Pasinex Resources Limited

Management's Discussion & Analysis
For the Three and Six Months Ended June 30, 2021 and 2020
Discussion dated: August 25, 2021

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three and six months ended June 30, 2021, 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, 2020. 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, 2020 and 2019, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021, 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, the information contained herein is presented as of August 25, 2021, 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's 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.

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 are 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.

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, counterparty 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". The head office, principal address and registered and records office of the Company is 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 ("Pasinex Arama"). 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").

Selected Quarterly Consolidated Information

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Financial:				
Equity gain from Horzum AS	**$ -**	$ -	**$ 32,232**	$ 3,298
Adjusted equity gain (loss) from Horzum AS [1]	**$ 241,313**	$ (26,257)	**$ 234,981**	$ 145,778
Dividend received from investment in Horzum AS	**$ -**	$ -	**$ 32,232**	$ 3,298
Consolidated net loss	**$ (595,616)**	$ (295,958)	**$ (805,262)**	$ (692,406)
Adjusted consolidated net loss [1]	**$ (373,448)**	$ (288,554)	**$ (636,727)**	$ (482,343)
Basic and diluted net loss per share	**$ (0.01)**	$ -	**$ (0.01)**	$ -
Cash used in operating activities	**$ 106,710**	$ 210,568	**$ 341,253**	$ 394,220
Weighted average shares outstanding	**144,554,371**	144,554,371	**144,554,371**	144,554,371

As at:	**June 30 2021**	**December 31 2020**
Total assets	**$ 2,013,312**	$ 2,114,081
Total liabilities	**$ 3,801,136**	$ 3,454,502
Total shareholders' deficiency	**$ (1,787,824)**	$ (1,340,421)

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Horzum AS operational data (100% basis):				
Zinc product mined (wet) tonnes	**2,676**	2,850	**5,256**	6,647
Zinc product sold (wet) tonnes	**2,287**	3,713	**4,659**	5,645
Zinc oxide product sold grade	**34%**	30%	**32%**	30%
Zinc sulphide product sold grade	**40%**	N/A	**40%**	N/A
Gross margin [1]	**50%**	17%	**35%**	11%
CAD cost per tonne mined [1]	**$ 319**	$ 323	**$ 373**	$ 312
USD cash cost per pound of zinc mined [1]	**$ 0.35**	$ 0.34	**$ 0.43**	$ 0.35

(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 from Horzum AS or any contributions to Horzum AS made by Pasinex and decreases when dividends are paid.

Highlights

Financial and Operational

- For the three and six months ended June 30, 2021, Pasinex incurred a net loss of approximately $595,000 and $805,000, respectively, compared with a net loss of approximately $295,000 and $ 692,000 for the three and six months ended June 30, 2020, respectively. The year over year increases in net loss for both the three and six months ended June 30, 2021, are the result of higher share-based payments and interest expense, which are offset by lower exploration and general and administrative expenses and the recognition of a recovery of the Horzum AS receivable in 2021 versus an impairment in 2020.

- The adjusted consolidated net loss (see non-GAAP measures) was approximately $466,000 and $729,000 for the three and six months ended June 30, 2021, compared with an adjusted consolidated net loss of approximately $289,000 and $482,000 for the same periods in 2020. The adjusted equity gain (see non-GAAP measures) was approximately $148,000 and $142,000 for the three and six months ended June 30, 2021, compared with a adjusted equity loss of approximately $26,000 for the three months ended June 30, 2020 and an adjusted equity gain of approximately $146,000 for the six months ended June 30, 2020. These non-GAAP measures reflect the Company's results without recording the impairment charges and foreign currency impact related to the Akmetal receivable.

- The operating income in Horzum AS increased for both the three and six months ended June 30, 2021, when compared with the prior period, primarily as a result of achieving better margins because of realizing substantially higher sales prices. These increases were offset by slightly higher cost of goods sold per tonne mined in 2021, which includes costs related to the development of the fourth adit, from which no ore product was mined and sold in the first two quarters of 2021. The gross margin (see non-GAAP measures) for the three and six months ended June 30, 2021, increased to 50% and 35%, respectively, from 17% and 11% for the same periods in 2020.

- Horzum AS was able to resume the advancement of the fourth adit late in June, which was sooner than what was previously disclosed. Horzum AS encountered sulphide ore product at 393 metres of the development of the fourth adit, which is approximately 30 metres sooner than it had originally expected. Horzum AS has continued the development of the fourth adit subsequent to the end of the second quarter and has now reached 448 metres in length.

- Zinc sulphide ore product has been encountered in multiple directions. An underground drill has been mobilized and will be drill testing in all directions at expected drill hole lengths of between 100 metres to 200 metres. At the date of this MD&A they had interested zinc sulphide ore product in all three of the drill holes that had been tested so far. Analysis of these drill results is ongoing.

- In total, Horzum AS completed a total of approximately 4,200 metres of underground and surface diamond core drilling and 800 metres of exploration and development adits during the first two quarters of 2021.

- Subsequent to the quarter end, Pasinex Arama applied to MAPEG, the Turkish Mining Department, to convert its exploration status license at its Akkaya property to operational status and for Horzum AS to convert its pre-exploration status license at the Mahyalar property to exploration status. Pasinex Arama has been informed that the Akkaya license application was approved and is awaiting final receipt of the official license documentation.

