Introduction

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Pasinex Resources Limited (the "Company" or "Pasinex") should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2021.

Management is responsible for the preparation of the financial statements and MD&A. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures in this MD&A are expressed in Canadian dollars, unless stated otherwise.

This MD&A has been prepared as of April 28, 2022.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

These statements speak only as of the date of this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) general business and economic conditions; (ii) timing and amount of estimated future production (iii) the supply and demand for, deliveries of, and the level and volatility of prices of zinc and other precious metals; (iv) the timing of the receipt of any outstanding regulatory and governmental approvals for the Company's projects; (v) the ability to meet social and environmental standards and expectations; (vi) the availability of financing for the Company's development of its properties on reasonable terms; (vii) the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; (viii) the ability to attract and retain skilled staff; (ix) exploration and development timetables; and (x) capital expenditure and operating cost estimates.

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 period.

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.

The Pinargozu zinc mine was placed into production without a feasibility study of mineral reserves demonstrating economic and technical viability, and as such, any forward-looking statements related to the performance of the Pinargozu mine may differ materially from actual results. The decision to operate a mine without a technical report or feasibility study creates increased uncertainty. Economic or technical results of the Pinargozu zinc mine may differ materially from forward-looking statements due to reduced zinc grade, variation in estimated mineral resources, increased difficulty in mining and other risks associated with the reliability of internal analytical results, geological interpretation and statistical inferences drawn from drilling and sampling.

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity prices, particularly the zinc price, expectations regarding currency fluctuations, possible variation in mineral resources or grade, counter party risk associated with sales of zinc material, access to skilled mining personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, changes to government regulation and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors contained in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

Description of Business

Pasinex Resources Limited ("Pasinex" or the "Company") is a publicly listed company incorporated in British Columbia. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "PSE" and on the Frankfurt Stock Exchange ("FSE") under the symbol "PNX". 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").

Selected Annual Consolidated Information

	Year Ended December 31,		
	2021	2020	2019
Financial:			
Equity gain from Horzum AS	**$ 200,062**	$ 3,298	$ 672,139
Dividend received from investment in Horzum AS	**$ 200,062**	$ 3,298	$ 672,139
Consolidated net loss for the year	**$ (129,678)**	$ (1,252,426)	$ (1,032,850)
Basic and diluted net loss per share	**$ -**	$ (0.01)	$ (0.01)
Cash used in operating activities	**$ 480,034**	$ 826,390	$ 292,330
Weighted average shares outstanding	**144,554,371**	144,554,371	144,415,192

	As At December 31,		
	2021	2020	2019
Total assets	**$ 2,871,768**	$ 2,114,081	$ 2,165,037
Total liabilities	**$ 3,993,880**	$ 3,454,502	$ 2,232,064
Total shareholders' deficiency	**$ (1,122,112)**	$ (1,340,421)	$ (67,027)

	Year Ended December 31,		
	2021	2020	2019
Horzum AS operational data (100% basis):			
Zinc product mined (wet) tonnes	**10,608**	12,123	17,812
Zinc product sold (wet) tonnes	**8,620**	11,248	11,248
Zinc product sold average grade	**37%**	31%	32%
Gross margin [1]	**50%**	13%	34%
CAD cost per tonne mined [1]	**$ 383**	$ 313	$ 436
USD cash cost per pound of zinc product mined [1]	**$ 0.36**	$ 0.37	$ 0.42

[1] see non-GAAP measures

The Company has a 50% joint venture interest in Horzum AS, which is equity accounted. This means in the Pasinex consolidated financial statements Pasinex's share in:

- Horzum AS net income is shown on one line in the income statement – Equity gain from Horzum AS

Highlights

Financial and Operational

- For the year ended December 31, 2021, Pasinex incurred a net loss of approximately $0.13 million, compared with a net loss of approximately $1.25 million for 2020. The primary reasons for the substantial decrease in the net loss were the recovery of amounts due from Horzum AS by Pasinex Arama and a reduction in general and administrative costs, which was partially offset by an increase in share-based payments expense.

- The operating income in Horzum AS increased to $3.66 million in 2021 from $0.6 million in 2020. This increase was due to higher revenue generated from higher sales prices. The increased sales prices were the result of higher worldwide zinc prices in 2021 along with selling a greater proportion of high-grade zinc sulphide product in 2021 compared with 2020. The higher sales prices also resulted in the gross margin (see non-GAAP measures) for the year ended December 31, 2021, increasing to 50% from 13% in 2020.

- Horzum AS received approval to begin mining zinc sulphide product from the Fourth Adit during the third quarter of 2021. Sales of zinc sulphide product in the fourth quarter of 2021 that was mined from the Fourth Adit resulted in average sales prices of approximately US$1,270 per tonne. The average grade achieved for these sales was approximately 53% zinc.

- Horzum AS sold approximately 2,500 tonnes of zinc sulphide product in the first quarter of 2022 at an average grade of 53% zinc and an average sale price of approximately US$1,209 per tonne.

- Subsequent to December 31, 2021, Pasinex Arama received approximately TRY 26.66 million ($2.31 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 20.35 million ($2.05 million using the exchange rates on the dates of the various transfers) was transferred from Pasinex Arama to Pasinex Canada. The previously outstanding 2018 dividend receivable and other receivables from Horzum AS have now been fully collected by Pasinex Arama.

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

- Horzum AS completed a total of 7,557 metres of underground and surface diamond core drilling in 102 holes during 2021. It also completed 1,933 metres of exploration and development adit development during 2021 including 566 metres of development of the 541-metre level adit (the "Fourth Adit").

- Horzum AS had another zero-fatality year at the Pinargozu Mine. Horzum AS employs approximately 125 people, including those employed by the underground drilling contractor. In 2021, there were 184,224 fatality free hours worked at the Pinargozu Mine.

- Pasinex Arama applied to MAPEG, the Turkish Mining Department, to convert its exploration status license at its Akkaya property to operational status and for Horzum AS to convert its pre-exploration status license at the Mahyalar property to exploration status. Pasinex Arama has been informed that the Akkaya license application was approved and is expecting the final receipt of the official license documentation in 2022.

- Subsequent to December 31, 2021, the Company engaged a contractor to complete a review of its exploration data on the Company's Gunman Project. Following this review, the Company began onsite activities including geophysical surveys and soil sampling.

- The Company received $580,000 in 2021 ($905,500 in 2020) from shareholder loans.

