
Pasinex Resources Limited

Management's Discussion & Analysis

For the Three and Nine Months Ended September 30, 2022 and 2021

Discussion dated: November 18, 2022

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three and nine months ended September 30, 2022, has been prepared to provide material updates to the business operations, liquidity, and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2021. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2021 and 2020, together with the notes thereto, and the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Where the Turkish Lira is reported it is referenced as TRY.

The Company's unaudited condensed interim financial statements and the financial information contained in this Interim MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect for the fiscal period beginning January 1, 2022. The unaudited condensed interim financial statements have been prepared on a historical basis and compliance with IFRS applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Accordingly, the information contained herein is presented as of November 18, 2022, unless otherwise indicated.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

These statements speak only as of the date of this Interim MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) general business and

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economic conditions; (ii) timing and amount of estimated future production (iii) the supply and demand for, deliveries of, and the level and volatility of prices of zinc and other precious metals; (iv) the timing of the receipt of any outstanding regulatory and governmental approvals for the Company's projects; (v) the ability to meet social and environmental standards and expectations; (vi) the availability of financing for the Company's development of its properties on reasonable terms; (vii) the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; (viii) the ability to attract and retain skilled staff; (ix) exploration and development timetables; and (x) capital expenditure and operating cost estimates.

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

While operations were not materially impacted by COVID-19 for the nine months ended September 30, 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 the quarter, notwithstanding the restrictions and negative impacts caused by COVID-19.

Similar to COVID-19, the Company has not been materially impacted by the ongoing conflict in the Ukraine, but uncertainty remains surrounding the conflict and the extent and duration of the impacts that it may have on the Company's ability to operate, on prices for zinc, on logistics and supply chains, on the Company's employees and on global financial markets.

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

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

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Description of Business

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

Pasinex owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi ("Horzum AS" 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").

Selected Quarterly Information

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Financial:				
Equity gain from Horzum AS	\$ -	\$ -	\$ -	\$ 32,232
Dividend and other receivables collected from Horzum AS	\$ 713,974	\$ -	\$ 4,115,058	\$ 32,232
Dividend income from Horzum AS	\$ -	\$ -	\$ 4,072,320	\$ -
Consolidated net (loss) income	\$ (637,956)	\$ (203,818)	\$ 2,106,043	\$ (1,009,080)
Basic and diluted net income per share	\$ 0.00	\$ (0.01)	\$ 0.02	\$ (0.01)
Net cash provided by (used in) operating activities	\$ 22,791	\$ (217,399)	\$ 2,106,129	\$ (558,652)
Weighted average shares outstanding	144,554,371	144,554,371	144,554,371	144,554,371

As at:	September 30, 2022	December 31, 2021
Total assets	\$ 3,758,959	\$ 2,871,768
Total liabilities	\$ 3,310,422	\$ 3,993,880
Total shareholders' equity (deficiency)	\$ 448,537	\$ (1,122,112)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Horzum AS operational data (100% basis):				
Zinc product mined (wet) tonnes	3,001	2,488	10,805	7,744
Zinc product sold (wet) tonnes	4,941	1,999	11,005	6,658
Zinc oxide product average grade sold	NA	29%	38%	31%
Zinc sulphide product average grade sold	50%	47%	51%	43%
Zinc low-grade sulphide product average grade sold	19%	NA	19%	NA
Gross margin ⁽¹⁾	64%	52%	73%	40%
CAD cost per tonne mined ⁽¹⁾	\$ 481	\$ 371	\$ 392	\$ 373
USD cash cost per pound of zinc mined ⁽¹⁾	\$ 0.39	\$ 0.38	\$ 0.30	\$ 0.42

⁽¹⁾ see non-GAAP measures

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

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

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Highlights

- Pasinex recorded a net loss of approximately \$0.64 million for the three months ended September 30, 2022, and a net income of approximately \$2.1 million for the nine months ended September 30, 2022, compared with net losses of approximately \$0.2 million and \$1.0 million for the same periods in 2021. Pasinex Arama recorded a dividend income of approximately \$4.1 million in the first quarter of 2022. Dividend income is recorded when the dividends are declared. There was no similar amount in 2021.
- The operating income in Horzum AS increased to \$3.4 million and \$11.6 million for the three and nine months ended September 30, 2022, versus operating income of \$0.8 million and \$1.9 million for the same periods in 2021. This substantial increase was due to higher revenue generated from higher sales prices. The increased sales prices were the result of higher worldwide zinc prices in 2022 along with selling a greater proportion of high-grade zinc sulphide product in 2022 compared with 2021. The higher sales prices also resulted in the gross margin (see *non-GAAP measures*) for the three and nine months ended September 30, 2022, increasing to 64% and 73% versus 52% and 40% in the same periods in 2021.
- Horzum AS declared a dividend to be paid to its shareholders of which Pasinex Arama was entitled to TRY 42.2 million. Pasinex Arama has received all of this amount. Total cash received from Horzum AS was approximately \$4.1 million during the first nine months of 2022.
- 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 sold 3,998 and 9,569 tonnes of zinc sulphide product in the three and nine months ended September 30, 2022, at average grades of 50% and 51% zinc and average sale prices of approximately US\$974 and US\$1,185 per tonne, respectively.
- Horzum AS mined 3,001 and 10,805 tonnes of zinc product in the three and nine months ended September 30, 2022, respectively, at the Pinargozu mine.
- The CAD cost per tonne mined (see *non-GAAP measures*) was \$481 and \$392 for the three and nine months ended September 30, 2022, respectively and the USD cash cost per pound of zinc product mined (see *non-GAAP measures*) was US\$0.39 and US\$0.30 for the same periods, respectively.
- During 2022, Horzum AS completed a total of 7,364 metres of underground and surface diamond core drilling, in 84 holes. It also completed 1,388 metres of exploration and development adit development, including 150 metres of adit development towards the Akkaya property.
- Horzum AS had another zero-fatality quarter at the Pinargozu Mine. There was 146,112 fatality free hours worked in 2022. Unfortunately, two serious injuries were reported in August of 2022, where one employee suffered an injury of two broken ribs and a broken shoulder, and another employee suffered a broken bone in his foot. MAPEG has made two recent safety inspections and no significant issues were found.
- The Company completed a helicopter magnetics survey of 218 line-kilometers, a mobile metal ion soil sampling program of 453 samples and a ground gravity program with 2,078 stations in the nine months ended September 30, 2022, at the Gunman Project in Nevada. A drill program commenced subsequent to the end of the quarter in November.

