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# **Pasinex Resources Limited**

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

### **For the Three Months Ended March 31, 2023 and 2022**

#### **Discussion dated: May 26, 2023**

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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, 2023, 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, 2022. 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, 2022 and 2021, together with the notes thereto, and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2023, 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, 2023. 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 26, 2023, 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.

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.

## 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 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.

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**Selected Quarterly Information**

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Financial:</b>		
Equity gain from Horzum AS	\$ 775,762	\$ -
Equity investment in Horzum AS	\$ 1,752,908	\$ -
Dividend income from Horzum AS	\$ -	\$ 4,072,320
Consolidated net (loss) income	\$ (195,583)	\$ 3,634,344
Basic and diluted net (loss) income per share	\$ -	\$ 0.03
Net cash provided by operating activities	\$ 220,486	\$ 769,821
Weighted average shares outstanding	144,554,371	144,554,371
<b>As at:</b>		
	<b>March 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Total assets	\$ 4,945,553	\$ 6,219,325
Total liabilities	\$ 4,531,490	\$ 3,999,738
Shareholders' equity	\$ 414,063	\$ 2,219,587
<b>Horzum AS operational data (100% basis):</b>		
Zinc product mined (wet) tonnes	2,811	4,540
Zinc product sold (wet) tonnes	2,997	2,964
Zinc oxide product - average grade sold	NA	37.3%
Zinc sulphide product - average grade sold	49.6%	52.6%
Gross margin <sup>(1)</sup>	58%	72%
CAD cost per tonne mined <sup>(1)</sup>	\$ 491	\$ 319
USD cash cost per pound of zinc product mined <sup>(1)</sup>	\$ 0.34	\$ 0.26

<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 Statement of Income – Equity gain from Horzum AS.
- The investment in Horzum AS is shown on one line on the Statement of Financial Position - Equity investment in Horzum AS.

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### Highlights

- For the three months ended March 31, 2023, Pasinex recorded a net loss of approximately \$0.2 million, compared with a net income of approximately \$3.6 million for the same period in 2022. The primary reason for the decrease in the net income in 2023 versus 2022 was the inclusion of the dividend in 2022. Also, higher general and administration costs, higher exploration costs and the inclusion of a loss on net monetary position all contributed to the decrease in 2023.
- The operating income in Horzum AS decreased to \$2.1 million in 2023 from \$3.3 million in 2022. This decrease was due to lower revenue as sales prices declined in 2023 compared with 2022. Gross margin (see *non-GAAP measures*) for the three months ended March 31, 2023, was 58% compared with 72% for the same period in 2022.
- Horzum AS mined 2,811 tonnes of zinc product during the first three months of 2023, at the Pinargozu mine, compared with 4,540 tonnes of zinc product for the same period in 2022. Mine production was negatively impacted by a temporary halt in activity at the Pinargozu mine to ensure the safety and well-being of the Joint Venture's employees, after the tragic earthquakes in Türkiye in the first quarter of 2023.
- Sales volumes were 2,997 tonnes of high-grade zinc sulphide product in the three months ended March 31, 2023, compared with 2,530 tonnes of high-grade zinc sulphide product and 434 tonnes of oxide product for the same period in 2022.
- Sales prices per tonne on a USD basis decreased by approximately 32% for zinc sulphide product for the three months ended March 31, 2023, when compared to prices in the same period in 2022. The average USD sales price for the three months ended March 31, 2023, was US\$892 per tonne for zinc sulphide product versus US\$1,318 per tonne for zinc sulphide product in the same period in 2022.
- The average grade of the high-grade zinc sulphide product sold was 49.6% zinc per tonne for the three months ended March 31, 2023, which was slightly less than the 52.6% zinc per tonne for the same period in 2022.
- The CAD cost per tonne mined (see *non-GAAP measures*) increased in the first three months of 2023, to \$491 per tonne mined, compared with \$319 per tonne mined in the same period in 2022. The USD cash cost per pound of zinc product mined (see *non-GAAP measures*) increased to US\$0.34 per pound in the first quarter of 2023 from US\$0.26 per pound for the same period in 2022.
- 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.
- Also, 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.