Pinargozu Operations Update (100% basis)

- Horzum AS mined 10,608 tonnes of zinc product in 2021, at the Pinargozu mine compared to 12,123 tonnes in 2020. Mine production decreased in 2021 due to limited available ore product and a focus on the development of the Fourth Adit. Mined tonnes for the year are below previously issued guidance for 2021. As a result of the development delays related to the groundwater in the Fourth Adit and lower production year-to-date, the Company lowered its annual production estimate in the second quarter.
- Sales volumes also decreased in 2021 to 8,620 of zinc product, compared with 11,393 in 2020, primarily as the result of having lower available tonnes to sell as production was lower. Horzum AS did adopt a process of selling its zinc product on a more frequent smaller batch basis than in the past.
- The gross margin, (see non-GAAP measures), for the year ended December 31, 2021, increased to 50% compared to 13% in 2020, primarily due to higher zinc prices in 2021 compared with 2020 and selling a greater number of high-grade zinc sulphide product tonnes in 2021.
- Sales prices per tonne on a USD basis improved by approximately 75% and 219%, for zinc oxide product and zinc sulphide product, respectively, between 2021 to 2020. The average USD sales price for the year ended December 31, 2021, was US$480 (2020 – US$275) per tonne for zinc oxide product and US$1,078 (2020 – US$ 338) per tonne for zinc sulphide product.
- The average grade of the zinc sulphide product sold was 49% zinc per tonne for the year ended December 31, 2021, compared with 48% zinc per tonne in the same period in 2020.
- The average grade of the zinc oxide product sold increased to 31% zinc per tonne for the year ended December 31, 2021, compared with 30% zinc per tonne in the same period in 2020.
- The CAD cost per tonne mined (see non-GAAP measures) was $409 and $383 for the three months and year ended December 31, 2021, compared with $328 and $313 for the same periods in 2020. The average cost per tonne was higher during 2021 as a result of having mined approximately 12% fewer tonnes in 2021 compared with 2020.
- The USD cash cost per pound of zinc product mined (see non-GAAP measures) was US$0.29 and US$0.36 per pound in the three months and year ended December 31, 2021, respectively, compared with US$0.44 and US$0.37 per pound in the same periods in 2020.
- Mine production at the Pinargozu mine has continued on a two-shift basis throughout 2021 and 2020 notwithstanding the negative impacts of the COVID-19 pandemic. Management expects that it will be able to continue on a two-shift basis for 2022.

Going Concern

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At 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 with $3,298 in the year ended December 31, 2020. Due to increased sales from the high-grade zinc sulphide product that has been mined from the Fourth Adit, Pasinex Arama received approximately TRY 26.66 million ($2.31 million using the exchange rates on the dates of the various transfers) from Horzum AS) 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.

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

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.

Review of Annual Consolidated Financial Statements

Years Ended 2021 and 2020

The following is a summary income statement for Pasinex:

	Year Ended December 31, 2021	2020
Equity gain from Horzum AS	**$ 200,062**	$ 3,298
Recovery (impairment) of amounts due from Horzum AS	**969,380**	(27,974)
Exploration costs	**(137,418)**	(125,033)
General and administration costs	**(685,407)**	(991,569)
Interest expense	**(141,288)**	(94,005)
Share-based payments	**(323,000)**	(28,500)
Other income	**29,989**	4,405
Foreign exchange (loss) gain	**(41,996)**	6,952
Net loss for the year	**$ (129,678)**	$ (1,252,426)

Equity gain

The equity gain from Horzum AS represents the value of dividends received by Pasinex Arama from the Company's 50% owned joint venture, Horzum AS. Horzum AS is considered a joint venture for accounting purposes and as such the Company records its share of net income on one line in the income statement. Further details on the results of Horzum AS follow below – *Review of Horzum AS.*

Recovery (impairment) of amounts due from Horzum AS

Pasinex Arama recorded a recovery of amounts due from Horzum AS of $969,380 compared with an impairment charge of $27,974 in 2020. Pasinex Arama received payments, totaling TRY 2.06 million ($200,062 using the exchange rates in effect on the dates of receipt of the distributions) in 2021, (year ended December 31, 2020, TRY 15,000 - $3,298 using the exchange rates in effect on the dates of receipt of the distributions). Subsequent to December 31, 2021, Pasinex Arama received approximately TRY 26.66 million ($2.31 million using the exchange rates on the dates of the various transfers) from Horzum AS for amounts owed in dividends and other receivables. The outstanding amounts, as of December 31, 2021, of the 2018 dividend and the other receivables were included in the above recovery.

Exploration Costs

Exploration costs represent consulting expenses at the Gunman Project.

General and administration costs

		Year Ended December 31,		
		2021		2020
Consulting fees	**$**	**226,333**	$	235,830
Investor relations		**20,523**		8,550
Management fees and salaries		**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
	$	**685,407**	$	991,569

General and administration costs have changed year over year due to:

- In general, Pasinex has reduced its overall spend on elective general and administrative costs during year ended December 31, 2021, compared with 2020 in order to conserve cash.
- Investor relations costs increased as a result of the Company updating its website.
- Consulting fees for both years were largely due to costs incurred in conjunction with the management of its Turkish operations.
- Management fees and salaries decreased in 2021 compared to 2020 as the Company's former CEO resigned in the third quarter of 2020 and was not replaced.
- Travel and meals decreased as Company's management visited Turkey fewer times as a result of the travel restrictions caused by the COVID-19 pandemic.
- In total, general and administrative costs decreased by over $300,000 or 31% year over year.

Interest expense

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

Share-based payments

		Year Ended December 31,		
		2021		2020
Share-based payments	**$**	**323,000**	$	28,500

Stock options issued:

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.

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

Review of Horzum AS

Key Performance Indicators

(shown on a 100% basis)

	Year Ended December 31,		Three Months Ended				
	2021	2020	**Dec 2021**	**Sept 2021**	**Jun 2021**	**Mar 2021**	Dec 2020
Tonnes mined (wet)	**10,608**	12,123	**2,864**	**2,488**	**2,676**	**2,580**	2,426
Tonnes sold (wet):							
Zinc oxide product	**5,749**	10,886	**394**	**1,395**	**1,588**	**2,372**	2,962
Zinc sulphide product	**2,871**	362	**1,568**	**604**	**699**	**-**	55
Lead product	**-**	145	**-**	**-**	**-**	**-**	-
	8,620	11,393	**1,962**	**1,999**	**2,287**	**2,372**	3,017
Average grades for tonnes sold:							
Zinc oxide product	**31%**	30%	**31%**	**29%**	**34%**	**31%**	28%
Zinc sulphide product	**49%**	48%	**53%**	**47%**	**40%**	**N/A**	**N/A**
CAD cost per tonne mined [1]	**$ 383**	$ 313	**$ 409**	**$ 371**	**$ 319**	**$ 429**	$ 328
USD cash cost per pound of zinc product mined [1]	**$ 0.36**	$ 0.37	**$ 0.29**	**$ 0.38**	**$ 0.35**	**$ 0.53**	$ 0.44

(1) See non-GAAP measures

Operating results

Horzum AS mined 10,608 tonnes during the year ended December 31, 2021, at the Pinargozu mine versus 12,123 tonnes in the same period in 2020. Mine production at Pinargozu decreased in 2021 due to limited available zinc product and a focus on the development of the Fourth Adit. Development of the Fourth Adit was completed in the fourth quarter of 2021. Continued focus on development resulted in fewer tonnes being mined in 2021 than in 2020. Production in 2021 included 6,046 tonnes of zinc oxide product and 4,562 tonnes of zinc sulphide product. Production of zinc sulphide product increased late in 2021 once the Fourth Adit development was completed. Overall production remained consistent from quarter to quarter during 2021.

