

PASINEX RESOURCES LIMITED

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2022**

**(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		As at	
	September 30, 2022		December 31, 2021	
Assets				
Current Assets				
Cash	\$	1,746,039	\$	100,031
Receivables		19,960		9,894
Due from related parties (note 3)		799		893,350
Prepaid expenses and deposits		56,916		33,937
Total current assets		1,823,714		1,037,212
Non-current assets				
Equipment		4,700		6,015
Value added tax receivable		20,247		27,319
Exploration and evaluation assets (note 5)		1,910,298		1,801,222
Total non-current assets		1,935,245		1,834,556
Total assets	\$	3,758,959	\$	2,871,768
Shareholders' equity (deficiency) and liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	\$	681,726	\$	683,634
Due to related parties (note 13)		22,037		382,674
Shareholder loans (notes 7 and 13)		2,566,659		2,774,106
Loans payable (note 8)		40,000		153,466
Total current liabilities		3,310,422		3,993,880
Total liabilities		3,310,422		3,993,880
Shareholders' equity (deficiency)				
Share capital (note 9)		12,888,506		12,888,506
Reserves		2,157,117		2,100,117
Deficit		(10,239,452)		(12,049,182)
Accumulated other comprehensive loss		(4,357,634)		(4,061,553)
Total shareholders' equity (deficiency)		448,537		(1,122,112)
Total liabilities and shareholders' equity (deficiency)	\$	3,758,959	\$	2,871,768

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 Income (Loss) and Comprehensive Income (Loss)****(Expressed in Canadian Dollars)****Unaudited**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Equity gain from Horzum AS (note 4)	\$ -	\$ -	\$ -	32,232
Expenses				
Recovery of amounts due from Horzum AS	-	16,156	-	50,369
Exploration costs	(373,147)	(46,363)	(743,870)	(124,222)
General and administrative costs (note 12)	(304,649)	(156,794)	(854,943)	(527,275)
Interest expense (note 7)	(36,782)	(36,632)	(114,107)	(102,223)
Share-based payments (notes 10 and 13)	-	-	(57,000)	(323,000)
Total expenses	(714,578)	(223,633)	(1,769,920)	(1,026,351)
Other income (loss)				
Dividend income (note 3)	-	-	4,072,320	-
Other income	473	1,943	1,094	26,180
Foreign exchange gain (loss)	140,171	17,872	185,894	(41,141)
Loss on net monetary position	(64,022)	-	(383,345)	-
Total other income (loss)	76,622	19,815	3,875,963	(14,961)
Net (loss) income for the period	(637,956)	(203,818)	2,106,043	(1,009,080)
Other comprehensive income (loss)				
Item that will be reclassified subsequently to profit and loss:				
Currency translation adjustment	(45,319)	2,893	(296,081)	37,752
Total comprehensive (loss) income for the period	\$ (683,275)	\$ (200,925)	\$ 1,809,962	\$ (971,328)
Net (loss) income per share				
- basic and diluted (note 11)	\$ 0.00	\$ (0.01)	\$ 0.02	\$ (0.01)
Weighted average number of shares outstanding				
- basic and diluted (note 11)	144,554,371	144,554,371	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**

	Nine Months Ended	
	September 30,	
	2022	2021
Operating activities		
Net income (loss) for the period	\$ 2,106,043	\$ (1,009,080)
Dividend and other receivables collected from Horzum AS (note 3)	4,115,058	32,232
Adjustments for items not involving cash:		
Recovery of amounts due from Horzum AS	-	(50,369)
Interest accrual (note 7)	114,107	102,223
Share-based payments (notes 10 and 13)	57,000	323,000
Equity gain from Horzum AS	-	(32,232)
Foreign exchange	(170,980)	-
Loss on net monetary position	383,345	-
Other	1,667	5,143
Changes in non-cash working capital items:		
Prepaid expenses and deposits	(13,318)	7,625
Accounts payable and accrued liabilities	57,585	45,663
Due to related parties	(463,157)	(27,223)
Dividend receivable	(4,072,320)	-
Other	(8,901)	44,366
Net cash provided by (used in) operating activities	2,106,129	(558,652)
Investing activities		
Equipment acquisition	(1,494)	(2,621)
Net cash used in investing activities	(1,494)	(2,621)
Financing activities		
Cash (paid) received (on) from shareholders loans (note 7)	(318,510)	530,000
Repayment of loans and interest payable (note 8)	(116,510)	-
Net cash (used in) provided by financing activities	(435,020)	530,000
Net change in cash	1,669,615	(31,273)
Effect of foreign currencies on cash	(23,607)	91,729
Cash, beginning of period	100,031	46,028
Cash, end of period	\$ 1,746,039	\$ 106,484