- In December 2020, Horzum AS restructured its tax liabilities that were due as of August 31, 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 equal instalments. Akmetal has paid on behalf of Horzum AS certain of the instalments due in 2021. The total amount paid to June 30, 2021, is approximately (TRY) 7.1 million Turkish Lira, which is equivalent to approximately $5.0 million Canadian dollars using the exchange rates on the dates of the payments.

- The Company received $165,000 during the second quarter of 2021, $340,000 for the six months ended June 30, 2021, and $70,000 subsequent to the quarter end from shareholder loans.

Pinargozu Operations Update (100% basis)

- Horzum AS mined 2,675 tonnes of zinc product in the second quarter of 2021 bringing the total to 5,256 tonnes of zinc product mined for the six months ended June 30, 2021, at the Pinargozu mine. The compares to 2,850 tonnes and 6,647 tonnes of zinc product in the same periods in 2020. Mine production has decreased in 2021 due to limited available ore product and a focus on the development of the fourth adit. Mined tonnes for the quarter and year-to-date are below previously issued guidance for 2021. As a result of the development delays related to the groundwater in the fourth adit and lower production year-to-date, the Company lowered its annual production estimate.
- Sales volumes decreased in the three and six months ended June 30, 2021 compared with the same periods in 2020 primarily as the result of having lower available tonnes to sell as a production was lower. Horzum AS did adopt a process of selling its zinc product on a more frequent smaller batch basis than in the past.
- Sales prices per tonne on a USD basis improved by approximately 77%, for zinc oxide product, and 140%, for zinc sulphide product, on average during 2021 compared with 2020. The same percentage increases on a CAD basis were slightly lower at 62% and 92%, respectively, due to the decrease in the value of the USD compared to the CAD year over year.
- The average grade of the zinc oxide product sold was increased to 32% in the six months ended June 30, 2021, compared with 30% in the same period in 2020.
- The USD cash cost per pound of zinc product mined (see non-GAAP measures) was US$0.43 per pound in the six months ended June 30, 2021, compared with US$0.35 per pound in the same period in 2020. This metric was negatively impacted in 2021 compared with 2020, by the USD:CAD exchange rate and also by the number of tonnes mined. It was helped slightly by better grades having been achieved in 2021.
- Mine production at the Pinargozu mine has continued on a two-shift basis throughout the first two quarters of 2021 and all of 2020 notwithstanding the negative impacts of the Covid-19 pandemic. Management expects that it will be able to continue on a two-shift basis in the remainder of 2021.

Going Concern

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 June 30, 2021, the Company has a net equity deficit of $12,724,766 (December 31, 2020 – $11,919,504) and has a working capital deficiency position of $3,666,773 (December 31, 2020 – working capital deficiency position of $3,310,551). The Company for the six months ended June 30, 2021, had a net loss of $805,262 (six months ended June 30, 2020 – net loss of $692,406) and negative cash flows from operations of $456,000 for the six months then ended (six months ended June 30, 2020 – negative cash flows from operations of $394,220) 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 June 30, 2021, Horzum AS has a receivable owing from Akmetal of approximately $33 million.

Pasinex Arama received $32,232 in dividend payments from Horzum AS for the six months ended June 30, 2021, compared with $3,298 in the six months ended June 30, 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 certain of the restructured tax liabilities.

Management has been working with Akmetal and the Kurmel 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. Receipt of the Akmetal receivable would provide significant cash flow to Pasinex through additional dividends.

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 six months ended June 30, 2021, the Company received net shareholder advances of $340,000. 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.

Review of Quarterly Consolidated Financial Statements

Three and Six Months Ended June 30, 2021 and 2020

The following is a summary income statement for Pasinex:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Equity gain from Horzum AS	**$ -**	$ -	**$ 32,232**	$ 3,298
Recovery (Impairment) of Horzum AS receivable	**19,145**	(33,661)	**34,213**	(67,583)
Exploration costs	**(37,346)**	(43,966)	**(77,859)**	(87,899)
General and administration costs	**(208,538)**	(200,548)	**(370,481)**	(467,382)
Interest expense	**(34,153)**	(21,375)	**(65,591)**	(39,591)
Share-based payments	**(323,000)**	-	**(323,000)**	(28,500)
Other income	**550**	2,739	**24,237**	6,549
Foreign exchange (loss) gain	**(12,274)**	853	**(59,013)**	(11,298)
Net loss	**$ (595,616)**	$ (295,958)	**$ (805,262)**	$ (692,406)

- Equity gain from Horzum AS represents the value of dividends received by Pasinex Arama from the Company's 50% owned joint venture, 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.*

- Pasinex Arama recorded a recovery of its receivable from Horzum AS totaling $19,145 and $34,213 in the three and six months ended June 30, 2021, respectively, compared with impairment charges of $33,661 and $67,583 for the three and six months ended June 30, 2020, respectively. The impairment was recorded to reflect the uncertainty of the collectability of the receivable from Horzum AS. The recovery is recorded when the amount of funds received by Pasinex Arama, from Horzum AS, exceeds the amounts Pasinex Arama charges to Horzum AS in management fees. Pasinex Arama received payments from Horzum AS, totaling TRY 337,000 and TRY

637,000 for the three and six months ended June 30, 2021, respectively, compared with billings to Horzum AS of TRY 206,000 and TRY 418,000 for the three and six months ended June 30, 2021, respectively. In the three and six months ended June 30, 2020 the total amount billed by Pasinex Arama to Horzum AS was approximately TRY190,000 and TRY 480,000, respectively, versus amounts received totalling TRY nil and TRY 170,000, respectively.