Sales volumes decreased for the year ended December 31, 2021, when compared with the same periods in 2020, from 11,393 tonnes in 2020, to 8,620 tonnes in 2021. The decrease in tonnes sold is simply a function of zinc product availability. In 2021, Horzum AS adopted a process of selling its zinc product on a more frequent smaller batch basis than in the past. This has allowed for more consistent cash flow. The sales mix switched to a majority of zinc sulphide product in the fourth quarter of 2021 compared with the first three quarters in 2021 as the zinc sulphide product production from the Fourth Adit came available.

The average grade of the zinc oxide product sold increased to 31% zinc per tonne for the year ended December 31, 2021, compared with 30% zinc per tonne in the same period in 2020. The average grade of the zinc sulphide product sold was 49% zinc per tonne for the year ended December 31, 2021, compared with 48% zinc per tonne in the same period in 2020. Zinc sulphide product grades increased in the fourth quarter of 2021 compared with the first three quarters in 2021 as the zinc sulphide product production from the Fourth Adit came available.

The CAD cost per tonne mined (see non-GAAP measures) was $409 and $383 for the three months and year ended December 31, 2021, compared with $328 and $313 for the same periods in 2020. The average cost per tonne was higher during 2021 as a result of having mined approximately 12% fewer tonnes in 2021 compared with 2020.

The USD cash cost per pound of zinc product mined (see non-GAAP measures) was US$0.29 and US$0.36 per pound in the three months and year ended December 31, 2021, respectively, compared with US$0.44 and US$0.37 per pound in the same periods in 2020.

Financial results

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

Below are the statements of operation for Horzum AS for year ended December 31, 2021 and 2020 with a reconciliation to the Company's equity gain (loss) as shown on the Pasinex consolidated financial statements.

(100% basis Canadian dollars)	**Year 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 distribution	**(161,651)**	(138,274)
Operating income	**3,664,150**	604,650
Impairment of Akmetal receivable	**(27,318,809)**	(8,860,312)
General and administration expenses	**(515,772)**	(228,998)
Foreign exchange gain on receivable	**26,799,472**	9,154,044
Finance expense	**(243,602)**	(55,118)
Other	**7,767**	(82,503)
	2,393,206	531,763
Income tax expense	**-**	(345,267)
Net income	**$ 2,393,206**	$ 186,496
Pasinex joint venture interest	**50%**	50%
Share of net gain	**1,196,603**	93,248
Decrease of prior year equity losses	**(1,196,603)**	(93,248)
Dividend received	**200,062**	3,298
Equity gain from Horzum AS	**$ 200,062**	$ 3,298

Revenue - The table below shows further details on revenue:

(100% basis Canadian dollars)	**Year Ended December 31, 2021**			**Year Ended December 31, 2020**		
	Wet Tonnes		**CAD**	**Wet Tonnes**		**CAD**
Zinc oxide product sales	**5,749**	**$**	**3,443,553**	10,886	$	4,102,341
Zinc sulphide product sales	**2,871**		**3,848,866**	362		169,176
Lead product sales	**-**		**-**	145		134,915
Other sales	**-**		**17,475**	-		43,139
Final sales adjustments	**-**		**50,706**	-		43,278
Total revenue	**8,620**	**$**	**7,360,600**	11,393	$	4,492,849

Revenue

Sales volume for the year decreased as discussed above, see *Review of Horzum AS – Operating results*. Sales prices per tonne on a USD basis improved by approximately 75% and 219%, for zinc oxide product and zinc sulphide product, respectively, when comparing prices in 2021 to 2020. The average USD sales price for the year ended December 31, 2021, was US$480 per tonne for zinc oxide product and US$1,078 per tonne for zinc sulphide product. The comparable amounts for 2020 were an average USD sales price US$275 per tonne for zinc oxide product and US$338 per tonne for zinc sulphide product.

Costs of sales

The cost of sales in the year ended December 31, 2021, decreased in dollar terms when compared to the same period in 2020 primarily due to having sold fewer tonnes of zinc product. On a cost per tonne basis the cost of sales was higher in 2021 compared with 2020 primarily because of the inclusion of costs related to the development of the Fourth Adit and the reduction of cost of sales in 2020 by an amount relating to a prior period. The CAD cost per tonne mined, (see non-GAAP measures) was $383 per tonne mined in 2021 compared with $313 per tonne in 2020. The USD cash cost per pound of zinc mined, (see non-GAAP measures), was US$0.36 per pound of zinc material mined for the year ended December 31, 2021, compared with US$0.37 per pound for the year ended December 31, 2020.

Operating income

The operating income in Horzum AS increased for the year ended December 31, 2021, compared with 2020, as a result of the higher sales prices having been realized. The gross margin, (see non-GAAP measures), for the year ended December 31, 2021, increased to 50% compared to 13% in 2020, primarily due to higher zinc prices in 2021 compared with 2020 and selling a greater number of high-grade zinc sulphide product tonnes in 2021.

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

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

Foreign exchange gain on receivable

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

Income tax expense

The statutory rate for income taxes in the first quarter of 2021 was 20% but was increased to 25% in the second quarter of 2021. The increase to 25% then applied to all income for the year including the first quarter. This compared with a rate of 22% in 2020. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

(100% basis Canadian dollars)	**Year Ended December 31,**	
	2021	2020
Income before income tax expense	**$ 2,393,206**	$ 531,763
Statutory tax rate	25%	22%
Expected income tax expense	**(598,302)**	(116,988)
Non-deductible expenses	**-**	(2,152)
Tax expense (recovery) not recognized	**598,302**	(226,127)
Income tax expense	**$ -**	$ (345,267)

Decrease of prior year equity losses

In the fourth quarter of 2018 an impairment of the Akmetal receivable was recorded. Since the joint venture is equity accounted and because the impairment was so large, the equity loss was capped in the fourth quarter of 2018 so that the investment would not be below zero. The unrecognized loss is to be applied against future equity gains beginning in 2019, if any. In both 2021 and 2020, Horzum AS recorded net income, which resulted in the decrease of prior year equity losses.

Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis Canadian dollars)	Year Ended December 31, 2021	2020
Assets		
Cash and prepaid expenses	**$ 9,324**	$ 16,095
Akmetal receivable	**40,064,449**	33,862,790
Less - discount and allowance on Akmetal receivables	**(40,064,449)**	(33,862,790)
Trade receivables	**1,630**	1,140
Other current assets	**346,353**	400,192
Inventory	**602,015**	159,972
Non current assets	**1,176,190**	921,746
Total assets	**$ 2,135,512**	$ 1,499,145
Liabilities		
Amounts due to shareholders and related parties	**$ 893,345**	$ 2,060,204
Other liabilities	**4,946,404**	9,226,203
Total liabilities	**5,839,749**	11,286,407
Equity	**(3,704,237)**	(9,787,262)
Total liabilities and equity	**$ 2,135,512**	$ 1,499,145

Akmetal receivable

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; 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. At December 31, 2021, Horzum AS 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.

Amounts due to shareholders

Amounts due to shareholders and related parties at December 31, 2021, include the dividend payable to Pasinex Arama of $0.84 million (approximately TRY 8.9 million) ($2.08 million - approximately TRY 10.9 million at December 31, 2020) along with amounts owed to Pasinex Arama for services performed by Pasinex Arama.

Other liabilities

Other liabilities include trade payables, lease liabilities, deferred revenue, income taxes payable and mining royalties payable. Mining royalties are payable to the government based on a formula of 2% of production value plus a zinc price escalator. The decrease in other liabilities at December 31, 2021, compared with December 31, 2020 is primarily due to a reduction in taxes payable. Taxes payable have decrease with the payment of instalments during the year and the rise of the Canadian dollar relative to the Turkish Lira. The Canadian dollar has appreciated against the Turkish Lira during the year and as such, amounts denominated in Turkish Lira that were outstanding at December 31, 2020 are lower in Canadian dollar terms at December 31, 2021.

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

	(100% basis Canadian Dollars)		*(100% basis Turkish Lira)*		
	As at December 31, 2021	As at December 31, 2020	**As at December 31, 2021**	Payments Made	As at December 31, 2020
Restructuring					
#1	**$ 2,289,593**	$ 5,313,671	**$ 24,126,370**	$ (6,893,249)	$ 31,019,619
#2	**311,264**	722,379	**3,279,914**	(937,118)	4,217,032
#3	**130,731**	303,399	**1,377,562**	(393,590)	1,771,152
#4	**-**	55,799	**-**	(325,739)	325,739
#5	**369,391**	857,320	**3,892,427**	(1,112,348)	5,004,775
#6	**12,293**	28,548	**129,541**	(37,112)	166,653
Total restructurings	**$ 3,113,272**	$ 7,281,116	**$ 32,805,814**	$ (9,699,156)	$ 42,504,970

In December 2020, Horzum AS restructured its tax liabilities that were due as at August 31, 2020, as allowed by the Turkish taxation department. Horzum AS is scheduled to make instalments of its various tax debts, with each tax debt under its own schedule of 18 equal instalments. The total amount paid to December 31, 2021, is approximately (TRY) 9.7 million Turkish Lira, which is equivalent to 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 in 2021, 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 and has made all of the required instalments in 2022.

In addition to the above restructurings, in October 2021, Horzum AS was assessed corporate taxes, VAT and penalties owed on certain longstanding amounts due. Amounts totaling (TRY) 3.55 million were assessed in taxes and penalties due. These amounts are payable in instalments to be made every two months with the final payments to be made on July 31, 2022. Horzum AS made tax instalment payments totaling (TRY) 1.2 million in 2021, (approximately $0.133 million using the exchange rates in effect on the date of the payments) in 2021. The balance remaining at December 31, 2021 is (TRY) 2.36 million (approximately $0.23 million). All instalments have been paid in 2022 to the date of this MD&A.

Shareholders' deficiency

The decrease in deficit at December 31, 2021, compared with December 31, 2020 is due to exchange differences during 2021 of approximately $3.7 million and the net income of approximately $2.4 million.

Commitments

Akmetal entered into a loan facility with one of its customers for overpayments received on advanced provisional invoice payments received in 2018. Akmetal did not make payments against the loan facility, but Horzum AS has paid a total of approximately US$1.75 million to this customer as at December 31, 2021 (approximately $2.22 million using the December 31, 2021 spot rate and approximately $2.32 million using the December 31, 2020 spot rate).

Expectations for 2022 and 2021 Review

Safety, Health and Environment

Horzum AS had another zero-fatality year at the Pinargozu Mine. Horzum AS employs approximately 125 people, including those employed by the underground drilling contractor. In 2021, there were 184,224 fatality free hours worked at the Pinargozu Mine. Horzum AS did report one serious injury and six lost time injuries during the year. Horzum AS has maintained an exemplary record since it began to mine at Pinargozu in 2015. 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 the year notwithstanding the restrictions and negative impacts caused by COVID-19.

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

Due to the delay of the Fourth Adit development, which was caused by groundwater issues, production guidance for 2021 was revised downward in the second quarter. Production in 2021 included 6,046 tonnes of zinc oxide product and 4,562 tonnes of zinc sulphide product for a total of 10,608 tonnes, which was slightly below the low end of the revised 2021 forecast. Oxide product was predominantly mined from previously developed areas while the sulphide product was mined from newly developed areas in the Fourth Adit and the 625-metre level.

Development work on the Fourth Adit accelerated in August once the water table ahead of the advancing face had been reduced from the 625-metre level to the 541-metre level. The amount of water being drained through boreholes was reduced substantially and was allowed to drain down the Fourth Adit before being captured in a series of settling ponds at the portal before discharge into the environment. Permits had been received to allow discharge following testing of the water quality that demonstrated it was of potable quality. Developing the Fourth Adit faced many challenges including very unstable ground at the portal that necessitated the use of steel arch supports with timber backfilling and the ingress of water. These challenges had been anticipated and planned for, which enabled the driving of the Fourth Adit to have been accomplished in very safe working conditions. Once the grey limestone was intersected, the ground conditions became much better, which allowed the use of split sets of roof anchors with wire mesh and faster rates of advance.

Zinc sulphide mineralization was intercepted some 30-metres earlier than had been anticipated from earlier exploratory drilling. These intercepts ranged from two metres to over 30 metres and drilling from the Fourth Adit has shown that mineralization continues beneath the 541-metre level. Planning will start in 2022 to develop levels below the 541-metre level that will allow for production through 2022 and 2023 from the zinc sulphide anomaly that has been encountered deeper in Pinargozu.

Crosscuts have been completed in the main section of the Fourth Adit to allow for a deeper drill program and to allow the mining of the mineralized material to commence. The Fourth Adit has been connected to the 625-metre level via the development of a raise from the 541-metre level to provide a second egress to meet mining law requirements. With the second access point in place, the Ministry of Mines gave their approval for mining to start. All required permits were received enabling Horzum AS to start mining of the zinc sulphide product in the third quarter of 2021.

Horzum AS completed a total of 7,557 metres of underground and surface diamond core drilling in 102 holes during 2021. It also completed 1,933 metres of exploration and development adit development during 2021 including 566 metres of development of the Fourth Adit.

