

PASINEX RESOURCES LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND SIX MONTHS ENDED
JUNE 30, 2018
(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 June 30, 2018	As at December 31, 2017
Assets		
Current assets		
Cash	\$ 425,688	\$ 741,727
Goods and services tax receivable	136,282	147,407
Other receivables	1,353	1,560
Prepaid expenses and deposits	107,915	92,273
Dividend owing from Horzum AS (note 4)	4,915,762	-
Total current assets	5,587,000	982,967
Non-current assets		
Equipment (note 3)	26,738	26,134
Investment in Horzum AS (note 4)	5,620,817	8,045,296
Exploration and evaluation assets (note 5)	1,361,772	2,568,423
Total non-current assets	7,009,327	10,639,853
Total assets	\$ 12,596,327	\$ 11,622,820
Shareholders' Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 865,115	\$ 207,826
Due to related parties (note 12)	33,839	27,797
Total liabilities	898,954	235,623
Shareholders' Equity		
Share capital (note 7)	12,618,506	12,618,506
Reserves	1,730,617	1,618,697
Retained earnings (deficit)	451,312	(1,204,902)
Accumulated other comprehensive loss	(3,103,062)	(1,645,104)
Total shareholders' equity	11,697,373	11,387,197
Total liabilities and shareholders' equity	\$ 12,596,327	\$ 11,622,820

Basis of Measurement and Going Concern (note 2(b))

Subsequent Event (note 2(b))

Approved on behalf of the Board:

"Steven Williams" 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 and Comprehensive Income

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Equity gain from Horzum AS (note 4)	\$ 1,805,685	\$ 931,355	\$ 4,789,871	\$ 2,099,644
Expenses				
Impairment charge (note 5(b))	-	-	1,686,600	-
Exploration costs	285,445	-	327,304	-
General and administration costs (note 11)	587,299	491,959	1,070,511	806,838
Share-based payments (notes 8 and 12)	43,286	-	111,920	-
	(916,030)	(491,959)	(3,196,335)	(806,838)
Other income				
Other income	7,414	15,787	13,674	17,161
Gain on sale of marketable securities	-	483	-	483
Foreign exchange gain	33,124	(5,203)	49,004	3,043
	40,538	11,067	62,678	20,687
Net income for the period	930,193	450,463	1,656,214	1,313,493
Other comprehensive loss				
Item that will be reclassified subsequently to profit and loss:				
Currency translation adjustment (note 10)	(1,267,791)	5,024	(1,457,958)	(80,232)
Total comprehensive income (loss) for the period	\$ (337,598)	\$ 455,487	\$ 198,256	\$ 1,233,261
Net income per share - basic (note 9)	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01
Net income per share - diluted (note 9)	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01
Weighted average number of shares outstanding				
- basic (note 9)	142,154,370	131,964,721	142,154,370	127,978,612
Weighted average number of shares outstanding				
- diluted (note 9)	142,739,415	133,252,105	142,739,415	129,265,996

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

	Six Months Ended June 30,	
	2018	2017
Operating activities		
Net income for the period	\$ 1,656,214	\$ 1,313,493
Dividend from Horzum AS	765,963	-
Adjustments for items not involving cash:		
Impairment charge	1,686,600	-
Share-based payments	111,920	-
Equity gain from Horzum AS	(4,789,871)	(2,099,644)
Other	4,067	2,064
Changes in non-cash working capital items:		
Goods and services tax receivable	(5,953)	(46,762)
Other receivables	-	(10,500)
Prepaid expenses and deposits	(20,838)	(110,358)
Accounts payable and accrued liabilities	485,703	3,855
Due from Joint venture	(66,131)	-
Due from (to) related parties	11,678	(31,671)
Net cash used in operating activities	(160,648)	(979,523)
Investing activities		
Exploration and evaluation assets	(84,887)	(210,946)
Equipment acquisition	(7,534)	(1,380)
Proceeds from sale of marketable securities	-	11,396
Net cash used in investing activities	(92,421)	(200,930)
Financing activities		
Issuance of shares	-	1,514,020
Net cash provided by financing activities	-	1,514,020
Net change in cash	(253,069)	333,567
Effect of foreign currencies on cash	(62,970)	(1,932)
Cash, beginning of period	741,727	311,958
Cash, end of period	\$ 425,688	\$ 643,593