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 (Deficiency)****(Expressed in Canadian Dollars)****Unaudited**

	Number of Shares (note 8)	Share Capital (note 8)	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2020	144,554,371	\$ 12,888,506	\$ 1,777,117	\$ (11,919,504)	\$ (4,086,540)	\$ (1,340,421)
Share-based payments (note 10 and 13)	-	-	323,000	-	-	323,000
Currency translation adjustment	-	-	-	-	37,752	37,752
Net loss for the period	-	-	-	(1,009,080)	-	(1,009,080)
Balance as at September 30, 2021	144,554,371	\$ 12,888,506	\$ 2,100,117	\$ (12,928,584)	\$ (4,048,788)	\$ (1,988,749)
Balance as at December 31, 2021	144,554,371	\$ 12,888,506	\$ 2,100,117	\$ (12,049,182)	\$ (4,061,553)	\$ (1,122,112)
Impact of hyperinflation adjustment	-	-	-	(296,313)	296,313	-
Balance as at January 1, 2022	144,554,371	\$ 12,888,506	\$ 2,100,117	\$ (12,345,495)	\$ (3,765,240)	\$ (1,122,112)
Share-based payments (note 10 and 13)	-	-	57,000	-	-	57,000
Currency translation adjustment	-	-	-	-	(592,394)	(592,394)
Net income for the period	-	-	-	2,106,043	-	2,106,043
Balance as at September 30, 2022	144,554,371	\$ 12,888,506	\$ 2,157,117	\$ (10,239,452)	\$ (4,357,634)	\$ 448,537

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 and Nine Months Ended September 30, 2022
(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 owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi (“Horzum AS” or “Joint Venture”) which holds the producing Pinargozu high grade zinc mine, through its 100% owned subsidiary Pasinex Arama ve Madencilik Anonim Sirketi (“Pasinex Arama”). The other 50% owner is Akmetal Madencilik Sanayi ve Ticaret A.S. (“Akmetal”), a private Turkish company. Horzum AS sells directly to zinc smelters and refiners or through commodity brokers. The Company also holds an option to acquire 80% of the Gunman high grade zinc exploration project in Nevada (“Gunman Project” - formerly the “Spur Zinc Project”) through its wholly owned subsidiary Pasinex Resources Nevada Limited (“Pasinex Nevada”).

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Audit Committee and Board of Directors on November 18, 2022.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

While operations were not materially impacted by COVID-19 in the first nine months of 2022, uncertainty remains surrounding COVID-19 and the extent and duration of the impacts that it may have on the Company’s ability to operate, on prices for zinc, on logistics and supply chains, on the Company’s employees and on global financial markets. In Türkiye, all employees have been vaccinated against COVID-19 by Horzum AS medical staff with approved vaccines and have been able to continue running two shifts throughout 2022, notwithstanding the restrictions and negative impacts caused by COVID-19.

Similar to COVID-19, the Company has not been materially impacted by the ongoing conflict in 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, 2022.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of presentation and accounting policies (continued)

(a) Statement of compliance (continued)

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, 2021, audited annual consolidated financial statements.