In the third quarter of 2021, Pasinex Arama 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.

(100% basis)	**Guidance for the Year Ended December 31, 2022**	
	Wet Tonnes	**Average Grade**
Zinc oxide product mined	**1,000 to 4,000**	**30%**
Zinc sulphide product mined	**15,000 to 18,000**	**+50%**
	16,000 to 22,000	
CAD cost per tonne mined		$450 - $500

Production at the Pinargozu Mine for 2022 is forecast to be between 15,000 and 18,000 tonnes of zinc sulphide product at an average grade in excess of 50% zinc and 1,000 to 4,000 tonnes of zinc oxide product at an average grade of approximately 30% zinc as direct shipping material. Horzum AS expects that it will complete in excess of 10,000 metres of underground and surface diamond core drilling and in excess of 1,200 metres of adit development in 2022. Production and diamond core drilling will be predominately from and in the Fourth Adit. New crosscuts from the Fourth Adit into the identified zinc sulphide product will be developed for both exploration drilling and production access. Also, Horzum AS will begin to extend the existing Fourth Adit about 500 metres towards the Akkaya property with the objective to reach the Akkaya property by the first quarter of 2023. The Fourth Adit will become the main production hub for the Pinargozu Mine in 2022 and into the future, with the existing production team relocating to this level. Later in the year, work will commence in driving a decline to allow access to areas below the Fourth Adit where recent drilling has confirmed the presence of additional zinc sulphide product.

Mine production at the Pinargozu mine is expected to be able to continue on a two-shift basis in 2022.

The Company has not completed a current technical report that includes a mineral resource estimate as defined by the Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council, and procedures for classifying the reported Mineral Resources were undertaken within the context of the Canadian Securities Administrators National Instrument 43-101 ("NI 43-101"). The Company has no intention of completing a NI 43-101 compliant technical report. The Joint Venture has not followed accepted quality assurance and quality control procedures with respect to its current drilling program and has not used an independent third-party laboratory for its assay analysis. The Joint Venture uses field handheld X-ray fluorescence analyzers ("XRF") for zinc assays and grade control in exploration and mining. In addition, assays are completed by an independent third-party laboratory for all of the Joint Venture's sales.

The decision to enter production at the Pinargozu zinc mine was made without reference to a technical report or feasibility study prepared under NI 43-101. Accordingly, the Company's production estimates and the economic viability of the mine may differ materially from the estimates contained herein.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Apart from these and the discussion below on zinc prices and foreign currency, and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risks and Uncertainties" below.

Turkey experienced very high inflation in 2021. The Turkish government recently announced that the inflation rate reached 49% in January 2022. As a result, Horzum AS has been and will continue to experience price pressure on its goods and services incurred, including wages of its labour force. The price of zinc has increased steadily over the course of 2021 and into 2022. The average price per pound of zinc increased from US$1.23 in January of 2021 to US$1.55 at the end of 2021. The average price per pound of zinc was an average of US$1.36 in 2021 compared with an average of US$1.03 in 2020.

Horzum AS sells their product in US dollars and to a lesser extent in Euros, which are then converted to Turkish Lira. As such, Horzum AS's financial performance also depends on the TRY to US dollar. The USD / TRY exchange rate had a substantial increase in the past few years. The increase was further accelerated in the fourth quarter of 2021, with the rate moving from approximately 9.0 at the end of September 2021 to approximately 13.4 at December 31, 2021. The average rate for the year ended December 31, 2021 was 8.9 versus an average rate of 7.0 in 2020 and 5.7 in 2019. The average rate for the first quarter of 2022 was approximately 14.0.

The price increases combined with the increase in the USD exchange rate in relation to the Turkish Lira will have a positive impact on Horzum AS's gross margins in 2022 and should partially or completely offset the increases in costs.

Liquidity and Financial Position

Cash Flows

A summary of Pasinex's cash flows is as follows:

	Year Ended December 31, 2021	2020
Cash used in operating activities		
Before changes in working capital	**$ (544,425)**	$ (1,108,869)
Dividend from Horzum AS	**200,062**	3,298
Changes in working capital	**(135,671)**	272,229
	(480,034)	(833,342)
Cash used in investing activities	**(29,608)**	(20,853)
Cash received from financing activities	**580,000**	945,500
Effect of foreign currencies	**(16,355)**	(75,911)
Net change in cash	**54,003**	15,394
Opening cash balance	**46,028**	30,634
Closing cash balance	**$ 100,031**	$ 46,028

Cash used in operating activities

Cash used in operating activities before changes in working capital for the year ended December 31, 2021, decreased when compared with the same period in 2020 in line with the decrease in general and administration costs.

The dividend received from Horzum AS, represents a portion of the dividend declared in 2018. The dividend received increased to $200,062 (TRY 2,063,065 million) in the year ended December 31, 2021, compared with $3,298 (TRY 15,000) in 2020. As at the end of December 31, 2021, approximately $840,000 million (approximately TRY 8.86 million) remains to be collected from Horzum AS compared with approximately $1.9 million at December 31, 2020 (approximately TRY 10.9 million). The Canadian dollar equivalent of the amount receivable was negatively impacted by the rise of the Canadian dollar relative to the Turkish Lira.

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

Cash used in investing activities

Cash used in investing activities in 2021 relates to a cash payment of US$20,000 ($25,679), made to extend the spending deadlines under the Gunman Project Agreement and miscellaneous costs incurred by Pasinex Arama at Pinargozu. In 2020, cash used relates to a cash payment of US$15,000 ($19,589), made to meet its obligation under the Gunman Project Agreement and also miscellaneous costs incurred by Pasinex Arama at Pinargozu.

Cash received from financing activities

Cash received from shareholder loans was $580,000 during the year ended December 31, 2021, compared with $905,500 in 2020. No shareholder loan amounts were received in 2022 as the collections of dividends from Horzum AS have provided funding for the Company.

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. Any outstanding loan at December 31, 2023 would be converted to two-year loan with interest of five percent per annum commencing on January 1, 2024. The loan would be fully due by December 31, 2025.

Commitments

Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Cypress Development Corp ("Cypress") and Caliber Minerals Inc. ("Caliber") (formerly named Silcom Systems Inc.) to earn up to an 80% interest in the Gunman Project (formerly the "Spur Zinc Project") located in White Pine County, Nevada ("Option Agreement"). The Option Agreement's total consideration to acquire an 80% interest is a combination of cash and Pasinex common shares. The Company must incur minimum exploration expenditures totalling US$2,950,000.

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

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

In early 2022, the Company engaged Ronacher McKenzie Geoscience Inc. ("RMG") to provide project support, program planning and program execution oversight for the Company's Gunman Project. RMG completed an initial review of the Company's available exploration data and obtained quotations for phase two work during the first quarter of 2022. Phase two, which is to include geophysical surveys and soil sampling will begin in the second quarter of 2022. RMG will then plan and execute a drilling program at Gunman based on the results from phase two.