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

Pasinex Resources Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Number of Shares (note 7)	Share Capital (note 7)	Reserves	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss (note 10)	Total
Balance, December 31, 2016	121,262,250	\$ 10,219,119	\$ 1,274,334	\$(7,039,006)	\$ (671,476)	\$ 3,782,971
Exercise of warrants	16,860,302	1,533,637	(19,617)	-	-	1,514,020
Currency translation adjustment (note 10)	-	-	-	-	(80,232)	(80,232)
Net income for the period	-	-	-	1,313,493	-	1,313,493
Balance, June 30, 2017	138,122,552	\$ 11,752,756	\$ 1,254,717	\$(5,725,513)	\$ (751,708)	\$ 6,530,252
Balance, December 31, 2017	142,154,370	\$ 12,618,506	\$ 1,618,697	\$ (1,204,902)	\$ (1,645,104)	\$11,387,197
Share-based payments	-	-	111,920	-	-	111,920
Currency translation adjustment (note 10)	-	-	-	-	(1,457,958)	(1,457,958)
Net income for the period	-	-	-	1,656,214	-	1,656,214
Balance, June 30, 2018	142,154,370	\$ 12,618,506	\$ 1,730,617	\$ 451,312	\$ (3,103,062)	\$11,697,373

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 Six Months Ended June 30, 2018

(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") which holds the producing Pinargozu high grade zinc mine. Under a direct shipping program, Horzum AS sells directly to zinc smelters / refiners. The Company also holds an option to acquire 80% of the Spur (formerly named Gunman) high-grade zinc exploration project in Nevada.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on August 22, 2018.

2. Basis of Presentation

(a) Statement of Compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These unaudited consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of August 22, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in restatement of these unaudited consolidated interim condensed financial statements.

(b) Basis of Measurement and Going Concern and Subsequent Event

These 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, which are measured at their fair value. The consolidated financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. Certain prior year balances have been reclassified to conform with current year presentation.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of Presentation (Continued)

(b) Basis of Measurement and Going Concern and Subsequent Event (continued)

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At June 30, 2018, the Company does not have enough cash on hand to fund its expected non-discretionary obligations for the year. Funding sources for 2018 include dividends from Horzum AS and/or securing funding from either equity financing or related party loans. Horzum AS declared a 40 million Turkish Lira ("TRY") dividend payable to both of its 50% shareholders to be paid in instalments through 2018. To August 22, 2018, the Company has received \$0.8 million of this dividend, which covers greater than half of the Company's expected nondiscretionary spending.

In August 2018, the Company received \$350,000 in shareholder loans and anticipates another \$50,000 to pay for working capital commitments and the drilling program at Spur. The funds are expected to bridge the gap until the next dividend instalment from Horzum AS is made. The Company has arranged for all sales going forward from August to be sold directly to third party customers rather than through Akmetal's trading company. This will allow Pasinex better control over cash and as a result the Company does expect to receive sufficient funds to cover its remaining nondiscretionary spending for the year. Horzum AS is expected to maintain a greater than 50% gross margin in 2018 and therefore deliver positive net income. The Company has agreed with Akmetal that funds will be received directly by Horzum AS from sale of the zinc product, but there is no assurance that this will be the case and that the Company will be able to generate funds from other sources.

The shareholder loans are payable on demand by the shareholders and bear interest at 6% per annum, payable quarterly in arrears commencing September 15, 2018. The Company can prepay the promissory notes ratably to the lenders, which it plans to do as dividends are received from Horzum AS. The promissory notes are secured by all the property and assets of the Company.