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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 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).

See above discussion in the *Highlights* section related to the license renewals. 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 renewals will enable Horzum AS to continue mining at the Pinargozu mine beyond April 2023.

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. The debt has increased during 2022 as a result of the appreciation of the United States Dollar compared with both the Turkish Lira and the 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. 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 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.

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Review of Quarterly Consolidated Financial Statements

Three Months Ended September 30, 2022 and 2021

The following is a summary income statement for Pasinex:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Equity gain from Horzum AS	\$ -	\$ -	\$ -	\$ 32,232
Recovery of amounts due from Horzum AS	-	16,156	-	50,369
Exploration costs	(373,147)	(46,363)	(743,870)	(124,222)
General and administration costs	(304,649)	(156,794)	(854,943)	(527,275)
Interest expense	(36,782)	(36,632)	(114,107)	(102,223)
Share-based payments	-	-	(57,000)	(323,000)
Dividend income	-	-	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)	-
Net (loss) income	\$ (637,956)	\$ (203,818)	\$ 2,106,043	\$ (1,009,080)

Equity gain

Horzum AS is considered a joint venture for accounting purposes and as such the Company records its share of net income on one line in the income statement. In the fourth quarter of 2018 an impairment of the Akmetal receivable was recorded. Since the joint venture is equity accounted and because the impairment was so large, the equity loss was capped in the fourth quarter of 2018 so that the investment would not be below zero. The unrecognized loss has been applied against future equity gains beginning in 2019, if any.

Recovery of amounts due from Horzum AS

Pasinex Arama recorded a recovery of amounts due from Horzum AS of \$16,145 and \$50,369 in the three and nine months ended September 30, 2021. The total amount of funds paid to Pasinex Arama in those periods exceeded the amounts Pasinex Arama invoiced to Horzum AS. Since the Company had previously written off uncollected dividends and other receivables, the excess is recorded as a partial recovery of those amounts.

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

Exploration Costs

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

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General and administration costs

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
General and administration costs				
Consulting fees	\$ 127,670	\$ 46,647	\$ 312,275	\$ 134,999
Investor relations	5,326	2,513	15,045	15,836
Management fees and salaries	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
	<u>\$ 304,649</u>	<u>\$ 156,794</u>	<u>\$ 854,943</u>	<u>\$ 527,275</u>

Consulting, management fees and travel all increased in the three and nine months ended September 30, 2022, as the Company experienced fee increases and increased activity from certain of its providers as the Company began to ramp up its operations in Türkiye and Nevada in 2022. The Company also incurred consulting costs associated with its ongoing license renewal discussions. The Company also began to accrue for director fees in 2022. Other costs remained mainly consistent year over year.

Interest Expense

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

Share-based payments

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Share-based payments	\$ -	\$ -	\$ 57,000	\$ 323,000

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.

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.

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Dividend income

Horzum AS declared a dividend to be paid to its shareholders, in the first quarter of 2022. Dividend income is recorded when the dividends are declared. See above discussion in the Going Concern section related to the dividend issuance.

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 Arama, uses the Turkish Lira as its functional currency. As a result, the Company recorded a loss on net monetary position of \$64,022 and \$383,345 for the three and nine months ended September 30, 2022, respectively, which relates to the revaluation of Pasinex Arama's share capital.

Review of Horzum AS

Key Performance Indicators

(shown on a 100% basis)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Tonnes mined (wet)	3,001	2,488	10,805	7,744
Tonnes sold (wet):				
Zinc oxide product	-	1,395	493	5,355
Zinc sulphide product	3,998	604	9,569	1,303
Low-grade sulphide product	943		943	
Lead product	-	-	54	-
	4,941	1,999	11,059	6,658
Average grades for tonnes sold:				
Zinc oxide product	NA	29.0%	37.8%	31.0%
Zinc sulphide product	50.0%	47.0%	50.5%	43.0%
Zinc low-grade sulphide product	18.8%	NA	18.8%	NA
Lead	NA	NA	53.0%	NA
CAD cost per tonne mined ⁽¹⁾	\$ 481	\$ 371	\$ 392	\$ 373
USD cash cost per pound of zinc product mined ⁽¹⁾	\$ 0.39	\$ 0.38	\$ 0.30	\$ 0.42

⁽¹⁾ See non-GAAP measures

Operating results

Horzum AS mined 40% more tonnes in 2022 than in 2021, primarily due to greater access of ore. In 2021, mine production at Pinargozu was reduced as Horzum AS focused on the development of the fourth adit. Sales volumes

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also increased in the three and nine months ended September 30, 2022, when compared with the same periods in 2021 due to a higher inventory on hand to begin the year in 2022 and increased production in 2022.

