

**PASINEX RESOURCES LIMITED**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**THREE MONTHS ENDED  
MARCH 31, 2023**

**(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

---

**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of Pasinex Resources Limited (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

**Pasinex Resources Limited**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

	As at March 31, 2023	As at December 31, 2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 1,063,937	\$ 855,567
Receivables	44,301	48,456
Prepaid expenses and deposits	167,026	247,185
<b>Total current assets</b>	<b>1,275,264</b>	<b>1,151,208</b>
<b>Non-current assets</b>		
Equipment	5,787	4,608
Value added tax receivable	19,740	16,445
Exploration and evaluation assets (note 5)	1,891,854	1,893,020
Equity investment in Horzum AS (note 4)	1,752,908	1,016,855
<b>Total non-current assets</b>	<b>3,670,289</b>	<b>2,930,928</b>
<b>Total assets</b>	<b>\$ 4,945,553</b>	<b>\$ 4,082,136</b>
<b>Shareholders' equity and liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 423,249	\$ 715,580
Due to related parties (notes 3 and 13)	1,630,652	406,236
Shareholder loans (notes 7 and 13)	2,437,589	2,403,147
Loan payable (note 8)	40,000	40,000
<b>Total current liabilities</b>	<b>4,531,490</b>	<b>3,564,963</b>
<b>Total liabilities</b>	<b>4,531,490</b>	<b>3,564,963</b>
<b>Shareholders' equity</b>		
Share capital (note 9)	12,888,506	12,888,506
Reserves	2,157,117	2,157,117
Deficit	(10,497,905)	(10,302,322)
Accumulated other comprehensive loss	(4,133,655)	(4,226,128)
<b>Total shareholders' equity</b>	<b>414,063</b>	<b>517,173</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,945,553</b>	<b>\$ 4,082,136</b>

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

Subsequent events (note 15)

**Approved on behalf of the Board:**

"Larry Seeley" Director

"Victor Wells" Director

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

**Pasinex Resources Limited****Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income  
(Expressed in Canadian Dollars)****Unaudited**

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Equity gain from Horzum AS (note 4)</b>	<b>\$ 775,762</b>	<b>\$ -</b>
<b>Expenses</b>		
Exploration costs (note 5)	492,731	85,105
General and administrative costs (note 12)	316,072	248,913
Share-based payments (notes 10 and 13)	-	57,000
<b>Total expenses</b>	<b>808,803</b>	<b>391,018</b>
<b>Other (loss) income</b>		
Other income	844	305
Interest expense (notes 7 and 13)	(34,443)	(38,449)
Foreign exchange gain (loss)	20	(8,814)
Dividend income	-	4,072,320
Loss on net monetary position	(128,963)	-
<b>Total other (loss) income</b>	<b>(162,542)</b>	<b>4,025,362</b>
<b>Net (loss) income for the period</b>	<b>(195,583)</b>	<b>3,634,344</b>
<b>Other comprehensive (loss) income</b>		
Item that will be reclassified subsequently to profit and loss:		
Currency translation adjustment	92,473	(349,645)
<b>Total comprehensive (loss) income for the period</b>	<b>\$ (103,110)</b>	<b>\$ 3,284,699</b>
<b>Net (loss) income per share - basic and diluted (note 11)</b>	<b>\$ 0.00</b>	<b>\$ 0.03</b>
<b>Weighted average number of shares outstanding</b>		
- basic and diluted (note 11)	144,554,371	144,554,371

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Net (loss) income for the period	\$ (195,583)	\$ 3,634,344
Net equity gain from Horzum AS	(775,762)	-
Dividend received	-	1,167,464
Adjustments for items not involving cash:		
Interest accrual (notes 7 and 13)	34,443	38,449
Share-based payments (notes 10 and 13)	-	57,000
Foreign exchange	22,245	21,413
Loss on net monetary position	128,963	-
Depreciation	503	469
Changes in non-cash working capital items:		
Prepaid expenses and deposits	79,283	(11,873)
Accounts payable and accrued liabilities	(292,331)	45,564
Due to related parties	1,218,354	(104,266)
Dividend receivable	-	(4,072,320)
Other	371	(6,423)
<b>Net cash provided by operating activities</b>	<b>220,486</b>	<b>769,821</b>
<b>Investing activities</b>		
Equipment acquisition	(1,682)	-
<b>Net cash used in investing activities</b>	<b>(1,682)</b>	<b>-</b>
<b>Financing activities</b>		
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Net change in cash</b>	<b>218,804</b>	<b>769,821</b>
<b>Effect of foreign currencies on cash</b>	<b>(10,434)</b>	<b>(9,660)</b>
<b>Cash, beginning of year</b>	<b>855,567</b>	<b>100,031</b>
<b>Cash, end of period</b>	<b>\$ 1,063,937</b>	<b>\$ 860,192</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

