

PASINEX RESOURCES LIMITED

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

THREE MONTHS ENDED MARCH 31, 2021

(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, 2021 | As at December 31, 2020 |
|---|----------------------------|-------------------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 69,041 | \$ 46,028 |
| Receivables | 43,837 | 45,711 |
| Prepaid expenses and deposits | 9,269 | 12,212 |
| Total current assets | 122,147 | 103,951 |
| Non-current assets | | |
| Equipment | 13,395 | 13,068 |
| Value added tax receivable | 49,778 | 59,204 |
| Exploration and evaluation assets (note 4) | 1,888,681 | 1,937,858 |
| Total non-current assets | 1,951,854 | 2,010,130 |
| Total assets | \$ 2,074,001 | \$ 2,114,081 |
| Shareholders' deficiency and liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 5) | \$ 684,794 | \$ 737,096 |
| Due to related parties (note 12) | 490,152 | 511,122 |
| Shareholder loans (notes 6 and 12) | 2,372,722 | 2,166,284 |
| Total current liabilities | 3,547,668 | 3,414,502 |
| Non-current liabilities | | |
| Loan payable (note 7) | 40,000 | 40,000 |
| Total non-current liabilities | 40,000 | 40,000 |
| Total liabilities | 3,587,668 | 3,454,502 |
| Shareholders' deficiency | | |
| Share capital (note 8) | 12,888,506 | 12,888,506 |
| Reserves | 1,777,117 | 1,777,117 |
| Deficit | (12,129,150) | (11,919,504) |
| Accumulated other comprehensive loss | (4,050,140) | (4,086,540) |
| Total shareholders' deficiency | (1,513,667) | (1,340,421) |
| Total liabilities and shareholders' deficiency | \$ 2,074,001 | \$ 2,114,081 |

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

Subsequent events (note 14)

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, | |
|--|---------------------------------|--------------|
| | 2021 | 2020 |
| Equity gain from Horzum AS (note 3) | \$ 32,232 | \$ 3,298 |
| Expenses | | |
| (Recovery) Impairment of Horzum AS receivable | (15,068) | 33,922 |
| Exploration costs | 40,513 | 43,933 |
| General and administration costs (note 11) | 161,943 | 266,834 |
| Interest expense (note 6) | 31,438 | 18,216 |
| Share-based payments (notes 9 and 12) | - | 28,500 |
| | (218,826) | (391,405) |
| Other income | | |
| Other income | 23,687 | 3,810 |
| Foreign exchange loss | (46,739) | (12,151) |
| | (23,052) | (8,341) |
| Net loss for the period | (209,646) | (396,448) |
| Other comprehensive loss | | |
| Item that will be reclassified subsequently to profit and loss: | | |
| Currency translation adjustment | 36,400 | 18,208 |
| Total comprehensive loss for the period | \$ (173,246) | \$ (378,240) |
| Net loss per share - basic and diluted (note 10) | \$ (0.00) | \$ (0.00) |
| Weighted average number of shares outstanding - basic and diluted (note 10) | 144,554,371 | 144,554,371 |

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, | |
|--|---------------------------------|------------------|
| | 2021 | 2020 |
| Operating activities | | |
| Net loss for the period | \$ (209,646) | \$ (396,448) |
| Dividend from Horzum AS | 32,232 | 3,298 |
| Adjustments for items not involving cash: | | |
| Impairment of Horzum AS receivable | (15,068) | 33,922 |
| Interest accrual (note 6) | 31,438 | 18,216 |
| Share-based payments (notes 9 and 12) | - | 28,500 |
| Equity gain from Horzum AS | (32,232) | (3,298) |
| Other | 1,138 | 1,315 |
| Changes in non-cash working capital items: | | |
| Prepaid expenses and deposits | 2,528 | 3,117 |
| Accounts payable and accrued liabilities | 24,479 | 122,579 |
| Due (to) from joint venture | - | (33,922) |
| Due to related parties | (74,471) | 39,447 |
| Other | 5,059 | (378) |
| Net cash used in operating activities | (234,543) | (183,652) |
| Investing activities | | |
| Exploration and evaluation assets (note 4) | - | 14,612 |
| Equipment acquisition | (2,851) | - |
| Net cash (used in) provided by investing activities | (2,851) | 14,612 |
| Financing activities | | |
| Cash received from shareholder loans, net (note 6) | 175,000 | 195,500 |
| Net cash provided by financing activities | 175,000 | 195,500 |
| Net change in cash | (62,394) | 26,460 |
| Effect of foreign currencies on cash | 85,407 | (20,691) |
| Cash, beginning of period | 46,028 | 30,634 |
| Cash, end of period | \$ 69,041 | \$ 36,403 |