The average grade of the zinc oxide product sold increased to 38% zinc per tonne for the nine months ended September 30, 2022, compared with 31% zinc per tonne in the same period in 2021. There were no zinc oxide product sales in the third quarter of 2022. The average grade of the zinc sulphide product sold was 50% and 51% zinc per tonne for the three and nine months ended September 30, 2022, compared with 47% and 43% zinc per tonne in the same periods in 2021.

The CAD cost per tonne mined (*see non-GAAP measures*) was \$481 in the three months ended September 30, 2022, compared with \$413 in the three months ended June 30, 2022. The increase during 2022 was primarily due to mining fewer tonnes in the third quarter compared with the second quarter of the year. The CAD cost per tonne mined was \$392 for the nine months ended September 30, 2022, compared with \$373 in the same period in 2021. The increase in the CAD cost per tonne in 2022 compared with 2021 costs, was primarily due to higher costs being incurred in 2022, including increased royalties payable as a result of higher sales values per tonne. The cost per tonne metric in 2022 compared with 2021, was helped by increased mined tonnes in 2022.

The USD cash cost per pound of zinc product mined (*see non-GAAP measures*) was US\$0.39 and US\$0.30 per pound in the three and nine months ended September 30, 2022, compared with US\$0.38 and US\$0.42 per pound in the same periods in 2021. The decrease in cost per pound for the nine months ended September 30, 2022, was primarily due to a greater number of pounds of zinc product being mined as a result of substantially higher average zinc product grades being realized. The results for the third quarter of 2022 included the lower-grade sulphide tonnes and therefore increased the USD cash cost per pound of zinc mined.

Financial results

Below are the statements of operation for Horzum AS for the three and nine months ended September 30, 2022 and 2021.

<i>(100% basis Canadian dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Revenue	\$ 5,328,840	\$ 1,610,122	\$ 15,787,491	\$ 4,605,541
Cost of sales	(1,654,890)	(745,678)	(3,862,980)	(2,582,005)
Selling, marketing and other distribution	(245,629)	(56,321)	(373,597)	(148,270)
Operating Income	3,428,321	808,123	11,550,914	1,875,266
Impairment of Akmetal receivable	(38,051)	(2,498,701)	(116,211)	(8,125,771)
General and administration expenses	4,131,771	(69,802)	14,797,708	(188,102)
Foreign exchange loss on receivable	(4,504,000)	932,674	(17,518,374)	7,400,229
Finance expense	-	(14,283)	15,229	(46,068)
Other	(336,002)	17,560	(642,996)	50,198
Gain on net monetary position	36,528	-	665,534	-
Income tax expense	(829,920)	(222,446)	(829,920)	(495,303)
Net income	\$ 1,888,647	\$ (1,046,875)	\$ 7,921,884	\$ 470,449

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Revenue

(100% basis Canadian dollars)	Three Months Ended		Three Months Ended	
	September 30, 2022		September 30, 2021	
	Wet Tonnes	CAD	Wet Tonnes	CAD
Zinc oxide product sales	-	\$ -	1,395	\$ 756,034
Zinc sulphide product sales	3,998	5,117,747	604	805,837
Zinc low-grade sulphide product sales	943	211,625		
Lead product sales	-	(11,708)	-	-
Other sales	-	3,895	-	3,201
Sales adjustments - prior year	-	-	-	45,050
Total revenue	4,941	\$ 5,321,559	1,999	\$ 1,610,122

(100% basis Canadian dollars)	Nine Months Ended		Nine Months Ended	
	September 30, 2022		September 30, 2021	
	Wet Tonnes	CAD	Wet Tonnes	CAD
Zinc oxide product sales	493	\$ 528,494	5,355	\$ 3,202,848
Zinc sulphide product sales	9,569	14,968,614	1,303	1,384,790
Zinc low-grade sulphide product sales	943	211,625		
Lead product sales	54	69,255	-	-
Other sales	-	10,352	-	12,247
Sales adjustments - prior year	-	-	-	5,656
Total revenue	11,059	\$ 15,788,340	6,658	\$ 4,605,541

Sales volume for the quarter increased as discussed above, see *Review of Horzum AS – Operating results*. Sales prices per tonne on a USD basis improved by approximately 81% for zinc oxide product and 40% for zinc sulphide product for the nine months ended September 30, 2022, when compared to prices in the same periods in 2021. Overall sales prices per tonne on a USD basis improved by approximately 98% for zinc product for the nine months ended September 30, 2022, when compared to prices in the same period in 2021 as the mix of product sold was more heavily weighted to higher-grade zinc sulphide product in 2022 compared to more zinc oxide product in 2021. The 2022 results do include the sale of the low-grade zinc sulphide product, which brings the average sale price down. The average USD sales prices for the nine months ended September 30, 2022, were US\$865 per tonne for zinc oxide product, US\$1,185 per tonne for zinc sulphide product and US\$196 per tonne for low-grade zinc sulphide product. The combination of a greater proportion of higher valued zinc sulphide product sales and overall higher prices resulted in a 226% increase in total revenue from sales in the nine months ended September 30, 2022, compared with the same period in 2021.

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Costs of Sales

The cost of sales in the three and nine months ended September 30, 2022, increased in dollar terms when compared to the same periods in 2021 primarily due to higher costs being incurred in 2022, including increased royalties payable as a result of higher sales values per tonne as discussed in *Review of Horzum AS – Operating Results*.