---

**Pasinex Resources Limited****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****Unaudited**

---

	Number of Shares (note 9)	Share Capital (note 9)	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
<b>Balance as at December 31, 2021</b>	<b>144,554,371</b>	<b>\$ 12,888,506</b>	<b>\$ 2,100,117</b>	<b>\$ (12,049,182)</b>	<b>\$ (4,061,553)</b>	<b>\$ (1,122,112)</b>
Share-based payments (note 10 and 13)	-	-	57,000	-	-	57,000
Currency translation adjustment	-	-	-	-	(349,645)	(349,645)
Net income for the period	-	-	-	3,634,344	-	3,634,344
<b>Balance as at March 31, 2022</b>	<b>144,554,371</b>	<b>\$ 12,888,506</b>	<b>\$ 2,157,117</b>	<b>\$ (8,414,838)</b>	<b>\$ (4,411,198)</b>	<b>\$ 2,219,587</b>
<b>Balance as at December 31, 2022</b>	<b>144,554,371</b>	<b>\$ 12,888,506</b>	<b>\$ 2,157,117</b>	<b>\$ (10,302,322)</b>	<b>\$ (4,226,128)</b>	<b>\$ 517,173</b>
Currency translation adjustment	-	-	-	-	92,473	92,473
Net loss for the period	-	-	-	(195,583)	-	(195,583)
<b>Balance as at March 31, 2023</b>	<b>144,554,371</b>	<b>\$ 12,888,506</b>	<b>\$ 2,157,117</b>	<b>\$ (10,497,905)</b>	<b>\$ (4,133,655)</b>	<b>\$ 414,063</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

---

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

---

### 1. Corporate information and nature of operations

Pasinex Resources Limited (“Pasinex” or the “Company”) is a publicly listed company incorporated in British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “PSE” and on the Frankfurt Stock Exchange (“FSE”) under the symbol “PNX”. The head office, principal address and registered and records office of the Company are located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Pasinex Resources Limited owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi (“Horzum AS” or “Joint Venture”), 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 holds 100% of the producing Pinargozu high-grade zinc mine. Horzum AS sells directly to zinc smelters and or refiners through commodity brokers from its mine site in Türkiye. The Company also holds a 51% interest, with an option to increase to an 80% interest of a high-grade zinc exploration project, the Gunman Project, located in Nevada.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Audit Committee and Board of Directors on May 26, 2023.

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

### 2. Basis of presentation and accounting policies

#### (a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect for the fiscal period beginning January 1, 2023.

These unaudited condensed interim consolidated financial statements have been prepared on a historical basis and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. These unaudited condensed interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s December 31, 2022, audited annual consolidated financial statements.

---

## Pasinex Resources Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

---

## 2. Basis of presentation and accounting policies (continued)

### (b) Principles of consolidation

The consolidated financial statements include the financial statements of Pasinex and its subsidiaries from their respective dates of control, as listed below:

	Location	Nature of Operation	Interest	
			2023	2022
Pasinex Arama	Türkiye	Mineral exploration	100%	100%
Pasinex Nevada	United States	Mineral exploration	100%	100%

Pasinex and its subsidiaries are collectively referred to as the "Company". All intercompany transactions, balances and unrealized gains and losses from intercompany transactions have been eliminated upon consolidation.

In addition, the Company, through Pasinex Arama, holds a joint venture interest which is equity accounted in the consolidated financial statements, as follows:

	Location	Nature of Operation	Interest	
			2023	2022
Horzum AS	Türkiye	Mining	50%	50%

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

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and fair value of stock-based compensations which, are measured at their fair value. These unaudited condensed interim consolidated financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting.

