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# **Pasinex Resources Limited**

## **Management's Discussion & Analysis**

### **For the Three Months Ended March 31, 2022 and 2021**

#### **Discussion dated: May 24, 2022**

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## **Introduction**

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three months ended March 31, 2022, has been prepared to provide material updates to the business operations, liquidity, and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2021. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2021 and 2020, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Where the Turkish Lira is reported it is referenced as TRY.

The Company's unaudited condensed interim financial statements and the financial information contained in this Interim MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect for the fiscal period beginning January 1, 2022. The unaudited condensed interim financial statements have been prepared on a historical basis and compliance with IFRS applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Accordingly, the information contained herein is presented as of May 24, 2022, unless otherwise indicated.

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

Further information about the Company and its operations can be obtained from the Secretary of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained in this Interim 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 Interim 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 Interim 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

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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 the first quarter of 2022, 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 the quarter, 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 Interim 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 Interim 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.

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### 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 Quarterly Information

	Three Months Ended March 31,	
	2022	2021
<b>Financial:</b>		
Equity gain from Horzum AS	\$ -	\$ 32,232
Cash dividends received from investment in Horzum AS	\$ 1,167,464	\$ 32,232
Dividend income from Horzum AS	\$ 4,072,320	\$ -
Consolidated net income (loss)	\$ 3,634,344	\$ (209,646)
Basic and diluted net income per share	\$ 0.03	\$ 0.00
Net cash provided by (used in) operating activities	\$ 769,821	\$ (234,543)
Weighted average shares outstanding	144,554,371	144,554,371
<b>As at:</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Total assets	\$ 6,219,325	\$ 2,871,768
Total liabilities	\$ 3,999,738	\$ 3,993,880
Shareholders' equity (deficiency)	\$ 2,219,587	\$ (1,122,112)
	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Horzum AS operational data (100% basis):</b>		
Zinc product mined (wet) tonnes	4,540	2,580
Zinc product sold (wet) tonnes	2,964	2,372
Zinc oxide product average grade sold	37.3%	31.0%
Zinc sulphide product average grade sold	52.6%	NA
Gross margin <sup>(1)</sup>	72%	18%
CAD cost per tonne mined <sup>(1)</sup>	\$ 319	\$ 429
USD cash cost per pound of zinc mined <sup>(1)</sup>	\$ 0.26	\$ 0.53

<sup>(1)</sup> see non-GAAP measures

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

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

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### Highlights

- Pasinex recorded a net income of approximately \$3.63 million in the three months ended March 31, 2022, compared with a net loss of approximately \$0.21 million for the same period in 2021. Pasinex Arama recorded dividend income of approximately \$4.1 million in the first quarter of 2022. There was no similar amount in 2021.
- The operating income in Horzum AS increased to \$3.3 million for the first quarter of 2022 versus operating income of \$0.2 million in 2021. 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 the first quarter of 2022 along with selling a greater proportion of high-grade zinc sulphide product in 2022 compared with 2021. The higher sales prices also resulted in the gross margin (see non-GAAP measures) for the three months ended March 31, 2022, increasing to 72% from 18% in the same period in 2021.
- Horzum AS declared a dividend to be paid to its shareholders of which Pasinex Arama was entitled to TRY 44.8 million. Pasinex Arama has received TRY 21 million of this amount as of the date of this Interim MD&A, bringing the total amount received by Pasinex Arama from Horzum AS in 2022 to TRY 30.7 million.
- 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\$1,318 per tonne.
- Horzum AS mined 4,540 tonnes of zinc product in the first three months of 2022, at the Pinargozu mine, including 3,842 tonnes of high-grade zinc sulphide product.
- The CAD cost per tonne mined (see non-GAAP measures) was \$319 and the USD cash cost per pound of zinc product mined (see non-GAAP measures) was US\$0.26 for the three months ended March 31, 2022.
- During the first quarter of 2022, Horzum AS completed a total of 2,494 metres of underground and surface diamond core drilling, in 22 holes, in the Fourth Adit and at the 616-metre level. It also completed 404 metres of exploration and development adit development.
- Horzum AS had another zero-fatality quarter at the Pinargozu Mine. There were 49,048 fatality free hours worked and no serious injuries were reported.
- The Company reached its US\$200,000 of qualified exploration expenditures spending requirement at the Gunman Project during the quarter.
- The Company completed a review of its exploration data on its Gunman Project during the first quarter. Subsequent to the quarter end, the Company completed a helicopter magnetics survey and a soil sampling program and is now awaiting results from these programs. The Company is also in the process of completing a ground gravity program.
- The Company issued 1,500,000 stock options during the first quarter of 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 March 31, 2022, the Company has a net equity deficit of \$8,414,838 (December 31, 2021 – \$12,049,182) and has a working capital position of \$406,071 (December 31, 2021 – working capital deficiency position of \$2,956,668). The Company had net income of \$3,634,344 for the three months ended March 31, 2022 (three months ended March 31, 2021 – net loss of \$209,646) and positive cash flows from operations of \$769,821 for the three months ended March 31, 2022 (three months ended March 31, 2021 – negative cash flows from operations of \$234,543).