Operating Income

The operating income in Horzum AS increased in the three and nine months ended September 30, 2022, compared with the same periods in 2021, as a result of the higher sales prices having been realized. The gross margin, (see *non-GAAP measures*), for the three and nine months ended September 30, 2022, increased to 64% and 73% from 52% and 40%, in the same periods in 2021. These substantial increases are primarily due to higher zinc prices realized in 2022 compared with 2021, resulting from the higher proportion of high-grade zinc sulphide tonnes being sold in 2022 versus zinc oxide product in 2021 and higher worldwide zinc prices in 2022 compared with 2021.

Impairment of Akmetal Receivable

In 2018, the Company performed an assessment resulting in the recording of an impairment of the loan receivable from Akmetal as required by IFRS 9. For further discussion see *Review of Horzum AS – Akmetal Receivable*. The recording of the impairment does not represent the elimination of the loan receivable and as such the Company continues to expect full repayment of the loan receivable in due course. The impairment increased in 2022 compared with 2021, primarily as the Akmetal receivable increased due to the increase in the USD:TRY and USD:CAD exchange rates.

Foreign Exchange Loss on Receivable

The functional currency of Horzum AS is the TRY. The foreign exchange gain in both 2022 and 2021 is a result of the revaluation of a portion of the Akmetal receivable, which is denominated in US dollars. The gains are the result of the significant decline in the value of the TRY relative to the US dollar during both 2022 and 2021.

Income Tax Expense

The statutory rate for income taxes in 2022 was 23% compared with 25% in 2021. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

(100% basis Canadian dollars)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Income (loss) before income tax expense	\$ 2,718,567	\$ (824,429)	\$ 8,751,804	\$ 965,752
Statutory tax rate	23%	25%	23%	25%
Expected income tax (expense) recovery	(625,270)	206,107	(2,012,915)	(241,438)
Non deductible expenses	(67,361)	(37,046)	(119,627)	(41,206)
Tax expense not recognized	(137,289)	(391,507)	1,302,622	(212,659)
Income tax expense	\$ (829,920)	\$ (222,446)	\$ (829,920)	\$ (495,303)

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Gain on net monetary position

As discussed in the *Review of Quarterly Consolidated Financial Statements – Loss 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.

Financial condition

The following are summary balance sheets for Horzum AS:

<i>(100% basis Canadian dollars)</i>	As at	
	September 30, 2022	December 31, 2021
Assets		
Cash and prepaid expenses	\$ 1,779,080	\$ 9,324
Akmetal receivable	45,684,366	40,064,449
Less - discount and allowance on Akmetal receivable	(45,684,366)	(40,064,449)
Trade receivables	213,013	1,630
Other receivables	3,031	346,353
Inventories	887,781	602,015
Non current assets	3,429,084	1,176,190
Total assets	\$ 6,311,989	\$ 2,135,512
Liabilities		
Amounts due to shareholders and related parties	\$ 799	\$ 893,345
Other liabilities	4,318,335	4,946,404
Total liabilities	4,319,134	5,839,749
Shareholders' equity (deficiency)	1,992,855	(3,704,237)
Total liabilities and shareholders' deficiency	\$ 6,311,989	\$ 2,135,512

Akmetal Receivable

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; 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.

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

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in various taxes payable (\$2.4 million at December 31, 2021). Approximately \$0.15 million of the tax payable has been classified as non-current (\$1.4 million at December 31, 2021).

Due to Akmetal's continued liquidity issues and continued nonpayment of the receivable, management has continued to assess the probability of credit losses to be high. As a result, the receivable remains written down to zero.

Inventories

The following is a reconciliation of the Horzum AS inventory tonnage movements for the nine months ended September 30, 2022:

Tonnes	Oxide	Sulphide	Low-Grade Sulphide	Lead	Total
Opening Inventory	334	1,724	-	34	2,092
Production Net of Waste	159	9,888	758	-	10,805
Purchased Ore Product	-	-	185	20	205
Sales	(493)	(9,569)	(943)	(54)	(11,059)
Ending Inventory	<u>-</u>	<u>2,043</u>	<u>-</u>	<u>-</u>	<u>2,043</u>

Non-current assets

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

Amounts Due to Shareholders

Amounts due to shareholders and related parties at December 31, 2021, included the dividend payable to Pasinex Arama of \$0.84 million (approximately TRY 8.9 million) along with amounts owed to Pasinex Arama for services performed by Pasinex Arama. All of these amounts were collected in the first quarter of 2022.

The small amount due at September 30, 2022, relates to the uncollected portion of ongoing expenditures that are charged to Horzum AS by Pasinex Arama.

Other Liabilities

Other liabilities include trade payables, lease liabilities, deferred revenue, income taxes payable and mining royalties payable. The decrease in other liabilities at September 30, 2022, compared with December 31, 2021 is due to a reduction in taxes payable of approximately \$1.6 million, and a reduction in amounts due to shareholders and related parties of approximately \$0.9 million. These amounts are partially offset by an increase in deferred revenue of \$1.1 million. Taxes payable have decreased with the payment of instalments during 2022 and the rise of the Canadian dollar relative to the Turkish Lira. The Canadian dollar has appreciated against the Turkish Lira during the quarter and as such, amounts denominated in Turkish Lira that were outstanding at December 31, 2021 are lower in Canadian dollar terms at September 30, 2022.