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. As at March 31, 2023, the Company has a net equity deficit of \$10,497,905 (December 31, 2022 – \$10,302,322) and has a working capital deficiency position of \$3,256,226 (December 31, 2022 – working capital deficiency position of \$2,413,755). The Company had a net loss of \$195,583 for the three months ended March 31, 2023, (three months ended March 31, 2022 - net income of \$3,634,344) and positive cash flows from operations of \$220,486 for the three months ended March 31, 2023 (three months ended March 31, 2022 – positive cash flows from operations of \$769,821).

---

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

---

### 2. Basis of presentation and accounting policies (continued)

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

Horzum AS had a net income of \$1,528,961 in the first quarter of 2023 (\$1,924,209 in the same period in 2022). Pasinex Arama received TRY 17.4 million (approximately \$1.2 million using the exchange rates on the dates of the various transfers from Horzum AS) in advanced dividend payments from Horzum AS in the three months ended March 31, 2023, compared with TRY 13.7 million (approximately \$1.17 million using the exchange rate on the date of the transfer from Horzum AS) in dividend payments for the same period in 2022.

TRY 12.5 million (approximately \$0.9 million using the exchange rates on the dates of the transfers) has been transferred to Pasinex Canada by Pasinex Arama in the three months ended March 31, 2023, with an additional TRY 3.0 million (approximately \$0.2 million using the exchange rate on the date of the transfer), subsequent to the quarter end. 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.

As at March 31, 2023, Horzum AS has a receivable owing from Akmetal of approximately \$45.5 million (see note 4(a)). 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 (note 4(a)). 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 2023, 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 to fund its ongoing activities. There can be no assurance that the Company will be able to generate either sufficient dividends from Horzum AS or be able to generate funds from other sources.

Accordingly, until Akmetal makes significant payments, these conditions represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The unaudited condensed interim consolidated financial statements do not include adjustments to the carrying values of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### 3. Due to Related Parties

As mentioned in note 2(c) - Basis of Measurement and Going Concern, Pasinex Arama received advanced dividend distributions in the first quarter of 2023. The total received in 2023 along with advanced dividend distributions received in 2022 now total TRY 22.4 million (approximately \$1.6 million using the March 31, 2023 spot rate).

Subsequent to the quarter ended March 31, 2023, at an Ordinary General Assembly Meeting, Horzum AS declared a dividend totalling approximately TRY 46.0 million (approximately \$3.2 million using the exchange rate on the date the dividend was declared) of which Pasinex Arama was entitled to TRY 23.0 million (approximately \$1.6 million using the exchange rate on the date the dividend was declared) as a result of its 50% ownership in Horzum AS. In addition, Akmetal has assigned to Pasinex Arama, 20% of its entitlement to the declared dividend. The value of the assignment of the dividend was approximately TRY 9.2 million (approximately \$0.6 million using the exchange rate on the date the dividend was declared). This amount will be deducted from the value of the Akmetal receivable. Therefore, Pasinex Arama's total entitlement from the declared dividend is approximately TRY 32.2 million (approximately \$2.2 million using the exchange rate on the date the dividend was declared). As noted above Pasinex Arama has already received TRY 22.4 million in advanced dividend distributions, which leaves a remaining amount to be collected as of the date of these unaudited condensed interim consolidated financial statements of TRY 9.8 million.



---

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

---

### 3. Due to Related Parties (continued)

In addition, at the same Ordinary General Assembly Meeting, Horzum AS also approved further additional advanced dividend distributions of up to TRY 24 million (approximately \$1.6 million using the exchange rate on the date the advanced dividend distribution was approved). Pasinex Arama will be entitled up to TRY 12.0 million (approximately \$0.8 million using the exchange rate on the date the advanced dividend distribution was approved) as a result of its 50% ownership in Horzum AS. In addition, Akmetal will assign to Pasinex Arama, 20% of its entitlement to the advanced dividend distribution. The value of the assignment of the advanced dividend distribution will be approximately TRY 4.8 million (approximately \$0.3 million using the exchange rate on the date the advanced dividend distribution was approved). This amount will be deducted from the value of the Akmetal receivable when received.