(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	
			2022	2021
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	
			2022	2021
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 September 30, 2022, the Company has a net equity deficit of \$10,239,452 (December 31, 2021 – \$12,049,182) and has a working capital deficiency position of \$1,486,708 (December 31, 2021 – working capital deficiency position of \$2,956,668). The Company had a net loss of \$637,956 for the three months ended September 30, 2022, and a net income of \$2,106,043 for the nine months ended September 30, 2022 (three and nine months ended September 30, 2021 – net losses of \$203,818 and \$1,009,080, respectively) and positive cash flows from operations of \$2,106,129 for the nine months ended September 30, 2022 (nine months ended September 30, 2021 – negative cash flows from operations of \$558,652).

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of presentation and accounting policies (continued)

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

It was announced on July 1, 2022, that Pasinex had filed a legal action against the mining ministry in Türkiye, T.C. Maden ve Petrol İşleri Genel Müdürlüğü (“MAPEG”) following their decision not to extend the principal mining operational license of Horzum AS beyond April 15, 2023, and the Akkaya operational exploration license of Pasinex Arama. Since then, negotiations have progressed with MAPEG, and it has now been announced on the MAPEG website that these license applications have now been approved and that these will be renewed for the requested 10-year term. The renewal for Pasinex Arama was subject to certain minor additional information to be provided by Pasinex Arama. This additional information has now been provided and accepted by MAPEG. No additional information has yet been requested for the Horzum AS license. It is expected that the licenses will be signed and issued unconditionally.

Horzum AS has continued its profitable operations through the third quarter ended September 30, 2022. Pasinex Arama received approximately TRY 52 million (approximately \$4.1 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividend and other receivable collections from Horzum AS in the nine months ended September 30, 2022, compared with TRY 200,000 (approximately \$32,232 using the exchange rate on the date of the transfer from Horzum AS) for the same period in 2021. Pasinex Arama has collected the full amount of the dividend that was declared in 2022.

Approximately TRY 48.15 million (approximately \$3.79 million using the exchange rates on the dates of the transfers) has been transferred to Pasinex Canada by Pasinex Arama in the first nine months of 2022. 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 September 30, 2022, Horzum AS has a receivable owing from Akmetal of approximately \$45.7 million (see note 4(a)). The debt has increased during 2022 as a result of the appreciation of the United States Dollar compared with both the Turkish Lira and Canadian Dollar. The debt has increased marginally on a Turkish Lira basis in 2022. 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. See note 3 for a discussion on the most recently declared dividend by Horzum AS.

Horzum AS's operations have generated substantial positive cash flow in the first nine months of 2022, however in the absence of the receipt of additional dividends from Horzum AS, the Company would need to secure funding from either equity financing or additional related party loans 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.

(d) Accounting policies not yet effective

Amendments to IAS 1: Classification of Liabilities as Current of Non-Current

The amendments only affect the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. In October 2020, the IASB amended the adoption date by one year to annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's unaudited condensed interim consolidated financial statements.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of presentation and accounting policies (continued)

(e) Newly adopted accounting policy - IAS 29 – Financial Reporting in Hyperinflationary Economies

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, has been applied to these unaudited condensed interim consolidated financial statements as the Company's Turkish wholly owned subsidiary, Pasinex Arama, uses the Turkish Lira as its functional currency. The Company also followed the interpretive guidance for first time adoption of IAS 29 included within IFRIC 7. The unaudited condensed interim consolidated financial statements are based on the historical cost approach in IAS 29.

The application of hyperinflation accounting requires restatement of an entity's non-monetary assets and liabilities, shareholders' equity and comprehensive loss items from the transaction date when they were first recognized into the current purchasing power which reflects a price index at the end of the reporting period before being included in the unaudited condensed interim consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Consumer Price Index issued by the Turkish Statistical Institute.

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at September 30, 2022. Non-monetary assets, liabilities, equity, and expenses (items that are not already expressed in terms of the monetary unit as at September 30, 2022) are restated by applying the index at the end of the reporting period. The effect of inflation on Pasinex Arama's net monetary position is included in the Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as a net monetary loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position.

As per IAS 21, The Effects of Changes in Foreign Exchange Rates, all amounts (i.e. assets, liabilities, equity and expenses) are translated at the closing foreign exchange rate at the date of the most recent consolidated balance sheet, except that comparative amounts are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates. Similarly, in the period during which the functional currency of a foreign subsidiary becomes hyperinflationary and applies IAS 29 for the first time, the parent's consolidated financial statements for the comparative period are not restated for the effects of hyperinflation.