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).

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.

Financial Condition

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At 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.

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.

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

See "Risks and Uncertainties" below and "Cautionary Note Regarding Forward-Looking Statements" above.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

Commitments and Contingencies

As of the date of this MD&A, the Company has no commitments and contingencies other than those owed in accordance with the Gunman Project Agreement (*see Liquidity and Financial Position – Commitments*). The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are constantly changing and generally more restrictive. The Company does not believe that there are currently any decommissioning liabilities at its sites, nor subject to known additional environmental liabilities or mitigation measures.

Share Capital

As of the date of this MD&A, the Company has 144,554,371 issued and outstanding common shares and an aggregate of 10.75 million stock options outstanding.

Transactions with Related Parties

Related Party Balances and Transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Company during the 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 are 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	**323,000**	28,500
Interest expense on shareholder loans	**135,560**	94,005
	$ 768,910	$ 646,551

Amounts payable to related parties were as follows:

Due to Related Parties:	As at December 31, 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

Shareholder loans:	As at December 31, 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 the Managing Director of Horzum AS.
(5) Seeley Holdings Ltd. is a company controlled by a family member of Larry Seeley, a director of the Company.
(6) Rainer Beteiligungsgesellschaft is owned by Joachim Rainer a director of the Company.
(7) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO of the Company.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

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

Review of Quarterly Consolidated Financial Statements

Three Months Ended December 31, 2021 and 2020

The following is a summary income statement for Pasinex:

	Three Months Ended December 31,	
	2021	2020
Equity gain from Horzum AS	**$ 167,830**	$ -
Recovery of amounts due from Horzum AS	**919,011**	16,066
Exploration costs expense (recovery)	**(13,196)**	11,433
General and administration costs	**(158,132)**	(162,364)
Interest expense	**(39,065)**	(29,603)
Other income	**3,809**	(3,623)
Foreign exchange gain (loss)	**(855)**	16,686
Net income (loss)	**$ 879,402**	$ (151,405)

Equity gain from Horzum AS

Pasinex Arama received $167,830 (TRY 1,863,065) in dividends from Horzum AS in the fourth quarter of 2021 and recorded an equity gain for that amount. No dividends were received during the fourth quarter of 2020 and therefore there was no equity gain reported in that period.

Recovery of amounts due form Horzum AS

Pasinex Arama recorded an impairment recovery of approximately $0.9 million and $0.02 million in the fourth quarters of 2021 and 2020, respectively.

The recovery in 2021 includes the reversal of previously impaired dividend and other receivables. These amounts were collected subsequent to the year end.

In 2020, Pasinex Arama received payments, totaling TRY300,000 (approximately $0.05 million), from Horzum AS in the fourth quarter of 2020 for amounts it invoiced to Horzum AS. This amount was greater than the amounts billed to Horzum AS in the same period and as a result the Pasinex Arama recorded a recovery in the three months ended December 31, 2020.

Exploration costs

Exploration costs for Pasinex incurred in the fourth quarter for both 2021 and 2020 were for consulting fees for the Gunman Project.

General and administration costs

General and administration costs for Pasinex for the fourth quarter include the following:

		Three Months Ended December 31,		
		2021		2020
General and administration costs				
Consulting fees	**$**	**73,334**	$	45,832
Investor relations		**4,687**		5,034
Management fees and salaries		**30,216**		24,159
Office and general		**5,353**		3,357
Professional fees		**32,395**		73,892
Transfer agent and regulatory fees		**3,833**		532
Travel and meals		**7,421**		9,945
Other		**893**		(387)
	$	**158,132**	$	162,364

General and administration costs remained relatively flat year over year.

There were no share-based payments in the fourth quarters of 2021 and 2020.

Below are the statements of operation for Horzum AS for the fourth quarter of 2021 and 2020 with a reconciliation to the Company's equity gain.

(100% basis Canadian dollars)		Three Months Ended December 31,		
		2021		2020
Revenue	**$**	**2,755,059**	$	983,042
Cost of sales		**(952,794)**		(1,136,508)
Selling, marketing and other distribution		**(13,381)**		(51,831)
Operating income (loss)		**1,788,884**		(205,297)
(Impairment) Recovery of Akmetal receivable		**(19,193,038)**		3,171,372
General and administration expenses		**(327,670)**		(102,231)
Foreign exchange gain (loss) on receivable		**19,399,243**		(1,788,031)
Finance (expense) recovery		**(197,534)**		112,600
Other		**(42,431)**		(83,630)
		1,427,454		1,104,783
Income tax recovery (expense)		**495,303**		(13,429)
Net income	**$**	**1,922,757**	$	1,091,354
Pasinex joint venture interest		**50%**		50%
Share of net income		**961,379**		545,677
Decrease of prior year equity losses		**(961,379)**		(545,677)
Dividend received		**167,830**		-
Equity gain from Horzum AS	**$**	**167,830**	$	-

Revenue

(100% basis Canadian dollars)	Three Months Ended December 31, 2021			Three Months Ended December 31, 2020		
	Wet Tonnes		CAD	Wet Tonnes		CAD
Zinc oxide product sales	**394**	**$**	**241,952**	2,962	$	1,274,381
Zinc sulphide product sales	**1,568**		**2,509,126**	55		46,868
Lead product sales	**-**		**-**	-		-
Other sales	**-**		**3,981**	-		7,480
Final sales adjustments	**-**		**-**	-		(345,687)
Total revenue	**1,962**	**$**	**2,755,059**	3,017	$	983,042

Revenues were substantially higher in the fourth quarter of 2021 compared to the same period of 2020 as a result of the sale of higher priced zinc product being sold, which included higher priced zinc sulphide product tonnes from the Fourth Adit. In 2020, there were sales price adjustments that were made related to sales in a prior period that reduced the total revenue.

Cost of sales

Cost of sales at Horzum AS was higher in 2020 compared with the same quarter in 2021 primarily reflecting the higher number of tonnes sold in 2020. The cost of sales in the fourth quarter of 2020 also includes a portion of the cost to develop the Fourth Adit, while the fourth quarter of 2021 does not.

Operating income (loss)

The gross margin (see non-GAAP measures) for the fourth quarter of 2021 was 65% compared with 23% for the same period in 2020. The higher prices of zinc material achieved are a result of higher zinc prices worldwide and higher quality material being sold, year over year.

The following is a summary cash flow for the Company for the fourth quarter.