- Exploration costs represent consulting at the Gunman Project.

Pasinex general and administration costs include the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
General and administration costs				
Advertising and promotion	**$ -**	$ 369	**$ -**	$ 392
Consulting fees	**48,965**	92,198	**100,352**	165,862
Investor relations	**13,323**	1,216	**13,323**	1,568
Management fees and salaries	**35,204**	51,024	**69,818**	102,946
Office and general	**18,063**	8,886	**28,998**	20,798
Professional fees	**81,329**	42,147	**127,935**	122,656
Transfer agent and regulatory fees	**3,787**	5,036	**11,984**	26,441
Travel and meals	**6,867**	3,728	**15,933**	23,158
Other	**1,000**	(4,056)	**2,138**	3,561
	$ 208,538	$ 200,548	**$ 370,481**	$ 467,382

- In general, Pasinex has reduced its overall spend on all general and administrative costs during the three and six months ended June 30, 2021, compared with the same periods in 2020 in order to conserve cash, except that increased professional fees were incurred related to tax matters. In addition, the Company incurred costs related to updating its website.

- Consulting fees for both years were largely due to costs incurred in conjunction with the management of its Turkish operations. Management fees and salaries decreased in 2021 compared to 2020 as the Company's former CEO resigned in the third quarter of 2020 and was not replaced. In total, general and administrative costs decreased by $96,901 or 21% year over year.

Interest Expense

- Interest expense increased as a result of increased shareholder loans needed to fund the ongoing expenses of the Company.

Pasinex share-based payments are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Share-based payments	**$ 323,000**	$ -	**$ 323,000**	$ 28,500

Stock options issued:

- On April 30, 2021, 8,500,000 stock options were granted to employees, directors and consultants of the Company at an exercise price of $0.04 per stock option, expiring April 30, 2026. The stock options vested immediately. The fair value of the stock options at the date of grant of $323,000 was estimated using the Black Scholes valuation model with the following assumptions: a five-year expected term; a 184% expected volatility based on historical trends; risk free interest rate of 0.93%; share price at the date of grant of $0.04; and an expected dividend yield of 0%. The fair value was expensed during the three months ended June 30, 2021.

- 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.

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Tonnes mined (wet)	**2,676**	2,850	**5,256**	6,647
Tonnes sold (wet):				
Zinc oxide product	**1,588**	3,568	**3,960**	5,500
Zinc sulphide product	**699**	-	**699**	-
Lead product	**-**	145	**-**	145
	2,287	3,713	**4,659**	5,645
Average grades for tonnes sold:				
Zinc oxide product	**34%**	30%	**32%**	30%
Zinc sulphide product	**40%**	N/A	**40%**	N/A
CAD cost per tonne mined [(1)]	**$ 319**	$ 323	**$ 373**	$ 312
USD cash cost per pound of zinc product mined [(1)]	**$ 0.35**	$ 0.34	**$ 0.43**	$ 0.35

(1) See non-GAAP measures

Operating results

Horzum AS mined 2,676 tonnes and 5,256 tonnes for the three and six months ended June 30, 2021, respectively, versus 2,850 tonnes and 6,647 tonnes for the three and six months ended June 30, 2020, respectively. Mine production at Pinargozu decreased in 2021 due to limited available ore product and a focus on the development of the fourth adit. Development of the fourth adit was slowed during the current quarter due to water issues. Production in 2021 included 4,300 tonnes of zinc oxide product and 956 tonnes of zinc sulphide product.

Sales volumes decreased in the second quarter of 2021 compared with the same period in 2020 from 3,713 tonnes in 2020 to 2,287 tonnes in 2021. The decrease in tonnes sold is simply a function of ore availability. In 2021, Horzum AS adopted a process of selling its zinc product on a more frequent smaller batch basis than in the past. This has allowed for more consistent cash flow.

The average grade of the zinc oxide product sold was increased to 32% in the six months ended June 30, 2021, compared with 30% in the same period in 2020.

The CAD cost per tonne mined (see non-GAAP measures) was $373 in the six months ended June 30, 2021, compared with $312 in the same period in 2020. The average cost per tonne was higher during 2021 as a result of having mined approximately 21% fewer tonnes in 2021 compared with 2020.

The USD cash cost per pound of zinc product mined (see non-GAAP measures) was US$0.43 per pound in the six months ended June 30, 2021, compared with US$0.35 per pound in the same period in 2020. This metric was negatively impacted in 2021 compared with 2020, by the USD:CAD exchange rate and also by the number of tonnes mined. It was helped slightly by better grades having been achieved in 2021.

Financial results

Below are the statements of operation for Horzum AS for the three and six months ended June 30, 2021 and 2020 with a reconciliation to the Company's equity gain as shown on the Pasinex consolidated financial statements.

