

PASINEX RESOURCES LIMITED

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021**

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

Notice to Reader

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

Pasinex Resources Limited

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at		As at	
	September 30, 2021		December 31, 2020	
Assets				
Current Assets				
Cash	\$	106,484	\$	46,028
Receivables		7,748		45,711
Prepaid expenses and deposits		4,028		12,212
Total current assets		118,260		103,951
Non-current assets				
Equipment		8,710		13,068
Value added tax receivable		43,614		59,204
Exploration and evaluation assets (note 4)		1,907,651		1,937,858
Total non-current assets		1,959,975		2,010,130
Total assets	\$	2,078,235	\$	2,114,081
Shareholders' deficiency and liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 5)	\$	744,579	\$	741,973
Due to related parties (note 12)		483,898		506,245
Shareholder loans (notes 6 and 12)		2,798,507		2,166,284
Total current liabilities		4,026,984		3,414,502
Non-current liabilities				
Loan payable (note 7)		40,000		40,000
Total non-current liabilities		40,000		40,000
Total liabilities		4,066,984		3,454,502
Shareholders' deficiency				
Share capital (note 8)		12,888,506		12,888,506
Reserves		2,100,117		1,777,117
Deficit		(12,928,584)		(11,919,504)
Accumulated other comprehensive loss		(4,048,788)		(4,086,540)
Total shareholders' deficiency		(1,988,749)		(1,340,421)
Total liabilities and shareholders' deficiency	\$	2,078,235	\$	2,114,081

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

Subsequent event (note 14)

Approved on behalf of the Board:

"Larry Seeley" Director

"Victor Wells" Director

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Equity gain from Horzum AS (note 3)	\$ -	\$ -	\$ 32,232	\$ 3,298
Expenses				
(Recovery) impairment of Horzum AS receivable	(16,156)	(23,543)	(50,369)	44,040
Exploration costs	46,363	48,567	124,222	136,466
General and administrative costs (note 11)	156,794	361,823	527,275	829,205
Interest expense (note 6)	36,632	24,811	102,223	64,402
Share-based payments (notes 9 and 12)	-	-	323,000	28,500
Total expenses	223,633	411,658	1,026,351	1,102,613
Other income (loss)				
Other income	1,943	1,479	26,180	8,028
Foreign exchange (loss) gain	17,872	1,564	(41,141)	(9,734)
Total other (loss) income	19,815	3,043	(14,961)	(1,706)
Net loss for the period	(203,818)	(408,615)	(1,009,080)	(1,101,021)
Other comprehensive loss				
Item that will be reclassified subsequently to profit and loss:				
Currency translation adjustment	2,893	(4,761)	37,752	45,460
Total comprehensive loss for the period	\$ (200,925)	\$ (413,376)	\$ (971,328)	\$ (1,055,561)
Net loss per share - basic and diluted (note 1C)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding				
- basic and diluted (note 10)	144,554,371	144,554,371	144,554,371	144,554,371

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

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

	Nine Months Ended	
	September 30,	
	2021	2020
Operating activities		
Net loss for the period	\$ (1,009,080)	\$ (1,101,021)
Dividend from Horzum AS	32,232	3,298
Adjustments for items not involving cash:		
Impairment of Horzum AS receivable	(50,369)	44,040
Interest accrual (note 6)	102,223	64,402
Share-based payments (notes 9 and 12)	323,000	28,500
Equity gain from Horzum AS	(32,232)	(3,298)
Other	5,143	4,311
Changes in non-cash working capital items:		
Prepaid expenses and deposits	7,625	16,831
Accounts payable and accrued liabilities	45,663	44,660
Due to related parties	(27,223)	184,699
Other	44,366	2,270
Net cash used in operating activities	(558,652)	(711,308)
Investing activities		
Exploration and evaluation assets (note 4)	-	-
Equipment acquisition	(2,621)	(1,562)
Net cash (used in) provided by investing activities	(2,621)	(1,562)
Financing activities		
Cash received from shareholders loans, net (note 6)	530,000	805,500
Proceeds from loan payable (note 7)	-	20,000
Net cash provided by financing activities	530,000	825,500
Net change in cash	(31,273)	112,630
Effect of foreign currencies on cash	91,729	(1,200)
Cash, beginning of period	46,028	30,634
Cash, end of period	\$ 106,484	\$ 142,064