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## 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. 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).

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.

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.

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.

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As at March 31, 2023, Horzum AS has a receivable owing from Akmetal of approximately \$45.5 million. Management continues to work with Akmetal and the Kurlmel 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 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.

## Review of Quarterly Consolidated Financial Statements

### Three Months Ended March 31, 2023 and 2022

The following is a summary income statement for Pasinex:

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	Three Months Ended March 31,	
	2023	2022
Equity gain from Horzum AS	\$ 775,762	\$ -
Exploration costs	(492,731)	(85,105)
General and administration costs	(316,072)	(248,913)
Share-based payments	-	(57,000)
Dividend income	-	4,072,320
Other income	844	305
Interest expense	(34,443)	(38,449)
Foreign exchange gain (loss)	20	(8,814)
Loss on net monetary position	(128,963)	-
<b>Net (loss) income</b>	<b>\$ (195,583)</b>	<b>\$ 3,634,344</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 was applied against equity gains beginning in 2019, and in the fourth quarter of 2022, Horzum AS had recognized all of the equity losses recorded in prior years. Horzum AS is considered a joint venture for accounting purposes. Further details on the results of Horzum AS follow below – *Review of Horzum AS*.

#### *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 – Gunman Project*.

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*General and administration costs*

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>General and administration costs</b>		
Consulting fees	\$ 70,990	\$ 93,272
Investor relations	5,573	6,704
Management fees and salaries	65,700	54,000
Director fees	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>\$ 316,072</b>	<b>\$ 248,913</b>

Management fees, professional fees and travel all increased in the three months ended March 31, 2023, compared with the same period in 2022, as the Company experienced increased activity from certain of its providers as the Company was able to visit the Joint Venture on a more frequent basis. Other costs remained mainly consistent year over year.

*Share-based payments*

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</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.

*Interest Expense*

Interest expense decreased slightly year over year as the Company made principal repayments during 2022, which resulted in lower outstanding balances in 2023.

*Loss on net monetary position*

Due to various qualitative factors and developments with respect to the economic environment in Türkiye during 2022, including, but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the Turkish Statistical Institute exceeded 100% in March 2022 and the significant devaluation of the Turkish Lira, Türkiye was designated a hyper-inflationary economy in the second quarter of 2022 for accounting purposes.

Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies, was applied to the Company's unaudited condensed interim consolidated financial statements as the Company's Turkish wholly owned subsidiary, Pasinex



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Arama, uses the Turkish Lira as its functional currency. As a result, the Company recorded a loss on net monetary position of \$128,963 for the three months ended March 31, 2023, which relates to the revaluation of Pasinex Arama's share capital. No similar amount was recorded in the three months ended March 31, 2022, as Türkiye had not yet been deemed a hyperinflationary economy.

**Review of Horzum AS**

**Key Performance Indicators**

(shown on a 100% basis)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Tonnes mined (wet)	<b>2,811</b>	4,540
Tonnes sold (wet):		
Zinc oxide product	-	434
Zinc sulphide product	<b>2,997</b>	2,530
	<b>2,997</b>	2,964
Average grades for tonnes sold:		
Zinc oxide product	<b>NA</b>	37.3%
Zinc sulphide product	<b>49.6%</b>	52.6%
CAD cost per tonne mined <sup>(1)</sup>	<b>\$ 491</b>	\$ 319
USD cash cost per pound of zinc product mined <sup>(1)</sup>	<b>\$ 0.34</b>	\$ 0.26

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

Operating results

Horzum AS mined 38% fewer tonnes in 2023 than in 2022. In 2023, mine production at Pinargozu was temporarily halted due to the tragic earthquakes that occurred in Türkiye in February 2023. The lower number of tonnes mined was the primary reason for the 54% increase in the cost per tonne mined. The USD cash cost per pound of zinc product mined increased by 30% year over year. This increase was not as severe as the increase in cost per tonne as the USD:TRY rate increase from a quarterly average of 13.9 in the first quarter of 2022 versus 18.8 in the first quarter of 2023. Sales volumes increased in the three months ended March 31, 2023, when compared with the same period in 2022 due to a higher inventory on hand to begin the year in 2023. The average grade of the zinc sulphide product sold was 50% zinc per tonne for the three months ended March 31, 2023, compared with 53% zinc per tonne in the same period in 2022.



