PASINEX RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 and 2020

(EXPRESSED IN CANADIAN DOLLARS)

Management's Responsibility

To the Shareholders of Pasinex Resources Limited (the "Company"):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the Company's publicly filed information is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with both the Audit Committee and management to discuss their audit findings.

(signed)

Larry Seeley
Director

(signed)

Andrew Gottwald
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Pasinex Resources Limited:

Opinion

We have audited the consolidated financial statements of Pasinex Resources Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and other comprehensive loss, cash flows and shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(a) in the consolidated financial statements, which indicates that the Company reported a net loss during the year ended December 31, 2021 and, as of that date, the Company had a working capital deficiency and a net equity deficit. As stated in Note 3(a), these events or conditions, along with other matters as set forth in Note 3(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Isabella Lee.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 28, 2022 — Licensed Public Accountants

Pasinex Resources Limited

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		As at December 31,		
		2021		**2020**
Assets				
Current Assets				
Cash	$	**100,031**	$	46,028
Receivables		**9,894**		45,711
Due from related parties (note 5)		**893,350**		-
Prepaid expenses and deposits		**33,937**		12,212
Total current assets		**1,037,212**		103,951
Non-current assets				
Equipment		**6,015**		13,068
Value added tax receivable		**27,319**		59,204
Exploration and evaluation assets (note 7)		**1,801,222**		1,937,858
Total non-current assets		**1,834,556**		2,010,130
Total assets	$	**2,871,768**	$	2,114,081
Shareholders' deficiency and liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 8)	$	**683,634**	$	741,973
Due to related parties (note 15)		**382,674**		506,245
Shareholder loans (notes 9 and 15)		**2,774,106**		2,166,284
Loan payable (note 10)		**153,466**		-
Total current liabilities		**3,993,880**		3,414,502
Non-current liabilities				
Loan payable (note 10)		**-**		40,000
Total non-current liabilities		**-**		40,000
Total liabilities		**3,993,880**		3,454,502
Shareholders' deficiency				
Share capital (note 11)		**12,888,506**		12,888,506
Reserves		**2,100,117**		1,777,117
Deficit		**(12,049,182)**		(11,919,504)
Accumuated other comprehensive loss		**(4,061,553)**		(4,086,540)
Total shareholders' deficiency		**(1,122,112)**		(1,340,421)
Total liabilities and shareholders' deficiency	$	**2,871,768**	$	2,074,081

Basis of measurement and going concern (note 3(a))
Subsequent events (note 17)

Approved on behalf of the Board:

"Larry Seeley" Director   "Victor Wells" Director

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended December 31, 2021	2020
Equity gain from Horzum AS (note 6)	**$ 200,062**	$ 3,298
Expenses		
(Recovery) impairment of amounts due from Horzum AS (note 5)	**(969,380)**	27,974
Exploration costs	**137,418**	125,033
General and administrative costs (note 14)	**685,407**	991,569
Interest expense (notes 9, 10 and 15)	**141,288**	94,005
Share-based payments (notes 12 and 15)	**323,000**	28,500
Total expenses	**317,733**	1,267,081
Other income (loss)		
Other income	**29,989**	4,405
Foreign exchange (loss) gain	**(41,996)**	6,952
Total other (loss) income	**(12,007)**	11,357
Net loss for the year	**(129,678)**	(1,252,426)
Other comprehensive loss		
Item that will be reclassified subsequently to profit and loss:		
Currency translation adjustment	**24,987**	(49,468)
Total comprehensive loss for the year	**$ (104,691)**	$ (1,301,894)
Net loss per share - basic and diluted (note 13)	**$ 0.00**	$ (0.01)

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

	Years Ended December 31,	
	2021	**2020**
Operating activities		
Net loss for the year	**$ (129,678)**	$ (1,252,426)
Dividend from Horzum AS	**200,062**	3,298
Adjustments for items not involving cash:		
(Recovery) impairment of amounts due from Horzum AS (note 5)	**(893,350)**	27,974
Exploration costs (note 7)	**78,320**	-
Interest accrual (notes 9 and 10)	**141,288**	94,005
Share-based payments (notes 12 and 15)	**323,000**	28,500
Equity gain from Horzum AS	**(200,062)**	(3,298)
Foreign exchange	**130,022**	(6,952)
Other	**6,035**	3,328
Changes in non-cash working capital items:		
Prepaid expenses and deposits	**(31,988)**	25,341
Accounts payable and accrued liabilities	**(62,157)**	88,642
Due to related parties	**(85,728)**	164,867
Other	**44,202**	(6,621)
Net cash used in operating activities	**(480,034)**	(833,342)
Investing activities		
Exploration and evaluation assets (note 7)	**(25,679)**	(19,589)
Equipment acquisiton	**(3,929)**	(1,264)
Net cash (used in) provided by investing activities	**(29,608)**	(20,853)
Financing activities		
Cash received from shareholders loans (note 9)	**580,000**	905,500
Proceeds from loan payable (note 10)	**-**	40,000
Net cash provided by financing activities	**580,000**	945,500
Net change in cash	**70,358**	91,305
Effect of foreign currencies on cash	**(16,355)**	(75,911)
Cash, beginning of year	**46,028**	30,634
Cash, end of year	**$ 100,031**	$ 46,028