(100% basis Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Revenue	**$ 1,662,460**	$ 1,415,378	**$ 2,995,419**	$ 2,262,577
Cost of sales	**(796,579)**	(1,180,416)	**(1,836,327)**	(1,643,506)
Selling, marketing and other distribution	**(36,318)**	(34,298)	**(91,949)**	(57,481)
Operating income	**829,563**	200,664	**1,067,143**	561,590
Impairment of Akmetal receivable	**(1,919,183)**	(8,063,355)	**(5,627,070)**	(5,299,808)
General and administration expenses	**(54,019)**	(32,456)	**(118,300)**	(86,706)
Foreign exchange gains	**2,032,978**	7,832,397	**6,467,555**	5,593,098
Finance expense	**(14,477)**	(17,852)	**(31,785)**	(148,258)
Other	**11,981**	365	**32,638**	763
	886,843	(80,237)	**1,790,181**	620,679
Income tax expense	**(214,338)**	(209,820)	**(272,857)**	(217,420)
Net profit (loss)	**$ 672,505**	$ (290,057)	**$ 1,517,324**	$ 403,259
Pasinex joint venture interest	**50%**	50%	**50%**	50%
Share of net loss	**336,253**	(145,029)	**758,662**	201,630
(Increase) decrease of prior year equity losses	**(336,253)**	145,029	**(758,662)**	(201,630)
Dividend received	**-**	-	**32,232**	3,298
Equity gain from Horzum AS	**$ -**	$ -	**$ 32,232**	$ 3,298

The table below shows further details on revenue:

(100% basis Canadian dollars)	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	Wet Tonnes	CAD	Wet Tonnes	CAD
Zinc oxide product sales	**1,588**	**$ 1,125,174**	3,568	$ 1,245,977
Zinc sulphide product sales	**699**	**533,903**	-	-
Lead product sales	**-**	**-**	145	106,803
Other sales	**-**	**3,383**	-	6,245
Final sales adjustments	**-**	**-**	-	56,353
Total revenue	**2,287**	**$ 1,662,460**	3,713	$ 1,415,378

(100% basis Canadian dollars)	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	Wet Tonnes	CAD	Wet Tonnes	CAD
Zinc oxide product sales	**3,960**	**$ 2,446,814**	5,500	$ 2,076,134
Zinc sulphide product sales	**699**	**533,903**	-	-
Lead product sales	**-**	**-**	145	106,803
Other sales	**-**	**9,046**	-	32,446
Final sales adjustments	**-**	**5,656**	-	47,194
Total revenue	**4,659**	**$ 2,995,419**	5,645	$ 2,262,577

Revenue

Sales volume for the quarter decreased as discussed above, see *Review of Horzum AS – Operating results*. Sales prices per tonne on a USD basis improved by approximately 77%, for zinc oxide product, and 140%, for zinc sulphide product, on average during 2021 compared with 2020. The same percentage increases on a CAD basis were 62% and 92%, respectively, due to the decrease in the value of the USD compared to the CAD year over year. The average USD sales price for the three months ended June 30, 2021, was US$573 per tonne for zinc oxide product and US$622 per tonne for zinc sulphide product. The average USD sales price for the six months ended June 30, 2021, was US$493 per tonne for zinc oxide product and US$622 per tonne for zinc sulphide product.

Costs of Sales

The cost of sales in the three months ended June 30, 2021, decreased in dollar terms when compared to the same period in 2020 primarily due to having sold fewer tonnes of zinc product. On a year-to-date basis the cost of sales was higher in 2021 compared with 2020 primarily because of the inclusion of costs related to the development of the fourth adit and the reduction of cost of sales in 2020 by an amount relating to a prior period. The US$ cash cost per pound of zinc produced, (see non-GAAP measures), was US$0.35 and US$0.43 per pound in the three and six months ended June 30, 2021, respectively, compared with US$0.34 and US$0.35 per pound in the three and six months ended June 30, 2020, respectively.

Operating Income

The operating income in Horzum AS increased in the three and six months ended June 30, 2021, compared with the same periods in 2020, as a result of the higher sales prices having been realized. The gross margin, (see non-GAAP measures), for the three and six months ended June 30, 2021, increased to 50% and 35%, respectively, from 17% and 11% in the three and six months ended June 30, 2020, respectively.

Impairment of Akmetal Receivable is described below *Akmetal Receivable*.

In 2018, the Company performed an assessment resulting in the recording of an impairment of the loan receivable from Akmetal as required by IFRS 9. For further discussion see *Review of Horzum AS – Akmetal Receivable*. The recording of the impairment does not represent the elimination of the loan receivable and as such the Company continues to expect full repayment of the loan receivable in due course. The impairment increased in the second quarter of 2021 primarily as a result of an increase in the loan resulting from an increase in the USD:TRY exchange rate.

Foreign Exchange Loss on Receivable

The functional currency of Horzum AS is the TRY. The foreign exchange gain in both 2021 and 2020 is a result of the revaluation of a portion of the Akmetal receivable, which is denominated in US dollars. The gains are the result of the significant decline in the value of the TRY relative to the US dollar during both 2021 and 2020.