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

	Number of Shares (note 8)	Share Capital (note 8)	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2019	144,554,371	\$ 12,888,506	\$ 1,748,617	\$ (10,667,078)	\$ (4,037,072)	\$ (67,027)
Share-based payments (note 9 and 12)	-	-	28,500	-	-	28,500
Currency translation adjustment	-	-	-	-	45,460	45,460
Net loss for the period	-	-	-	(1,101,021)	-	(1,101,021)
Balance as at September 30, 2020	144,554,371	\$ 12,888,506	\$ 1,777,117	\$ (11,768,099)	\$ (3,991,612)	\$ (1,094,088)
Balance as at December 31, 2020	144,554,371	\$ 12,888,506	\$ 1,777,117	\$ (11,919,504)	\$ (4,086,540)	\$ (1,340,421)
Share-based payments (note 9 and 12)	-	-	323,000	-	-	323,000
Currency translation adjustment	-	-	-	-	37,752	37,752
Net loss for the period	-	-	-	(1,009,080)	-	(1,009,080)
Balance as at September 30, 2021	144,554,371	\$ 12,888,506	\$ 2,100,117	\$ (12,928,584)	\$ (4,048,788)	\$ (1,988,749)

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

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2021

(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, through its 100% owned subsidiary Pasinex Arama ve Madencilik Anonim Sirketi. 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").

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Audit Committee and Board of Directors on November 24, 2021.

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

2. Basis of presentation and accounting policies

(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 condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 24, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2021, could result in restatement of these unaudited condensed interim consolidated financial statements.

Pasinex Resources Limited

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(b) Principles of consolidation

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

	Location	Nature of Operation	Interest	
			2021	2020
Pasinex Arama ve Madencilik AS ("Pasinex Arama")	Turkey	Mineral exploration	100%	100%
Pasinex Resources Nevada Limited ("Pasinex Nevada")	United States	Mineral exploration	100%	100%

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

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

	Location	Nature of Operation	Interest	
			2021	2020
Horzum AS	Turkey	Mining	50%	50%

(c) Basis of measurement and going concern

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 and fair value of stock-based compensations 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.

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 September 30, 2021, the Company has a net equity deficit of \$12,928,584 (December 31, 2020 – \$11,919,504) and has a working capital deficiency position of \$3,908,724 (December 31, 2020 – working capital deficiency position of \$3,310,551). The Company had a net loss of \$1,009,080 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 – net loss of \$1,101,021) and negative cash flows from operations of \$558,652 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 – negative cash flows from operations of \$711,308) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

The Company and its wholly owned subsidiary, Pasinex Arama, rely on dividends from Horzum AS, related party loans and where possible equity financing to fund their exploration and development operations. Horzum AS's financial position has not improved in 2021 or 2020 as its joint venture partner, Akmetal has not repaid its

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(Expressed in Canadian Dollars, unless otherwise indicated)

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debt to Horzum AS. Sales of zinc product produced by the joint venture's Pinargozu mine have continued through this period but has not generated sufficient cash flows to be able to make additional dividend payments to Pasinex Arama. As at September 30, 2021, Horzum AS has a receivable owing from Akmetal of approximately \$34.7 million (note 3).

Pasinex Arama received \$32,232 in dividend payments from Horzum AS for the nine months ended September 30, 2021, compared with \$3,298 in the nine months ended September 30, 2020. Horzum AS expenses including payroll, supplies, services costs, costs related to exploration and certain taxes due have been paid by Akmetal to keep the mine operation going. In addition, Akmetal has paid on behalf of Horzum AS certain of the restructured tax liabilities.