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited

Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	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)**	**$**	**(67,027)**
Share-based payments (notes 12 and 15)	-		-		28,500		-		-		28,500
Currency translation adjustment	-		-		-		-		(49,468)		(49,468)
Net loss for the year	-		-		-		(1,252,426)		-		(1,252,426)
Balance as at December 31, 2020	**144,554,371**	**$**	**12,888,506**	**$**	**1,777,117**	**$**	**(11,919,504)**	**$**	**(4,086,540)**	**$**	**(1,340,421)**
Share-based payments (notes 12 and 15)	-		-		323,000		-		-		323,000
Currency translation adjustment	-		-		-		-		24,987		24,987
Net loss for the year	-		-		-		(129,678)		-		(129,678)
Balance as at December 31, 2021	**144,554,371**	**$**	**12,888,506**	**$**	**2,100,117**	**$**	**(12,049,182)**	**$**	**(4,061,553)**	**$**	**(1,122,112)**

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

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 ("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") through its wholly owned subsidiary Pasinex Resources Nevada Limited ("Pasinex Nevada").

These consolidated financial statements were approved and authorized for issuance by the Audit Committee and Board of Directors on April 27, 2022.

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.

While operations were not materially impacted by COVID-19 in 2021, uncertainty remains surrounding COVID-19 and the extent and duration of the impacts that it may have on the Company's ability to operate on prices for zinc, on logistics and supply chains, on the Company's employees and on global financial markets. In Turkey, all employees have been vaccinated against COVID-19 by Horzum AS medical staff with approved vaccines and have been able to continue running two shifts throughout 2021, notwithstanding the restrictions and negative impacts caused by COVID-19.

Similar to COVID-19, the Company has not been materially impacted by the ongoing conflict in the Ukraine, but uncertainty remains surrounding the conflict and the extent and duration of the impacts that it may have on the Company's ability to operate, on prices for zinc, on logistics and supply chains, on the Company's employees and on global financial markets.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The policies in these consolidated financial statements are based on IFRS in effect as at December 31, 2021. Accounting policies are consistently applied to all years presented, unless otherwise stated.

2. Basis of presentation (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:

			Interest	
	Location	**Nature of Operation**	**2021**	**2020**
Pasinex Arama	Turkey	Mineral exploration	100%	100%
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:

			Interest	
	Location	**Nature of Operation**	**2021**	**2020**
Horzum AS	Turkey	Mining	50%	50%

3. Significant accounting policies

(a) 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 December 31, 2021, the Company has a net equity deficit of $12,049,182 (December 31, 2020 – $11,919,504) and has a working capital deficiency position of $2,956,668 (December 31, 2020 – working capital deficiency position of $3,310,551). The Company had a net loss of $129,678 for the year ended December 31, 2021 (2020 – net loss of $1,252,426) and negative cash flows from operations of $480,034 for the year ended December 31, 2021 (2020 – negative cash flows from operations of $833,342) 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, related party loans and where possible equity financing to fund their exploration and development operations. Pasinex Arama received $200,062 (TRY 2,063,065) in dividend payments from Horzum AS for the year ended December 31, 2021, compared

3. Significant accounting policies (continued)

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

with $3,298 in the year ended December 31, 2020. Pasinex Arama received approximately TRY 26.66 million ($2.13 million using the exchange rates on the dates of the various transfers from Horzum AS) (see note 19), subsequent to the year ended December 31, 2021. The full amount of the 2018 dividend has now been received by Pasinex Arama.

However, its joint venture partner, Akmetal has not repaid its debt to Horzum AS. As at December 31, 2021, Horzum AS has a receivable owing from Akmetal of approximately $40.1 million (see note 6).

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 (note 6(a)). Receipt of the Akmetal receivable would provide significant cash flow to Pasinex through additional dividends.

As noted above, the payment of the remaining dividend and other receivables that are owing from Horzum AS to Pasinex Arama were made subsequent to the year end from the receipt of proceeds from sales. In the absence of the receipt of additional dividends from Horzum AS, the Company would need to secure funding from either equity financing or additional related party loans. During the year ended December 31, 2021, the Company received net shareholder advances of $580,000. 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.

(b) Interest in joint venture

The Company determines whether the joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Where the Company determines the joint arrangement represents a joint venture, the Company recognizes its interest in a joint venture as an investment and accounts for this investment using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Company's share of the net assets of the joint venture applying consistent accounting policies to the Company. The Company's share of the joint venture's profit or loss and comprehensive loss is included in the Company's consolidated statements of loss and comprehensive loss. When the Company's share of losses in the joint venture exceeds the Company's interest in that

3. Significant accounting policies (continued)

(b) Interest in joint venture (continued)

joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports a profit, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

(c) Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is also the parent entity's functional currency. The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of Pasinex Arama and Horzum AS is the Turkish Lira ("TRY"). The functional currency for Pasinex Nevada is the U.S. dollar because the majority of its activities are carried out in U.S. dollars.