(c) Changes in accounting policies

(i) IFRS 9, *Financial Instruments*

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, *Financial Instruments: recognition and measurement* (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance had no impact on the Company's unaudited condensed interim consolidated financial statements.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of Presentation (Continued)

(c) Changes in accounting policies (continued)

(i) *IFRS 9, Financial Instruments (continued)*

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Other receivables	Loans and receivables (amortized cost)	Amortized cost
Dividends owing from Horzum AS	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Due to related parties	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets and measured at FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's other receivables and dividend owing from Horzum AS are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable and accrued liabilities and due from related parties do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of Presentation (Continued)

(c) Changes in accounting policies (continued)

(i) *IFRS 9, Financial Instruments (continued)*

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(ii) *IFRS 15 Revenue from contracts with customers ("IFRS 15")*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of the promised asset and the Company satisfies its performance obligation. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. On January 1, 2018, the Company adopted IFRS 15 on a retrospective basis and concluded that there were no significant changes in the accounting for revenues as a result of the transition to IFRS 15.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Basis of Presentation (Continued)

(d) Future Accounting Pronouncements

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Company has not early adopted these standards.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is evaluating the impact of adopting this standard on its consolidated financial statements.

3. Equipment

Cost	Vehicles	Fixtures and Equipment	Mining Equipment	Total
Balance - December 31, 2016	\$ 19,193	\$ 23,713	\$ 48,595	\$ 91,501
Additions/(Disposals)	(19,193)	19,340	-	147
Currency translation differences	-	(4,522)	-	(4,522)
Balance - December 31, 2017	-	38,531	48,595	87,126
Additions/(Disposal)	-	7,534	-	7,534
Currency translation differences	-	(5,759)	-	(5,759)
Balance - June 30, 2018	\$ -	\$ 40,306	\$ 48,595	\$ 88,901
Accumulated Depreciation				
Balance - December 31, 2016	\$ 19,193	\$ 18,096	\$ 37,849	\$ 75,138
Depreciation for the year	-	4,544	3,224	7,768
Disposals	(19,193)	-	-	(19,193)
Currency translation differences	-	(2,721)	-	(2,721)
Balance - December 31, 2017	-	19,919	41,073	60,992
Depreciation for the period	-	2,938	1,129	4,067
Currency translation differences	-	(2,896)	-	(2,896)
Balance - June 30, 2018	\$ -	\$ 19,961	\$ 42,202	\$ 62,163
Carrying Amount				
Balance - June 30, 2018	\$ -	\$ 20,345	\$ 6,393	\$ 26,738
Balance - December 31, 2017	\$ -	\$ 18,612	\$ 7,522	\$ 26,134

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Investment in Horzum AS

On January 17, 2013, the Company, through its wholly owned Turkish subsidiary, Pasinex Arama ve Madencilik AS ("Pasinex Arama"), entered into a joint venture agreement with Turkey based miner, Akmetal, to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Turkey. 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 Turkey. 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.

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

	As at June 30, 2018	As at December 31, 2017
Opening balance	\$ 8,045,296	\$ 1,901,589
Equity gain from Horzum AS (4(a))	4,789,871	8,153,698
Dividend received from Horzum AS	(765,963)	(1,183,215)
Dividend owing from Horzum AS	(4,915,762)	-
Foreign exchange difference included in other accumulated comprehensive income	(1,532,625)	(826,776)
Closing balance	\$ 5,620,817	\$ 8,045,296

In March, 2018, a dividend of TRY 40 million was declared by Horzum AS to its shareholders, of which Pasinex is to receive half. In 2017, a dividend of TRY 7.1 million was declared and paid by Horzum AS to its shareholders, of which Pasinex received half.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Investment in Horzum AS (Continued)

(a) Summarized Financial Statements for Horzum AS

Summarized financial information for Horzum AS, based on its IFRS financial statements and a reconciliation with the carrying amounts in the Company's consolidated financial statements, are set out below.