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

	<i>(100% basis Canadian Dollars)</i>		<i>(100% basis Turkish Lira)</i>		
	As at September 30, 2022	As at December 31, 2021	As at September 30, 2022	Payments Made	As at December 31, 2021
Restructuring					
#1	\$ 637,626	\$ 2,289,593	\$ 8,616,561	\$ (15,509,809)	\$ 24,126,370
#2	86,684	311,264	1,171,398	(2,108,516)	3,279,914
#3	36,407	130,731	491,986	(885,576)	1,377,562
#4	-	-	-	-	-
#5	-	369,391	-	(3,892,427)	3,892,427
#6	-	12,293	-	(129,541)	129,541
Total restructurings	\$ 760,717	\$ 3,113,272	\$ 10,279,945	\$ (22,525,869)	\$ 32,805,814

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.

In addition to the above restructurings, in October 2021, Horzum AS was assessed corporate taxes, VAT and penalties owed on certain longstanding amounts due. Amounts totaling TRY 3.55 million were assessed in taxes and penalties due. All of these amounts have been paid as of September 30, 2022.

Shareholders' Equity (Deficiency)

The decrease in the shareholders' deficiency at December 31, 2021, of \$3,704,237 into a shareholders' equity position of \$1,992,855 at September 30, 2022 is due to a combination of factors including, net income from its operations and the recognition of inflationary gains recorded as a result of applying IAS 29, and is partially offset by the issuance of a dividend to its shareholders.

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. 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 balance sheet 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.

Commitments

Akmetal entered into a loan facility with one of its customers for overpayments received on advanced provisional invoice payments received in 2018. Akmetal did not make payments against the loan facility, but Horzum AS has paid

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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.

Exploration and Mining Review and Expectations for 2022

Horzum AS had another zero-fatality quarter at the Pinargozu Mine. Horzum AS employs approximately 125 people, including those employed by the underground drilling contractor. In the nine months of 2022, there were 146,112 fatality free hours worked at the Pinargozu Mine. Unfortunately, two serious injuries were reported in the month of August of 2022, where one employee suffered an injury of two broken ribs and a broken shoulder, and another employee suffered a broken bone in his foot. Horzum AS management has reviewed these incidents with all staff to reinforce existing safety procedures to ensure these types of accidents do not happen again. Nine lost time injuries were reported during 2022. Horzum AS has maintained an exemplary record since it began to mine at Pinargozu in 2015 and has an advanced safety management system and training in place with a safety-oriented culture. MAPEG has made two recent safety inspections and no significant issues were found. All employees have been vaccinated against COVID-19 by Horzum AS medical staff with approved vaccines and have been able to continue running two shifts throughout the quarter notwithstanding the restrictions and negative impacts caused by COVID-19.

<i>(100% basis)</i>	Revised Guidance for the Year Ended	
	December 31, 2022	
	Wet Tonnes	Average Grade
Zinc oxide product mined	160	38%
Zinc sulphide product mined	12,000 to 14,000	50%
Zinc low-grade sulphide product mined	943	19%
	13,000 to 15,000	
CAD cost per tonne mined		\$400 - \$425

The Company has revised its annual guidance to the above figures, which include between 12,000 and 14,000 tonnes of high-grade zinc sulphide product mined at an average grade of approximately 50%. The Company has revised its guidance lower for both zinc oxide product and zinc sulphide product but has added a number of tonnes of low-grade zinc sulphide product. Production during the year was less than expected as Horzum AS experienced water issues at the beginning of the year and was not able to increase its monthly production level in the later months of the year. The CAD cost per tonne mined is expected to be marginally lower than originally expected. The 541-metre level adit (the "Fourth Adit") become the main production hub for the Pinargozu Mine in 2022 and it is expected it will continue to be so into the future.

Exploration at Pinargozu has continued during the quarter, through a combination of underground and surface drilling. A total of 21 holes were completed with a total length of 2,494 metres, testing the structure both above and below the Fourth Adit. Of these drill holes, three were surface holes with a total length of 1,206 metres, and 18 were drilled from the Fourth Adit for a total length of 1,288 metres. Mineralization was intercepted in the majority of the drill holes completed and this additional knowledge confirms that mineralization continues into an area of the mine that had no prior drill intercepts due to the limitation of surface drilling. Testing of the marble below the 500-metre elevation is now showing that mineralization is present, approximately 40 metres below our current understanding of the anomaly.

During the quarter, a total of 542 metres of both horizontal and inclined adit development were completed, with the pace of development increasing as the quarter progressed to develop new mining faces in the sulphide zone between the 520-metre and the 560-metre levels. Mining of oxide zinc product has ceased, and mining will, in the future, be