Foreign currency transactions are translated into the Company and its subsidiaries functional currencies using exchange rates prevailing at the date of the transactions. All foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the consolidated statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at reporting date exchange rates are recognized in the consolidated statements of loss and comprehensive loss.

Assets and liabilities of Pasinex Nevada and of Pasinex Arama, which includes the equity accounted investment in Horzum AS, having a currency other than the Canadian dollar are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the periods, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive loss.

(d) Revenue recognition

Revenue, included in the equity gain (loss) of the Joint Venture, includes the sale of all zinc product sold.

Revenue from contracts with customers is recognized when a customer obtains control of the promised asset and Horzum AS satisfies its performance obligation. Revenue is allocated to each performance obligation. Horzum AS considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Company expects to be entitled to in exchange for the transferring of promised goods.

Horzum AS satisfies its performance obligations for its sales per specified contract terms which are generally upon shipment or upon delivery. Revenue from sales is recorded based upon forward market prices of the expected final sales price date or as set with the customer upon shipment or upon delivery. The sales price is based on a multiplier which considers the grade of the zinc. Where sales are based on forward market prices, the sales price is based on an average London Metals Exchange ("LME") price depending on the number of days in the quotational period as defined in the contract with the buyer.

3. Significant accounting policies (continued)

(e) Inventories

Inventories are valued at the lower of average production cost and net realizable value. Production costs include mining costs, applicable overhead costs and depreciation incurred in bringing inventory to its existing location and form. Net realizable value is calculated as the estimated price in the ordinary course of business less estimated future costs to complete the sale.

(f) Equipment

Upon initial acquisition equipment is valued at cost, being the purchase price and the directly attributable costs required to bring the asset to the location and condition necessary for putting it into use. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. In subsequent periods, equipment is recorded at cost less accumulated depreciation and impairment charges, if applicable. Depreciation is calculated using the straight-line or declining methods at the following annual rates:

Vehicles	4 - 5 years on a straight-line method
Fixtures and equipment	3 - 10 years on a straight-line method
Mining equipment	30% on declining method

Additions during the year are depreciated on a pro-rata basis based on the annual depreciation amount.

(g) Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. Acquisition costs incurred in connection with the terms of option agreements are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the consolidated statements of loss and comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. There is no amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. Significant accounting policies (continued)

(h) Financial instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement bases of the Company's financial instruments:

Classification	IFRS 9
Cash	FVTPL
Due from related parties	Amortized cost
Receivables (excluding HST and VAT)	Amortized cost
Accounts payable and accrued liabilities (excluding HST and VAT)	Amortized cost
Shareholder loans	Amortized cost
Due to related parties	Amortized cost
Loan payable	Amortized cost

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in the consolidated statements of loss and comprehensive loss. The Company’s cash is classified as financial assets and measured at FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest". The Company’s due from related parties and receivables (excluding HST and VAT) are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

3. Significant accounting policies (continued)

(h) Financial instruments (continued)

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable and accrued liabilities (excluding HST and VAT), shareholder loans, due to related parties and loan payable do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss and comprehensive loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive loss.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred, or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The expected credit loss is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive on a discounted basis. Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for default events that are possible within the next 12 months. For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure.

The Company assumes that the credit risk on a financial asset classified at amortized cost has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

Outstanding balances for related party trade receivables are un-secured and settlement occurs in cash. There have been no guarantees received for any related party receivable. An assessment of the expected credit losses relating to the related party receivable is undertaken upon initial recognition and each reporting period by examining the financial position of the related party and applying the expected credit loss impairment model.

3. Significant accounting policies (continued)

(i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

(k) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(l) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. Significant accounting policies (continued)

(m) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income or loss attributable to the owners of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to the owners of the Company and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

(n) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions for mine closure and restoration are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include such costs as dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate and the accretion is included in finance costs.

Restoration activities will occur primarily upon closure of a mine but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

(o) Impairment of non-current assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the

3. Significant accounting policies (continued)

(o) Impairment of non-current assets (continued)

Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

(p) Government assistance

In response to the COVID-19 pandemic, governments have established various programs to assist companies through this period of uncertainty. The Company recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the government assistance and that the government assistance will be received.

The Company recognizes government assistance received as a current debt in the consolidated statements of financial position.

(q) 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 to - for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

(r) 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.

(s) 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. Significant accounting policies (continued)

(t) Amendments to IAS 16: Property, Plant and Equipment

Amendments to IAS 16 were issued by the International Accounting Standards Board in May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022, early adoption permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which an entity first applies the amendments. The Company does not expect a significant impact to the consolidated financial statements as a result of the adoption effective January 1, 2022.

4. Critical accounting judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Judgement is used mainly in determining how a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

(a) Accounting judgement

Significant areas where management's judgement has been applied include:

(i) Exploration and evaluation assets

Judgement is required to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of economic recoverability. In addition, management applies a number of estimates and assumptions in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies (if any), accessible facilities, existing permits and estimated future cash flows.