Statement of Financial Position

<i>(100% Canadian dollars)</i>	As at June 30, 2018	As at December 31, 2017
Current assets		
Cash and prepaid expenses	\$ 10,291	\$ 35,172
Loan receivable – Akmetal (note 4(a)(i))	6,014,247	1,500,978
Trade receivables – Akmetal (note 4(a)(ii))	5,004,326	4,574,872
Trade receivables – other	-	8,772
Other receivables	436,866	503,817
Inventories	2,391,385	2,049,268
Other current assets	-	44,458
Total current assets	13,857,115	8,717,337
Non-current assets		
Loan receivable - Akmetal (note 4(a)(i))	7,866,940	12,015,408
Plant and equipment	1,352,339	966,904
Deferred taxes	78,010	282,253
Other non-current assets	318,256	286,753
Total non-current assets	9,615,545	13,551,318
Total assets	\$ 23,472,660	\$ 22,268,655
Current liabilities		
Trade payable and other current liabilities	\$ 4,930,273	\$ 4,102,539
Amounts due to shareholders and related parties (note 4(a)(iii))	4,996,901	152,980
Income taxes payable	2,219,526	1,825,290
Total current liabilities	12,146,700	6,080,809
Non-current liabilities		
Employee benefits and other liabilities	84,326	97,254
Equity		
Share capital	237,400	237,400
Surplus	15,041,202	18,001,460
Foreign exchange difference	(4,036,968)	(2,148,268)
Total liabilities and equity	\$ 23,472,660	\$ 22,268,655
Pasinex ownership interest	50 %	50 %
Net assets (equity) from above	\$ 11,241,634	\$ 16,090,592
Pasinex investment in Horzum AS	\$ 5,620,817	\$ 8,045,296

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

4. Investment in Horzum AS (Continued)

(i) In November 2017, Horzum AS entered into an agreement with Akmetal to structure a formal repayment process, including interest, for US\$11.4 million of the trade receivable from Akmetal's subsidiary.

Under the terms of the formal agreement, Horzum AS received US\$550,000 in the first half of 2018. The repayment plan for the remaining US\$10.85 million (C\$14.3 million) to Horzum AS is as follows:

Third quarter 2018	\$ 394,230
Fourth quarter 2018	1,051,280
First quarter 2019	2,365,380
Second quarter 2019	<u>2,365,380</u>
Next 12 months	6,176,270
July to December 2019	7,884,600
2020	<u>197,115</u> plus interest
	<u>\$ 14,257,985</u> plus interest

Instalment payments increase in 2019 and as a result the current portion owing correspondingly increased. Interest is to be paid at a rate equivalent to Wall Street Journal (WSJ) prime rate. The loan receivable is recorded at \$13.9 million (\$7.9 million of which is long-term), which reflects the present value of the loan repayments discounted at the current WSJ prime rate.

(ii) The sale of zinc has largely been sold to a subsidiary of Akmetal which in turn sold the material to third parties. In August, 2018, the Company together with Akmetal finalized an agreement whereby it was agreed all future sales of ore would be sold directly to third parties by Horzum AS. As a result, proceeds from the sales are expected to be paid to Horzum AS based on industry standard payment terms.

(iii) Amounts due to shareholders and related parties includes the dividend payable to Pasinex Arama of \$4.9 million.

Statement of Operations for the six months ended June 30,

<i>(100% Canadian dollars)</i>	2018	2017
Revenue	\$ 16,102,663	\$ 10,067,228
Cost of sales	(4,359,562)	(4,190,187)
Other	944,953	-
Selling, marketing and other distribution	(44,613)	-
General and administrative expenses	(340,494)	(627,931)
Income tax expense	(2,723,205)	(1,049,822)
Net income	\$ 9,579,742	\$ 4,199,288
Pasinex ownership interest	50 %	50 %
Equity gain from Horzum AS	\$ 4,789,871	\$ 2,099,644

Horzum AS can distribute its profits based on terms under the joint venture agreement which requires approval from Horzum AS's board of directors. In March 2018, after approval from its board of directors and shareholders, Horzum AS declared a TRY 40 million dividend (Pasinex share is approximately \$5.8 million) to be paid to its shareholders on an instalment basis throughout 2018. As of August 22, 2018, the Company has received \$0.8 million. The dividend receivable is a TRY based obligation and as such will be subject to variations from foreign exchange fluctuations.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