Income Tax Expense

The statutory rate for income taxes in the first quarter of 2021 was 20% but was increased to 25% in the second quarter of 2021. The increase to 25% then applied to all income for the year including the first quarter. This compared with a rate of 22% in 2020. 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 June 30**		**Six Months Ended June 30**	
	2021	**2020**	**2021**	**2020**
Income (loss) before income tax expense	**$ 886,843**	$ (80,237)	**$ 1,790,181**	$ 620,679
Statutory tax rate	25%	22%	25%	22%
Expected income tax (expense) recovery	**(221,711)**	17,652	**(447,545)**	(136,549)
Non deductible expenses	**(723)**	(61,990)	**(1,072)**	(62,231)
Impact of increase in tax rate	**(45,166)**	-	**-**	-
Tax expense not recognized on impairment of Akmetal receivable	**53,262**	(165,482)	**175,760**	(18,639)
Income tax expense	**$ (214,338)**	$ (209,820)	**$ (272,857)**	$ (217,419)

Recognition of Prior Year Equity Losses

In the fourth quarter of 2018 an impairment of the Akmetal receivable was recorded. Since the joint venture is equity accounted and because the impairment was so large, the equity loss was capped in the fourth quarter of 2018 so that the investment would not be below zero. The unrecognized loss is to be applied against future equity gains beginning in 2019, if any.

Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis Canadian dollars)	**As at June 30, 2021**	**As at December 31, 2020**
Assets		
Cash and prepaid expenses	**$ 18,274**	$ 16,095
Akmetal receivable	**33,148,184**	33,862,790
Less - discount and allowance on Akmetal receivable	**(33,148,184)**	(33,862,790)
Trade receivables - other	**15,981**	1,140
Other current assets	**138,112**	400,192
Inventory	**273,842**	159,972
Non current assets	**703,001**	921,746
Total assets	**$ 1,149,210**	$ 1,499,145
Liabilities		
Amounts due to shareholders and related parties	**$ 1,654,183**	$ 2,060,204
Other liabilities	**6,280,654**	9,226,203
Total liabilities	**7,934,837**	11,286,407
Shareholders' deficiency	**(6,785,627)**	(9,787,262)
Total liabilities and shareholders' deficiency	**$ 1,149,210**	$ 1,499,145

Akmetal Receivable

The total receivable from Akmetal is approximately $33 million as at the end of June 30, 2021, compared with approximately $34 million at December 31, 2020. The receivable consists of several 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; less the value of ongoing operating expenses paid by Akmetal. Virtually all the current outstanding receivable arose during 2017 to 2019 with only a small increase in 2020 and 2021. The Canadian dollar equivalent of the receivable decreased in the six months ended June 30, 2021, from the end of 2020 due to the rise of the Canadian dollar relative to the Turkish Lira.

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 $4.6 million in current liabilities and a working capital deficiency of approximately $4.2 million. Included within the total current liabilities are $0.6 million owed in trade payables ($1.2 million at December 31, 2020), $1.7 million owed to the Company's wholly owned subsidiary in Turkey ($2.1 million at December 31, 2020) and $2.0 million in various taxes payable ($2.5 million at December 31, 2020). Due to the tax restructuring $3.3 million of the taxes payable has been classified as non-current ($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.

Amounts Due to Shareholders

Amounts due to shareholders and related parties include the dividend payable to Pasinex Arama of $1.53 million (approximately TRY10.7 million) ($2.08 million - approximately TRY 10.9 million at December 31, 2020) along with amounts owed to Pasinex Arama for services performed by Pasinex Arama.

Other Liabilities

Other 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 a zinc price escalator. The decrease in other liabilities at June 30, 2021, compared with December 31, 2020 is due to the rise of the Canadian dollar relative to the Turkish Lira.

The following are a summary of the restructured tax liabilities included in Other Liabilities.

	(100% basis Canadian Dollars)		***(100% basis Turkish Lira)***		
	As at June 30, 2021	**As at December 31, 2020**	**As at June 30, 2021**	**Payments Made**	**As at December 31, 2020**
Restructuring					
#1	**$ 3,683,603**	**$ 5,313,671**	**$ 25,849,682**	**$ (5,169,937)**	$ 31,019,619
#2	**500,776**	**722,379**	**3,514,193**	**(702,839)**	4,217,032
#3	**210,326**	**303,399**	**1,475,960**	**(295,192)**	1,771,152
#4	**-**	**55,799**	**-**	**(325,739)**	325,739
#5	**633,914**	**857,320**	**4,448,488**	**(556,287)**	5,004,775
#6	**21,097**	**28,548**	**148,047**	**(18,606)**	166,653
Total restructurings	**$ 5,049,716**	**$ 7,281,116**	**$ 35,436,370**	**$ (7,068,600)**	$ 42,504,970

In December 2020, Horzum AS restructured its tax liabilities that were due as at August 31, 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 equal instalments. Akmetal has paid on behalf of Horzum AS certain of the instalments due in 2021. The total amount paid to June 30, 2021, is approximately (TRY) 7.1 million Turkish Lira, which is equivalent to approximately $1.1 million Canadian dollars using the exchange rates on the dates of the payments. The joint venture did not make any instalment payments that were due under the restructuring agreements subsequent to the end of the second quarter. As part of the tax restructuring agreements the joint venture is permitted to miss two instalments, per each restructuring agreement, during each year of the restructuring agreements three-year life. Horzum AS has missed one instalment for each of the restructuring agreements to the date of this MD&A, totaling (TRY) 2.3 million Turkish Lira, except for the restructuring that has been fully repaid. Horzum AS is therefore still in compliance with each of the tax restructuring agreements. Any missed instalments will become due and payable at the end of the month following the date of the last payment date of the restructuring. An additional requirement to remain in compliance with the restructuring agreements is that all current taxes from September 1, 2020, onward must be paid when they become due. As of the date of this MD&A, Horzum AS made all of these required payments.