In total, Horzum AS declared a dividend and approved advance dividend distributions totalling approximately TRY 70.0 million (approximately \$4.8 million using the exchange rate on the date the dividend and the advanced dividend distributions were declared). Pasinex Arama will be entitled to receive up to approximately TRY 49.0 million (approximately \$3.3 million using the exchange rate on the date the dividend and the advanced dividend distributions were declared). After deducting the amount Pasinex Arama has already received, approximately TRY 26.6 million (approximately \$1.8 million using the exchange rate on the date the dividend and the advanced dividend distributions were declared) remains to be collected.

### 4. Investment in Horzum AS

On January 17, 2013, the Company, through its wholly owned Turkish subsidiary, Pasinex Arama, entered into a joint venture agreement with Türkiye based miner, Akmetal, to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Türkiye. A joint venture company was formed, Horzum AS, held 50% by each joint venture partner. Horzum AS is controlled by a board consisting of equal representatives of both Pasinex and Akmetal.

In 2013, Horzum AS acquired the Pinargozu mine in Türkiye. The property is located within the Turkish Provinces of Adana and has been in operation since 2016 producing high grade zinc. The investment in Horzum AS is considered a joint venture for accounting purposes and accordingly is accounted for using the equity method. Horzum AS can distribute its profits based on terms under the joint venture agreement, which requires approval from Horzum AS's Board of Directors.

The following table shows the change in the value of the Company's 50% investment in Horzum AS.

	Three Months Ended March 31,	
	2023	2022
<b>Opening balance</b>	\$ 1,016,855	\$ -
Equity gain from Horzum AS	775,762	-
Foreign exchange loss	(39,709)	-
<b>Closing balance</b>	\$ 1,752,908	\$ -

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 4. Investment in Horzum AS (continued)

#### Summarized Financial Statements for Horzum AS

Statements of Financial Position (100% basis - Canadian dollars)	As at March 31, 2023	As at December 31, 2022
<b>Current assets</b>		
Cash and prepaid expenses	\$ 1,152,470	\$ 639,101
Akmetal receivable (note 4(a))	45,472,620	45,099,246
Less - discount and allowance on Akmetal receivable (note 4(a))	(45,472,620)	(45,099,246)
Trade receivables	30,422	18,378
Other receivables	5,279	273,870
Due from shareholders and related parties (note 4(b))	1,579,200	362,000
Inventories	1,116,724	1,166,806
<b>Total current assets</b>	<b>3,884,095</b>	<b>2,460,155</b>
<b>Non-current assets</b>		
Lease asset	1,790,256	1,673,338
Plant and equipment	1,622,495	1,489,098
Deferred tax asset	-	72,458
Other non-current assets	18,649	632,909
<b>Total non-current assets</b>	<b>3,431,400</b>	<b>3,867,803</b>
<b>Total assets</b>	<b>\$ 7,315,495</b>	<b>\$ 6,327,958</b>
<b>Current Liabilities</b>		
Trade payable and other current liabilities	\$ 469,402	\$ 454,709
Lease liabilities	863,461	920,154
Deferred revenue	1,660,280	1,705,967
Income taxes payable	564,912	968,227
<b>Total current liabilities</b>	<b>3,558,055</b>	<b>4,049,057</b>
<b>Non-current liabilities</b>		
Employee benefits and other liabilities	238,758	245,192
Deferred tax liability	12,866	-
Taxes payable	-	-
<b>Total liabilities</b>	<b>3,809,679</b>	<b>4,294,249</b>
<b>Shareholders' equity</b>		
Share capital	759,406	736,843
Retained earnings (deficit)	560,752	(968,209)
Foreign exchange difference	2,185,658	2,265,075
<b>Total shareholders' equity</b>	<b>3,505,816</b>	<b>2,033,709</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,315,495</b>	<b>\$ 6,327,958</b>
<b>Pasinex ownership interest</b>	<b>50%</b>	<b>50%</b>
<b>Net equity above</b>	<b>\$ 3,505,816</b>	<b>\$ 2,033,709</b>
<b>Pasinex investment in Horzum AS</b>	<b>\$ 1,752,908</b>	<b>\$ 1,016,855</b>

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 4. Investment in Horzum AS (continued)