5. Exploration and Evaluation Assets

	Horzum Properties	Golcuk Property	Spur Project	Total
Balance, December 31, 2016	\$ 575,739	\$ 1,073,797	\$ -	\$ 1,649,536
Additions during the year:				
Acquisition costs - cash	16,690	94,297	178,362	289,349
Acquisition costs - shares issued	-	60,216	484,000	544,216
Property exploration costs:				
Assays	17,474	7,699	-	25,173
Drilling	-	92,488	-	92,488
Geological and field personnel	25,759	49,932	-	75,691
Miscellaneous expenses	263	2,193	-	2,456
Travel and accommodation	-	6,471	-	6,471
Total additions during the year	60,186	313,296	662,362	1,035,844
Foreign exchange adjustment	(17,706)	(99,251)	-	(116,957)
Balance, December 31, 2017	618,219	1,287,842	662,362	2,568,423
Additions during the period:				
Acquisition costs - cash	-	50,739	-	50,739
Property exploration costs:				
Geological and field personnel	92,076	2,119	-	94,195
Miscellaneous expenses	1,115	3,012	-	4,127
Travel and accommodation	5,776	-	-	5,776
Total additions during the period	98,967	55,870	-	154,837
Foreign exchange adjustment	(17,776)	(26,579)	-	(44,355)
Impairment	-	(1,317,133)	-	(1,317,133)
Balance, June 30, 2018	\$ 699,410	\$ -	\$ 662,362	\$ 1,361,772

(a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at June 30, 2018, the Company only held the Akkaya Property with its exploration license in good standing. The Company is in the process of transferring the license for the Akkaya Property to Horzum AS. In 2018, in anticipation of the license transfer, Horzum AS will incur the costs to continue to explore Akkaya and as such the costs related to Akkaya will be capitalized in the accounts of Horzum AS.

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5. Exploration and Evaluation Assets (Continued)

(b) Golcuk Property

On July 17, 2012, amended on January 29, 2013 and further amended on November 8, 2016, the Company signed an option agreement (the "Agreement") with EMX Royalty Corporation ("EMX") (formerly named Eurasian Minerals Inc.) and its wholly owned Turkish subsidiary, Eurasia Madencilik Ltd. STI, whereby Pasinex, through Pasinex Arama, would acquire a 100% interest in the Golcuk Property ("Golcuk") located in northeast Turkey. The Golcuk mineral rights and operational license were transferred to Pasinex Arama in September 2012 and all consideration for the transaction was paid.

Under the Agreement, Pasinex will pay EMX a 2.9% net smelter royalty ("NSR") from Golcuk production. Prior to production, Pasinex is to pay EMX an advance royalty payment of 75 troy ounces of gold or its equivalent on or before each anniversary of the Initial Issuance Date commencing on the sixth anniversary (September 2018). These amounts to be set off against the NSR once payable. In September 2017, Pasinex paid EMX an equivalent amount of advance royalty payment of 75 troy ounces of gold through issuance of 224,150 Pasinex common shares and payment of \$62,425 in cash (to be set off against the NSR once payable).

Impairment Charge

In May 2018, the Company met with EMX and finalized an extensive geological review including mapping, structure, mineralization and geological model/genesis and made the decision to not advance the Golcuk property. Although there is evidence of copper throughout the property the Company believes that it will be difficult to get sufficient contiguous mineralization that would underpin the Company's targets for economical tonnage. The property will either be transferred back to EMX, sold or the license will be relinquished to the Turkish government. The fair value of the property has been estimated at zero and costs to dispose of \$0.4 million have been accrued as at June 30, 2018 resulting in an impairment charge of \$1.7 million for the six months ended June 30, 2018.

(c) Spur (formerly named 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 Spur zinc project ("Spur Project") located in White Pine County, Nevada ("Option Agreement").

The Option Agreement's total consideration to acquire an 80% interest is staged over four years payable in a combination of cash and Pasinex common shares. In addition, the Company must incur minimum exploration expenditures totalling US\$2,950,000 over the same four year period. The Company can accelerate payments to acquire ownership sooner and also has no obligation to continue payments if the Company decides not to proceed in exercising the option.

