(214,850)
Other comprehensive loss		
Item that will be reclassified subsequently to profit and loss:		
Currency translation adjustment	18,208	(10,447)
Total comprehensive loss for the period	\$ (378,240)	\$ (225,297)
Net loss per share - basic (note 9)	\$ (0.00)	\$ (0.00)
Net loss per share - diluted (note 9)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding - basic (note 9)	144,554,371	144,354,371
Weighted average number of shares outstanding - diluted (note 9)	144,554,371	144,354,371

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

Pasinex Resources Limited

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended March 31,	
	2020	2019
Operating activities		
Net loss for the period	\$ (396,448)	\$ (214,850)
Dividend from Horzum AS	3,298	250,055
Adjustments for items not involving cash:		
Impairment of Horzum AS receivable	33,922	-
Interest accrual	18,216	11,072
Share-based payments	28,500	-
Equity gain from Horzum AS	(3,298)	(250,055)
Other	1,315	2,558
Changes in non-cash working capital items:		
Prepaid expenses and deposits	3,117	7,673
Accounts payable and accrued liabilities	122,579	141,725
Due (to) from joint venture	(33,922)	67,124
Due from related parties	39,447	-
Other	(378)	(6,238)
Net cash (used in) provided by operating activities	(183,652)	9,064
Investing activities		
Exploration and evaluation assets (note 4)	14,612	(48,710)
Equipment acquisition	-	(2,062)
Net cash provided by (used in) investing activities	14,612	(50,772)
Financing activities		
Cash received from shareholder loans, net (note 6)	195,500	-
Net cash provided by financing activities	195,500	-
Net change in cash	26,460	(41,708)
Effect of foreign currencies on cash	(20,691)	(6,792)
Cash, beginning of period	30,634	218,623
Cash, end of period	\$ 36,403	\$ 170,123

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' (Deficiency) Equity

(Expressed in Canadian Dollars)

Unaudited

	Number of Shares (note 7)	Share Capital (note 7)	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2018	144,354,371	\$ 12,882,506	\$ 1,730,617	\$ (9,634,228)	\$(4,012,324)	\$ 966,571
Currency translation adjustment	-	-	-	-	(10,447)	(10,447)
Net loss for the period	-	-	-	(214,850)	-	(214,850)
Balance as at March 31, 2019	144,354,371	\$ 12,882,506	\$ 1,730,617	\$ (9,849,078)	\$(4,022,771)	\$ 741,274
Balance as at December 31, 2019	144,554,371	\$ 12,888,506	\$ 1,748,617	\$(10,667,078)	\$ (4,037,072)	\$ (67,027)
Share-based payments	-	-	28,500	-	-	28,500
Currency translation adjustment	-	-	-	-	18,208	18,208
Net loss for the period	-	-	-	(396,448)	-	(396,448)
Balance as at March 31, 2020	144,554,371	\$ 12,888,506	\$ 1,777,117	\$(11,063,526)	\$ (4,018,864)	\$ (416,767)

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 Months Ended March 31, 2020

(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 approved and authorized for issuance by the Audit Committee and Board of Directors on July 13, 2020.

2. Basis of preparation and accounting policies

(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 condensed interim consolidated financial statements are based on IFRS issued and outstanding as of July 13, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Principles of consolidation

The unaudited condensed interim consolidated financial statements include the financial statements of Pasinex and its subsidiaries from their respective dates of control, as listed below:

	Location	Nature of Operation	Interest	
			2020	2019
Pasinex Arama ve Madencilik AS ("Pasinex Arama")	Turkey	Mineral exploration	100%	100%
Pasinex Resources Nevada Limited ("Pasinex Nevada")	United States	Mineral exploration	100%	100%

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of preparation and accounting policies (continued)

(b) Principles of consolidation (continued)

Pasinex and its subsidiaries are collectively referred to as the "Company". All intercompany transactions, balances and unrealized gains and losses from intercompany transactions have been eliminated upon consolidation.