Statements of Operations (100% basis - Canadian dollars)	Three Months Ended March 31,	
	2023	2022
Revenue	\$ 3,604,517	\$ 4,609,343
Cost of sales	(1,429,427)	(1,293,224)
Selling, marketing and other distribution	(89,582)	(16,004)
Operating income	2,085,508	3,300,115
Impairment of Akmetal receivable (note 4(a))	(1,581,210)	(5,717,517)
General and administrative expenses	(49,891)	(168,963)
Foreign exchange gain	1,275,212	4,537,316
Finance expense	(50,995)	(41,973)
Deferred tax income expense	(84,724)	-
Gain on net monetary position	377,753	-
Current income tax expense	(442,692)	-
Other	-	15,231
<b>Net income for the period</b>	<b>\$ 1,528,961</b>	<b>\$ 1,924,209</b>
Pasinex ownership interest	50%	50%
Share of net income	\$ 764,481	\$ 962,105
Recognition of prior years equity losses	-	(962,105)
Hyperinflationary adjustments to share capital	11,281	-
<b>Equity gain from Horzum AS</b>	<b>\$ 775,762</b>	<b>\$ -</b>

(a) Akmetal has been facing liquidity issues since 2018. This combined with nonpayment of the Akmetal receivable led management to assess the probability of credit losses to be high. As a result, as required under IFRS 9, the Company took a full impairment charge of the receivables at December 31, 2018.

The total receivable from Akmetal is approximately \$45.5 million as at the end of March 31, 2023, compared with \$45.1 million at the end of December 31, 2022. The receivable consists of a number of items including joint venture sales proceeds received and withheld by Akmetal, the value of zinc product mined at the joint venture used by Akmetal, foreign currency gains on USD denominated amounts and the value of certain loan payments made to a customer on behalf of Akmetal (note 4(c)); less the value of any operating expenses paid by Akmetal.

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay its liabilities in the normal course of operations. Horzum AS currently has approximately \$3.6 million in current liabilities (approximately \$4.1 million at December 31, 2022) and has working capital of approximately \$0.3 million (working capital deficiency of approximately \$1.6 million at December 31, 2022). Included within the total current liabilities are approximately \$0.5 million owed in trade payables (\$0.5 million at December 31, 2022), lease liabilities of \$0.9 million, (0.9 million at December 31, 2022), deferred revenue of \$1.7 million (\$1.7 million at December 31, 2022) and \$0.6 million in various taxes payable (\$1.0 million at December 31, 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 Akmetal receivable remains written down to zero. See note 2(c) - Basis of Measurement and Going Concern for additional discussion on the collectability of the Akmetal receivable.

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 4. Investment in Horzum AS (continued)

(b) Amounts due from shareholders and related parties as at March 31, 2023 and December 31, 2022, include the amounts advanced to Pasinex Arama in the form of advanced dividends (see note 3).

(c) In the first quarter of 2023 there was an equity gain of approximately \$0.8 million.

### 5. Exploration and evaluation assets

	Horzum Properties	Gunman Project	Total
<b>Balance as at December 31, 2021</b>	\$ 457,321	\$ 1,343,901	\$ 1,801,222
Additions during the year:			
Foreign exchange adjustment	-	91,798	91,798
<b>Balance as at December 31, 2022</b>	\$ 457,321	\$ 1,435,699	\$ 1,893,020
Foreign exchange adjustment	-	(1,166)	(1,166)
<b>Balance as at March 31, 2023</b>	\$ 457,321	\$ 1,434,533	\$ 1,891,854

#### (a) Horzum Properties

See discussion in note 2(c) regarding the licenses held by Horzum AS and Pasinex Arama.

#### (b) Gunman Project

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

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

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

On December 29, 2022, The Company entered into an additional amending agreement with Cypress and Caliber to extend the deadline for completing the First Option Conditions of Exercise to March 31, 2023.

---

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

---

### 5. Exploration and evaluation assets (continued)

The spending and associated ownership is as follows:

The Company has completed the following to earn its 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 (spent);
  - US\$800,000 prior to December 5, 2019 (spent);
  - US\$800,000 prior to December 5, 2020 (spent).