(ii) Functional currency

The functional currency for the Company's subsidiaries and investment in joint venture applies estimates and assumptions to assess the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(iii) Joint arrangement

Based on the terms of the Shareholders' Agreement between Pasinex Arama and Akmetal dated January 17, 2013, the Company has determined the joint arrangement is a form of joint venture and the Company is required to account for its share in the joint venture company by using the equity method. Judgement is required to classify the joint arrangement as a joint venture. The joint arrangement is held through a separate vehicle and the terms of the Joint Venture Agreement indicate the Company has the rights to the net assets, however other facts and circumstances may suggest the Company does not have joint control of certain assets and liabilities. As a result, Horzum AS is a joint venture.

4. Critical accounting judgements and estimates (continued)

(a) Accounting judgement (continued)

(iv) Going concern

Significant judgements used in the preparation of these consolidated financial statements include but are not limited to those relating to the assessment of the Company's ability to continue as a going concern. Judgement is required to determine the non-discretionary spending for the next 12 months and the potential cash inflows for the same period. Future cash inflows are largely based on cash flows from Horzum AS, which are based on estimates and assumptions of production and sales volumes, zinc prices, resources, operating costs, capital expenditures and collection of trade receivables.

(v) Deferred taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that is probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery. As of December 31, 2021, the Company has not recognized any deferred income tax assets.

(b) Use of estimates

As described above estimates and assumptions are contemplated with the described judgements. In addition, other significant areas requiring the use of management estimates and assumptions include:

(i) Impairment of trade receivables

Expected credit losses on trade receivables requires the use of estimates and assumptions, including amongst others, historical default rates, forecast economic conditions, assessment of customer and related party financial condition and discount rates. The estimates and assumptions are subject to risk and uncertainty; hence, the Company's assessment of expected credit loss and forecast of economic conditions may not be representative of the customer's actual default in the future, which may impact the recoverable amount of the assets.

(ii) Impairment of non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. The impairment analysis generally requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired with the impact recorded in the consolidated statements of loss and comprehensive loss.

(iii) Decommissioning liability

The Company's accounting policy for the recognition of accrued site closure costs requires significant estimates and assumptions such as the requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing, extent and costs of required closure, rehabilitation activity and applicable discount rates. Changes to these estimates and assumptions may result in actual expenditures in the future differing from the amounts currently provided. The decommissioning liability is periodically reviewed and updated based on the available facts and circumstances. Management's assumption is that there are currently no decommissioning liabilities at its sites, nor subject to known additional environmental liabilities or mitigation measures as at December 31, 2021 and 2020.

4. Critical accounting judgements and estimates (continued)

(b) Use of estimates (continued)

(iv) Share-based payments

The Company makes certain estimates and assumptions when calculating the fair values of share-based compensation granted. The significant estimations and assumptions include expected volatility, expected life, expected dividend rate and risk-free rate of return.

(v) *Income taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

5. Due from related parties

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 Arama's share was TRY 20 million. As of December 31, 2021, the Company had received approximately TRY 11.1 million (approximately $2.6 million using the exchange rates in effect on the dates of receipt of the distributions) and TRY 8.9 million (approximately $0.84 million using the December 31, 2021, spot rate) remained to be paid. Pasinex Arama was able to collect the remaining dividend owed from Horzum AS, subsequent to the year ended December 31, 2021 (see note 17). During the year ended December 31, 2021, TRY 2.06 million ($200,062 using the exchange rates in effect on the dates of receipt of the distributions) (year ended December 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 Arama bills Horzum AS certain expenditures that it incurs, which gives rise to an other receivable. This amount is in addition to the dividend receivable. These amounts had been previously written off by Pasinex Arama. The amount outstanding at December 31, 2021 was TRY 553,000 (approximately $53,000 using the December 31, 2021, spot rate), (December 31, 2020 – TRY 1.1 million (approximately $189,000 using the December 31, 2020, spot rate).

Pasinex recorded an $840,791 recovery for the uncollected dividend receivable in the year ended December 31, 2021. Pasinex recorded a recovery of the other receivable in the amount of $76,030 for other receivable amounts collected during 2021 and a recovery of the uncollected other receivable in the amount of $52,559. The total recovered amount recorded in 2021 is $969,380. Of that amount $893,350 remains to be collected and is recorded as due from related parties.

(Expressed in Canadian Dollars, unless otherwise indicated)

6. 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.

	Years Ended December 31,	
	2021	**2020**
Opening balance	**$ -**	$ -
Equity gain from Horzum AS	**200,062**	3,298
Dividend received from Horzum AS	**(200,062)**	(3,298)
Closing balance	**$ -**	$ -

Summarized Financial Statements for Horzum AS

Summarized financial information for Horzum AS, based on its IFRS financial statements and a reconciliation with the carrying amounts in the Company’s consolidated financial statements, are set out below.