In addition, the Company, through Pasinex Arama, holds a joint venture interest which is equity accounted in the consolidated financial statements, as follows:

	Location	Nature of Operation	Interest	
			2020	2019
Horzum AS	Turkey	Mining	50%	50%

(c) Basis of measurement and going concern

These unaudited condensed interim 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 and fair value of stock-based compensations which, are measured at their fair value. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting. Certain prior year balances have been reclassified to conform with current year presentation.

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At March 31, 2020, the Company has a net equity deficit of \$11,063,526 (December 31, 2019 – \$10,667,078) and has a working capital deficiency position of \$2,456,634 (December 31, 2019 – working capital deficiency of \$2,132,494), and had a net loss of \$396,448 for the three months ended March 31, 2020 (three months ended March 31, 2019 – net loss of \$214,850) and negative cash flows from operations of \$183,652 for the three months ended March 31, 2020 (three months ended March 31, 2019 – cash provided by operations of – \$9,064) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

The Company and its wholly owned subsidiary, Pasinex Arama, rely on dividends from Horzum AS and where possible equity financing to fund their exploration and development operations. Horzum AS's financial position has been severely damaged by the continued withholding of funds, by its joint venture partner Akmetal, generated via sales of ore produced by the joint venture's Pinargozu mine. As at March 31, 2020, Horzum AS has a receivable owing from Akmetal of approximately \$34.7 million (see note 3(b)).

Pasinex Arama received \$3,298 in dividend payments from Horzum AS for the three months ended March 31, 2020 compared with \$250,055 in the three months ended March 31, 2019. Certain Horzum AS expenses including payroll, supplies, some services and costs related to exploration have been paid by Akmetal to keep the mine operation going.

Management has been working with Akmetal and the Kurlmel family to resolve the collectability of the trade receivable owing by Akmetal to Horzum AS. Until strong credit worthiness is demonstrated by Akmetal, accounting principles required Pasinex to maintain an expected credit loss equivalent to the full balance of the receivable (see note 3(a)). Receipt of the Akmetal receivable would provide significant cash flow to Pasinex through additional dividends.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of preparation and accounting policies (continued)

(c) Basis of measurement and going concern

As noted in note 3(a), management expects to receive the payment of the remaining dividend and other receivables that are owing from Horzum AS to Pasinex Arama following a payment of a portion of the Akmetal receivable. 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. During the three months ended March 31, 2020, the Company received net shareholder advances of \$195,500 to pay for certain administration costs. Subsequent to March 31, 2020, the Company received an additional \$260,000 from additional related party loans. There can be no assurance that the Company will be able to generate either sufficient dividends from Horzum AS or be able to generate funds from other sources.

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

3. Investment in Horzum AS

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

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

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

	As at March 31, 2020	As at December 31, 2019
Opening balance	\$ -	\$ -
Equity gain from Horzum AS	3,298	672,139
Dividend received from Horzum AS	(3,298)	(672,139)
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 \$4.3 million using the March 31, 2020 spot rate). As of March 31, 2020, the Company had received approximately \$2.4 million (approximately TRY 9.0 million using the exchange rates in effect on the dates of receipt of the distributions) and \$2.4 million (TRY 11 million using the March 31, 2020 spot rate) remained to be paid. Due to the uncertainty of collection of the remaining dividend from Horzum AS, Pasinex has not recognized the dividend receivable and will recognize the dividend in the period in which it is paid. During the three months ended March 31, 2020, \$3,298 (approximately TRY 15,000 using the exchange rates in effect on the dates of receipt of the distributions) (three months ended March 31, 2020 - \$250,055) was received and recorded as an equity gain.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. 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 March 31, 2020	As at December 31, 2019
Current assets		
Cash and prepaid expenses	\$ 8,576	\$ 6,029
Loan receivable – Akmetal (note 3(a))	34,368,793	35,123,238
Less - discount and allowance on Akmetal receivables (note 3(a))	(34,368,793)	(35,123,238)
Trade receivables – other	166,352	15,876
Other receivables	603,885	67,895
Inventories	561,358	102,433
Total current assets	1,340,171	192,233
Non-current assets		
Lease asset	536,031	560,819
Plant and equipment	554,956	590,918
Other non-current assets	229,566	195,790
Total non-current assets	1,320,553	1,347,527
Total assets	\$ 2,660,724	\$ 1,539,760
Current liabilities		
Trade payable and other current liabilities (note 3(c))	\$ 3,008,493	\$ 2,600,853
Amounts due to shareholders and related parties (note 3(b))	2,621,553	2,596,730
Lease liabilities	611,665	595,978
Income taxes payable	8,252,027	8,426,914
Total current liabilities	14,493,738	14,220,475
Non-current liabilities		
Employee benefits and other liabilities	94,143	95,410
Equity		
Share capital	237,400	237,400
Deficit	(8,440,393)	(9,133,709)
Foreign exchange difference	(3,724,164)	(3,879,816)
Total liabilities and equity	\$ 2,660,724	\$ 1,539,760
Pasinex ownership interest	50 %	50 %
Net equity from above	\$ (11,927,157)	\$ (12,776,125)
Pasinex ownership interest in Horzum AS	\$ (5,963,579)	\$ (6,388,063)
Unpaid dividend	2,352,764	2,390,771
Impairment in excess of equity value	3,610,815	3,997,292
Pasinex investment in Horzum AS	\$ -	\$ -