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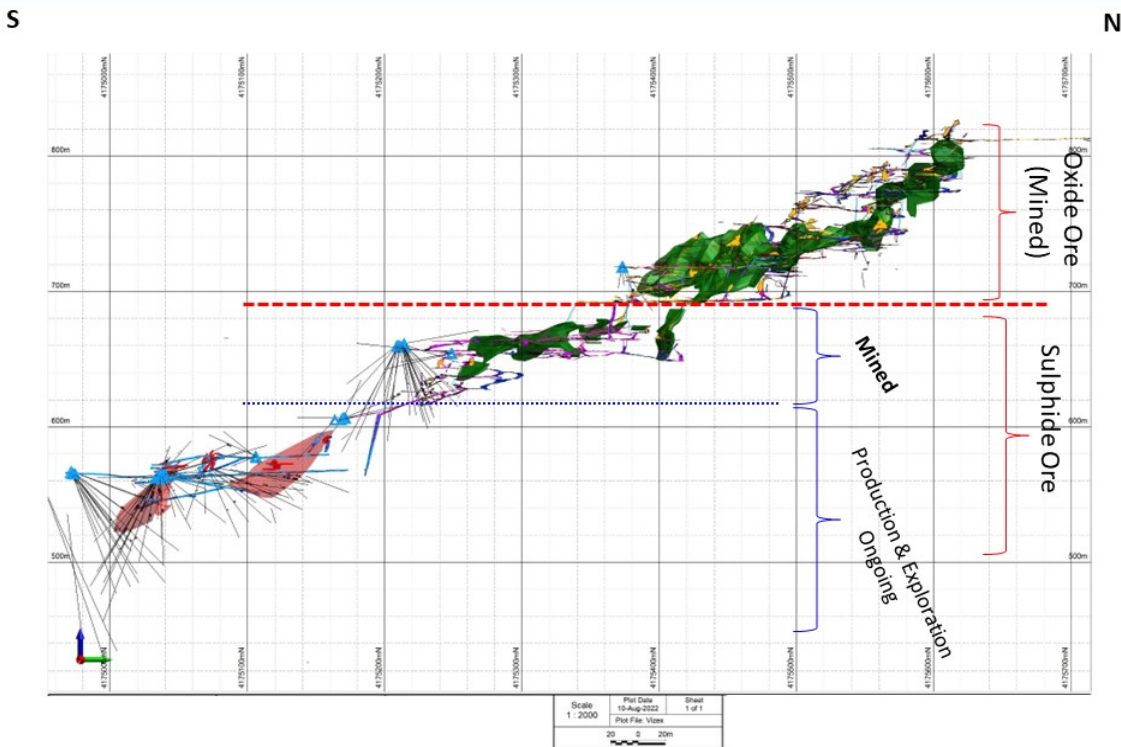
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concentrated on the production of zinc sulphide product, which commands a better price and lower treatment charges in the international marketplace.

There is still limited ingress of water which is having no impact on production. There exists ample pumping and underground water storage capacity, which provides confidence that in the event of any unexpected water ingress, sufficient capacity is available to ensure that the impact on production and development will be minimal. As the decline has advanced, the areas where production will occur in future quarters have become drier and water dams below the 538-metre level have been established, that will allow any water that is encountered to be handled easily and safely by being pumped directly out of the mine to the settling ponds prior to being discharged into the local watercourse. All testing of the water discharged has confirmed that it meets the standards for potable water and does not cause an environmental problem.

The other main area of horizontal development has been the extension of the Fourth Adit towards the Akkaya property, which will allow exploration drilling to be undertaken from the Fourth Adit to test areas of the lease where surface drilling would be both difficult and costly. A second underground drill rig has been delivered to site and work on the preparation of drill sites along the Fourth Adit extension toward Akkaya is underway that will allow the marble, which has been encountered to date, to be drill tested for zinc mineralization in an area of the property that has no drilling information. Consideration is also being given to linking this Fourth Adit extension, near the Akkaya boundary, with the 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.

Pinargozu Ore Body Cross Section View (N-S)



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See above discussion in the *Highlights* section related to the license renewals. 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 renewals will enable Horzum AS to continue mining at the Pinargozu mine beyond April 2023. Mine production at the Pinargozu mine is expected to be able to continue on a two-shift basis for the remainder of 2022 and 2023.

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

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

Trends

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

Türkiye experienced very high inflation in 2021 and this has continued through the first three quarters of 2022. See discussion relation to inflation included in *Review of Quarterly Consolidated Financial Statements – Loss on net monetary position*. As a result of the high inflation experienced in Türkiye, Horzum AS has been and will continue to experience price pressure on its goods and services incurred, including wages of its labour force. This contributed to incurring higher cost of goods sold during 2022, see "*Financial results – Cost of Goods Sold*". The price of zinc has increased steadily over the course of 2021 and into 2022 with prices reaching a high of US\$2.05 per pound in April of 2022. Prices have gone down since April but remain higher than the past few years. The average price per pound of zinc was an average of US\$1.36 and US\$1.36 for the three and nine months ended September 30, 2021, compared with an average of US\$1.48 and US\$1.65 for the three and nine months ended September 30, 2022, respectively.

Horzum AS sells their product in US dollars and to a lesser extent in Euros, which are then converted to Turkish Lira. As such, Horzum AS's financial performance also depends on the TRY to US dollar. The USD / TRY exchange rate had a substantial increase in the past few years. The increase was further accelerated in the first nine months of 2022, with the rate moving from approximately 13.4 at the end of December 2021 to approximately 18.5 at the end of September 2022. The average rate for the quarter ended September 30, 2022, was approximately 18.0 compared with approximately 15.8 in the quarter ended June 30, 2022, an average rate of 14.0 in the first quarter of 2022 and an average rate of 11.2 in the fourth quarter of 2021.

The zinc per pound price increases combined with the increase in the USD exchange rate in relation to the Turkish Lira will have a positive impact on Horzum AS's gross margins in 2022.

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Liquidity and Financial Position

Cash Flows

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Cash (used in) provided by operating activities				
Before changes in working capital	\$ (680,539)	\$ (295,084)	\$ 2,491,182	\$ (661,315)
Cash received from Horzum AS	713,974	-	4,115,058	32,232
Changes in working capital	(10,644)	77,685	(4,500,111)	70,431
	22,791	(217,399)	2,106,129	(558,652)
Cash provided by (used in) investing activities	(1,494)	21	(1,494)	(2,621)
Cash (used in) provided by financing activities	(305,332)	190,000	(435,020)	530,000
Effect of foreign currencies	203	89,865	(23,607)	91,729
Net change in cash	(283,832)	62,487	1,646,008	60,456
Opening cash balance	2,029,871	43,997	100,031	46,028
Closing cash balance	\$ 1,746,039	\$ 106,484	\$ 1,746,039	\$ 106,484

Cash provided by (used in) operating activities

The Company had modest inflows of cash from its operating activities in the third quarter of 2022 bringing the total cash provided by operating activities to approximately \$2.1 million in the nine months ended September 30, 2022, compared with cash used in operating activities of approximately \$0.56 million for the nine months ended September 30, 2021. The primary reason for the positive result was the collection of all of the amounts that were due from related parties at the end of 2021 and the collection of the full amount of the dividend that was declared in 2022.