Management has been working with Akmetal and the Kurmel family to resolve the collectability of the trade receivable owing by Akmetal to Horzum AS. Until strong credit worthiness is demonstrated by Akmetal, accounting principles required Pasinex to maintain an expected credit loss equivalent to the full balance of the receivable (note 3(a)). Receipt of the Akmetal receivable would provide significant cash flow to Pasinex through additional dividends.

As noted in note 3(a), management expects to receive the payment of the remaining dividend and other receivables that are owing from Horzum AS to Pasinex Arama following a payment of a portion of the Akmetal receivable or through the receipt of proceeds from sales. In the absence of the receipt of dividends from Horzum AS, the Company would need to secure funding from either equity financing or additional related party loans. During the nine months ended September 30, 2021, the Company received net shareholder advances of \$530,000. There can be no assurance that the Company will be able to generate either sufficient dividends from Horzum AS or be able to generate funds from other sources.

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

(d) Accounting policies not yet effective

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

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

(ii) Amendments to IAS 37: Onerous Contracts and the cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is currently not impacted by these amendments.

(iii) Amendments to IFRS 3: Business Combinations

The amendments updated IFRS 3 for its *Reference to the Conceptual Framework*, added that for transactions and other events within the scope of IAS 37 or IFRIC 21, the acquirer applies IAS 37 or IFRIC 21 to identify liabilities it has assumed in a business combination, and also the acquirer does not recognize contingent assets

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acquired in a business combination. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is currently not impacted by these amendments.

3. Investment in Horzum AS

On January 17, 2013, the Company, through its wholly owned Turkish subsidiary, Pasinex Arama, entered into a joint venture agreement with 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 September 30, 2021	As at December 31, 2020
Opening balance	\$	-	-
Equity gain from Horzum AS		32,232	3,298
Dividend received from Horzum AS		(32,232)	(3,298)
Closing balance	\$	-	-

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, of which Pasinex's share was TRY 20 million (approximately \$3.0 million using the September 30, 2021, spot rate). As of September 30, 2021, the Company had received approximately TRY 9.3 million (approximately \$2.5 million using the exchange rates in effect on the dates of receipt of the distributions) and TRY 10.7 million (\$1.5 million using the September 30, 2021, spot rate) remained to be paid. Due to the uncertainty of collection of the remaining dividend from Horzum AS, Pasinex has not recognized the dividend receivable and will recognize the dividend in the period in which it is paid. During the nine months ended September 30, 2021, TRY 200,000 (\$32,232 using the exchange rates in effect on the dates of receipt of the distributions) (nine months ended September 30, 2020, TRY 15,000 - \$3,298 using the exchange rates in effect on the dates of receipt of the distributions) was received and recorded as an equity gain.

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.

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Unaudited

Statement of Financial Position

<i>(100% basis - Canadian dollars)</i>	As at September 30, 2021	As at December 31, 2020
Current assets		
Cash and prepaid expenses	\$ 116,791	\$ 16,095
Akmetal receivable (note 3(a))	34,738,158	33,862,790
Less - discount and allowance on Akmetal receivable (note 3 (a))	(34,738,158)	(33,862,790)
Trade receivables	16,197	1,140
Other receivables	137,904	400,192
Inventories	446,347	159,972
Total current assets	717,239	577,399
Non-current assets		
Lease asset	285,044	380,568
Plant and equipment	360,174	482,739
Other non-current assets	37,297	58,439
Total non-current assets	682,515	921,746
Total assets	\$ 1,399,754	\$ 1,499,145
Current Liabilities		
Trade payable and other current liabilities	\$ 582,968	\$ 1,193,107
Amounts due to shareholders and related parties (note 3 (b))	1,647,761	2,060,204
Lease liabilities	332,022	438,595
Deferred revenue	702,170	-
Income taxes payable	2,608,654	2,502,188
Total current liabilities	5,873,575	6,194,094
Non-current liabilities		
Employee benefits and other liabilities	73,563	87,936
Income taxes payable	3,293,400	5,004,377
Total liabilities	9,240,538	11,286,407
Shareholders' deficiency		
Share capital	237,400	237,400
Deficit	(8,476,764)	(8,947,213)
Foreign exchange difference	398,580	(1,077,449)
Total liabilities and shareholders' deficiency	\$ 1,399,754	\$ 1,499,145
Pasinex ownership interest		
Net equity above	\$ (7,840,784)	\$ (9,787,262)
Pasinex ownership interest in Horzum AS		
Unpaid dividend	1,536,573	1,882,805
Impairment in excess of equity value	2,383,819	3,010,826
Pasinex investment in Horzum AS	\$ -	\$ -