(Expressed in Canadian Dollars, unless otherwise indicated)

6. Investment in Horzum AS (continued)

Statement of Financial Position *(100% basis - Canadian dollars)*		**As at December 31, 2021**		**2020**
Current assets				
Cash and prepaid expenses	**$**	**9,324**	$	16,095
Akmetal receivable (note 6(a))		**40,064,449**		33,862,790
Less - discount and allowance on Akmetal receivable (note 6(a))		**(40,064,449)**		(33,862,790)
Trade receivables		**1,630**		1,140
Other receivables		**346,353**		400,192
Inventories		**602,015**		159,972
Total current assets		**959,322**		577,399
Non-current assets				
Lease asset		**716,086**		380,568
Plant and equipment		**262,757**		482,739
Other non-current assets		**197,347**		58,439
Total non-current assets		**1,176,190**		921,746
Total assets	**$**	**2,135,512**	$	1,499,145
Current Liabilities				
Trade payable and other current liabilities	**$**	**267,912**	$	1,193,107
Amounts due to shareholders and related parties (note 6(b))		**893,345**		2,060,204
Lease liabilities		**821,146**		438,595
Income taxes payable		**2,404,404**		2,502,188
Total current liabilities		**4,386,807**		6,194,094
Non-current liabilities				
Employee benefits and other liabilities		**101,724**		87,936
Income taxes payable		**1,351,218**		5,004,377
Total liabilities		**5,839,749**		11,286,407
Shareholders' deficiency				
Share capital		**237,400**		237,400
Deficit		**(6,554,008)**		(8,947,213)
Foreign exchange difference		**2,612,371**		(1,077,449)
Total liabilities and shareholders' deficiency	**$**	**2,135,512**	$	1,499,145
Pasinex ownership interest		**50%**		50%
Net equity above	**$**	**(3,704,237)**	$	(9,787,262)
Pasinex ownership interest in Horzum AS	**$**	**(1,852,119)**	$	(4,893,631)
Unpaid dividend		**840,791**		1,882,805
Impairment in excess of equity value		**1,011,328**		3,010,826
Pasinex investment in Horzum AS	**$**	**-**	$	-

(Expressed in Canadian Dollars, unless otherwise indicated)

6. Investment in Horzum AS (continued)

Statement of Operations *(100% basis - Canadian dollars)*	Years Ended December 31, **2021**	**2020**
Revenue	**$ 7,360,600**	$ 4,492,849
Cost of sales	**(3,534,799)**	(3,749,925)
Selling, marketing and other distibution	**(161,651)**	(138,274)
Operating income	**3,664,150**	604,650
Impairment of Akmetal receivable (note 6(a))	**(27,318,809)**	(8,860,312)
General and administrative expenses	**(515,772)**	(228,998)
Foreign exchange gain	**26,799,472**	9,154,044
Finance expense	**(243,602)**	(55,118)
Other	**7,767**	(82,503)
Current income tax expense	**-**	(345,264)
Net income for the year	**$ 2,393,206**	$ 186,499
Pasinex ownership interest	**50%**	50%
Share of net income	**$ 1,196,603**	$ 93,248
Recognition of prior year equity losses (note 6(d))	**(1,196,603)**	(93,248)
Dividend received	**200,062**	3,298
Equity gain for Horzum AS	**$ 200,062**	$ 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 $40.1 million as at the end of December 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 6(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 $4.4 million ($6.2 million at December 31, 2020) in current liabilities and a working capital deficiency of approximately $3.4 million ($5.6 million at December 31, 2020). Included within the total current liabilities are $0.3 million owed in trade payables ($1.2 million at December 31, 2020), $0.9 million owed to the Company's wholly owned subsidiary in Turkey ($2.1 million at December 31, 2020) and $2.4 million in various taxes payable ($2.5 million at December 31, 2020). Due to the tax restructuring $1.4 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. See note 3(c) Basis of Measurement and Going Concern for additional discussion on the collectability of the Akmetal receivable.

(Expressed in Canadian Dollars, unless otherwise indicated)

6. Investment in Horzum AS (continued)

(a)(continued) During the year ended December 31, 2021, the Company's subsidiary received approximately $200,062 (TRY 2.06 million) in dividend payments from Horzum AS ($3,298 (TRY 15,000) for the year ended December 31, 2020).

(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 December 31, 2021, spot rate) to this customer, as at December 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 year ended December 31, 2021, the Company's share of net income after tax of approximately $1.2 million reduced the carry forward losses.

(e) 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. Horzum AS has paid certain of the instalments due in 2021. The total amount paid to December 31, 2021, was approximately TRY 9.7 million (approximately $1.36 million using the exchange rates on the dates of the payments). 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 two instalments for each of the restructuring agreements to the date of these financial statements, totaling (TRY) 4.7 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 these financial statements, Horzum AS made all of these required payments.