The opening equity adjustment of \$296,313 relates to the hyperinflation adjustments for non-monetary assets, liabilities and equity items in the consolidated statement of financial position as at January 1, 2022.

3. Due from Related Parties

Horzum AS declared a dividend during the first quarter of 2022, totalling approximately TRY 60.3 million of which Pasinex Arama is entitled to TRY 30.15 million 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 12 million. This amount has been deducted from the value of the Akmetal receivable.

Therefore, Pasinex Arama's total entitlement from the declared dividend is TRY 42.2 million (approximately \$4.1 million using the exchange rate on the date the dividend was declared). As at September 30, 2022 all of this dividend had been collected. The total Canadian dollar value received for the TRY 42.2 million dividend, was \$3.26 million using the exchange rates on the various dates the amounts were received.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Due from Related Parties (continued)

The exchange rates on the dates payments (for the 2022 dividend) were made, were lower than the exchange rate in effect on the date the dividend was declared and taken into income. This resulted in an exchange loss of approximately \$0.82 million for the amounts received in respect of the 2022 dividend.

The amount due from related parties at the end of December 31, 2021, of \$893,350, which related to the dividend declared in 2018 and other receivables relating to expenditures incurred by Pasinex Arama that were charged to Horzum AS, was collected in full in the first quarter of 2022. The actual Canadian dollar value of the amount received was approximately \$838,000.

The combination of the above items received, which includes dividends and other receivables collected, resulted in cash inflows, to Pasinex Arama, totaling approximately \$4.12 million during the nine months ended September 30, 2022. At September 30, 2022, there is an outstanding balance of \$799 for minor ongoing expenditures due by Horzum AS to Pasinex Arama.

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.

Summarized Financial Statements for Horzum AS

As discussed in note 2(e), 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 statements of operations presented below as a net monetary gain. In addition, Horzum AS recorded an opening equity adjustment of approximately \$2.4 million related to the hyperinflation adjustments for non-monetary assets, liabilities and equity items in the statements of financial position as at January 1, 2022. The opening equity adjustment includes a \$0.43 million increase to share capital, a \$0.74 million increase to lease assets and a \$1.2 million increase to plant and equipment. Horzum AS's financial results are set out below.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Investment in Horzum AS (continued)

Statements of Financial Position

<i>(100% basis - Canadian dollars)</i>	As at	
	September 30, 2022	December 31, 2021
Current assets		
Cash and prepaid expenses	\$ 1,779,080	\$ 9,324
Akmetal receivable (note 4(a))	45,684,366	40,064,449
Less - discount and allowance on Akmetal receivable (note 4(a))	(45,684,366)	(40,064,449)
Trade receivables	213,013	1,630
Other receivables	3,031	346,353
Inventories	887,781	602,015
Total current assets	2,882,905	959,322
Non-current assets		
Lease asset	1,694,001	716,086
Plant and equipment	1,713,811	262,757
Other non-current assets	21,271	197,347
Total non-current assets	3,429,084	1,176,190
Total assets	\$ 6,311,989	\$ 2,135,512
Current Liabilities		
Trade payable and other current liabilities	\$ 348,137	\$ 267,912
Amounts due to shareholders and related parties (note 4(b))	799	893,345
Lease liabilities	571,685	821,146
Deferred revenue	1,143,214	-
Income taxes payable	2,029,190	2,404,404
Total current liabilities	4,093,025	4,386,807
Non-current liabilities		
Employee benefits and other liabilities	79,322	101,724
Income taxes payable	146,787	1,351,218
Total liabilities	4,319,134	5,839,749
Shareholders' deficiency		
Share capital	725,410	237,400
Deficit	(2,057,808)	(6,554,008)
Foreign exchange difference	3,325,253	2,612,371
Total liabilities and shareholders' deficiency	\$ 6,311,989	\$ 2,135,512
Pasinex ownership interest	50%	50%
Net equity above	\$ 1,992,855	\$ (3,704,237)
Pasinex ownership interest in Horzum AS	\$ 996,428	\$ (1,852,119)
Unpaid dividend	-	840,791
(Unrecorded equity value) impairment in excess of equity value	(996,428)	1,011,328
Pasinex investment in Horzum AS	\$ -	\$ -