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Financial results

Below are the statements of operation for Horzum AS for the three months ended March 31, 2023 and 2022.

<i>(100% basis Canadian dollars)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
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	<b>2,085,508</b>	3,300,115
Impairment of Akmetal receivable	(1,581,210)	(5,717,517)
General and administration 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	
Other	-	15,231
Current income tax expense	(442,692)	-
Net income	<b>\$ 1,528,961</b>	\$ 1,924,209

*Revenue*

<i>(100% basis Canadian dollars)</i>	<b>Three Months Ended March 31, 2023</b>		<b>Three Months Ended March 31, 2022</b>	
	<b>Wet Tonnes</b>	<b>CAD</b>	<b>Wet Tonnes</b>	<b>CAD</b>
Zinc oxide product sales	-	\$ -	434	\$ 442,381
Zinc sulphide product sales	2,997	3,600,758	2,530	4,163,553
Lead product sales	-	-	-	-
Other sales	-	3,759	-	3,409
<b>Total revenue</b>	<b>2,997</b>	<b>\$ 3,604,517</b>	<b>2,964</b>	<b>\$ 4,609,343</b>

Sales prices per tonne on a USD basis decreased by approximately 32% for zinc sulphide product for the three months ended March 31, 2023, when compared to prices in the same period in 2022. Overall sales prices per tonne on a USD basis decreased by approximately 28% for zinc product for the three months ended March 31, 2023, when compared to prices in the same period in 2023. The overall price decrease was lower than the decrease for sulphide product alone, as the 2022 sales included a portion of sales of lower priced oxide product in 2022 versus only zinc sulphide product sales in 2023. The average USD sales prices for the three months ended March 31, 2023, were US\$892 per tonne for zinc sulphide product versus US\$1,318 per tonne for zinc sulphide product in the same period in 2022.

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*Costs of Sales*

The cost of sales in the three months ended March 31, 2023, increased in dollar terms when compared to the same period in 2022 due to higher costs of goods being incurred in 2023.

*Operating Income*

The operating income in Horzum AS decreased in the three months ended March 31, 2023, compared with the same period in 2022, as a result of the lower sales prices having been realized and higher costs being incurred. The gross margin, (see *non-GAAP measures*), for the three months ended March 31, 2023, decreased to 58% from 72% in the same period in 2022.

*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.

*Foreign Exchange Loss on Receivable*

The functional currency of Horzum AS is the TRY. The foreign exchange gain in both 2023 and 2022 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 2023 and 2022.

*Income Tax Expense*

The statutory rate for income taxes in three months ended March 31, 2023 was 20% compared with 23% in the same period in 2022. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

<i>(100% basis Canadian dollars)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Income before income tax expense	\$ 1,971,653	\$ 1,924,209
Statutory tax rate	20%	23%
Expected income tax expense	(394,331)	(442,568)
Non-deductible expenses	(1,614)	-
Tax (recovery) expense not recognized	(46,747)	442,568
<b>Income tax expense</b>	<b>\$ (442,692)</b>	<b>\$ -</b>

*Gain on net monetary position*

Türkiye was designated as a hyperinflationary economy in the second quarter of 2022 and as a result, IAS 29 - Financial Reporting in Hyper-Inflationary Economies, has been applied to the summarized financial information for Horzum AS. The effect of inflation on Horzum AS's net monetary position for the current period is included in the statement of operations as a net monetary gain, relating to adjustments on share capital, lease assets and plant and equipment.