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Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

Statement of Operations

(100% basis - Canadian dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 1,610,122	\$ 1,247,230	\$ 4,605,541	\$ 3,509,807
Cost of sales	(745,678)	(969,911)	(2,582,005)	(2,613,417)
Selling, marketing and other distribution	(56,321)	(28,962)	(148,270)	(86,443)
Operating income	808,123	248,357	1,875,266	809,947
Impairment of Akmetal receivable (note 3 (a))	(2,498,701)	(6,731,876)	(8,125,771)	(12,031,684)
General and administrative expenses	(69,802)	(40,061)	(188,102)	(126,767)
Foreign exchange gain	932,674	5,348,977	7,400,229	10,942,075
Finance expense	(14,283)	(19,460)	(46,068)	(167,718)
Other	17,560	364	50,198	1,127
Current income tax expense	(222,446)	(114,418)	(495,303)	(331,838)
Net (loss) income	\$ (1,046,875)	\$ (1,308,117)	\$ 470,449	\$ (904,858)
Pasinex ownership interest	50%	50%	50%	50%
Share of net (loss) income	\$ (523,438)	\$ (654,059)	\$ 235,225	\$ (452,429)
Increase (recognition) of prior year equity losses (note 3(d))	523,438	654,059	(235,225)	452,429
Dividend received	-	-	32,232	3,298
Equity gain for Horzum AS	\$ -	\$ -	\$ 32,232	\$ 3,298

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

The total receivable from Akmetal is approximately \$34.7 million as at the end of September 30, 2021 compared with \$34 million at the end of December 31, 2020. The receivable consists of a number of items including joint venture sales proceeds received and withheld by Akmetal, the value of zinc product mined at the joint venture used by Akmetal, foreign currency gains on USD denominated amounts and the value of certain loan payments made to a customer on behalf of Akmetal (note 3(c)); less the value of ongoing operating expenses paid by Akmetal.

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay its liabilities in the normal course of operations. Horzum AS currently has approximately \$5.9 million in current liabilities and a working capital deficiency of approximately \$5.2 million (\$5.6 million at December 31, 2020). Included within the total current liabilities are \$0.6 million owed in trade payables (\$1.2 million at December 31, 2020), \$1.7 million owed to the Company's wholly owned subsidiary in Turkey (\$2.1 million at December 31, 2020) and \$2.6 million in various taxes payable (\$2.5 million at December 31, 2020). Due to the tax restructuring \$3.3 million of the taxes payable has been classified as non-current (\$5.0 million at December 31, 2020).

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. See note 2(c) Basis of Measurement and Going Concern for additional discussion on the collectability

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Unaudited

of the Akmetal receivable.

During the nine months ended September 30, 2021, the Company's subsidiary received approximately \$32,232 (TRY 200,000) in dividend payments from Horzum AS. In addition, Akmetal paid approximately \$1.1 million (TRY 7.1 million) in tax instalments due under the tax restructuring plan (note 3(e)) on behalf of Horzum AS.

(b) Amounts due to shareholders and related parties include the dividend payable to Pasinex Arama.