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Investment in Horzum AS (continued)

Statements of Operations				
<i>(100% basis - Canadian dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Revenue	\$ 5,328,840	\$ 1,662,460	\$ 15,787,491	\$ 2,995,419
Cost of sales	(1,654,890)	(796,579)	(3,862,980)	(1,836,327)
Selling, marketing and other distribution	(245,629)	(36,318)	(373,597)	(91,949)
Operating income	3,428,321	829,563	11,550,914	1,067,143
Impairment of Akmetal receivable (note 4 (a))	(4,504,000)	(1,919,183)	(17,518,374)	(5,627,070)
General and administrative expenses	(336,002)	(54,019)	(642,996)	(118,300)
Foreign exchange gain	4,131,771	2,032,978	14,797,708	6,467,555
Finance expense	(38,051)	(14,477)	(116,211)	(31,785)
Other	-	11,981	15,229	32,638
Gain on net monetary position	36,528	-	665,534	-
Current income tax expense	(829,920)	(214,338)	(829,920)	(272,857)
Net income	\$ 1,888,647	\$ 672,505	\$ 7,921,884	\$ 1,517,324
Pasinex ownership interest	50%	50%	50%	50%
Share of net income	\$ 944,324	\$ 336,252	\$ 3,960,942	\$ 758,662
Recognition of prior year equity losses (note 4(d))	(944,324)	(336,252)	(3,960,942)	(758,662)
Dividend received	-	-	-	32,232
Equity gain for Horzum AS	\$ -	\$ -	\$ -	\$ 32,232

(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 \$45.7 million as at the end of September 30, 2022, compared with \$40.1 million at the end of December 31, 2021. The receivable consists of a number of items including joint venture sales proceeds received and withheld by Akmetal, the value of zinc product mined at the joint venture used by Akmetal, foreign currency gains on USD denominated amounts and the value of certain loan payments made to a customer on behalf of Akmetal (note 4(c)); less the value of any operating expenses paid by Akmetal. The debt has increased during 2022, as a result of the appreciation of the United States Dollar compared with both the Turkish Lira and Canadian Dollar. The debt has increased by TRY 8.1 million (approximately \$0.6 million using the September 30, 2022, spot rate) in 2022. See also note 3 for a discussion on the reduction of the receivable by the assigned portion of Akmetal's dividend entitlement.

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay its liabilities in the normal course of operations. Horzum AS currently has approximately \$4.1 million in current liabilities (approximately \$4.4 million at December 31, 2021) and a working capital deficiency of approximately \$1.2 million (\$3.4 million at December 31, 2021). Included within the total current liabilities are \$0.3 million owed in trade payables (\$0.3 million at December 31, 2021), \$799 owed to the Company's wholly owned subsidiary in Türkiye (\$0.9 million at December 31, 2021), approximately \$1.1 million in amounts collected for which the sales have not been completed, and \$2.2 million in various taxes payable (\$2.4 million at December 31, 2021).

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4. Investment in Horzum AS (continued)

Approximately \$0.15 million of the taxes payable has been classified as non-current (\$1.4 million at December 31, 2021). See note 3 for a discussion related to amounts paid to Pasinex Arama by Horzum AS.

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.

(b) Amounts due to shareholders and related parties at September 30, 2022, include minor ongoing expenses due by Horzum AS to Pasinex Arama. At December 31, 2021, the amounts related to the dividend declared in 2018 and other receivables relating to expenditures incurred by Pasinex Arama that were charged to Horzum AS (see note 3).

(c) Akmetal entered into a loan facility with one of its customers for overpayments received on advanced provisional invoice payments received in 2018. Akmetal did not make payments against the loan facility, but Horzum AS has paid a total of approximately US\$1.75 million (approximately \$2.4 million using the September 30, 2022, spot rate) to this customer, as at September 30, 2022. This amount is included as part of the receivable from Akmetal.