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Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis Canadian dollars)	As at March 31, As at December 31,	
	2023	2022
<b>Assets</b>		
Cash and prepaid expenses	\$ 1,152,470	\$ 639,101
Akmetal receivable	45,472,620	45,099,246
Less - discount and allowance on Akmetal receivable	(45,472,620)	(45,099,246)
Trade receivables	30,422	18,378
Other receivables	5,279	273,870
Due from shareholders and related parties	1,579,200	362,000
Inventories	1,116,724	1,166,806
Non-current assets	3,431,400	3,867,803
<b>Total assets</b>	<b>\$ 7,315,495</b>	<b>\$ 6,327,958</b>
<b>Liabilities</b>		
Current liabilities	\$ 3,558,055	\$ 4,049,057
Non-current liabilities	251,624	245,192
Total liabilities	3,809,679	4,294,249
<b>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>

*Akmetal Receivable*

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; 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.

*Due from shareholders and related parties*

Amounts due from shareholders and related parties as at March 31, 2023 and December 31, 2022, are for the amounts advanced to Pasinex Arama in the form of advanced dividend distributions. These amounts were extinguished upon the declaration of a dividend subsequent to the quarter end. See *Going Concern*.

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*Inventories*

The following is a reconciliation of the Horzum AS inventory tonnage movements for the three months ended March 31, 2023:

<b>Tonnes</b>	<b>Oxide</b>	<b>Sulphide</b>	<b>Low-Grade Sulphide</b>	<b>Lead</b>	<b>Total</b>
Opening Inventory	-	3,056	-	-	<b>3,056</b>
Production Net of Waste	-	2,811	-	-	<b>2,811</b>
Sales	-	(2,997)	-	-	<b>(2,997)</b>
Ending Inventory	-	<b>2,870</b>	-	-	<b>2,870</b>

*Non-current assets*

The non-current assets held in Horzum AS are primarily plant and equipment including leased assets.

*Current Liabilities*

Current liabilities include trade payables, lease liabilities, deferred revenue and taxes payable. The decrease in other liabilities at March 31, 2023, compared with December 31, 2022 is primarily due to a reduction in taxes payable of approximately \$0.4 million.

*Shareholders' Equity*

The increase in the shareholders' equity at March 31, 2023, to \$3,505,816 from \$2,033,709 at December 31, 2022, is due to a combination of factors including, net income from operations and the recognition of inflationary gains recorded as a result of applying IAS 29.

Türkiye was designated as a hyperinflationary economy in the second quarter of 2022 and as a result, IAS 29, Financial Reporting in Hyper-Inflationary Economies has been applied to the summarized financial information for Horzum AS. The effect of inflation on Horzum AS's net monetary position for the current period is included in its statement of operations as a net monetary loss.

Exploration and Mining Review and Expectations for 2023

The Joint Venture was fortunate that its Adana offices and the Pinargozu Mine did not sustain any damage during the tragic earthquakes in Türkiye in 2023. To ensure the safety and well-being of the Joint Venture's employees, the operations of the Joint Venture were temporarily halted in February. Our well-trained mine rescue team, along with excavators and trucks, were mobilized to aid in the recovery efforts of nearby towns and cities. Approximately 50 personnel assisted in the clean-up and recovery efforts and were responsible for saving ten lives in Hatay, Türkiye. The Company is very proud of the contributions made by those persons and the service they provided to the local communities.

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<i>(100% basis)</i>	<b>Guidance for the Year Ended December 31, 2023</b>	
	<b>Wet Tonnes</b>	<b>Grade</b>
Zinc sulphide product mined	<b>11,000 to 13,000</b> <b>11,000 to 13,000</b>	<b>48% to 52%</b>
CAD cost per tonne mined		<b>\$400 - \$450</b>

Production at the Pinargozu Mine for 2023 is forecast to be between 11,000 and 13,000 tonnes of zinc sulphide product at an average grade in excess of 50% zinc as direct shipping material. Depending on the progress of underground exploration at Pinargozu, this production forecast could be increased in the second half of 2023. Horzum AS expects that it will complete in excess of 10,000 metres of underground and surface diamond core drilling and in excess of 900 metres of adit development in 2023. Production and diamond core drilling will be predominately underground from and in the Fourth Adit (at the 541-metre level). Horzum AS will continue to extend the existing Fourth Adit an additional 300 metres to reach the Akkaya property.