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5. Exploration and Evaluation Assets (Continued)

(c) Spur (formerly named Gunman) Project (continued)

The spending and associated ownership over the four years is as follows:

To acquire initial 51% of the Spur 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
- Prior to September 11, 2018 a payment of US\$200,000 cash and issuance of 2.2 million Pasinex Common Shares to Caliber and Cypress
- Prior to September 11, 2019 a payment of US\$100,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- In addition, minimal exploration expenditures as defined in the Option Agreement must be spent as follows:
 - ◆ US\$250,000 prior to December 5, 2018
 - ◆ US\$800,000 prior to December 5, 2019
 - ◆ US\$800,000 prior to December 5, 2020.

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\$425,000 in cash payments, issuance of 4.6 million Pasinex Common Shares and minimal exploration expenditures of US\$1,850,000.

To acquire an additional 29% of the Spur Project:

- Prior to December 5, 2021 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.

6. Accounts Payable and Accrued Liabilities

	As at June 30, 2018	As at December 31, 2017
Trade payables	\$ 424,042	\$ 176,159
Accrued liabilities	441,073	31,667
Total	\$ 865,115	\$ 207,826

Accrued liabilities include \$0.4 million related to costs to prepare the Golcuk property for transfer back to EMX, sale or relinquishment of license (note 5(b)). Trade payables include approximately \$0.3 million related to drilling costs at Spur.

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7. Share Capital

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

(b) Issued: At June 30, 2018 and December 31, 2017, 142,154,370 common shares valued at \$12,618,506.

The table below lists the shares that have been issued.

	2018		2017	
	Common Shares	Amount	Common Shares	Amount
Balance, January 1,	142,154,370	\$ 12,618,506	121,262,250	\$ 10,219,119
Exercise of warrants and agent warrants (c) and (d)	-	-	16,860,302	1,533,637
Balance, June 30,	142,154,370	12,618,506	138,122,552	11,752,756

(c) Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	18,758,571	\$ 0.10
Exercised	(16,748,302)	0.09
Expired	(455,000)	0.18
Balance, June 30, 2017	1,555,269	\$ 0.20
Balance, December 31, 2017 and June 30, 2018	-	\$ -

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Unaudited

7. Share Capital

(d) Agent Warrants

The following table reflects the continuity of agent warrants for the periods presented:

	Number of Agent Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	168,400	\$ 0.19
Exercised	(112,000)	0.18
Balance, June 30, 2017	56,400	\$ 0.20
Balance, December 31, 2017 and June 30, 2018	-	\$ -

8. 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, December 31, 2016	4,190,000	\$ 0.16
Expired / forfeited	(40,000)	0.14
Balance, June 30, 2017	4,150,000	\$ 0.16
Balance, December 31, 2017	6,350,000	\$ 0.19
Granted (i)	50,000	0.20
Balance, June 30, 2018	6,400,000	\$ 0.19

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8. Stock Options (continued)

(i) On January 24, 2018, 50,000 stock options were granted to a consultant of the Company at a price of \$0.20, expiring January 24, 2023. The stock options vested immediately. The fair value of the stock options at the date of grant of \$8,700 was estimated using the Black Scholes valuation model with the following assumptions: a 5 year expected term; a 133% expected volatility based on historical trends; risk free interest rate of 2.05%; share price at the date of grant of \$0.20; and an expected dividend yield of 0%. The fair value was expensed during the six months ended June 30, 2018.

The Company had the following stock options outstanding as of June 30, 2018:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (years)
	Outstanding	Exercisable		
October 18, 2018	2,200,000	2,200,000	\$ 0.19	0.30
March 14, 2019	550,000	550,000	\$ 0.10	0.70
December 19, 2019	1,400,000	1,400,000	\$ 0.14	1.47
August 14, 2022	1,200,000	1,200,000	\$ 0.25	4.13
December 4, 2022	1,000,000	1,000,000	\$ 0.25	4.43
January 24, 2023	50,000	50,000	\$ 0.20	4.57
	6,400,000	6,400,000		1.99

9. Net Income per Common Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net income	\$ 930,193	\$ 450,463	\$ 1,656,214	\$ 1,313,493
Denominator				
Weighted average number of common shares				
- basic	142,154,370	131,964,721	142,154,370	127,978,612
Effect of dilutive securities	585,045	1,287,384	585,045	1,287,384
Weighted average number of common shares				
- diluted	142,739,415	133,252,105	142,739,415	129,265,996
Net income per share - basic	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01
Net income per share - diluted	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01