7. 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**
Additions during the year:			
Acquisition costs - cash	-	25,679	25,679
Expense capitalized costs	(78,320)	-	(78,320)
Foreign exchange adjustment	(59,023)	(24,972)	(83,995)
Balance as at December 31, 2021	**$ 457,321**	**$ 1,343,901**	**$ 1,801,222**

7. Exploration and evaluation assets (continued)

(a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at December 31, 2021, the Company only held the Akkaya Property with its exploration license in good standing.

Pasinex Arama recently applied to convert its exploration license at its Akkaya property to an operational license. This conversion has been accepted by the mining department in Turkey (MAPEG) and Pasinex Arama is now waiting for the issuance of the official operational license, which is expected to be received in 2022. Once received, Pasinex Arama will have three years to convert the operational license to an operational permit. In order to receive the operational permit, Pasinex Arama must obtain all essential permits including forestry and working permits according to the mining laws and completion of an environmental impact assessment.

(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.

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 was required to spend a minimum of US$200,000 by December 31, 2021, as a condition precedent for the effectiveness of the amending agreement.

On December 14, 2021, the Company entered into an additional amending agreement with Cypress and Caliber to extend the deadline to complete the minimum of US $200,000.00 of qualified exploration expenditures to on or before June 30, 2022.

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$781,000 to December 31, 2021);
  - US$800,000 prior to December 5, 2020 (deferred to December 31, 2022).

(Expressed in Canadian Dollars, unless otherwise indicated)

7. Exploration and evaluation assets (continued)

(b) Gunman Project (continued)

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 2022.

8. Accounts payable and accrued liabilities

		As at December 31,		
		2021		**2020**
Trade payables	**$**	**619,067**	$	535,970
Accrued liabilities		**64,567**		206,003
Total accounts payable and accrued liabilities	**$**	**683,634**	$	741,973

9. 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 to 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 year ended December 31, 2021, the Company received an additional $580,000 (year ended December 31, 2020 - $905,500) from shareholders and recorded interest expense of $135,560 compared with $94,005 in 2020. As at December 31, 2021, the shareholder loans and accrued interest thereon totalled $2,774,106 (December 31, 2020 - $2,166,284).

(Expressed in Canadian Dollars, unless otherwise indicated)

10. Loan payable

	As at December 31,	
	2021	**2020**
CEBA loan	**$ 40,000**	$ 40,000
Loan to unrelated party	**113,466**	-
	$ 153,466	$ 40,000

On April 24, 2020, the Company applied for the Canada Emergency Business Account ("CEBA") interest-free loan. To date the Company has drawn $40,000. The loan balance must be repaid on or before December 31, 2023. Outstanding loans at December 31, 2023 would be converted to two-year loans with interest of five percent per annum commencing on January 1, 2024. Those loans would be fully due by December 31, 2025.

One of the shareholder loans was reclassified to loan payable from shareholder loans during 2021. Interest accrued on this loan during 2021 was $5,728.

11. 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 December 31, 2020	144,554,371	$ 12,888,506
Balance as at December 31, 2020 and December 31, 2021	**144,554,371**	**$ 12,888,506**

(Expressed in Canadian Dollars, unless otherwise indicated)

12. 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 (note 12(a))	1,500,000	$	0.04
Balance as at Decmeber 31, 2020	3,250,000	$	0.13
Granted (note 12(b))	8,500,000	$	0.04
Expired	(1,000,000)	$	0.25
Balance as at December 31, 2021	10,750,000	$	0.05

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

(b) On April 30, 2021, 8,500,000 stock options were granted to officers, directors, employees 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%. During the year ended December 31, 2021, the Company expensed $323,000.

(Expressed in Canadian Dollars, unless otherwise indicated)

12. Stock options (continued)

Stock options

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

Expiry Date	Number of Options Outstanding	Number of Options Exercisable		Exercise Price	Weighted Average Remaining Contractual Life (Years)
February 7, 2022	1,500,000	1,500,000	$	0.04	0.10
August 14, 2022	200,000	200,000	$	0.25	0.62
January 24, 2023	50,000	50,000	$	0.20	1.07
July 25, 2024	500,000	500,000	$	0.09	2.57
April 30, 2026	8,500,000	8,500,000	$	0.04	4.33
Total	**10,750,000**	**10,750,000**	**$**	**0.05**	**3.56**

13. Net loss per common share

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

	Years Ended December 31, 2021		Years Ended December 31, 2020	
Numerator				
Net loss	**$**	**(129,678)**	$	(1,101,021)
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**	$	(0.01)

(Expressed in Canadian Dollars, unless otherwise indicated)

14. General and administrative costs

General and administration costs are as follows:

	Years Ended December 31, 2021	2020
Consulting fees (note 15)	**$ 226,333**	$ 235,830
Investor relations	**20,523**	8,550
Management fees and salaries (note 15)	**133,540**	338,950
Office and general	**41,288**	47,059
Professional fees	**202,331**	282,859
Transfer agent and regulatory fees	**18,721**	19,650
Travel and meals	**36,736**	53,532
Other	**5,935**	5,139
Total general and adminstrative costs	**$ 685,407**	$ 991,569

15. 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, for similar transactions to non-key management personnel related entities on an arm's length basis.