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

(Expressed in Canadian Dollars)

Unaudited

| | Number of Shares (note 8) | Share Capital (note 8) | Reserves | Deficit | Accumulated Other Comprehensive Loss | Total |
|--|---------------------------------|------------------------------|---------------------|-----------------------|---|-----------------------|
| 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 (notes 9 and 12) | - | - | 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) |
| Balance as at December 31, 2020 | 144,554,371 | \$ 12,888,506 | \$ 1,777,117 | \$(11,919,504) | \$ (4,086,540) | \$ (1,340,421) |
| Currency translation adjustment | - | - | - | - | 36,400 | 36,400 |
| Net loss for the period | - | - | - | (209,646) | - | (209,646) |
| Balance as at March 31, 2021 | 144,554,371 | \$ 12,888,506 | \$ 1,777,117 | \$(12,129,150) | \$ (4,050,140) | \$ (1,513,667) |

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, 2021

(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. Horzum AS sells directly to zinc smelters and refiners or through commodity brokers. The Company also holds an option to acquire 80% of the Gunman high grade zinc exploration project in Nevada ("Gunman Project" - formerly the "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 May 28, 2021.

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.

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 May 28, 2021, 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, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2021 could result in restatement of these unaudited condensed interim consolidated financial statements.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of preparation and accounting policies (continued)

(b) Principles of consolidation

The 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 | |
|--|---------------|---------------------|----------|------|
| | | | 2021 | 2020 |
| 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 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 | |
|-----------|----------|---------------------|----------|------|
| | | | 2021 | 2020 |
| Horzum AS | Turkey | Mining | 50% | 50% |

(c) Basis of measurement and going concern

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and fair value of stock-based compensations which, are measured at their fair value. The consolidated financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. 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, 2021, the Company has a net equity deficit of \$12,129,150 (December 31, 2020 – \$11,919,504) and has a working capital deficiency position of \$3,425,521 (December 31, 2020 – working capital deficiency position of \$3,310,551). The Company for the three months ended March 31, 2021 had a net loss of \$209,646 (three months ended March 31, 2020 – net loss of \$396,448) and negative cash flows from operations of \$234,543 (three months ended March 31, 2020 – negative cash flows from operations of – \$183,652) for the three months then ended and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

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 zinc product produced by the joint venture's Pinargozu mine. As at March 31, 2021, Horzum AS has a receivable owing from Akmetal of approximately \$33 million (note 3).

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of preparation and accounting policies (continued)

(c) Basis of measurement and going concern (continued)

Pasinex Arama received \$32,232 in dividend payments from Horzum AS for the three months ended March 31, 2021 compared with \$3,298 in the three months ended March 31, 2020. Horzum AS expenses including payroll, supplies, services costs, costs related to exploration and certain taxes due have been paid by Akmetal to keep the mine operation going. In addition, Akmetal has paid on behalf of Horzum AS, two sets of instalments under the tax restructuring program during the first quarter of 2021 and one set subsequent to the end of the quarter. The total amount paid as of March 31, 2021 was approximately \$720,000 (TRY 4.44 million). The amount paid subsequent to the end of the quarter was approximately \$42,600 (TRY 287,000) (note 3(e)).