Exploration will be the key to the ongoing success of the Pinargozu and the Akkaya properties and to this effect, additional drill rigs will be in operation this year operating both underground and from surface. By the end of second quarter of 2023, three diamond drill rigs (one of which can be used in either surface or underground configuration) and one percussion rig will be operational. One of these will be used primarily to probe ahead of the development adit towards the Akkaya property to better ascertain the orientation and location of the target zone. Once that has been established, the extension of the Fourth Adit into the Akkaya property will become a major priority. The Joint Venture received its operational exploration license in November of 2022 and has three years to complete and submit various studies prior to applying for the conversion to a production licence. The Joint Venture has started this process and will engage certain consultants in 2023 to begin the process to complete the reports necessary to support the application. level above to facilitate the movement of men and equipment, as well as improving future possible production efficiency, within the Pinargozu and Akkaya mining complex.

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.

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### 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.

Türkiye continued to experience very high inflation in 2022 and into 2023. The three-year cumulative inflation rate to the end of December 2022 was 156%. The same three-year cumulative inflation rate to the end of March 2023 was 182%. 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 been declining during 2023, with the monthly average declining from a high of US\$1.49 per pound in January to a low of US\$1.34 per pound in March. Comparatively, the price of zinc was increasing during the first quarter of 2022, with a low of US\$1.64 per pound in January to a high of US\$1.80 per pound in March. Notwithstanding the lower zinc prices and higher costs the Joint Venture continued to report a high gross margin in the first quarter of 2023 at 58% (see *Non-GAAP measures – Gross Margin*)

Horzum AS sells their product in US dollars and to a lesser extent in Euros, which are then converted to the Turkish Lira. As such, Horzum AS's financial performance also depends on the TRY to US dollar. The USD / TRY exchange rate has had a substantial increase in the past few years. The increase was further accelerated in 2022 and continued into 2023. The average USD / TRY rate increased to 19.2 at the end of March 2023, which represents a 3% increase when compared to the end of 2022. Since the Joint Ventures sales are priced in USD, the increase in the USD / TRY exchange rate helps to offset the higher TRY costs when the sales proceeds are converted to pay for the local costs.

### Liquidity and Financial Position

#### Cash Flows

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

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	Three Months Ended March 31,	
	2023	2022
<b>Cash provided by (used in) operating activities</b>		
Before changes in working capital	\$ (785,191)	\$ 4,919,139
Changes in working capital	1,005,677	(4,149,318)
	<b>220,486</b>	769,821
Cash used in investing activities	(1,682)	-
Effect of foreign currencies	(10,434)	(9,660)
<b>Net change in cash</b>	<b>208,370</b>	760,161
Opening cash balance	855,567	100,031
<b>Closing cash balance</b>	<b>\$ 1,063,937</b>	<b>\$ 860,192</b>

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#### *Cash provided by operating activities*

The Company had modest inflows of cash from its operating activities in the three months ended March 31, 2023, as 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. See *Going Concern* and *Review of Horzum AS - Financial Condition – Due from related parties and shareholders*. In 2022, the primary reason for the

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positive cash inflow 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 amount of the dividend that was declared in 2022.

#### *Cash used in investing activities*

Cash used in investing activities in 2023 relate to miscellaneous costs incurred by Pasinex Arama.

## **Commitments**

### *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.

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.



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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.

### **Financial Condition**

The Company's financial condition has improved during the three months of 2023 as a result of the continued collection of advanced 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.

### **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 – Gunman Project*). 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 10,500,000 stock options outstanding.

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**Transactions with Related Parties**

**Related Party Balances and Transactions**

Related parties and related party transactions impacting the accompanying unaudited condensed interim 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.