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Pasinex Arama received approximately TRY 13.7 million (approximately \$1.17 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividend payments from Horzum AS for the three months ended March 31, 2022, compared with TRY 200,000 (approximately \$32,232 using the exchange rate on the date of the transfer from Horzum AS) for the same period in 2021. Pasinex Arama also received TRY 17 million (approximately \$1.4 million using the exchange rates on the dates of the various transfers from Horzum AS), subsequent to March 31, 2022.

Approximately TRY 28.25 million (approximately \$2.56 million using the exchange rates on the dates of the transfers from Pasinex Arama) of the TRY 30.7 million received by Pasinex Arama in 2022, have been transferred to Pasinex Canada. Both Pasinex Canada and Pasinex Arama now have sufficient cash on hand to fund their ongoing activities for the next 12 months, but the Company does not have enough cash on hand to repay all of its outstanding obligations.

During the quarter ended March 31, 2022, Horzum AS declared a dividend to its shareholders of which Pasinex Arama is entitled to TRY 44.8 million, which was the primary reason for the net income recorded in the period. Pasinex Arama has received TRY 21 million of this amount as of the date of this Interim MD&A, leaving TRY 23.8 million to be collected. There can be no assurance that additional dividends will be declared during the remainder of the year, which would give rise to additional dividend income.

As at March 31, 2022, Horzum AS has a receivable owing from Akmetal of approximately \$40.7 million. Management continues to work with Akmetal and the Kurmel family to resolve the collectability of this debt. Until strong credit worthiness is demonstrated by Akmetal, accounting principles require 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.

Horzum AS's operations have generated substantial positive cash flow in the first three months of 2022, however 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. 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.

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## Review of Quarterly Consolidated Financial Statements

### Three Months Ended March 31, 2022 and 2021

The following is a summary income statement for Pasinex:

	Three Months Ended March 31,	
	2022	2021
Equity gain from Horzum AS	\$ -	\$ 32,232
Recovery of Horzum AS receivable	-	15,068
Exploration costs	(85,105)	(40,513)
General and administration costs	(248,913)	(161,943)
Interest expense	(38,449)	(31,438)
Share-based payments	(57,000)	-
Dividend income	4,072,320	-
Other income	305	23,687
Foreign exchange loss	(8,814)	(46,739)
<b>Net income (loss)</b>	<b>\$ 3,634,344</b>	<b>\$ (209,646)</b>

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#### *Equity gain*

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. 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 has been applied against future equity gains beginning in 2019, if any.

#### *Recovery of amounts due from Horzum AS*

Pasinex Arama recorded a recovery of amounts due from Horzum AS of \$15,068 in the first quarter of 2021. The total amount of funds paid to Pasinex Arama in that quarter exceeded the amount Pasinex Arama invoiced Horzum AS in the same period. Since the Company had previously written off uncollected dividends and other receivables, the excess is recorded as a partial recovery of those amounts.

The Company recorded a full recovery of all remaining outstanding amounts of dividends and other receivables in the fourth quarter of 2021. Those amounts were all collected in the first quarter of 2022. No recovery was recorded in the first quarter of 2022 since the recovery was recognized into income in the fourth quarter of 2021.