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 (note 3(a)). Receipt of the Akmetal receivable would provide significant cash flow to Pasinex through additional dividends.

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 or through the receipt of proceeds from sales. 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, 2021, the Company received net shareholder advances of \$175,000. 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.

(d) Accounting policies not yet effective

(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments only affect the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. In October 2020, the IASB amended the adoption date by one year to annual reporting periods beginning on or after 1 January 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

(ii) Amendments to IAS 37: Onerous Contracts and the cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently not impacted by these amendments.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of preparation and accounting policies (continued)

(d) Accounting policies not yet effective (continued)

(iii) Amendments to IFRS 3: Business Combinations

The amendments updated IFRS 3 for its *Reference to the Conceptual Framework*, added that for transactions and other events within the scope of IAS 37 or IFRIC 21, the acquirer applies IAS 37 or IFRIC 21 to identify liabilities it has assumed in a business combination, and also the acquirer does not recognize contingent assets acquired in a business combination. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently not impacted by these amendments.

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, 2021 | As at December 31, 2020 |
|----------------------------------|----------------------------|-------------------------------|
| Opening balance | \$ - | \$ - |
| Equity gain from Horzum AS | 32,232 | 3,298 |
| Dividend received from Horzum AS | (32,232) | (3,298) |
| 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 \$3.0 million using the March 31, 2021 spot rate). As of March 31, 2021, the Company had received approximately TRY 9.3 million (approximately \$2.5 million using the exchange rates in effect on the dates of receipt of the distributions) and TRY 10.7 million (\$1.6 million using the March 31, 2021 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, 2021, TRY 200,000 (\$32,232 using the exchange rates in effect on the dates of receipt of the distributions) (three months ended March 31, 2020 TRY 15,000 - \$3,298 using the exchange rates in effect on the dates of receipt of the distributions) was received and recorded as an equity gain.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Investment in Horzum AS (continued)

Summarized Financial Statements for Horzum AS (to be updated)

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, 2021 | As at December 31, 2020 |
|--|-------------------------------------|--|
| Current assets | | |
| Cash and prepaid expenses | \$ 18,430 | \$ 16,095 |
| Akmetal receivable (note 3(a)) | 33,282,160 | 33,862,790 |
| Less - discount and allowance on Akmetal receivables (note 3(a)) | (33,282,160) | (33,862,790) |
| Trade receivables – other | 15,991 | 1,140 |
| Other receivables | 146,169 | 400,192 |
| Inventories | 217,672 | 159,972 |
| Total current assets | 398,262 | 577,399 |
| Non-current assets | | |
| Lease asset | 326,338 | 380,568 |
| Plant and equipment | 410,008 | 482,739 |
| Other non-current assets | 44,384 | 58,439 |
| Total non-current assets | 780,730 | 921,746 |
| Total assets | \$ 1,178,992 | \$ 1,499,145 |
| Current liabilities | | |
| Trade payable and other current liabilities (note 3(c)) | \$ 925,068 | \$ 1,193,107 |
| Amounts due to shareholders and related parties (note 3(b)) | 1,786,686 | 2,060,204 |
| Lease liabilities | 382,213 | 438,595 |
| Income taxes payable | 1,917,203 | 2,502,188 |
| Total current liabilities | 5,011,170 | 6,194,094 |
| Non-current liabilities | | |
| Employee benefits and other liabilities | 78,132 | 87,936 |
| Income taxes payable | 4,036,365 | 5,004,377 |
| Total liabilities | 9,125,667 | 11,286,407 |
| Equity | | |
| Share capital | 237,400 | 237,400 |
| Deficit | (8,102,394) | (8,947,213) |
| Foreign exchange difference | (81,681) | (1,077,449) |
| Total liabilities and equity | \$ 1,178,992 | \$ 1,499,145 |
| Pasinex ownership interest | 50 % | 50 % |
| Net equity from above | \$ (7,946,675) | \$ (9,787,262) |
| Pasinex ownership interest in Horzum AS | \$ (3,973,338) | \$ (4,893,631) |
| Unpaid dividend | 1,632,005 | 1,882,805 |
| Impairment in excess of equity value | 2,341,333 | 3,010,826 |
| Pasinex investment in Horzum AS | \$ - | \$ - |