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Investment in Horzum AS (continued)

Statement of Operations for the periods ended March 31,

<i>(100% Canadian dollars)</i>	2020	2019
Revenue	\$ 847,199	\$ 4,254,339
Cost of sales	(463,090)	(1,647,247)
Selling, marketing and other distribution	(23,183)	(118,123)
Operating income	360,926	2,488,969
Recovery (impairment) of Akmetal receivable (note 3(a))	2,763,547	(1,037,741)
General and administrative expenses	(54,250)	(122,244)
Foreign exchange loss	(2,239,299)	-
Finance expense	(130,406)	-
Other	398	(1,818)
Current income tax expense	(7,600)	(832,041)
Deferred income tax recovery	-	307,394
Net income	\$ 693,316	\$ 802,519
Pasinex ownership interest	50 %	50 %
Share of net income	\$ 346,658	\$ 401,260
Recognition of prior year equity losses (note 3(d))	(346,658)	(401,260)
Dividend received	3,298	250,055
Equity gain for Horzum AS	\$ 3,298	\$ 250,055

(a) During the year end December 31, 2018, since Horzum AS did not receive any payment from Akmetal on the receivables outstanding for over the year, 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. IFRS 9 required that management undergo an exercise to calculate expected credit losses on the Akmetal receivables. Due to Akmetal's liquidity issues and past performance of nonpayment (or default), 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 receivables at December 31, 2018.

On May 10, 2019, the Company entered into a legally binding debt repayment agreement ("Debt Agreement") with Akmetal and Horzum AS. The loan receivable owing from Akmetal, and one if its subsidiaries, to Horzum AS as at March 31, 2020 includes (i) the former loan receivable and trade receivable from Akmetal that arose when Akmetal was selling Horzum AS zinc material; (ii) the cost of approximately 17,000 tonnes of oxide product Akmetal used during 2019 and 2020; and (iii) \$2.2 million in loan payments made to a customer on behalf of Akmetal (note 3(c)) less certain ongoing operating expenses paid by Akmetal (the "Debt"). As per the Debt Agreement, the Debt, including the portion owed by Akmetal's subsidiary, is guaranteed by Akmetal. Debt repayments were to 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 would sell the product and proceeds from the sale will be used to repay the Debt. Repayments of the Debt would be used to pay Horzum AS's tax obligations, for ongoing expenses of Pasinex Arama and for dividend payments from Horzum AS to Pasinex Arama that would then flow to Pasinex. Akmetal is obligated to deliver a minimum of 300 tonnes of zinc product per month. In addition, a portion of proceeds from the sale of certain other of Akmetal assets will also be used to repay the Debt. The Debt Agreement provides other enhancements to the Joint Venture Agreement and will terminate by December 31, 2020.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Investment in Horzum AS (continued)

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. Due to Akmetal's continued liquidity issues, continued nonpayment of the trade payable, along with the additional usage of Horzum AS inventory in 2019 and 2020, management continued to assess the probability of credit losses to be high.

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. See note 2(c) Basis of Measurement and Going Concern for additional discussion on the collectability of the Akmetal trade receivable.