#### *Exploration Costs*

Exploration costs represent expenditures incurred at the Gunman Project. For further details on the exploration program at the Gunman Project see – *Liquidity and Financial Position - Commitments*.

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*General and administration costs*

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>General and administration costs</b>		
Consulting fees	\$ 93,272	\$ 45,387
Investor relations	6,704	-
Management fees and salaries	54,000	34,614
Director fees	24,000	6,000
Office and general	11,092	10,935
Professional fees	37,847	46,606
Transfer agent and regulatory fees	7,486	8,197
Travel and meals	14,067	9,066
Other	445	1,138
	<b>\$ 248,913</b>	<b>\$ 161,943</b>

Consulting and management fees increased in the first quarter of 2022 as the Company experienced fee increases and increased activity from certain of its providers. The Company also began to accrue for director fees in the first quarter of 2022. Other costs remained mainly consistent year over year.

*Interest Expense*

Interest expense increased as a result of higher shareholder loan balances in the first quarter of 2022 versus 2021.

*Share-based payments*

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Share-based payments	\$ 57,000	\$ -

On March 24, 2022, 1,500,000 stock options were granted to the CFO of the Company at an exercise price of \$0.04 per stock option, expiring March 24, 2027. The stock options vested immediately. The fair value of the stock options at the date of grant of \$57,000 was estimated using the Black-Scholes valuation model with the following assumptions: a five-year expected term; a 183% expected volatility based on historical trends; risk-free interest rate of 2.27%; share price at the date of grant of \$0.04; and an expected dividend yield of 0%. The Company expensed the full amount of \$57,000 in the first quarter of 2022.

*Dividend income*

Horzum AS declared a dividend to be paid to its shareholders, in the first quarter of 2022, of which Pasinex Arama was entitled to TRY 44.8 million.

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### Review of Horzum AS

#### Key Performance Indicators

(shown on a 100% basis)

	Three Months Ended March 31,	
	2022	2021
Tonnes mined (wet)	4,540	2,580
Tonnes sold (wet):		
Zinc oxide product	434	2,372
Zinc sulphide product	2,530	-
Lead product	-	-
	<b>2,964</b>	<b>2,372</b>
Average grades for tonnes sold:		
Zinc oxide product	37.3%	31.0%
Zinc sulphide product	52.6%	NA
CAD cost per tonne mined <sup>(1)</sup>	\$ 319	\$ 429
USD cash cost per pound of zinc product mined <sup>(1)</sup>	\$ 0.26	\$ 0.53

<sup>(1)</sup> See non-GAAP measures

#### Operating results

Horzum AS mined more tonnes in 2022 than in 2021, primarily due to greater access of ore. In 2021, mine production at Pinargozu was reduced as Horzum AS focused on the development of the fourth adit. Production in 2022 included 3,842 tonnes of high-grade zinc sulphide product, 191 tonnes of zinc oxide product and 507 tonnes of low-grade zinc sulphide product.

Sales volumes also increased in the three months ended March 31, 2022, when compared with the same period in 2021 due to a higher inventory on hand to begin the year in 2022 and increased production in the quarter. Horzum AS adopted a process of selling its zinc product on a more frequent smaller batch basis in 2021, which has allowed for more consistent cash flow. Sales in 2022 continued to be on a smaller batch basis.

The average grade of the zinc oxide product sold increased to 37% zinc per tonne for the three months ended March 31, 2022, compared with 31% zinc per tonne in the same period in 2021. The average grade of the zinc sulphide product sold was 53% zinc per tonne for the three months ended March 31, 2022. There were no zinc sulphide product sales in the first quarter of 2021. There were no sales of the low-grade zinc sulphide product in the first quarter of 2022.

The CAD cost per tonne mined (see non-GAAP measures) was \$319 in the three months ended March 31, 2022, compared with \$429 in the same period in 2021. The average cost per tonne was lower during 2022 as a result of having mined approximately 75% more tonnes in 2022 compared with 2021.

The USD cash cost per pound of zinc product mined (see non-GAAP measures) was US\$0.26 per pound in the three months ended March 31, 2022, compared with US\$0.53 per pound in the same period in 2021. The decrease in cost per pound was primarily due to a greater number of pounds of zinc product being mined as a result of substantially higher average zinc product grades being realized.