Shareholders' Deficiency

The decrease in deficit at June 30, 2021, compared with December 31, 2020 is primarily due to exchange differences during 2020.

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 approximately US$1.75 million to this customer, as at June 30, 2021 (approximately $2.17 million using the June 30, 2021 spot rate and approximately $2.32 million using the December 31, 2020 spot rate).

Expectations for 2021

(100% basis)	**Guidance for the Year Ended December 31, 2021**	
	Wet Tonnes	**Grade**
Zinc oxide product mined	**7,000 to 10,000**	**28% to 32%**
Zinc sulphide product mined	**4,000 to 6,000**	**42% to 48%**
	11,000 to 16,000	
CAD cost per tonne mined		$450 - $500

- Due to the delay of the fourth adit caused by groundwater, production guidance for 2021 will need to be revised downward to between 7,000 and 10,000 tonnes of oxide product and between 4,000 and 6,000 tonnes of sulphide product. Zinc oxide product guidance remains the same, but zinc sulphide product guidance has been lowered from the previous guidance of 7,000 to 9,000 tonnes. Oxide product mined will predominantly come from currently developed areas while the sulphide product will be mined in newly developed areas from the fourth adit and the 625-metre level.

- Mine production at the Pinargozu mine has continued on a two-shift basis throughout the second quarter of 2021 and all of 2020 notwithstanding the negative impacts of the Covid-19 pandemic. Management expects that it will be able to continue on a two-shift basis in 2021. Horzum AS mined 2,675 tonnes of zinc product in the second quarter of 2021 bringing the total to 5,256 tonnes of zinc product mined for the six months ended June 30, 2021.

- Development of the fourth adit was stopped after reaching approximately 370 metres in the first quarter of 2021 due to safety concerns after encountering large volumes of groundwater. As previously disclosed, this was expected and Horzum AS had started to dewater the area in order to be able to continue the adit development. The dewatering process was slowed with spring rains having increased the volume of groundwater. The Company had originally expected to be completed by the end of May 2021.

- Horzum AS was able to resume the advancement of the fourth adit late in June, which was sooner than what was previously disclosed. The Company has completed additional geoelectrical and hydrogeological studies to help determine the source of the water and will be analyzing those results in the coming weeks.

- Horzum AS encountered sulphide ore product at 393 metres of the development of the fourth adit, which is approximately 30 metres sooner than it had originally expected. Horzum AS has continued the development of the fourth adit subsequent to the end of the second quarter and has now reached 448 metres in length. They are now well beyond where it is believed the water source, that was causing the groundwater issues, originated. There is no expectation that groundwater will be an issue in the current development of the fourth adit and exploration drilling in the area.

- Zinc sulphide ore product has been encountered in multiple directions. An underground drill has been mobilized and will be drill testing in all directions at expected drill hole lengths of between 100 metres to 200 metres. At the date of this MD&A they had interested zinc sulphide ore product in all three of the drill holes that had been tested so far. Analysis of these drill results is ongoing.

- The de-watering process at the fourth adit has enabled Horzum AS to conduct further exploratory drilling at the 625-meter level. Horzum AS encountered zinc sulphide at the 625-metre level and started to successfully mine zinc sulphide product in that area in the first quarter of 2021. Horzum AS has continued to mine additional sulphide ore product from this level during the second quarter of 2021. The zinc sulphide product is expected to contain a grade of between 40% to 60% zinc. The ground between the 625-metre level and the 541-metre level has had little exploration to date with the potential below the 541-metre level completely unknown. The fourth adit will allow this area to be drilled from underground and will enable the depth potential to be better delineated.

- In total, Horzum AS completed a total of approximately 4,200 metres of underground and surface diamond core drilling and 800 metres of exploration and development adits during the first two quarters of 2021.

- Subsequent to the quarter end, Pasinex Arama applied to MAPEG, the Turkish Mining Department, to convert its exploration status license at its Akkaya property to operational status and for Horzum AS to convert its pre-exploration status license at the Mahyalar property to exploration status. Pasinex Arama has been informed that the Akkaya license application was approved and is awaiting final receipt of the official license documentation.

- 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.

Pasinex is strongly leveraged to the zinc price and so management continuously monitors the global zinc market. The zinc price averaged US$1.28 per pound during the first six months of 2021 compared with US$0.93 per pound for the same period in 2020. The average for the second quarter of 2021 was US$1.33. The increase in the second quarter is the fourth consecutive quarterly price increase dating back to the third quarter of 2020. The May and June highs per pound have not been experienced since the first half of 2018.