The Option Agreement calls for Pasinex and Cypress to enter into a joint venture agreement now that the Company has exercised the first option and earned the 51% interest. Pasinex is currently discussing with Cypress whether this is necessary and may continue with phase 2, to earn an additional 29% interest, without the joint venture agreement. Total consideration to acquire the 51% interest included US\$425,000 in cash payments, the issuance of 4.6 million Pasinex Common Shares and 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; and
  - spend an additional US\$1.1 million (spent approximately US\$365,000 to March 31, 2023) in exploration expenditures as defined in the Option Agreement.

The underlying licenses are in good standing until September 2023.

### 6. Accounts payable and accrued liabilities

	<u>As at March 31,</u>	<u>As at December 31,</u>
	<u>2023</u>	<u>2022</u>
Trade payables	\$ 394,549	\$ 652,380
Accrued liabilities	28,700	63,200
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 423,249</b>	<b>\$ 715,580</b>

---

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

---

### 7. Shareholder loans

On August 1, 2018, the Company entered into loans with certain shareholders and directors of the Company (the "lenders") in the form of promissory notes. The promissory notes are payable on demand by the lenders and bear interest at 6% per annum, payable quarterly in arrears commencing September 15, 2018. The promissory notes are secured by all the property and assets of the Company.

The Company recorded interest expense of \$34,443 during the three months ended March 31, 2023, compared with \$38,449 for the same period in 2022. No amounts were received from or repaid to shareholder loans in the three months ended March 31, 2023 and March 31, 2022. As at March 31, 2023, the outstanding shareholder loans and accrued interest thereon totalled \$2,437,589 (December 31, 2022 - \$2,403,147).

### 8. Loan payable

	<u>As at March 31,</u>		<u>As at December 31,</u>	
	<u>2023</u>		<u>2022</u>	
CEBA loan	\$	40,000	\$	40,000
Total loan payable	\$	40,000	\$	40,000

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

### 9. Share capital

(a) Authorized: Unlimited common shares with no par value.

(b) Issued and outstanding common shares:

	<u>Number of</u>		<u>Amount</u>	
	<u>Shares</u>			
<b>Balance as at December 31, 2021 and March 31, 2022</b>	144,554,371	\$	12,888,506	
<b>Balance as at December 31, 2022 and March 31, 2023</b>	<b>144,554,371</b>	<b>\$</b>	<b>12,888,506</b>	

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 10. Stock options

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

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

	Number of Options	Weighted Average Exercise Price
<b>Balance as at December 31, 2021</b>	10,750,000	\$ 0.05
Expired	(1,500,000)	\$ 0.04
Granted (note 10)	1,500,000	\$ 0.04
<b>Balance as at March 31, 2022</b>	10,750,000	\$ 0.05
<b>Balance as at December 31, 2022</b>	10,550,000	\$ 0.04
Expired	(50,000)	\$ 0.20
<b>Balance as at March 31, 2022</b>	10,500,000	\$ 0.04

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.

The Company had the following stock options outstanding as of March 31, 2023:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (Years)
	Outstanding	Exercisable		
July 25, 2024	500,000	500,000	\$ 0.09	1.57
April 30, 2026	8,500,000	8,500,000	\$ 0.04	3.33
March 24, 2027	1,500,000	1,500,000	\$ 0.04	4.23
<b>Total</b>	<b>10,500,000</b>	<b>10,500,000</b>	<b>\$ 0.04</b>	<b>3.13</b>

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 11. Net income (loss) per common share

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

	Three Months Ended March 31,	
	2023	2022
<b>Numerator</b>		
Net (loss) income	\$ (195,583)	\$ 3,634,344
<b>Denominator</b>		
Weighted average number of common shares - basic and diluted	144,554,371	144,554,371
<b>Net (loss) income per share - basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.03</b>

### 12. General and administrative costs

General and administration costs are as follows:

	Three Months Ended March 31,	
	2023	2022
Consulting fees (note 13)	\$ 70,990	\$ 93,272
Investor relations	5,573	6,704
Management fees and salaries (note 13)	65,700	54,000
Director fees (note 13)	24,000	24,000
Office and general	663	11,092
Professional fees	64,697	37,847
Transfer agent and regulatory fees	3,866	7,486
Travel and meals	80,080	14,067
Other	503	445
<b>Total general and administrative costs</b>	<b>\$ 316,072</b>	<b>\$ 248,913</b>