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Financial results

Below are the statements of operation for Horzum AS for the three months ended March 31, 2022 and 2021.

<i>(100% basis Canadian dollars)</i>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Revenue	\$ 4,609,343	\$ 1,332,959
Cost of sales	(1,293,224)	(1,039,748)
Selling, marketing and other distribution	(16,004)	(55,631)
Operating Income	<b>3,300,115</b>	237,580
Impairment of Akmetal receivable	(5,717,517)	(3,707,887)
General and administration expenses	(168,963)	(64,281)
Foreign exchange loss on receivable	4,537,316	4,434,577
Finance expense	(41,973)	(17,308)
Other	15,231	20,657
Income tax expense	-	(58,519)
Net income	<b>\$ 1,924,209</b>	<b>\$ 844,819</b>

*Revenue*

<i>(100% basis Canadian dollars)</i>	<b>Three Months Ended March 31, 2022</b>		<b>Three Months Ended March 31, 2021</b>	
	<b>Wet Tonnes</b>	<b>CAD</b>	<b>Wet Tonnes</b>	<b>CAD</b>
Zinc oxide product sales	434	\$ 442,381	2,372	\$ 1,321,640
Zinc sulphide product sales	2,530	4,163,553	-	-
Lead product sales	-	-	-	-
Other sales	-	3,409	-	5,663
Sales adjustments - prior year	-	-	-	5,656
<b>Total revenue</b>	<b>2,964</b>	<b>\$ 4,609,343</b>	<b>2,372</b>	<b>\$ 1,332,959</b>

Sales volume for the quarter increased as discussed above, see *Review of Horzum AS – Operating results*. Sales prices per tonne on a USD basis improved by approximately 86% for zinc oxide product for the three months ended March 31, 2022, when compared to prices in the same period in 2021. There were no sales for zinc sulphide product in the first quarter of 2021, however zinc sulphide product sales represented 85% of all sales in 2022. The average USD sales price for the three months ended March 31, 2022, was US\$817 per tonne for zinc oxide product and US\$1,318 per tonne for zinc sulphide product. The combination of a greater proportion of higher valued zinc sulphide product sales and overall higher prices resulted in a 246% increase in total revenue in the first quarter of 2022 compared with the same period in 2021.

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*Costs of Sales*

The cost of sales in the three months ended March 31, 2022, increased in dollar terms when compared to the same period in 2021 primarily due to having sold a greater number of tonnes of zinc product. Adit development costs were reduced in 2022 as the primary focus in the first quarter of 2021 was the development of the fourth adit.

*Operating Income*

The operating income in Horzum AS increased in the three months ended March 31, 2022, compared with the same period in 2021, as a result of the higher sales prices having been realized. The gross margin, (see non-GAAP measures), for the three months ended March 31, 2022, increased to 72% from 18%, in the same period in 2021. The substantial increase is primarily due to higher zinc prices in 2022 compared with 2021 and the higher proportion of high-grade zinc sulphide tonnes being sold in 2022 versus zinc oxide product in 2021.

*Impairment of 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 first quarter of 2022 compared with 2021, primarily as the Akmetal receivable increased due to the increase in the USD:TRY exchange rate.

*Foreign Exchange Loss on Receivable*

The functional currency of Horzum AS is the TRY. The foreign exchange gain in both 2022 and 2021 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 2022 and 2021.

*Income Tax Expense*

The statutory rate for income taxes in the first quarter of 2022 was 23% compared with 20% in 2021. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

<b>(100% basis Canadian dollars)</b>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Income before income tax expense	\$ 1,924,209	\$ 903,338
Statutory tax rate	23%	20%
Expected income tax expense	<b>(442,568)</b>	(180,668)
Non-deductible expenses	-	(349)
Tax expense (recovery) not recognized	<b>442,568</b>	122,498
<b>Income tax expense</b>	<b>\$ -</b>	<b>\$ (58,519)</b>

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Financial condition

The following are summary balance sheets for Horzum AS:

<b>(100% basis Canadian dollars)</b>	<b>As at March 31, As at December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and prepaid expenses	\$ (207)	\$ 9,324
Akmetal receivable	40,708,974	40,064,449
Less - discount and allowance on Akmetal receivable	(40,708,974)	(40,064,449)
Trade receivables	26,724	1,630
Other receivables	4,142	346,353
Inventories	759,905	602,015
Non current assets	924,092	1,176,190
<b>Total assets</b>	<b>\$ 1,714,656</b>	<b>\$ 2,135,512</b>
<b>Liabilities</b>		
Amounts due to shareholders and related parties	\$ 3,476,133	\$ 893,345
Other liabilities	5,213,391	4,946,404
Total liabilities	8,689,524	5,839,749
<b>Shareholders' deficiency</b>	<b>█ (6,974,868) █</b>	<b>(3,704,237)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 1,714,656</b>	<b>\$ 2,135,512</b>

*Akmetal Receivable*

The total receivable from Akmetal is approximately \$40.7 million as at the end of March 31, 2022, compared with approximately \$40.1 million at December 31, 2021. 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 any operating expenses paid by Akmetal.

*Discount and allowance on Akmetal Receivable*

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay its liabilities in the normal course of operations. Horzum AS currently has approximately \$7.78 million in current liabilities (approximately \$4.4 million at December 31, 2021) and a working capital deficiency of approximately \$7.0 million (\$3.4 million at December 31, 2021). Included within the total current liabilities are \$0.5 million owed in trade payables (\$0.3 million at December 31, 2021), \$3.5 million owed to the Company's wholly owned subsidiary in Turkey (\$0.9 million at December 31, 2021), approximately \$1.2 million in amounts collected for which the sale has not been completed, and \$1.8 million in various taxes payable (\$2.4 million at December 31, 2021). Due to the tax restructuring \$0.9 million of the taxes payable has been classified as non-current (\$1.4 million at December 31, 2021). The amount due to Pasinex Arama at year end was collected during the first quarter. The amount outstanding is for the newly declared dividend in March 2022.

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.

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*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) along with amounts owed to Pasinex Arama for services performed by Pasinex Arama. All of these amounts were collected in the first quarter of 2022.

The amount due at March 31, 2022, relates to the dividend declared by Horzum AS during the first quarter of 2022.

*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 increase in other liabilities at March 31, 2022, compared with December 31, 2021 is due to the inclusion of deferred revenue of \$1.2 million partially offset by a reduction in taxes payable. Taxes payable have decreased with the payment of instalments during the quarter and the rise of the Canadian dollar relative to the Turkish Lira. The Canadian dollar has appreciated against the Turkish Lira during the quarter and as such, amounts denominated in Turkish Lira that were outstanding at December 31, 2021 are lower in Canadian dollar terms at March 31, 2022.

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

	<i>(100% basis Canadian Dollars)</i>		<i>(100% basis Turkish Lira)</i>		
	<b>As at March 31, 2022</b>	<b>As at December 31, 2021</b>	<b>As at March 31, 2022</b>	<b>Payments Made in 2022</b>	<b>As at December 31, 2021</b>
<b>Restructuring</b>					
#1	\$ 2,055,565	\$ 2,289,593	\$ 20,679,746	\$ (3,446,624)	\$ 24,126,370
#2	279,448	311,264	2,811,355	(468,559)	3,279,914
#3	117,368	130,731	1,180,767	(196,795)	1,377,562
#4	-	-	-	-	-
#5	331,634	369,391	3,614,396	(278,031)	3,892,427
#6	11,037	12,293	129,541	-	129,541
<b>Total restructurings</b>	<b>\$ 2,795,052</b>	<b>\$ 3,113,272</b>	<b>\$ 28,415,805</b>	<b>\$ (4,390,009)</b>	<b>\$ 32,805,814</b>

In December 2020, Horzum AS restructured its tax liabilities that were due as at August 31, 2020, as allowed by the Turkish taxation department. Horzum AS is scheduled to make instalments of its various tax debts, with each tax debt under its own schedule of 18 equal instalments. Horzum AS has paid certain of the instalments due in 2021. The total amount paid to March 31, 2022, was approximately TRY 14.1 million (approximately \$1.75 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 in 2021 for each of the restructuring agreements. The amount of the missed payments totaled TRY 4.7 million Turkish Lira. Horzum AS has paid all of its instalments in 2022 and is therefore in compliance with each of the tax restructuring agreements. Any missed instalments will become due and payable at the end of the month following the date of the last payment date of the restructuring. An additional requirement to remain in compliance with the restructuring agreements is that all current taxes from September 1, 2020, onward must be paid when they become due. As of the date of this Interim MD&A, Horzum AS made all of these required payments.