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. The USD / TRY exchange rate had a substantial move higher in the past few years and continued this upward trend in the second quarter of 2021. The average rate for the three months ended June 30, 2021, was 8.4 compared with an average of 6.9 in the same period in 2020. The average rate per quarter progressed from 6.1 in the first quarter of 2020 to 7.9 in the fourth quarter of 2020, with increases to an average of 7.4 in the first quarter of 2021 and 8.4 in the second quarter. 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 10.7 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 June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Cash used in operating activities				
Before changes in working capital	**$ (141,861)**	$ (239,262)	**$ (366,231)**	$ (557,055)
Dividend from Horzum AS	**-**	-	**32,232**	3,298
Changes in working capital	**35,151**	28,694	**(7,254)**	159,537
	(106,710)	(210,568)	**(341,253)**	(394,220)
Cash used in investing activities	**209**	(3,921)	**(2,642)**	10,691
Cash received from financing activities	**165,000**	230,000	**340,000**	425,500
Effect of foreign currencies	**(83,543)**	3,468	**1,864**	(17,223)
Net change in cash	**(25,044)**	18,979	**(2,031)**	24,748
Opening cash balance	**69,041**	36,403	**46,028**	30,634
Closing cash balance	**$ 43,997**	$ 55,382	**$ 43,997**	$ 55,382

Cash used in operating activities before changes in working capital for the three and six months ended June 30, 2021, decreased when compared with the same period in 2020 in line with the decrease in general and administration costs.

The dividend received from Horzum AS, represents a portion of the dividend declared in 2018. The dividend received increased to $32,232 (TRY200,000) in the six months ended June 30, 2021 compared with $3,298 (TRY 15,000) in the same period in 2020. As at the end of June 30, 2021, $1.5 million (TRY10.7 million) remains to be collected from Horzum AS compared with $1.9 million at December 31, 2020 (TRY10.9 million). The Canadian dollar equivalent of the amount receivable was negatively impacted by the rise of the Canadian dollar relative to the Turkish Lira.

The change in working capital between periods is largely a function of the timing of payable payments relating to accounts payable, accrued liabilities and amounts due to related parties. The change in the second quarter of 2021 is due to a decrease in related party amounts offset by a small increase in accounts payable.

Cash received from shareholder loans was $340,000 during the six months ended June 30, 2021. Subsequent to the quarter end, the Company received an additional $70,000 from shareholders.

Commitments

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.

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 are as follows:

To acquire an initial 51% of the Gunman Project:

- In December 2017, 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$711,000 to June 30, 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) 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.

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 June 30, 2021, the Company has a net equity deficit of $12,724,766 (December 31, 2020 – $11,919,504) and has a working capital deficiency position of $3,666,773 (December 31, 2020 – working capital deficiency position of $3,310,551). The Company for the six months ended June 30, 2021, had a net loss of $805,262 (six months ended June 30, 2020 – net loss of $692,406) and negative cash flows from operations of $456,000 for the six months then ended (six months ended June 30, 2020 – negative cash flows from operations of $394,220) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

See Going Concern above for additional discussion related to the financial condition of the Company.

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 Gunman 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 are becoming 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, the Company has 144,554,371 issued and outstanding common shares and an aggregate of 11,750,000 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 favorable 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 June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Management fees and salaries	**$ 34,850**	$ 51,000	**$ 69,050**	$ 97,469
Consulting fees	**39,417**	60,590	**80,928**	106,418
Share-based payments	**323,000**	-	**323,000**	28,500
Interest expense on shareholder loans	**34,153**	21,375	**65,591**	39,591
	$ 431,420	$ 132,965	**$ 538,569**	$ 271,978

	Accrued Liabilities		Shareholder Loans	
	As at June 30, 2021	**As at December 31, 2020**	**As at June 30, 2021**	**As at December 31, 2020**
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	**1,764,522**	1,380,071
Victor Wells [2]	**78,000**	66,000	**-**	-
Soner Koldas [4]	**95,124**	97,718	**-**	-
Seeley Holdings Ltd. [5]	**-**	-	**624,206**	607,801
Rainer Beteiligungsgesellschaft [6]	**1,793**	1,905	**72,569**	70,673
2192640 Ontario Inc. [7]	**30,236**	32,673	**-**	-
Shareholder loans to unrelated parties	**-**	-	**110,578**	107,739
	$ 488,102	$ 506,245	**$ 2,571,875**	$ 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, Jonathan Challis and Victor Wells were directors of the Company at June 30, 2021 and December 31, 2020.
(3) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.
(4) Soner Koldas is the General Manager of Pasinex AS and the Managing Director of Horzum AS.
(5) Seeley Holdings Ltd. is a company controlled by a family member of Larry Seeley, a director of the Company.
(6) Rainer Beteiligungsgesellschaft is owned by Joachim Rainer a director of the Company.
(7) 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 June 30, 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%**

Selected Consolidated Quarterly Financial Data

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

	Three Months Ended							
	Jun 2021	**Mar 2021**	**Dec 2020**	**Sept 2020**	**Jun 2020**	**Mar 2020**	**Dec 2019**	**Sept 2019**
Financial:								
Equity gain (loss) from Horzum AS	**$ -**	$ 32,232	$ -	$ -	$ -	$ 3,298	$ -	$ 135,701
Adjusted equity gain (loss) from Horzum AS [(1)]	**$ 148,328**	$ 598,869	$ (83,836)	$ 101,173	$ (26,257)	$ 172,036	$ 2,502,731	$ 1,688,233
Consolidated net loss	**$ (595,616)**	$ (209,646)	$ (151,405)	$ (408,615)	$ (295,958)	$ (396,448)	$ (464,140)	$ (245,251)
Adjusted consolidated net income (loss) [(1)]	**$ (466,433)**	$ (263,279)	$ (251,307)	$ (330,985)	$ (288,554)	$ (193,788)	$ 2,038,591	$ 1,307,281
Basic and diluted net loss per share	**$ (0.01)**	**$ -**	$ -	$ (0.01)	$ -	$ -	$ (0.01)	$ -

(1) See non-GAAP measures.