(c) Akmetal entered into a loan facility with one of its customers for overpayments received on advanced provisional invoice payments received in 2018. Akmetal did not make payments against the loan facility, but Horzum AS has paid a total of approximately US\$1.75 million (approximately \$2.3 million using the September 30, 2021, spot rate) to this customer, as at September 30, 2021.

(d) In 2020 and 2021, the equity loss from Horzum AS was greater than its investment value so the loss was capped as the investment could not be less than zero. The unrecognized loss will be applied against future equity gains. In the nine months ended September 30, 2021, the net income after tax of \$470,449 reduced the carry forward losses.

(e) In December 2020, Horzum AS restructured its tax liabilities that were due as at August 31, 2020, as allowed by the Turkish taxation department. Horzum AS is scheduled to make instalments of its various tax debts, with each tax debt under its own schedule of 18 equal instalments. Akmetal has paid on behalf of Horzum AS certain of the instalments due in 2021. The total amount paid to September 30, 2021, is approximately (TRY) 7.1 million Turkish Lira, which is equivalent to approximately \$1.1 million using the exchange rates on the dates of the payments. The joint venture did not make any instalment payments that were due under the restructuring agreements subsequent to the end of the second quarter. As part of the tax restructuring agreements the joint venture is permitted to miss two instalments, per each restructuring agreement, during each year of the restructuring agreements three-year life. Horzum AS has missed two instalments for each of the restructuring agreements to the date of these financial statements, totaling (TRY) 4.7 million Turkish Lira, except for the restructuring that has been fully repaid. Horzum AS is therefore still in compliance with each of the tax restructuring agreements. Any missed instalments will become due and payable at the end of the month following the date of the last payment date of the restructuring. An additional requirement to remain in compliance with the restructuring agreements is that all current taxes from September 1, 2020, onward must be paid when they become due. As of the date of these financial statements, Horzum AS made all of these required payments.

4. Exploration and evaluation assets

	Horzum Properties	Gunman Project	Total
Balance as at December 31, 2019	\$ 632,884	\$ 1,323,605	\$ 1,956,489
Additions during the year:			
Acquisition costs - cash	-	19,589	19,589
Foreign exchange adjustment	(38,220)	-	(38,220)
Balance as at December 31, 2020	\$ 594,664	\$ 1,343,194	\$ 1,937,858
Foreign exchange adjustment	(12,110)	(18,097)	(30,207)
Balance as at September 30, 2021	\$ 582,554	\$ 1,325,097	\$ 1,907,651

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Unaudited

(a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at September 30, 2021, the Company only held the Akkaya Property with its exploration license in good standing.

The Joint venture recently applied to convert its exploration license at its Akkaya property to an operational license. This conversion has been accepted by the mining department in Turkey (MAPEG) and the Joint Venture is now waiting for the issuance of the official operational license, which is expected to be received soon. Once received, the Joint Venture will have three years to convert the operational license to an operational permit. In order to receive the operational permit, the Joint Venture must obtain all essential permits including forestry and working permits according to the mining laws and completion of an environmental impact assessment.

(b) Gunman Project

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

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

On November 27, 2020, the Company entered into an additional amending agreement with Cypress and Caliber to extend the deadline for completion of the minimum exploration expenditures to December 31, 2022. Also, the deadline to acquire the additional 29% interest, as outlined below, has been extended to December 31, 2024. As part of the amending agreement the Company changed the name of the project to Gunman Project, agreed to pay US\$15,000 to Cypress and is required to spend a minimum of US\$200,000 by December 31, 2021, as a condition precedent for the effectiveness of the amending agreement.

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 - spent US\$749,000 to September 30, 2021);
 - US\$800,000 prior to December 5, 2020 (deferred to December 31, 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\$425,000 in cash payments, issuance of 4.6 million Pasinex Common Shares and minimum exploration expenditures of US\$1,850,000.

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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 2022.