(d) In 2022 and 2021, the equity loss from Horzum AS was greater than its investment value so the loss was capped as the investment could not be less than zero. The unrecognized loss will be applied against future equity gains. In the nine months ended September 30, 2022, the Company's share of net income after tax of approximately \$4 million reduced the carry forward losses.

(e) In December 2020, Horzum AS restructured its tax liabilities that were due as at August 31, 2020, as allowed by the Turkish taxation department. Horzum AS is scheduled to make instalments of its various tax debts, with each tax debt under its own schedule of 18 equal instalments. The total amount paid to September 30, 2022, was approximately TRY 32 million (approximately \$3.07 million using the exchange rates on the dates of the payments). Horzum AS paid all of the remaining outstanding tax instalments in the month of October 2022, totaling approximately TRY 10.3 million (approximately \$0.74 million using the exchange rates on the dates of the payments). No future payments are required under this tax payment schedule. As of the date of these financial statements, Horzum AS has made all of its ongoing required tax payments.

5. Exploration and evaluation assets

	Horzum Properties	Gunman Project	Total
Balance as at December 31, 2020	\$ 594,664	\$ 1,343,194	\$ 1,937,858
Additions during the year:			
Acquisition costs - cash	-	25,679	25,679
Expense capitalized costs	(78,320)		(78,320)
Foreign exchange adjustment	(59,023)	(24,972)	(83,995)
Balance as at December 31, 2021	\$ 457,321	\$ 1,343,901	\$ 1,801,222
Foreign exchange adjustment	-	109,076	109,076
Balance as at September 30, 2022	\$ 457,321	\$ 1,452,977	\$ 1,910,298

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5. Exploration and evaluation assets (continued)

(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 \$200,000.00 of qualified exploration expenditures to on or before June 30, 2022. The Company agreed to pay US\$20,000 for this extension. The Company satisfied the US\$200,000 spending obligation in the first quarter of 2022.

The spending and associated ownership is as follows:

To acquire an initial 51% of the Gunman Project:

- In December 2017, a cash payment was made to Caliber of US\$125,000 (\$158,897) and 2.2 million Pasinex Common Shares (value of \$484,000) were issued to Caliber and Cypress.
- In September 2018, a cash payment of US\$200,000 (\$258,960) and issuance of 2.2 million Pasinex Common Shares (value of \$264,000) were made to Caliber and Cypress.
- In December 2019, a payment of US\$100,000 cash and issuance of 200,000 Pasinex Common Shares (valued at \$6,000) to Cypress.
- In addition, minimum exploration expenditures as defined in the Option Agreement must be spent as follows:
 - US\$250,000 prior to December 5, 2018 (paid);
 - US\$800,000 prior to December 5, 2019 (deferred to December 31, 2022 - paid);
 - US\$800,000 prior to December 5, 2020 (deferred to December 31, 2022 - spent approximately US\$597,000 to September 30, 2022).

If the 51% option is exercised, Pasinex will enter into a joint venture agreement with Cypress. Total consideration to acquire the 51% interest includes US\$460,000 in cash payments, (including US\$35,000 in payments relating to the amending agreements), the issuance of 4.6 million Pasinex Common Shares and minimum exploration expenditures of US\$1,850,000.

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Unaudited

5. Exploration and evaluation assets (continued)

(b) Gunman Project (continued)

To acquire an additional 29% of the Gunman Project:

- Prior to December 5, 2021 (deferred to December 31, 2024) a payment of US\$250,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress.
- Spend an additional US\$1.1 million in exploration expenditures as defined in the Option Agreement.

The underlying licenses are in good standing until September 2023.