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Investment in Horzum AS (continued)

Statement of Operations for the three months ended March 31,

| <i>(100% Canadian dollars)</i> | 2021 | 2020 |
|---|--------------|-------------|
| Revenue | \$ 1,332,959 | \$ 847,199 |
| Cost of sales | (1,039,748) | (463,090) |
| Selling, marketing and other distribution | (55,631) | (23,183) |
| Operating income | 237,580 | 360,926 |
| (Impairment) recovery of Akmetal receivable (note 3(a)) | (3,707,887) | 2,763,547 |
| General and administrative expenses | (64,281) | (54,250) |
| Foreign exchange gain (loss) | 4,434,577 | (2,239,299) |
| Finance expense | (17,308) | (130,406) |
| Other | 20,657 | 398 |
| Current income tax expense | (58,519) | (7,600) |
| Net income | \$ 844,819 | \$ 693,316 |
| Pasinex ownership interest | 50 % | 50 % |
| Share of net income | \$ 422,410 | \$ 346,658 |
| Recognition of prior year equity losses (note 3(d)) | (422,410) | (346,658) |
| Dividend received | 32,232 | 3,298 |
| Equity gain for Horzum AS | \$ 32,232 | \$ 3,298 |

(a) Akmetal has been facing liquidity issues since 2018. This combined with nonpayment of the Akmetal receivable led management to assess 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 receivables at December 31, 2018.

The total receivable from Akmetal is approximately \$33 million as at the end of March 31, 2021 compared with \$34 million at the end of December 31, 2020. The receivable consists of a number of items including joint venture sales proceeds received and withheld by Akmetal, the value of zinc product mined at the joint venture used by Akmetal, foreign currency gains on USD denominated amounts and the value of certain loan payments made to a customer on behalf of Akmetal (note 3(c)); less the value of ongoing operating expenses paid by Akmetal.

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay its liabilities in the normal course of operations. Horzum AS currently has approximately \$5.0 million in current liabilities and a working capital deficiency of approximately \$4.6 million (\$5.6 million at December 31, 2020). Included within the total current liabilities are \$0.9 million owed in trade payables (\$1.2 million at December 31, 2020), \$1.8 million owed to the Company's wholly owned subsidiary in Turkey (\$2.1 million at December 31, 2020) and \$1.9 million in various taxes payable (\$2.5 million at December 31, 2020). Due to the tax restructuring \$4.0 million of the taxes payable has been classified as noncurrent (\$5.0 million at December 31, 2020).

Due to Akmetal's continued liquidity issues and continued nonpayment of the receivable, management has continued to assess the probability of credit losses to be high. As a result, the receivable remains written down to zero. See note 2(c) Basis of Measurement and Going Concern for additional discussion on the collectability of the Akmetal receivable.

During the three months ended March 31, 2021, the Company's subsidiary received approximately \$32,232 (TRY 200,000) in dividend payments from Horzum AS. In addition, Akmetal paid approximately \$720,000 (TRY 4.44 million) in tax instalments due under the tax restructuring plan (note 3(e)) on behalf of Horzum AS.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Investment in Horzum AS (continued)

(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 approximately US\$1.75 million (approximately \$2.2 million using the March 31, 2021 spot rate) to this customer, as at March 31, 2021.

(d) In 2020 and 2021, 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, 2021, the income of \$422,410 reduced the carry forward losses.