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10. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss only includes the currency translation adjustment related to the translation of Pasinex Arama's TRY based financial statements to the Canadian dollar functional currency. The balances and exchange rates used to translate the financial statements are as follows:

	Six Months Ended June 30,	
	2018	2017
Currency translation adjustment	\$ 1,457,958	\$ 80,232
Foreign exchange rate TRY to Canadian dollar	0.2870	0.3689
Pasinex Arama net assets (in TRY)	37,779,924	9,562,047

The net assets of Pasinex Arama have increased because it holds the 50% joint venture interest in Horzum AS. The currency translation adjustment is affected by both the net assets and the foreign exchange rate. At December 31, 2017 the TRY to C\$ exchange rate was 0.331 (December 31, 2016 was 0.3815).

11. General and Administration Costs

General and administration costs are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Advertising and promotion	\$ 115,895	\$ 84,281	\$ 138,404	\$ 108,028
Depreciation (note 3)	2,207	1,369	4,067	2,547
Consulting fees (note 12)	128,595	209,942	180,665	308,532
Investor relations	42,876	7,727	131,722	20,254
Management fees and salaries (note 12)	160,166	60,890	318,838	119,670
Office and general	22,022	16,266	44,598	32,647
Professional fees	34,917	35,773	71,411	67,729
Supplies and equipment	7,413	14,255	8,555	14,394
Transfer agent and regulatory authorities fees	3,113	6,998	16,469	17,114
Travel and meals	70,095	54,458	155,782	115,923
General and administration costs	\$ 587,299	\$ 491,959	\$ 1,070,511	\$ 806,838

12. 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 executive and 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.

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12. Related Party Balances and Transactions (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Management fees and salaries	\$ 146,666	\$ 84,290	\$ 291,838	\$ 149,077
Consulting fees	12,009	-	35,390	-
Share-based payments	43,286	-	103,220	-
	\$ 201,961	\$ 84,290	\$ 430,448	\$ 149,077

Amounts payable to related parties were as follows:

	As at June 30, 2018	As at December 31, 2017
Sven Olsson ⁽¹⁾	\$ -	\$ 14,297
Irus Consulting Ltd. ⁽²⁾	15,000	7,500
Victor Wells ⁽³⁾	6,000	6,000
Soner Koldas ⁽⁴⁾	12,839	-
	\$ 33,839	\$ 27,797

(1) Sven Olsson is a director of the Company.

(2) Irus Consulting Ltd. is a company controlled by John Barry, a director of the Company.

(3) Victor Wells is a director and the Chairman of the Company.

(4) Soner Koldas is the Country Director in Turkey.

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 June 30, 2018, 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	29,728,191	20.91 %

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13. 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 June 30, 2018	As at December 31, 2017
Non-current assets by geographic segment		
Turkey	\$ 6,346,965	\$ 9,977,491
United States	662,362	662,362
	\$ 7,009,327	\$10,639,853
	As at June 30, 2018	As at December 31, 2017
Total assets by geographic segment		
Turkey	\$11,784,716	\$10,482,028
Canada	149,249	478,430
United States	662,362	662,362
	\$12,596,327	\$11,622,820

Six Months Ended June 30, 2018	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 4,789,871	\$ -	\$ 4,789,871
Net (loss) income	\$ (980,951)	\$ 2,964,788	\$ (327,623)	\$ 1,656,214
Six Months Ended June 30, 2017	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 2,099,644	\$ -	\$ 2,099,644
Net (loss) income	\$ (682,860)	\$ 1,996,353	\$ -	\$ 1,313,493
Three Months Ended June 30, 2018	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 1,805,685	\$ -	\$ 1,805,685
Net (loss) income	\$ (478,866)	\$ 1,694,406	\$ (285,347)	\$ 930,193
Three Months Ended June 30, 2017	Canada	Turkey	United States	Total
Equity gain from joint venture	\$ -	\$ 931,355	\$ -	\$ 931,355
Net (loss) income	\$ (451,308)	\$ 901,771	\$ -	\$ 450,463