Cash used in investing activities

Cash used in investing activities in 2021 and 2022 relate to miscellaneous costs incurred by Pasinex Arama.

Cash received from financing activities

Cash received from shareholder loans was \$190,000 and \$53,000 during the three and nine months ended September 30, 2021. No shareholder loan amounts were received in 2022 as the collections of dividends from Horzum AS have provided funding for the Company. The Company paid \$305,332 and \$435,020 in accrued interest and principal repayments during the three and nine months ended September 30, 2022.

Commitments

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

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

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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. The Company agreed to pay US\$20,000 for this extension. The Company satisfied the US\$200,000 spending obligation as of March 31, 2022.

The spending and associated ownership is as follows:

To acquire an initial 51% of the Gunman Project:

- In December 2017, a cash payment was made to Caliber of US\$125,000 (\$158,897) and 2.2 million Pasinex Common Shares (value of \$484,000) were issued to Caliber and Cypress.
- In September 2018, a cash payment of US\$200,000 (\$258,960) and issuance of 2.2 million Pasinex Common Shares (value of \$264,000) were made to Caliber and Cypress.
- In December 2019, a payment of US\$100,000 cash and issuance of 200,000 Pasinex Common Shares (valued at \$6,000) to Cypress.
- In addition, minimum exploration expenditures as defined in the Option Agreement must be spent as follows:
 - US\$250,000 prior to December 5, 2018 (paid);
 - US\$800,000 prior to December 5, 2019 (deferred to December 31, 2022 - paid);
 - US\$800,000 prior to December 5, 2020 (deferred to December 31, 2022 - spent 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), issuance of 4.6 million Pasinex Common Shares and minimum exploration expenditures of US\$1,850,000.

To acquire an additional 29% of the Gunman Project:

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

The underlying licenses are in good standing until September 2023.

Pasinex received permits to commence its phase three drilling program at the Gunman Project and began the drill program subsequent to the quarter end in November 2022. Drill targets have been prioritized for reverse circulation drillholes. The drill program began later than expected due to driller availability, however, the Company remains hopeful to achieve a minimum of 3,000 metres of drilling in 14 drillholes. The program is to test a highly prospective two-kilometre zone of mineralized occurrences, hydrothermal alteration and overlapping geochemical and geophysical anomalies.

Earth-moving machinery was mobilized prior to beginning drilling in order to prepare drill-pads and sumps. The machinery also rehabilitated parts of an existing trace network of old trails. Where necessary, the machinery scraped out new trails, see "*New Access Roads*" in the figure below. The project team also secured access to an adequate water supply for injection during drilling. Pasinex engaged AB Drilling LLC ("AB") based in Elko, Nevada to perform the drilling for the Company. AB mobilized a drill rig, a pipe-truck and a parts trailer from southwest Nevada at the

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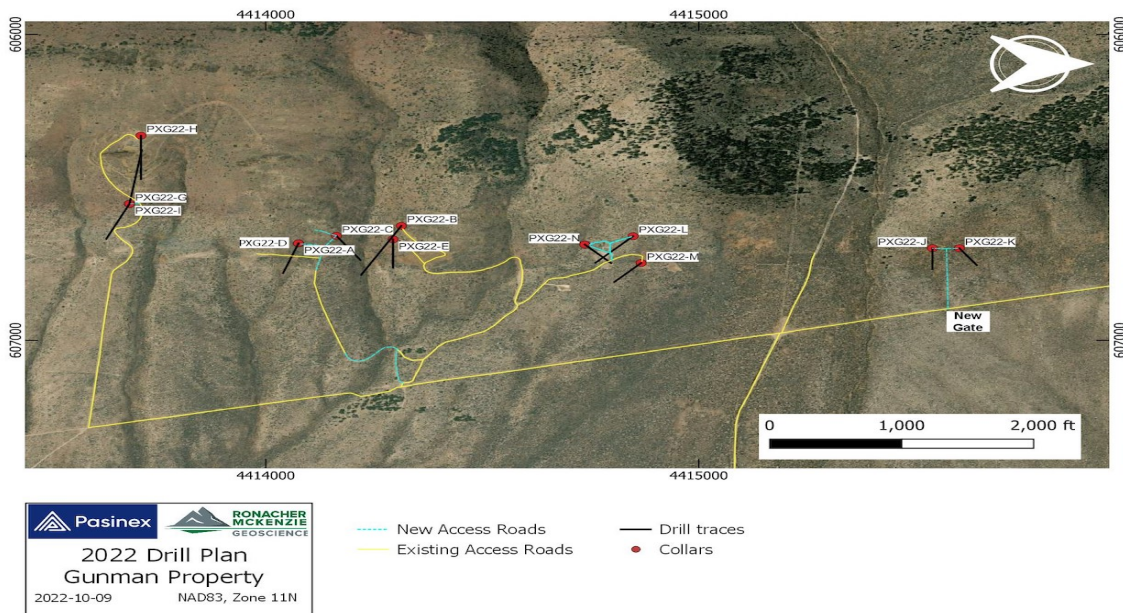
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beginning of the program. The drill rig is truck-mounted with multi-purpose capability. On November 13, 2022, drilling began on the first drill hole, PSX22-01. The collar location, PSX22-E, is shown in the figure below.