	Three Months Ended December 31,			
		2021		2020
Cash used in operating activities				
Before changes in working capital	**$**	**116,890**	$	(145,803)
Dividend from Horzum AS		**167,830**		-
Changes in working capital		**(206,102)**		23,769
		78,618		(122,034)
Cash used in investing activities		**(26,987)**		(19,291)
Cash received from financing activities		**50,000**		120,000
Effect of foreign currencies		**(108,084)**		(74,711)
Net change in cash		**(6,453)**		(96,036)
Opening cash balance		**106,484**		142,064
Closing cash balance	**$**	**100,031**	$	46,028

As with the annual results, the cash used in operating activities before changes in working capital for the fourth quarter of 2021 decreased when compared with the same period in 2020 in line with the decrease in general and administration costs. Pasinex Arama received a dividend in the fourth quarter of 2021 but not in 2020. Changes in working capital in the fourth quarter of 2021 reflect the payment of certain payables. Also as noted in the annual review of cash flows, the cash used in investing activities in the fourth quarters of 2021 and 2020 relate to cash payments of US$20,000($25,679) and US$15,000 ($19,589), respectively, made to meet obligations under the Gunman Project Agreement. Cash received from financing activities represent cash received from a shareholder in both the fourth quarter of 2021 and 2020.

Selected Consolidated Quarterly Financial Data

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

	Three Months Ended							
	Dec 2021	Sept 2021	Jun 2021	Mar 2021	Dec 2020	Sept 2020	June 2020	March 2020
Financial:								
Equity gain from Horzum AS	$ 167,830	$ -	$ -	$ 32,232	$ -	$ -	$ -	$ 3,298
Consolidated net income (loss)	$ 879,402	$ (203,818)	$ (595,616)	$ (209,646)	$ (595,616)	$ (408,615)	$ (295,958)	$ (396,448)
Basic and diluted net loss per share	$ 0.01	$ -	$ (0.01)	$ -	$ -	$ (0.01)	$ -	$ -

The investment in the joint venture is accounted for using the equity method. In 2018, the net loss of the joint venture was so large after the impairment of the Akmetal receivable was recorded that the equity loss was capped so the investment would not be below zero. In all quarters, the equity gains represent dividends received from Horzum AS. Equity gains reduce the remaining equity loss that was recorded in 2018 and net losses increase the unrecorded equity loss.

Quarterly consolidated net income or loss has varied primarily due to the variability of the equity gain or loss recorded from the joint venture. The consolidated net income recorded in the fourth quarter of 2021 was primarily due to the recovery of the dividend and other receivables that was recorded. A general reduction in general and administrative costs along with a reduction in exploration costs has reduced the consolidated net loss during the quarters in 2021 compared with 2020. The third quarter of 2020 included a one-time lump sum payment to the former CEO of the Company.

Financial Instruments and Capital Disclosures

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:

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 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.

Non-GAAP measures

The Company has included certain non-GAAP performance measures throughout this document. These performance measures are employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Cost per tonne mined

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	**2021**	2020
Reconciliation of cost per tonne mined				
Cost of sales per Horzum AS income statement	**$ 952,794**	$ 1,136,508	**$ 3,534,799**	$ 3,749,925
Cost of sales adjustments related to a prior period	**-**	(10,963)	**-**	10,527
Cost of sales related to other items	**-**	-	**-**	(20,589)
Inventory change	**219,795**	(155,303)	**522,726**	57,538
	$ 1,172,589	$ 970,242	**$ 4,057,525**	$ 3,797,401
Tonnes mined	**2,864**	2,954	**10,608**	12,123
CAD Cost per tonne mined	**$ 409**	$ 328	**$ 383**	$ 313

USD cash cost per pound of zinc produced

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

		Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2020
Reconciliation of US$ cash cost per pound of zinc product mined					
Cost of sales per Horzum AS income statement adjusted for cost of sales adjustments and inventory change		**$ 1,172,589**	$ 970,242	**$ 4,057,525**	$ 3,797,401
Less - sales of lead product		**-**	-	**-**	(134,915)
		1,172,589	970,242	**4,057,525**	3,662,486
Translate to US$	A	**$ 930,626**	$ 744,622	**$ 3,236,440**	$ 2,730,753
Zinc product tonnes mined (wet)		**2,864**	2,954	**10,608**	12,123
Zinc product grade mined		**52%**	29%	**40%**	30%
Moisture loss		**3%**	8%	**5%**	7%
Pounds of zinc product mined	B	**3,176,122**	1,706,946	**8,943,280**	7,461,046
US$ cash cost per pound of zinc product mined	A/B	**$ 0.29**	$ 0.44	**$ 0.36**	$ 0.37

Treatment and refining costs are not included in the USD cash cost per pound.

Gross margin

The following table provides a reconciliation of gross margin to net income (the nearest GAAP measure) per the Horzum AS Statements of Operations.

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2020
Reconciliation of gross margin				
Operating income (loss) per Horzum AS income statement	**$ 1,788,884**	$ (205,297)	**$ 3,664,150**	$ 604,650
Deduct other sales	**$ (3,981)**		**$ (16,228)**	
Adjust for final price adjustments for revenue and cost of goods sold related to other periods	**-**	513,988	**(5,656)**	(40,328)
Gross margin	**$ 1,784,903**	$ 308,691	**$ 3,642,266**	$ 564,322
Revenue (excluding price adjustments related to other periods and other sales)	**$ 2,751,078**	$ 1,329,097	**$ 7,299,322**	$ 4,406,430
Gross margin (gross margin / revenue)	**65%**	23%	**50%**	13%

Qualified Person

Jonathan Challis, a fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer, is the qualified person ("QP") as defined by NI 43-101, has approved the scientific and technical disclosure herein. Mr. Challis is a director of the Company and Chair of Horzum AS.

Risks and Uncertainties

The Company's business contains significant risk due to the nature of mining, exploration and development activities. In addition to the usual risks associated with an investment in a junior resource company, management and the directors of the Company believe that, in particular, the following risk factors should be considered by prospective investors. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors below that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Risks to Profitability

The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in the United States and Turkey. The Company's properties have no established mineral reserves and there is no assurance that any of the Company's projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors.

The profitability of the Company's current operations will be directly related to the performance of the Pinargozu zinc mine located in Turkey, which operates without a technical report or established mineral reserves. The development of a mining operation typically involves large capital expenditures and a high degree of risk and uncertainty. Mining operations put into production without first establishing mineral reserves supported by a NI 43-101 technical report and completed feasibility study are subject to much higher risk of economic or technical failure. As the Pinargozu mine (held by Horzum AS) was put into production without a feasibility study or mineral reserves demonstrating economic and technical viability, there is increased uncertainty. The economic and technical risk of failure at the Pinargozu mine is increased by operating without a technical report, and the ore grade, estimated mineral resources, profitability of the mine, the life of the mine, the difficulty in mining zinc ore, the cost in maintaining the mine and any other economic or technical projection may differ materially from the Company's estimates, which would have a material and adverse effect on the Company's results.

Moreover, the ability of the Pinargozu mine to generate positive cash flow for the Company largely depends on the ability for Horzum AS to collect receivables from Akmetal, the Company's distribution partner. If any of the loan receivables owing to the Company from Akmetal are deemed unrecoverable, the Company's business, results of operations and financial condition may experience a material adverse impact.