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

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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 approximately TRY 1.2 million in the first quarter of 2022 (approximately \$0.133 million using the exchange rates in effect on the date of the payments). The balance remaining at March 31, 2022 is TRY 1.18 million. All instalments have been paid on time in 2022 to the date of this Interim MD&A.

*Shareholders' Deficiency*

The increase in shareholders' deficiency at March 31, 2022, compared with December 31, 2021 is due to the declaration of a dividend to its shareholders partially offset by net income from its operations.


*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 (approximately \$2.2 million using the March 31, 2022, spot rate) to this customer, as at March 31, 2022.

Expectations for 2022

*Safety, Health and Environment*

Horzum AS had another zero-fatality quarter at the Pinargozu Mine. Horzum AS employs approximately 125 people, including those employed by the underground drilling contractor. In the first quarter of 2022, there were 49,048 fatality free hours worked at the Pinargozu Mine. There were no serious injuries reported. Five lost time injuries were reported during the quarter. 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 quarter notwithstanding the restrictions and negative impacts caused by COVID-19.

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

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 has become the main production

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hub for the Pinargozu Mine in 2022 and into the future, with the existing production team relocating to this level. In the first quarter of 2022, Horzum AS commenced 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 and the beginning of 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 and US\$1.98 in April of 2022. The average price per pound of zinc was an average of US\$1.36 in 2021 compared with an average of US\$1.70 in the first quarter of 2022.

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 first quarter of 2022, with the rate moving from approximately 13.4 at the end of December 2021 to approximately 14.7 at the end of March 31, 2022. The average rate for the quarter ended March 31, 2022, was approximately 14.0 versus an average rate of 11.2 in the fourth quarter of 2021 and 7.4 in the first quarter of 2021.

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.

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**Liquidity and Financial Position**

**Cash Flows**

A summary of the Company's cash flows is as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash provided by (used in) operating activities</b>		
Before changes in working capital	\$ 3,751,675	\$ (224,370)
Cash dividend received from Horzum AS	1,167,464	32,232
Changes in working capital	<b>(4,149,318)</b>	(42,405)
	<b>769,821</b>	(234,543)
Cash used in investing activities	-	(2,851)
Cash received from shareholder loans	-	175,000
Effect of foreign currencies	<b>(9,660)</b>	85,407
<b>Net change in cash</b>	<b>760,161</b>	23,013
Opening cash balance	<b>100,031</b>	46,028
<b>Closing cash balance</b>	<b>\$ 860,192</b>	<b>\$ 69,041</b>

*Cash provided by (used in) operating activities*

The Company realized its first inflow of cash from its operating activities in several quarters. Cash provided by operating activities was approximately \$0.8 million in the first quarter of 2022 compared with cash used in operating activities of approximately \$0.2 million in the same period in 2021. The primary reason for the positive result was the collection of all of the amounts that were due from related parties at the end of 2021 and the collection of a portion of the dividend that was declared in 2022. The change in working capital is primarily due to the uncollected portion of the dividend that was declared in 2022.

*Cash used in investing activities*

Cash used in investing activities in 2021 relates to miscellaneous costs incurred by Pasinex Arama. No cash was used in investing activities in the first quarter of 2022.

*Cash received from financing activities*

Cash received from shareholder loans was \$175,000 during the quarter ended March 31, 2021. No shareholder loan amounts were received in 2022 as the collections of dividends from Horzum AS have provided funding for the Company.

**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

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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 of qualified exploration expenditures to on or before June 30, 2022. The Company agreed to pay US\$20,000 for this extension. The Company has satisfied the US\$200,000 spending obligation as of March 31, 2022.