(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 \$3.1 million using the March 31, 2020 spot rate) to this customer, as at March 31, 2020. The US dollar total paid by Horzum AS is unchanged from December 31, 2019.

(d) In 2019 and 2020, 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 three months ended March 31, 2020, the loss of \$346,658 reduced the carry forward losses.

4. Exploration and evaluation assets

	Horzum Properties	Spur Project	Total
Balance as at December 31, 2018	\$ 574,137	\$ 1,185,322	\$ 1,759,459
Additions during the year:			
Acquisition costs - cash	-	132,283	132,283
Acquisition costs - shares issued	-	6,000	6,000
Property exploration costs:			
Geological and field personnel	82,734	-	82,734
Total additions during the year	82,734	138,283	221,017
Foreign exchange adjustment	(23,987)	-	(23,987)
Impairment	-	-	-
Balance as at December 31, 2019	632,884	1,323,605	1,956,489
Property exploration costs:			
Geological and field personnel	(14,612)	-	(14,612)
Total additions during the period	(14,612)	-	(14,612)
Foreign exchange adjustment	(2,087)	-	(2,087)
Balance as at March 31, 2020	\$ 616,185	\$ 1,323,605	\$ 1,939,790

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. 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 March 31, 2020, the Company only held the Akkaya Property with its exploration license in good standing.

(b) 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 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 - paid) 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 - paid US\$507,000 to March 31, 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 Option Agreement.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Exploration and evaluation assets (continued)

(b) Spur Zinc Project (continued)

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, of which US\$507,000 has been spent to March 31, 2020. The underlying licenses are in good standing until September 2020.

5. Accounts payable and accrued liabilities

	As at March 31, 2020	As at December 31, 2019
Trade payables	\$ 291,650	\$ 521,943
Accrued liabilities	399,889	148,456
Total	\$ 691,539	\$ 670,399

6. 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 year ended December 31, 2019, the Company received an additional \$195,500 from two shareholders and repaid \$20,000 to another shareholder.

During the three months ended March 31, 2020, the Company received an additional \$195,500 (three months ended March 31, 2019 - \$nil) from shareholders and recorded interest expense of \$18,216 (three months ended March 31, 2019 - \$11,072). As at March 31, 2020, the shareholder loans and accrued interest thereon was \$1,380,495 (December 31, 2019 - \$1,166,779).

Subsequent to March 31, 2020, the Company received an additional \$260,000 from shareholders. The promissory notes were amended to reflect the additional funding and the remainder of the terms were consistent with the August 1, 2018 promissory notes.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

7. Share capital

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

(b) Issued and outstanding common shares:

	Number of Shares	Amount
Balance as at December 31, 2018 and March 31, 2019	144,354,371	\$ 12,882,506
Balance as at December 31, 2019 and March 31, 2020	144,554,371	\$ 12,888,506

8. 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 as at December 31, 2018	4,200,000	\$ 0.19
Expired	(550,000)	0.10
Balance as at March 31, 2019	3,650,000	\$ 0.21
Balance as at December 31, 2019	1,750,000	\$ 0.20
Granted (a)	1,500,000	0.04
Balance as at March 31, 2020	3,250,000	\$ 0.13

(a) On February 7, 2020, 1,500,000 stock options were granted to an officer of the Company at an exercise price of \$0.04 per stock option, expiring February 7, 2022. The stock options vested immediately. The fair value of the stock options at the date of grant of \$28,500 was estimated using the Black Scholes valuation model with the following assumptions: a two-year expected term; a 188% expected volatility based on historical trends; risk free interest rate of 1.47%; share price at the date of grant of \$0.03; and an expected dividend yield of 0%. The fair value was expensed during the three months ended March 31, 2020.