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

	Years Ended December 31, 2021	2020
Management fees and salaries	**$ 132,250**	$ 331,320
Consulting fees	**178,100**	192,726
Share-based payments (note 12)	**323,000**	28,500
Interest expense on shareholder loans (note 9)	**135,560**	94,005
	$ 768,910	$ 646,551

(Expressed in Canadian Dollars, unless otherwise indicated)

15. Related party balances and transactions (continued)

Amounts payable to related parties were as follows:

	As at December 31,	
Due to Related Parties:	**2021**	**2020**
7312067 Canada Limited (1)	**$ -**	$ 141,384
Larry Seeley (2)	**129,354**	129,354
Sven Olsson (2)	**-**	4,877
Joachim Rainer (2)	**2,000**	5,000
Jonathan Challis (2)	**17,772**	14,250
Victor Wells (2)	**86,000**	66,000
1514341 Ontario Inc. (3)	**17,961**	17,961
Soner Koldas (4)	**97,303**	97,718
Rainer Beteiligungsgesellschaft (6)	**-**	1,905
2192640 Ontario Inc. (7)	**32,284**	32,673
	$ 382,674	$ 511,122

	As at December 31,	
Shareholder loans (note 9):	**2021**	**2020**
1514341 Ontario Inc. (3)	**$ 2,038,186**	$ 1,380,071
Seeley Holdings Ltd. (5)	**640,882**	607,801
Sven Olsson(2)	**-**	107,739
Rainer Beteiligungsgesellschaft (6)	**95,038**	70,673
	$ 2,774,106	$ 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 December 31, 2021 and December 31, 2020. Sven Olsson was a director of the Company until his resignation on March 31, 2019.
(3) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.
(4) Soner Koldas is the General Manager of Pasinex AS and 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.

(Expressed in Canadian Dollars, unless otherwise indicated)

15. Related party balances and transactions (continued)

To the knowledge of the directors and officers of the Company, as at December 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%**

16. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

	Years Ended December 31, 2021	2020
Net loss before recovery of income taxes	**$ (129,678)**	$ (1,252,426)
Expected income tax recovery	**(34,360)**	(331,890)
Stock based compensation and non-deductible expenses	**(211,990)**	6,170
Difference in foreign tax rates	**(253,870)**	15,070
Change in tax benefits not recognized	**500,220**	310,650
Income tax	**$ -**	$ -

Deferred tax

The following table summarizes the components of deferred tax:

	As at December 31, 2021	2020
Deferred tax assets		
Non-capital losses caried forward - Canada	**$ 82,479**	$ -
Deferred tax liabilities		
Capitalized mineral costs	**$ (82,479)**	$ -
Net deferred tax liability	**$ -**	$ -

(Expressed in Canadian Dollars, unless otherwise indicated)

16. Income Taxes (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

	As at December 31, 2021	2020
Equipment	**$ 24,140**	$ 21,560
Loan payable	**10,000**	10,000
Operating tax losses carried forward - Canada	**11,454,680**	11,032,900
Operating tax losses carried forward - USA	**13,080**	-
Operating tax losses carried forward - Turkey	**1,245,160**	735,655
Capital losses carried forward	**74,150**	74,150
Investment in Horzum AS	**8,045,300**	8,045,300
Resource pools - mineral properties	**1,290,510**	1,127,920
	$ 22,157,020	$ 21,047,485

(Expressed in Canadian Dollars, unless otherwise indicated)

16. Income Taxes (continued)

The Canadian non-capital loss, U.S. and Turkish net operating losses expire as noted in the table below. The capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

Expiry	Canada	United States	Turkey
2023	$ -	$ -	$ 211,306
2024	-	-	264,694
2025	-	-	232,685
2026	-	-	508,959
2027	-	-	27,516
2028	287,130	-	-
2029	647,940	-	-
2030	260,700	-	-
2031	528,570	-	-
2032	630,750	-	-
2033	670,810	-	-
2034	902,790	-	-
2035	763,970	-	-
2036	554,430	-	-
2037	1,920,480	-	-
2038	1,570,030	-	-
2039	1,027,350	-	-
2040	929,260	-	-
2041	760,540	-	-
Indefinite	-	**13,078**	-
	$ 11,454,750	**$ 13,078**	**$ 1,245,160**

(Expressed in Canadian Dollars, unless otherwise indicated)

17. 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 December 31,		
		2021		**2020**
Non-current assets by geographic segment				
Turkey	**$**	**490,656**	$	666,936
United States		**1,343,900**		1,343,194
	$	**1,834,556**	$	2,010,130
Total assets by geographic segment				
Canada	**$**	**108,054**	$	84,805
Turkey		**1,419,814**		686,082
United States		**1,343,900**		1,343,194
	$	**2,871,768**	$	2,114,081

		Years Ended December 31,		
		2021		**2020**
Equity gain from joint venture				
Canada	**$**	**-**	$	-
Turkey		**200,062**		3,298
United States		**-**		-
Total equity gain from joint venture	**$**	**200,062**	$	3,298
Net income (loss)				
Canada	**$**	**(1,098,445)**	$	(486,960)
Turkey		**1,135,308**		(580,679)
United States		**(166,541)**		(184,787)
Total net loss for the year	**$**	**(129,678)**	$	(1,252,426)

18. Financial Instruments

In accordance with IFRS, the Company shall disclose the comparison of carrying amounts and fair values of the Company's financial instruments that are carried in the consolidated financial statements. As of December 31, 2021 and 2020, the fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments, except for cash and marketable securities which are measured at fair value based on price quotations at the reporting date.