The joint venture is equity accounted for. In 2018, the net loss of the joint venture was so large after the impairment of the Akmetal receivable was recorded that the equity loss was capped so the investment would not be below zero. In the above quarters, the equity gains represent dividends received from Horzum AS. The dividends received have not been consistent or predictable due to the cash flow issues at Horzum AS. Equity gains reduce the remaining equity loss that was recorded in 2018 and net losses increase the unrecorded equity loss.

Quarterly adjusted equity gains add back the impairment, net of foreign exchange and income tax impacts, to arrive at the equity gains achieved by the joint venture. Quarterly consolidated net income or loss has varied primarily due to the variability of the equity gain or loss recorded from the joint venture. A general reduction in general and administrative costs along with a reduction in exploration costs has reduced the consolidated net loss during the first and second quarters of 2021 when compared to prior quarters. The reduction in general and administrative costs has contributed to a general decline in the consolidated net loss through the quarters in 2020. The third quarter of 2020 included a one-time lump sum payment to the former CEO of the Company. The quarterly adjusted consolidated net income or loss variability is primarily due to the variability of the adjusted equity gain or loss as described above.

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 June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Reconciliation of adjusted equity gain (loss):				
Equity gain (loss) as per Pasinex statement of loss	**$ -**	$ -	**$ 32,232**	$ 3,298
Add back from Horzum AS statement of operation:				
50% of (recovery) impairment of Akmetal receivable	**959,592**	4,031,678	**2,813,536**	2,649,904
50% of foreign exchange gain on receivable	**(1,001,269)**	(3,912,906)	**(3,161,457)**	(2,705,755)
Income tax effect of above add backs	**(53,262)**	-	**(175,760)**	-
Recognition of prior year equity losses (gains)	**243,268**	(145,029)	**665,677**	201,630
Receipt of dividend recorded as equity gain	**-**	-	**(32,232)**	(3,298)
Adjusted equity gain (loss)	**$ 148,328**	$ (26,257)	**$ 141,996**	$ 145,779

Adjusted consolidated net loss

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Reconciliation of adjusted consolidated net loss:				
Net loss as per Pasinex statement of income	**$ (595,616)**	$ (295,958)	**$ (805,262)**	$ (692,406)
Add back (deduct):				
(Recovery) impairment of Horzum AS receivable	**(19,145)**	33,661	**(34,213)**	67,583
Equity gain from Horzum AS	**-**	-	**(32,232)**	(3,298)
Adjusted equity gain	**148,328**	(26,257)	**141,996**	145,778
Adjusted consolidated net loss	**$ (466,433)**	$ (288,554)	**$ (729,712)**	$ (482,343)

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 June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Reconciliation of cost per tonne mined				
Cost of sales per Horzum income statement	**$ 796,579**	$ 1,180,416	**$ 1,836,327**	$ 1,643,506
Cost of sales adjustments related to a prior period	**-**	-	**-**	249,073
Cost of sales related to other items	**-**	(2,252)	**-**	(23,088)
Inventory change	**58,087**	(256,967)	**125,416**	201,958
	$ 854,666	$ 921,197	**$ 1,961,743**	$ 2,071,449
Tonnes mined	**2,676**	2,850	**5,256**	6,647
CAD Cost per tonne mined	**$ 319**	$ 323	**$ 373**	$ 312

US$ cash cost per pound of zinc product 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 June 30		Six Months Ended June 30	
		2021	**2020**	**2021**	**2020**
Reconciliation of US$ cash cost per pound of zinc product mined					
Cost of sales per Horzum income statement adjusted for cost of sales adjustments and inventory change		**$ 854,666**	$ 921,197	**$ 1,961,743**	$ 2,071,449
Less - sales of lead product		**-**	(106,803)	**-**	(106,803)
		854,666	814,394	**1,961,743**	1,964,646
Translate to US$	A	**$ 695,982**	$ 587,628	**$ 1,570,036**	$ 1,439,196
Zinc tonnes mined (wet)		**2,676**	2,850	**5,256**	6,647
Zinc product grade mined		**36%**	30%	**34%**	30%
Moisture loss		**6%**	7%	**6%**	7%
Pounds of zinc mined	B	**1,983,685**	1,753,004	**3,659,910**	4,088,496
US$ cash cost per pound of zinc mined	A/B	**$ 0.35**	$ 0.34	**$ 0.43**	$ 0.35

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 June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Reconciliation of gross margin				
Operating income per Horzum AS income statement	**$ 829,563**	$ 200,664	**$ 1,067,143**	$ 561,590
Deduct other sales	**$ (3,383)**		**$ (9,046)**	
Adjust for final price adjustments for revenue and cost of goods sold related to other periods	**-**	(56,353)	**(5,656)**	(306,974)
Gross margin	**$ 826,180**	$ 144,311	**$ 1,052,441**	$ 254,616
Revenue (excluding price adjustments related to other periods and other sales)	**$ 1,659,077**	$ 856,358	**$ 2,980,717**	$ 2,215,383
Gross margin (gross margin / revenue)	**50%**	17%	**35%**	11%

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, 2020, 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.