Reliability of Mineral Resource Estimates

As the Company has not established mineral reserves supported by a NI 43-101 technical report, there is no assurance that the Company's resource or production estimates can be relied upon. The Company currently relies on internal mineral resource estimates for the basis of its projections and forward-looking information. Mineral resources are estimates based on sampling of the mineralized material in a deposit and such estimates may not be found to be accurate. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimation of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The Company's mineral resource estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, all of which may prove to be unreliable. Furthermore, there are risks related to the reliability of analytical results and unforeseen possible variations in grade or other considerations.

Exploration Risk

The exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current mining, exploration and development programs of the Company will result in profitable commercial mining operations.

Commodity Markets

The price of the Company's securities, its financial results, and its access to the capital required to finance its production and exploration activities may in the future be adversely affected by declines in the price of zinc. Zinc prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of zinc by various dealers, financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, and international political and economic trends, conditions and events. If these or other factors adversely affect the price of zinc that are the subject of the Company's production and exploration efforts, the market price of the Company's securities may decline.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the Company's control, including without limitation, the supply and demand for minerals. In addition, the metals industry in general is intensely competitive and there is no assurance that, even if apparently commercial quantities and qualities of metals are discovered, a market will exist for their profitable sale. Commercial viability of zinc and other mineral deposits may be affected by other factors that are beyond the Company's control, including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure, the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, and environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability such that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital or having its mineral projects be rendered uneconomic. These risks are accentuated because of the lack of a NI 43-101 technical report on mineral reserves at the Pinargozu mine. Without a NI 43-101 technical report, economic and technical viability of the Pinargozu mine cannot be assured.

Option and Joint Venture Agreements

The Company has and may continue to enter into option agreements and/or joint ventures as a means of acquiring property interests. Any failure of any partner to meet its obligations to the Company or other third parties, or any disputes with respect to third parties' respective rights and obligations could have a material adverse effect on the

Company's rights under such agreements. Furthermore, the Company may be unable to exert direct influence over strategic decisions made in respect of properties that are subject to the terms of these agreements, and the result may be a materially adverse impact on the strategic value of the underlying mineral claims.

Property Titles

The principal property interests that the Company owns, controls or has the right to acquire by option or agreement come variously under the *3213 Turkish Mining Law* (Turkey), the *Federal Land Policy and Management Act* (United States), and the *General Mining Law of 1872* (United States), each of which has its own registration and management systems. Although the Company has either obtained title opinions or reviewed title for the material properties that it owns, controls or has the right to acquire by option or agreement, there is no guarantee that title to such mineral property interests will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. The Company may also experience challenges in effecting the transfer of title to certain of its mineral properties. There may be valid challenges to the title of the mineral property interests which, if successful, could impair development and/or operations.

Financing Risks

Although the Company currently generates operating cash flow from the Pinargozu mine, the Company's distribution partner, Akmetal, has been slow to pay Horzum AS. The Company has no other source of operating cash flow and there is no assurance additional funding will be available for further exploration, development and maintenance of its projects. Further exploration and development of the Company's properties may be dependent upon its ability to obtain financing through equity or debt, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Company's projects, the loss of right to the Company's properties, or the ability to finance the continued operation of the Pinargozu mine.

Mining Risks and Insurance

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Risks Related to Operations in a Foreign Jurisdiction

The Company's business operates in a foreign jurisdiction where there are added risks and uncertainties due to the different economic, cultural and political environments. The Corporation's mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation and policy relating to the mining industry. Other risks of foreign operations include political unrest, labour disputes and unrest, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries (including nationalization of mines), foreign taxation, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. Local economic conditions can also adversely affect the security of the Company's operations and the availability of supplies. In addition, risks of operations in Turkey include fluctuations in currency exchange rates, inflation, and significant changes in laws and regulations including but not limited to tax regulations, permitting and expropriation. These risks may limit or disrupt the Company's projects, reduce financial viability of local operations, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation. There can be no assurance that changes in the government or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect the Company's business, financial condition, results of operation and prospects.

Government Regulations, Permitting and Taxation

The Company's production and exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its activities, its various licences and permits must be obtained and kept current. There is no guarantee that the Company's licences and permits will be granted, or that once granted will be extended. In addition, the terms and conditions of such licences or permits could be changed and there can be no assurances that any application to renew any existing licences will be approved. There can be no assurance that all permits that the Company requires will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development or maintenance of its properties. The Company will also have to obtain and comply with permits and licences that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions. Future taxation of mining operators cannot be predicted with certainty so planning must be undertaken using present conditions and best estimates of any potential future changes.

Health, Safety and Community Relations

The Company's operations are subject to various health and safety laws and regulations that impose various duties on the Company's operations relating to, among other things, worker safety and obligations in respect of surrounding communities. These laws and regulations also grant the relevant authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance with such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Company's operations. The Company has made, and expects to make in the future, expenditures to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, to create social and economic benefit in the surrounding communities near the Company's mineral properties.

Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds. There is also a risk that environmental and other laws and regulations may become more onerous, making it more costly for the Company to remain in compliance with such laws and regulations.

Reliance on Key Personnel

The Company's development to date has largely depended and in the future will continue to depend on the efforts of key management and other key personnel. Loss of any of these people, particularly to competitors, could have a material adverse effect on the Company's business. Further, with respect to future development of the Company's projects, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is becoming more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside the Company's control, including competition for human capital and the high level of technical expertise and experience required to execute this development, will affect the Company's ability to employ the specific personnel required. The failure to retain or attract a sufficient number of key skilled personnel could have a material adverse effect on the Company's business, results of operations and financial condition. The Company has not taken out and does not intend to take out 'key person' insurance in respect of any directors, officers or other employees.

Competitive Industry Environment

The mining industry is highly competitive, both domestically and internationally. The Company's ability to acquire properties and develop mineral reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration, of which there is a limited supply. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter competition from other mining companies in its efforts to hire experienced mining professionals. Competition could adversely affect the Company's ability to attract necessary funding or acquire suitable producing properties or prospects for mineral exploration in the future. Competition for services and equipment could result in delays if such services or equipment cannot be obtained in a timely manner due to inadequate availability, and could also cause scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project development, exploration or construction costs and result in project delays.

Global Financial Conditions

Recent global financial conditions have been characterized by increased volatility and access to public financing, particularly for junior mining companies. These conditions may affect the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company or at all. If such conditions continue, the Company's operations could be negatively impacted. See discussion related to COVID-19 and the ongoing Ukraine conflict in the Cautionary Note Regarding Forward-Looking Statements.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Use of Accounting Judgements and Estimates

Refer to Note 4 of the Company's Consolidated Financial Statements.

Disclosure of Internal Controls

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

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

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

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

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

Additional Information

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