6. Accounts payable and accrued liabilities

	As at		As at	
	September 30, 2022		December 31, 2021	
Trade payables	\$	581,274	\$	619,067
Accrued liabilities		100,452		64,567
Total accounts payable and accrued liabilities	\$	681,726	\$	683,634

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 received \$190,000 and \$530,000 in additional shareholder loans during the three and nine months ended September 30, 2021, respectively. No amounts were received in 2022. The Company recorded interest expense of \$36,578 and \$111,063 during the three and nine months ended September 30, 2022, compared with \$35,189 and \$97,939 for the same periods in 2021. The Company paid \$208,248 and \$318,510 during the three and nine months ended September 30, 2022, of the accrued interest owing on the shareholder loans and principal repayments. No cash payments were made in 2021. As at September 30, 2022, the outstanding shareholder loans and accrued interest thereon totalled \$2,566,659 (December 31, 2021 - \$2,774,106).

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8. Loan payable

	As at		As at	
	September 30, 2022		December 31, 2021	
CEBA loan	\$	40,000	\$	40,000
Loan to unrelated party		-		113,466
	\$	40,000	\$	153,466

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

One of the shareholder loans was reclassified to loan payable from shareholder loans during 2021. Interest accrued on this loan during the three and nine months ended September 30, 2022, was \$204 and \$3,044, compared with \$1,444 and \$4,284 for the same periods in 2021. The Company fully repaid this loan during the third quarter of 2022. Payments during the three and nine months ended September 30, 2022, were \$97,084 and \$116,510. No cash payments were made in 2021.

9. Share capital

- (a) Authorized: Unlimited common shares with no par value.
- (b) Issued and outstanding common shares:

	Number of		Amount	
	Shares			
Balance as at December 31, 2020 and September 30, 2021	144,554,371	\$		12,888,506
Balance as at December 31, 2021 and September 30, 2022	144,554,371	\$		12,888,506

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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
Balance as at December 31, 2020	3,250,000	\$ 0.13
Granted (a)	8,500,000	\$ 0.04
Balance as at September 30, 2021	11,750,000	\$ 0.06
Balance as at December 31, 2021	10,750,000	\$ 0.05
Expired	(1,700,000)	\$ 0.07
Granted (b)	1,500,000	\$ 0.04
Balance as at September 30, 2022	10,550,000	\$ 0.04

- (a) On April 30, 2021, 8,500,000 stock options were granted to officers, directors, employees and consultants of the Company at an exercise price of \$0.04 per stock option, expiring April 30, 2026. The stock options vested immediately. The fair value of the stock options at the date of grant of \$323,000 was estimated using the Black-Scholes valuation model with the following assumptions: a five-year expected term; a 184% expected volatility based on historical trends; risk-free interest rate of 0.93%; share price at the date of grant of \$0.04; and an expected dividend yield of 0%. The Company expensed the full amount of \$323,000 in the second quarter of 2021.
- (b) 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.

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(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

10. Stock options (continued)

The Company had the following stock options outstanding as of September 30, 2022:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (Years)
	Outstanding	Exercisable		
January 24, 2023	50,000	50,000	\$ 0.20	0.32
July 25, 2024	500,000	500,000	\$ 0.09	1.82
April 30, 2026	8,500,000	8,500,000	\$ 0.04	3.58
March 24, 2027	1,500,000	1,500,000	\$ 0.04	4.48
Total	10,550,000	10,550,000	\$ 0.04	3.61

11. Net income (loss) per common share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator				
Net (loss) income	\$ (637,956)	\$ (203,818)	\$ 2,106,043	\$ (1,009,080)
Denominator				
Weighted average number of common shares - basic and diluted	144,554,371	144,554,371	144,554,371	144,554,371
Net (loss) income per share - basic and diluted	\$ 0.00	\$ (0.01)	\$ 0.02	\$ (0.01)

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Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

12. General and administrative costs

General and administration costs are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Consulting fees (note 13)	\$ 127,670	\$ 46,647	\$ 312,275	\$ 134,999
Investor relations	5,326	2,513	15,045	15,836
Management fees and salaries (note 13)	45,761	33,506	153,630	103,324
Director fees	24,000	6,000	72,000	18,000
Office and general	3,025	6,937	23,872	35,935
Professional fees	60,100	42,001	184,932	169,936
Transfer agent and regulatory fees	4,810	2,904	18,256	14,888
Travel and meals	33,199	13,382	73,979	29,315
Other	758	2,904	954	5,042
Total general and administrative costs	\$ 304,649	\$ 156,794	\$ 854,943	\$ 527,275