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8. Stock options (continued)

The Company had the following stock options outstanding as of March 31, 2020:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (years)
	Outstanding	Exercisable		
February 7, 2022	1,500,000	1,500,000	\$ 0.04	1.86
August 14, 2022	1,200,000	1,200,000	\$ 0.25	2.37
January 24, 2023	50,000	50,000	\$ 0.20	2.82
July 25, 2024	500,000	500,000	\$ 0.09	4.32
	3,250,000	3,250,000	\$ 0.13	2.44

9. Net loss per common share

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

	Three Months Ended March 31,	
	2020	2019
Numerator:		
Net loss	\$ (396,448)	\$ (214,850)
Denominator		
Weighted average number of common shares - basic and diluted	144,554,371	144,354,371
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.00)

10. General and administration costs

General and administration costs are as follows:

	Three Months Ended March 31,	
	2020	2019
Advertising and promotion	\$ 23	\$ 28,166
Consulting fees (note 11)	73,664	96,197
Investor relations	352	9,273
Management fees and salaries (note 11)	51,922	118,866
Office and general	11,912	17,508
Professional fees	80,509	37,418
Transfer agent and regulatory fees	21,405	11,788
Travel and meals	19,430	93,818
Other	7,617	5,588
General and administration costs	\$ 266,834	\$ 418,622

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Unaudited

11. Related party balances and transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities had transactions with the Company during the year. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management personnel related entities on an arm's length basis.

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

	Three Months Ended March 31,	
	2020	2019
Management fees and salaries	\$ 46,469	\$ 118,866
Consulting fees	45,828	44,708
Share-based payments	28,500	-
Interest expense on shareholder loans	18,216	11,072
	\$ 139,013	\$ 174,646

Amounts payable to related parties were as follows:

	As at March 31, 2020	As at December 31, 2019
Due to related parties:		
Steven Williams ⁽¹⁾	\$ 1,595	\$ -
7312067 Canada Limited ⁽¹⁾	105,090	94,620
Larry Seeley ⁽²⁾	117,354	55,304
Sven Olsson ⁽²⁾	4,870	4,870
Joachim Rainer ⁽²⁾	5,000	5,000
Jonathan Challis ⁽²⁾	23,145	3,515
1514341 Ontario Inc. ⁽³⁾	14,232	14,232
Irus Consulting Ltd. ⁽⁴⁾	28,835	28,835
Victor Wells ⁽⁵⁾	48,000	42,000
Wendy Kaufman ⁽⁶⁾	26,666	26,666
Soner Koldas ⁽⁷⁾	74,482	68,187
Rainer Beteiligungsgesellschaft ⁽⁹⁾	1,901	1,779
2192640 Ontario Inc. ⁽¹⁰⁾	41,803	54,748
	\$ 492,973	\$ 399,756
Shareholder loans (note 6):		
1514341 Ontario Inc. ⁽³⁾	\$ 626,400	\$ 476,714
Seeley Holdings Ltd. ⁽⁸⁾	582,877	534,728
Sven Olsson ⁽²⁾	103,424	101,996
Rainer Beteiligungsgesellschaft ⁽⁹⁾	67,794	53,341
	\$ 1,380,495	\$ 1,166,779

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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

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Unaudited

11. Related party balances and transactions (continued)

- (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 March 31, 2020 and December 31, 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.

To the knowledge of the directors and officers of the Company, as at March 31, 2020, 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 %

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12. Segmented information

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

	As at March 31, 2020	As at December 31, 2019
Non-current assets by geographic segment		
Turkey	\$ 716,262	\$ 741,862
United States	1,323,605	1,323,605
	\$ 2,039,867	\$ 2,065,467
	As at March 31, 2020	As at December 31, 2019
Total assets by geographic segment		
Turkey	\$ 758,466	\$ 784,215
Canada	66,169	57,217
United States	1,323,605	1,323,605
	\$ 2,148,240	\$ 2,165,037

Three Months Ended March 31, 2020	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 3,298	\$ -	\$ 3,298
Net loss	\$ (321,724)	\$ (30,789)	\$ (43,933)	\$ (396,446)
	Canada	Turkey	United States	Total
Three Months Ended March 31, 2019				
Equity gain from joint venture	\$ -	\$ 250,055	\$ -	\$ 250,055
Net gain (loss)	\$ (338,564)	\$ 166,517	\$ (42,803)	\$ (214,850)

13. Other event

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

14. Subsequent event

Subsequent to March 31, 2020, the Company received an additional \$260,000 from additional related party loans.