AB's Ingersoll Rand multi-purpose drill rig starts drilling the first drill-hole (PSX22-01)

The Company's exploration strategy evolved through the prism of a Carbonate Replacement Model. The expectation is that high-grade zinc carbonate mineralization at RH Main is not an isolated and floating pod. It is possible that RH Main is the top of a feeder "chimney or finger". If that interpretation is correct, the top of this chimney would connect to a much larger mineralizing system down-dip and along strike. Drilling is to occur along a north-south strike of two kilometres. The Company expects drilling to be completed before the end of 2022. Assay results will follow in the first quarter of 2023.



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Financial Condition

The Company's financial condition has improved during the nine months of 2022 as a result of the collection of dividends from Horzum AS. Both Pasinex Canada and Pasinex Arama now have sufficient cash on hand to fund their ongoing activities for the next 12 months, but the Company does not have enough cash on hand to repay all of its outstanding obligations.

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

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

Off-Balance Sheet Arrangements

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

Commitments and Contingencies

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

Share Capital

As of the date of this Interim MD&A, the Company has 144,554,371 issued and outstanding common shares and an aggregate of 10,550,000 stock options outstanding.

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.

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A summary of the related party transactions are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		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

Amounts payable to related parties were as follows:

	Due to Related Parties		Shareholder Loans	
	As at	As at	As at	As at
	September 30, 2022	December 31, 2021	September 30, 2022	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 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.

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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%

Selected Consolidated Quarterly Financial Data

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

	Three Months Ended							
	Sept 2022	June 2022	March 2022	Dec 2021	Sept 2021	Jun 2021	Mar 2021	Dec 2020
Financial:								
Equity gain (loss) from Horzum AS	\$ -	\$ -	\$ -	\$ 167,830	\$ -	\$ -	\$ 32,232	\$ -
Consolidated net income (loss)	\$ (637,956)	\$ (890,345)	\$ 3,634,344	\$ 879,402	\$ (203,818)	\$ (595,616)	\$ (209,646)	\$ (595,616)
Basic and diluted net income (loss) per share	\$ (0.01)	\$ (0.01)	\$ 0.03	\$ 0.01	\$ -	\$ (0.01)	\$ -	\$ -

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

Quarterly consolidated net income or loss has varied primarily due to the variability of the equity gain or loss recorded from the joint venture. The consolidated net losses in the three months ended, at both September 30, 2022, and June 30, 2022, include increased exploration costs related to the exploration program being conducted in Nevada and also a loss on net monetary position, which was recorded due to the adoption of IAS 29. The consolidated net income in the first quarter of 2022 was primarily due to the recognition of dividend income from the dividend that was declared in the same period. The consolidated net income recorded in the fourth quarter of 2021 was primarily due to the recovery of the dividend and other receivables that were recorded.

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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.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Reconciliation of cost per tonne mined				
Cost of sales per Horzum income statement	\$ 1,654,890	\$ 745,678	\$ 3,862,980	\$ 2,582,005
Inventory change	(212,205)	177,516	374,562	302,932
	<u>\$ 1,442,685</u>	<u>\$ 923,194</u>	<u>\$ 4,237,542</u>	<u>\$ 2,884,937</u>
Tonnes mined	3,001	2,488	10,805	7,744
CAD Cost per tonne mined	<u>\$ 481</u>	<u>\$ 371</u>	<u>\$ 392</u>	<u>\$ 373</u>

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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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of sales per Horzum income statement adjusted for inventory change	\$ 1,442,685	\$ 923,194	\$ 4,237,542	\$ 2,884,937
Less - sales of lead product	11,708	-	(69,255)	-
	<u>1,454,393</u>	<u>923,194</u>	<u>4,168,287</u>	<u>2,884,937</u>
Translate to US\$	A \$ 1,154,189	\$ 732,635	\$ 3,328,273	\$ 2,302,672
Zinc product tonnes mined (wet)	3,001	2,488	10,805	7,744
Zinc product grade mined	45.12%	37.00%	47.44%	34.00%
Moisture loss	1.99%	4.00%	1.95%	6.00%
Pounds of zinc product mined	B 2,925,452	1,940,849	11,103,128	5,548,529
US\$ cash cost per pound of zinc product mined	A/B \$ 0.39	\$ 0.38	\$ 0.30	\$ 0.42

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

Gross margin

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating income per Horzum AS income statement	\$ 3,428,321	\$ 808,123	\$ 11,550,914	\$ 1,875,266
Deduct other sales	(3,895)	(3,201)	(10,352)	(12,247)
Adjust for final price adjustments for revenue and cost of goods sold related to other periods	-	-	-	(5,656)
Gross margin	<u>\$ 3,424,426</u>	<u>\$ 804,922</u>	<u>\$ 11,540,562</u>	<u>\$ 1,857,363</u>
Revenue (excluding price adjustments related to other periods and other sales)	\$ 5,317,664	\$ 1,561,871	\$ 15,777,988	\$ 4,587,638
Gross margin	<u>64%</u>	<u>52%</u>	<u>73%</u>	<u>40%</u>

Qualified Person

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

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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, 2021, available on SEDAR at www.sedar.com

Disclosure of Internal Controls

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

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

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

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

Additional Information

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