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Management fees and salaries	\$ 45,750	\$ 33,150	\$ 153,600	\$ 102,200
Consulting fees	42,203	36,307	135,299	105,235
Director fees	24,000	6,000	72,000	18,000
Share-based payments	-	-	57,000	285,000
Interest expense on shareholder loans	36,578	35,189	111,063	97,939
	\$ 148,531	\$ 110,646	\$ 528,962	\$ 608,374

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Three and Nine Months Ended September 30, 2022

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Unaudited

13. Related party balances and transactions (continued)

Amounts payable to related parties were as follows:

	Due to Related Parties		Shareholder Loans	
	As at September 30, 2022	As at December 31, 2021	As at September 30, 2022	As at December 31, 2021
Larry Seeley ⁽¹⁾	\$ -	\$ 129,354	\$ -	\$ -
Joachim Rainer ⁽¹⁾	-	2,000	-	-
Jonathan Challis ⁽¹⁾	-	17,772	-	-
Victor Wells ⁽¹⁾	-	86,000	-	-
1514341 Ontario Inc. ⁽²⁾	-	17,961	2,022,032	2,038,186
Soner Koldas ⁽³⁾	-	97,303	-	-
Seeley Holdings Ltd. ⁽⁴⁾	-	-	458,412	640,882
Rainer Beteiligungsgesellschaft ⁽⁵⁾	-	-	86,215	95,038
2192640 Ontario Inc. ⁽⁶⁾	22,037	32,284	-	-
	\$ 22,037	\$ 382,674	\$ 2,566,659	\$ 2,774,106

(1) Larry Seeley, Joachim Rainer, Jonathan Challis and Victor Wells were directors of the Company at September 30, 2022 and December 31, 2021.

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

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

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

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

(6) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO of the Company.

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

To the knowledge of the directors and officers of the Company, as at September 30, 2022, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

	Number of Common Shares	Percentage of Outstanding Common Shares
Larry Seeley	30,000,591	20.75%

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Unaudited

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		As at	
	September 30, 2022		December 31, 2021	
Non-current assets by geographic segment				
Türkiye	\$	482,268	\$	490,656
United States		1,452,977		1,343,900
	\$	1,935,245	\$	1,834,556
Total assets by geographic segment				
Canada	\$	1,591,858	\$	108,054
Türkiye		714,124		1,419,814
United States		1,452,977		1,343,900
	\$	3,758,959	\$	2,871,768

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Equity gain from joint venture				
Canada	\$ -	\$ -	\$ -	\$ -
Türkiye	-	-	-	32,232
United States	-	-	-	-
Total equity gain from joint venture	\$ -	\$ -	\$ -	\$ 32,232
Net income (loss)				
Canada	\$ (185,488)	\$ (153,034)	\$ (815,947)	\$ (920,794)
Türkiye	(76,507)	(466)	3,668,674	39,891
United States	(375,961)	(50,318)	(746,684)	(128,177)
Total net income (loss)	\$ (637,956)	\$ (203,818)	\$ 2,106,043	\$ (1,009,080)

15. Subsequent event

- Subsequent to the quarter end Horzum AS accelerated payments for the remaining tax instalments due and has now paid all of its tax debt. The total amount paid to October 31, 2022, is approximately \$3.8 million (TRY 42 million Turkish Lira), using the exchange rates on the dates of the payments. Because Horzum AS paid certain of its instalments early, approximately TRY 0.5 million of the interest and penalties were forgiven. Horzum AS has paid all of its instalments due under its tax restructuring programs and has paid all of the current taxes due.
- Subsequent to the quarter end, it was announced on the MAPEG website that the Horzum AS operational license and the Pasinex Arama Akkaya operational exploration license applications had been approved and that the licenses will be renewed for the requested 10-year term.
- The Company began a drill program at its Gunman Project subsequent to the end of the quarter.