(e) Horzum AS restructured its tax liabilities in December 2020 as allowed by the Turkish taxation department. Horzum AS is scheduled to make instalments of its various tax debts, with each tax debt under its own schedule of 18 instalments. Akmetal has paid on behalf of Horzum AS two sets of instalments during the first quarter of 2021 and one set subsequent to the end of the quarter. The total amount paid as of March 31, 2021 was approximately \$720,000 (TRY 4.44 million). The amount paid subsequent to the end of the quarter was approximately \$42,600 (TRY 287,000).

4. Exploration and evaluation assets

| | Horzum Properties | Gunman Project | Total |
|--|----------------------|---------------------|---------------------|
| Balance as at December 31, 2019 | \$ 632,884 | \$ 1,323,605 | \$ 1,956,489 |
| Additions during the year: | | | |
| Acquisition costs - cash | - | 19,589 | 19,589 |
| Foreign exchange adjustment | (38,220) | - | (38,220) |
| Balance as at December 31, 2020 | 594,664 | 1,343,194 | 1,937,858 |
| Foreign exchange adjustment | (13,815) | (35,362) | (49,177) |
| Balance as at March 31, 2021 | \$ 580,849 | \$ 1,307,832 | \$ 1,888,681 |

(a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at March 31, 2021, the Company only held the Akkaya Property with its exploration license in good standing. In the third quarter of 2020, Horzum AS received an exploration license for the Mahyalar claim, an area located to the east of the Pinargozu mine in the Mahyalar district of Kozan. The claim area is approximately 18 km² in size and is located in the Pasali Fault zone. The exploration license is valid for seven years.

(b) Gunman 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 Gunman Project (formerly the "Spur Zinc Project") located in White Pine County, Nevada ("Option Agreement"). The Option Agreement's total consideration to acquire an 80% interest is a combination of cash and Pasinex common shares. The Company must incur minimum exploration expenditures totalling US\$2,950,000.

On September 12, 2019, the Company announced they reached an agreement with Cypress and Caliber to change the terms relating to the earn in option agreement by changing the date of the US\$100,000 option payment to December 11, 2019 (paid) and deferred the 2019 exploration obligations to 2020.

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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Exploration and evaluation assets (continued)

(b) Gunman Project (continued)

On November 27, 2020, the Company entered into an additional amending agreement with Cypress and Caliber to extend the deadline for completion of the minimum exploration expenditures to December 31, 2022. Also, the deadline to acquire the additional 29% interest, as outlined below, has been extended to December 31, 2024. As part of the amending agreement the Company changed the name of the project to Gunman Project, agreed to pay US\$15,000 to Cypress and is required to spend a minimum of US\$200,000 by December 31, 2021 as a condition precedent for the effectiveness of the amending agreement.

The spending and associated ownership is as follows:

To acquire an initial 51% of the Gunman 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.
- In December 2019, a payment of US\$100,000 cash and issuance of 200,000 Pasinex Common Shares (valued at \$6,000) 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 31, 2022 - spent US\$677,000 to March 31, 2021)
 - ◆ US\$800,000 prior to December 5, 2020 (deferred to December 31, 2022).

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 Gunman Project:

- Prior to December 5, 2021 (deferred to December 31, 2024) a payment of US\$250,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- Spend an additional US\$1.1 million in exploration expenditures as defined in the Option Agreement.

The underlying licenses are in good standing until September 2021.

5. Accounts payable and accrued liabilities

| | As at March 31, 2021 | As at December 31, 2020 |
|---------------------|----------------------------|-------------------------------|
| Trade payables | \$ 628,655 | \$ 531,093 |
| Accrued liabilities | 56,139 | 206,003 |
| Total | \$ 684,794 | \$ 737,096 |

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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. 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 promissory notes are secured by all the property and assets of the Company.

During the three months ended March 31, 2021, the Company received an additional \$175,000 (three months ended March 31, 2020 - \$195,500) from shareholders and recorded interest expense of \$31,438 (three months ended March 31, 2020 - \$18,216). As at March 31, 2021, the shareholder loans and accrued interest thereon totalled \$2,372,722 (December 31, 2020 - \$2,166,284).