A summary of the related party transactions are as follows:

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

Amounts payable to related parties were as follows:

	<b>Due to Related Parties</b>		<b>Shareholder Loans</b>	
	<b>As at March 31, 2023</b>	<b>As at December 31, 2022</b>	<b>As at March 31, 2023</b>	<b>As at December 31, 2022</b>
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.

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

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

	<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>Mar 2023</b>	<b>Dec 2022</b>	<b>Sept 2022</b>	<b>June 2022</b>	<b>Mar 2022</b>	<b>Dec 2021</b>	<b>Sept 2021</b>	<b>Jun 2021</b>
Financial:								
Equity gain from Horzum AS	\$ 775,762	\$ 3,928,724	\$ -	\$ -	\$ -	\$ 167,830	\$ -	\$ -
Consolidated net (loss) income	\$ (195,583)	\$ (62,870)	\$ (637,956)	\$ (890,345)	\$ 3,634,344	\$ 879,402	\$ (203,818)	\$ (595,616)
Basic and diluted net loss per share	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ 0.03	\$ 0.01	\$ 0.00	\$ (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 2021, 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. In 2022 and 2023, the equity gains include dividends received and the equity pickup from Horzum AS.

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 loss in the first quarter of 2023 was driven by the increased exploration costs at the Gunman Project, general and administration costs and the loss on the net monetary position. The consolidated net income recorded in the first quarter of 2022 was higher as a result of the declaration of dividends from Horzum AS. The consolidated net income recorded in the fourth quarter of 2021 was primarily due to the recovery of the dividend and other receivables that was recorded in that period.

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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.

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Reconciliation of cost per tonne mined</b>		
Cost of sales per Horzum income statement	\$ 1,429,427	\$ 1,293,224
Inventory change (including FX difference)	(50,082)	154,436
	<b>\$ 1,379,345</b>	<b>\$ 1,447,660</b>
Tonnes mined	<b>2,811</b>	<b>4,540</b>
<b>CAD Cost per tonne mined</b>	<b>\$ 491</b>	<b>\$ 319</b>

#### US\$ cash cost per pound of zinc product mined

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>2023</b>	<b>2022</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		\$ 1,379,345	\$ 1,447,660
Less - sales of lead product		-	-
		<b>1,379,345</b>	<b>1,447,660</b>
Translate to US\$	A	<b>\$ 1,020,377</b>	<b>\$ 1,143,220</b>
Zinc product tonnes mined (wet)		<b>2,811</b>	4,540
Zinc product grade mined		<b>49.4%</b>	45.9%
Moisture loss		<b>2.4%</b>	2.7%
Pounds of zinc product mined	B	<b>2,990,400</b>	4,474,239
US\$ cash cost per pound of zinc product mined	A/B	<b>\$ 0.34</b>	<b>\$ 0.26</b>

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

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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>2023</b>	<b>2022</b>
<b>Reconciliation of gross margin</b>		
Operating income per Horzum AS income statement	\$ 2,085,508	\$ 3,300,115
Add back final price adjustments for Revenue and Cost of Goods Sold related to other periods	-	-
Gross margin	<b>\$ 2,085,508</b>	<b>\$ 3,300,115</b>
Revenue (excluding price adjustments related to other periods and other sales)	<b>\$ 3,604,517</b>	<b>\$ 4,605,934</b>
Gross margin (gross margin / revenue)	<b>58%</b>	<b>72%</b>

**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 for all information in this MD&A. He has inspected the original paid sales invoices issued by the Joint Venture for the shipment of zinc sulphide product specified in this Interim MD&A and has approved the scientific and technical disclosure herein. Mr. Challis is a director of the Company and Chair of the Joint Venture.

**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 Türkiye. 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, 2022, 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.

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## **Pasinex Resources Limited**

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

**For the Three Months Ended March 31, 2023 and 2022**

**Discussion dated: May 26, 2023**

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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 at the Company's website at [www.pasinex.com](http://www.pasinex.com), or on [www.sedar.com](http://www.sedar.com).