The spending and associated ownership is as follows:

To acquire an initial 51% of the Gunman Project:

- In December 2017, a cash payment was made to Caliber of US\$125,000 (\$158,897) and 2.2 million Pasinex Common Shares (value of \$484,000) were issued to Caliber and Cypress.
- In September 2018, a cash payment of US\$200,000 (\$258,960) and issuance of 2.2 million Pasinex Common Shares (value of \$264,000) were made to Caliber and Cypress.
- In December 2019, a payment of US\$100,000 cash and issuance of 200,000 Pasinex Common Shares (valued at \$6,000) to Cypress.
- In addition, minimum exploration expenditures as defined in the Option Agreement must be spent as follows:
  - US\$250,000 prior to December 5, 2018 (paid);
  - US\$800,000 prior to December 5, 2019 (deferred to December 31, 2022 - paid);
  - US\$800,000 prior to December 5, 2020 (deferred to December 31, 2022 - spent US\$52,000 to March 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\$460,000 in cash payments, (including US\$35,000 in payments relating to the amending agreements), 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 Company's financial condition has improved during the first quarter of 2022 as a result of the collection of dividends from Horzum AS. Both Pasinex Canada and Pasinex Arama now have sufficient cash on hand to fund their ongoing activities for the next 12 months, but the Company does not have enough cash on hand to repay all of its outstanding obligations.

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.



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### Off-Balance Sheet Arrangements

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

### Share Capital

As of the date of this Interim MD&A, the Company has 144,554,371 issued and outstanding common shares and an aggregate of 10,750,000 stock options outstanding.

### Transactions with Related Parties

#### Related Party Balances and Transactions

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

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A summary of the related party transactions are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Management fees and salaries	\$ 54,000	\$ 34,200
Consulting fees	45,104	35,511
Director fees	24,000	6,000
Share-based payments	57,000	-
Interest expense on shareholder loans	37,037	31,438
	<b>\$ 217,141</b>	<b>\$ 107,149</b>

Amounts payable to related parties were as follows:

	<b>Due to Related Parties</b>		<b>Shareholder Loans</b>	
	<b>As at March 31, 2022</b>	<b>As at December 31, 2021</b>	<b>As at March 31, 2022</b>	<b>As at December 31, 2021</b>
Larry Seeley <sup>(1)</sup>	\$ 135,354	\$ 129,354	\$ -	\$ -
Joachim Rainer <sup>(1)</sup>	6,000	2,000	-	-
Jonathan Challis <sup>(1)</sup>	14,000	17,772	-	-
Victor Wells <sup>(1)</sup>	75,000	86,000	-	-
1514341 Ontario Inc. <sup>(2)</sup>	17,961	17,961	2,065,827	2,038,186
Soner Koldas <sup>(3)</sup>	64,750	97,303	-	-
Seeley Holdings Ltd. <sup>(4)</sup>	-	-	649,040	640,882
Rainer Beteiligungsgesellschaft <sup>(5)</sup>	0	-	96,276	95,038
2192640 Ontario Inc. <sup>(6)</sup>	48,382	32,284	-	-
	<b>\$ 361,447</b>	<b>\$ 382,674</b>	<b>\$ 2,811,143</b>	<b>\$ 2,774,106</b>

<sup>(1)</sup> Larry Seeley, Joachim Rainer, Jonathan Challis and Victor Wells were directors of the Company at March 31, 2022 and December 31, 2021.

<sup>(2)</sup> 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.

<sup>(3)</sup> Soner Koldas is the General Manager of Pasinex AS and Managing Director of Horzum AS.

<sup>(4)</sup> Seeley Holdings Ltd. is a company controlled by a family member of Larry Seeley, a director of the Company.

<sup>(5)</sup> Rainer Beteiligungsgesellschaft is owned by Joachim Rainer a director of the Company.

<sup>(6)</sup> 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.