7. Loan payable

On April 24, 2020, the Company applied for the Canada Emergency Business Account (“CEBA”) interest-free loan. The Company received approval for up to \$40,000 in interest free loans. To date the Company has drawn all \$40,000 of the available amount. The loan balance must be repaid on or before December 31, 2022 in order to qualify for forgiveness of up to 25 percent of the amount drawn (up to \$10,000). Interest will be charged at 5% per annum on unpaid amounts beginning on January 1, 2023.

8. 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, 2019 and March 31, 2020 | 144,554,371 | \$ 12,888,506 |
| Balance as at December 31, 2020 and March 31, 2021 | 144,554,371 | \$ 12,888,506 |

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9. Stock options

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

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

| | Number of Options | Weighted Average Exercise Price |
|---|----------------------|---------------------------------------|
| Balance as at December 31, 2019 | 1,750,000 | \$ 0.20 |
| Granted | 1,500,000 | 0.04 |
| Balance as at March 31, 2020 | 3,250,000 | \$ 0.13 |
| Balance as at December 31, 2020 and March 31, 2021 | 3,250,000 | \$ 0.13 |

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 in 2020.

The Company had the following stock options outstanding as of March 31, 2021:

| Expiry Date | Number of Options | | Exercise Price | Weighted Average Remaining Contractual Life (years) |
|-------------------|-------------------|------------------|-------------------|---|
| | Outstanding | Exercisable | | |
| December 31, 2021 | 1,000,000 | 1,000,000 | \$ 0.25 | 0.75 |
| February 7, 2022 | 1,500,000 | 1,500,000 | \$ 0.04 | 0.86 |
| August 14, 2022 | 200,000 | 200,000 | \$ 0.25 | 1.37 |
| January 24, 2023 | 50,000 | 50,000 | \$ 0.20 | 1.82 |
| July 25, 2024 | 500,000 | 500,000 | \$ 0.09 | 3.32 |
| | 3,250,000 | 3,250,000 | \$ 0.13 | 1.25 |

Subsequent to March 31, 2021, the Company issued 8,500,000 common share purchase options to the Board and management of the Company. The options are exercisable at a price of \$0.04 per share for a period of five years from the issue date of April 30, 2021.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

10. Net loss per common share

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

| | Three Months Ended March 31, | |
|--|---------------------------------|--------------|
| | 2021 | 2020 |
| Numerator: | | |
| Net loss | \$ (209,646) | \$ (396,448) |
| Denominator | | |
| Weighted average number of common shares - basic and diluted | 144,554,371 | 144,554,371 |
| Net loss per share - basic and diluted | \$ (0.00) | \$ (0.00) |

11. General and administration costs

General and administration costs are as follows:

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2021 | 2020 |
| Advertising and promotion | \$ - | \$ 23 |
| Consulting fees (note 12) | 51,387 | 73,664 |
| Investor relations | - | 352 |
| Management fees and salaries (note 12) | 34,614 | 51,922 |
| Office and general | 10,935 | 11,912 |
| Professional fees | 46,606 | 80,509 |
| Transfer agent and regulatory fees | 8,197 | 21,405 |
| Travel and meals | 9,066 | 19,430 |
| Other | 1,138 | 7,617 |
| General and administration costs | \$ 161,943 | \$ 266,834 |

12. Related party balances and transactions

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

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Three Months Ended March 31, 2021
(Expressed in Canadian Dollars, unless otherwise indicated)
Unaudited

12. Related party balances and transactions (continued)

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

| | Years Ended March 31, | |
|---------------------------------------|--------------------------|-------------------|
| | 2021 | 2020 |
| Management fees and salaries | \$ 34,200 | \$ 46,469 |
| Consulting fees | 41,511 | 45,828 |
| Share-based payments | - | 28,500 |
| Interest expense on shareholder loans | 31,438 | 18,216 |
| | \$ 107,149 | \$ 139,013 |