### 13. Related party balances and transactions

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



# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 13. Related party balances and transactions (continued)

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

	Three Months Ended March 31,	
	2023	2022
Management fees and salaries	\$ 65,700	\$ 54,000
Consulting fees	43,883	45,104
Director fees	24,000	24,000
Share-based payments (notes 10 and 13)	-	57,000
Interest expense on shareholder loans (notes 7 and 13)	34,443	37,037
	<b>\$ 168,026</b>	<b>\$ 217,141</b>

Amounts payable to related parties were as follows:

	Due to Related Parties		Shareholder Loans	
	As at	As at	As at	As at
	March 31,	December 31,	March 31,	December 31,
	2023	2022	2023	2022
Larry Seeley <sup>(1)</sup>	\$ 17,090	\$ -	\$ -	\$ -
1514341 Ontario Inc. <sup>(2)</sup>	-	-	1,996,305	1,968,357
Seeley Holdings Ltd. <sup>(3)</sup>	-	-	356,349	351,093
Rainer Beteiligungsgesellschaft <sup>(4)</sup>	-	-	84,935	83,697
2192640 Ontario Inc. <sup>(5)</sup>	34,362	44,236	-	-
Horzum AS	1,579,200	362,000	-	-
	<b>\$ 1,630,652</b>	<b>\$ 406,236</b>	<b>\$ 2,437,589</b>	<b>\$ 2,403,147</b>

(1) Larry Seeley was a director of the Company at March 31, 2023 and December 31, 2022.

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

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

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

(5) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO of the Company.

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

# Pasinex Resources Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 13. Related party balances and transactions (continued)

To the knowledge of the directors and officers of the Company, as at March 31, 2023, 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
<b>Larry Seeley</b>	<b>30,000,591</b>	<b>20.75%</b>

### 14. Segmented information

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

	As at March 31,		As at December 31,	
	2023		2022	
<b>Non-current assets by geographic segment</b>				
Türkiye	\$	2,235,756	\$	1,495,229
United States		1,434,533		1,435,699
	\$	<b>3,670,289</b>	\$	2,930,928
<b>Total assets by geographic segment</b>				
Canada	\$	628,816	\$	724,551
Türkiye		2,780,638		1,735,578
United States		1,536,099		1,622,007
	\$	<b>4,945,553</b>	\$	4,082,136
<b>Three Months Ended March 31,</b>				
<b>2023</b>				
<b>2022</b>				
<b>Equity gain from joint venture</b>				
Türkiye	\$	775,762	\$	-
<b>Total equity gain from joint venture</b>	<b>\$</b>	<b>775,762</b>	<b>\$</b>	<b>-</b>
<b>Net (loss) income</b>				
Canada	\$	(312,346)	\$	(374,269)
Türkiye		609,494		4,093,718
United States		(492,731)		(85,105)
<b>Total net (loss) income for the period</b>	<b>\$</b>	<b>(195,583)</b>	<b>\$</b>	<b>3,634,344</b>

---

# **Pasinex Resources Limited**

## **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended March 31, 2023**

**(Expressed in Canadian Dollars, unless otherwise indicated)**

**Unaudited**

---

### **15. Subsequent events**

- (a) Subsequent to March 31, Pasinex Arama transferred TRY 3.0 million (approximately \$0.2 million using the exchange rate on the date of the transfer) to Pasinex Canada (see note 3).
- (b) Subsequent to the quarter ended March 31, 2023, at an Ordinary General Assembly Meeting, Horzum AS declared a dividend and approved advance dividend distributions totalling approximately TRY 70.0 million (approximately \$4.8 million using the exchange rate on the date the dividend and the advanced dividend distributions were declared). Pasinex Arama is entitled to TRY 49.0 million (approximately \$3.3 million using the exchange rate on the date the dividend and the advanced dividend distributions were declared) of this amount.

After deducting amounts already received by Pasinex Arama, approximately TRY 26.6 million (approximately \$1.8 million using the exchange rate on the date the dividend and the advanced dividend distributions were declared) remains to be collected (see note 3).