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

(Expressed in Canadian Dollars, unless otherwise indicated)

18. Financial Instruments (continued)

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

As at December 31, 2021	Level 1	Level 2	Level 3	Total
Cash	**$ 100,031**	**$ -**	**$ -**	**$ 100,031**

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Cash	**$ 46,028**	**$ -**	**$ -**	**$ 46,028**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This section presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein. A discussion of the Company's use of financial instruments and their associated risk is provided below:

a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is attributable to its cash balances, trade receivables and related party receivables. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada and in Turkey. Management believes that the credit risk with respect to trade receivables is remote because of receipt of upfront payments from most customers. The credit risk on related party receivables has been assessed as high. In addition to the credit risk of the Akmetal receivable, Pasinex Arama has a trade receivable amount owing from Horzum AS. The credit risk on this amount has been previously assessed as high as a result of the loan receivable collectability issues Horzum AS is facing. During 2021 Pasinex Arama changed this assessment as a result of the improved operating results at the Pinargozu mine and the expectation of continued profitable operations in 2022. The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the date of the consolidated statements of financial position.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at December 31, 2021, the Company had a cash balance of $100,031 (2020 - $46,028) and current liabilities of $3,993,880 (2020 -$3,414,502). All of the Company's accounts payable and accrued

18. Financial Instruments (continued)

liabilities and due to related parties have contractual maturities of less than 60 days and are subject to normal trade terms. Shareholder loans are due on demand from the shareholders but because of the related party nature and the ownership interests of these shareholders, it is unlikely the shareholders would call the loan until ample funds are available in the Company. The Company may manage its short-term liquidity shortfall by obtaining additional loans from directors or by equity financing. See also the discussion on going concern.

c) Market Risk

Market risk consists of currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency risk - foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company received dividends from its investment in Horzum AS. Dividends are declared in TRY and paid to the Company in increments as excess cash is available and therefore subject to foreign currency risk arising from the fluctuation in currency exchange between the Canadian dollar and TRY. In addition, during the year ended December 31, 2021, the translation of the assets and liabilities of Pasinex Arama and Pasinex Nevada resulted in foreign currency translation adjustments of positive $24,987 (2020 – negative $49,468) recorded in other comprehensive loss. For the year ended December 31, 2021, if the TRY to Canadian dollar exchange rate increased/decreased by 5% with all other variables held constant, other comprehensive loss would have been approximately $57,322 higher/lower.

ii) Interest rate risk - interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is currently not exposed to interest rate risk as the Company does not have any debt with variable interest rate.

(iii) Price risk - the Company is exposed to price risk with respect to commodity prices, particularly the price of zinc. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to zinc prices, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's future profitability and viability depend upon the world market price of zinc. Zinc prices have fluctuated widely in recent years. Sales in Horzum AS are subject to fluctuations in zinc price. The Company uses the equity method to account for its investment in Horzum and therefore any change in Horzum AS's income statement does not impact the Company's income statement.

d) Capital Structure

In addition to its cash balances, the Company manages its common shares, stock options and warrants as capital. Management reviews its capital management approach on an ongoing basis and will assess making adjustments within the context of the Company's strategy, economic conditions and risk characteristics of its assets. No changes were made to management's approach in 2021 from 2020. To adjust or maintain the capital structure, the Company may issue new equity, incur debt, enter into joint venture arrangements, or dispose of certain assets. The Company's key policy guidelines for managing capital structure is to ensure there is enough funding to complete its commitments under option agreements and other growth initiatives while maintaining a conservative level of debt relative to total capital and earnings within the context of its financial forecasts for pricing, costs and production.

The Company's investment policy is to hold excess cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

19. Subsequent events

(a) Subsequent to December 31, 2021, Pasinex Arama received approximately TRY 26.66 million ($2.13 million using the exchange rates on the dates of the various transfers from Horzum AS), for amounts owed in dividends and other receivables. Of this amount approximately TRY 24.35 million ($2.05 million using the exchange rates on the dates the various transfers) was transferred from Pasinex Arama to Pasinex Canada. The previously outstanding 2018 dividend receivable and the other receivables from Horzum AS have now been fully collected by Pasinex Arama.

(b) Subsequent to December 31, 2021, the Company granted 1,500,000 stock options to an officer of the Company at an exercise price of $0.04 per stock option, expiring March 24, 2027. The stock options vested immediately.

(c) Subsequent to December 31, 2021, Horzum AS declared an additional dividend to be paid to its shareholders of TRY 64 million.