Amounts payable to related parties were as follows:

| | As at March 31, 2021 | As at December 31, 2020 |
|--|----------------------------|-------------------------------|
| Due to related parties: | | |
| 7312067 Canada Limited ⁽¹⁾ | 121,384 | 141,384 |
| Larry Seeley ⁽²⁾ | 129,354 | 129,354 |
| Joachim Rainer ⁽²⁾ | 5,000 | 5,000 |
| Jonathan Challis ⁽²⁾ | 9,250 | 14,250 |
| 1514341 Ontario Inc. ⁽³⁾ | 17,961 | 17,961 |
| Victor Wells ⁽⁴⁾ | 72,000 | 66,000 |
| Soner Koldas ⁽⁵⁾ | 96,513 | 97,718 |
| Rainer Beteiligungsgesellschaft ⁽⁷⁾ | 1,801 | 1,905 |
| 2192640 Ontario Inc. ⁽⁸⁾ | 36,889 | 32,673 |
| | \$ 490,152 | \$ 506,245 |
| Shareholder loans (note 6): | | |
| 1514341 Ontario Inc. ⁽³⁾ | \$ 1,575,998 | \$ 1,380,071 |
| Seeley Holdings Ltd. ⁽⁶⁾ | 615,958 | 607,801 |
| Rainer Beteiligungsgesellschaft ⁽⁷⁾ | 71,616 | 70,673 |
| Shareholder loans to unrelated parties | 109,150 | 107,739 |
| | \$ 2,372,722 | \$ 2,166,284 |

(1) Steven Williams was the Chief Executive Officer of the Company until his resignation on August 25, 2020. 7312067 Canada Limited is controlled by Mr. Williams.

(2) Larry Seeley, Joachim Rainer and Jonathan Challis were directors of the Company at March 31, 2021 and December 31, 2020.

(3) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.

(4) Victor Wells is a director of the Company.

(5) Soner Koldas is the General Manager of Pasinex AS and Managing Director of Horzum AS.

(6) Seeley Holdings Ltd. is a company controlled by a family member of Larry Seeley, a director of the Company.

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

(8) 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.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2021

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Unaudited

12. Related party balances and transactions (continued)

To the knowledge of the directors and officers of the Company, as at March 31, 2021, 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 % |

13. Segmented information

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

| | As at March 31, 2021 | As at December 31, 2020 |
|---|----------------------------|-------------------------------|
| Non-current assets by geographic segment | | |
| Turkey | \$ 644,022 | \$ 666,936 |
| United States | 1,307,832 | 1,343,194 |
| | \$ 1,951,854 | \$ 2,010,130 |

| | As at March 31, 2021 | As at December 31, 2020 |
|---|----------------------------|-------------------------------|
| Total assets by geographic segment | | |
| Turkey | \$ 661,211 | \$ 686,082 |
| Canada | 104,958 | 84,805 |
| United States | 1,307,832 | 1,343,194 |
| | \$ 2,074,001 | \$ 2,114,081 |

| Three Months Ended March 31, 2021 | Canada | Turkey | United States | Total |
|-----------------------------------|--------------|-----------|---------------|--------------|
| Equity gain from joint venture | \$ - | \$ 32,232 | \$ - | \$ 32,232 |
| Net loss | \$ (230,736) | \$ 61,603 | \$ (40,513) | \$ (209,646) |

| Three Months Ended March 31, 2020 | Canada | Turkey | United States | Total |
|-----------------------------------|--------------|-------------|---------------|--------------|
| Equity gain from joint venture | \$ - | \$ 3,298 | \$ - | \$ 3,298 |
| Net loss | \$ (321,724) | \$ (30,790) | \$ (43,934) | \$ (396,448) |

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

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14. Subsequent events

(a) Subsequent to March 31, 2021, the Company received \$115,000 from additional related party loans.

(b) Subsequent to March 31, 2021, the Company issued 8,500,000 common share purchase options to the Board and management of the Company. The options are exercisable at a price of \$0.04 per share for a period of five years from the issue date of April 30, 2021.