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To the knowledge of the directors and officers of the Company, as at March 31, 2022, 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:

	<b>Number of Common Shares</b>	<b>Percentage of Outstanding Common Shares</b>
<b>Larry Seeley</b>	<b>30,000,591</b>	<b>20.75%</b>

**Selected Consolidated Quarterly Financial Data**

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

	<b>Three Months Ended</b>							
	<b>March 2022</b>	<b>Dec 2021</b>	<b>Sept 2021</b>	<b>Jun 2021</b>	<b>Mar 2021</b>	<b>Dec 2020</b>	<b>Sept 2020</b>	<b>June 2020</b>
Financial:								
Equity gain (loss) from Horzum AS	\$ -	\$ 167,830	\$ -	\$ -	\$ 32,232	\$ -	\$ -	\$ -
Consolidated net income (loss)	\$ <b>3,634,344</b>	\$ 879,402	\$ (203,818)	\$ (595,616)	\$ (209,646)	\$ (595,616)	\$ (408,615)	\$ (295,958)
Basic and diluted net income (loss) per share	\$ <b>0.03</b>	\$ 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 in the first quarter of 2022 was primarily due to the recognition of dividend income from the dividend that was declared in the same period. The consolidated net income recorded in the fourth quarter of 2021 was primarily due to the recovery of the dividend and other receivables that were 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.

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**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.

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	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Reconciliation of cost per tonne mined</b>		
Cost of sales per Horzum income statement	\$ 1,293,224	\$ 1,039,748
Cost of sales adjustments related to a prior period	-	-
Cost of sales related to other items	-	-
Inventory change	<b>154,436</b>	67,329
	<b>\$ 1,447,660</b>	<b>\$ 1,107,077</b>
Tonnes mined	<b>4,540</b>	2,580
<b>CAD Cost per tonne mined</b>	<b>\$ 319</b>	\$ 429

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US\$ cash cost per pound of zinc product produced

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

		<b>Three Months Ended March 31,</b>	
		<b>2022</b>	<b>2021</b>
<b>Reconciliation of US\$ cash cost per pound of zinc product mined</b>			
Cost of sales per Horzum income statement adjusted for cost of sales adjustments and inventory change		\$ 1,447,660	\$ 1,107,077
Less - sales of lead product		-	-
		<b>1,447,660</b>	<b>1,107,077</b>
Translate to US\$	A	<b>\$ 1,143,220</b>	<b>\$ 874,054</b>
Zinc product tonnes mined (wet)		<b>4,540</b>	2,580
Zinc product grade mined		<b>45.9%</b>	31.4%
Moisture loss		<b>2.7%</b>	7.5%
Pounds of zinc product mined	B	<b>4,474,239</b>	1,651,836
US\$ cash cost per pound of zinc product mined	A/B	<b>\$ 0.26</b>	\$ 0.53

Treatment and refining costs are not included in the US\$ cash cost per pound.

Gross margin

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

		<b>Three Months Ended March 31,</b>	
		<b>2022</b>	<b>2021</b>
<b>Reconciliation of gross margin</b>			
Operating income per Horzum AS income statement		\$ 3,300,115	\$ 237,580
Add back final price adjustments for Revenue and Cost of Goods Sold related to other periods		-	(5,656)
Gross margin		<b>\$ 3,300,115</b>	<b>\$ 231,924</b>
Revenue (excluding price adjustments related to other periods and other sales)		<b>\$ 4,605,934</b>	\$ 1,321,640
Gross margin (gross margin / revenue)		<b>72%</b>	18%

**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 and has approved the scientific and technical disclosure herein. Mr. Challis is a director of the Company and Chair of Horzum AS.

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# Pasinex Resources Limited

## Management's Discussion & Analysis

For the Three Months Ended March 31, 2022 and 2021

Discussion dated: May 24, 2022

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### Risks and Uncertainties

The Company's business contains significant risk due to the nature of mining, exploration, and development activities. The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in the United States of America and Turkey. The Company's properties have no established mineral reserves and there is no assurance that any of the Company's projects can be mined profitably. The Company is also exploring and developing other opportunities and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development, and operational risks inherent in the mining industry as well as global economic and base mineral price volatility.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2021, available on SEDAR at [www.sedar.com](http://www.sedar.com)

### Disclosure of Internal Controls

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

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

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

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

### Additional Information

Additional information about the Company can be found on their Disclosure Hall page at [www.cnsx.ca](http://www.cnsx.ca), the Company's website at [www.pasinex.com](http://www.pasinex.com), or on [www.sedar.com](http://www.sedar.com).