5. Accounts payable and accrued liabilities

	As at		As at	
	September 30, 2021		December 31, 2021	
Trade payables	\$	665,412	\$	531,093
Accrued liabilities		79,167		206,003
Total accounts payable and accrued liabilities	\$	744,579	\$	737,096

6. Shareholder loans

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

During the nine months ended September 30, 2021, the Company received an additional \$530,000 (nine months ended September 30, 2020 - \$805,500) from shareholders. During the three and nine months ended September 30, 2021, the Company recorded interest expense on shareholder loans totalling \$36,632 and \$102,223, respectively (three and nine months ended September 30, 2020 - \$24,811 and \$64,402, respectively). As at September 30, 2021, the shareholder loans and accrued interest thereon totalled \$2,798,507 (December 31, 2020 - \$2,166,284).

7. Loan payable

On April 24, 2020, the Company applied for the Canada Emergency Business Account ("CEBA") interest-free loan. The Company received approval for up to \$40,000 in interest free loans. To date the Company has drawn all \$40,000 of the available amount. The loan balance must be repaid on or before December 31, 2022, in order to qualify for forgiveness of up to 25 percent of the amount drawn (up to \$10,000). Interest will be charged at 5% per annum on unpaid amounts beginning on January 1, 2023.

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8. Share capital

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

	Number of Shares	Amount
Balance as at December 31, 2019 and September 30, 2020	144,554,371	\$ 12,888,506
Balance as at December 31, 2020 and September 30, 2021	144,554,371	\$ 12,888,506

9. Stock options

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

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

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2019	1,750,000	\$ 0.20
Granted (note 9(a))	1,500,000	\$ 0.04
Balance as at September 30, 2020	3,250,000	\$ 0.13
Balance as at December 31, 2020	3,250,000	\$ 0.13
Granted (note 9(b))	8,500,000	\$ 0.04
Balance as at September 30, 2021	11,750,000	\$ 0.06

- (a) On February 7, 2020, 1,500,000 stock options were granted to an officer of the Company at an exercise price of \$0.04 per stock option, expiring February 7, 2022. The stock options vested immediately. The fair value of the stock options at the date of grant of \$28,500 was estimated using the Black-Scholes valuation model with the following assumptions: a two-year expected term; a 188% expected volatility based on historical trends; risk-free interest rate of 1.47%; share price at the date of grant of \$0.03; and an expected dividend yield of 0%. The fair value was expensed in 2020.
- (b) 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

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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%. During the nine months ended September 30, 2021, the Company expensed \$323,000.

The Company had the following stock options outstanding as of September 30, 2021:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining
	Outstanding	Exercisable		Contractual Life (Years)
December 31, 2021	1,000,000	1,000,000	\$ 0.25	0.02
February 7, 2022	1,500,000	1,500,000	\$ 0.04	0.05
August 14, 2022	200,000	200,000	\$ 0.25	0.02
January 24, 2023	50,000	50,000	\$ 0.20	0.01
July 25, 2024	500,000	500,000	\$ 0.09	0.12
April 30, 2026	8,500,000	8,500,000	\$ 0.04	3.32
Total	11,750,000	11,750,000	\$ 0.13	3.52

10. Net loss per common share

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Numerator				
Net loss	\$ (203,818)	\$ (408,615)	\$ (1,009,080)	\$ (1,101,021)
Denominator				
Weighted average number of common shares - basic and diluted	144,554,371	144,554,371	144,554,371	144,554,371
Net loss per share - basic and diluted	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)

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11. General and administrative costs

General and administration costs are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Consulting fees (note 12)	\$ 52,647	\$ 56,471	\$ 152,999	\$ 222,333
Investor relations	2,513	1,948	15,836	3,516
Management fees and salaries (note 12)	33,506	211,845	103,324	314,791
Office and general	6,937	8,763	35,935	29,953
Professional fees	42,001	53,976	169,936	176,632
Transfer agent and regulatory fees	2,904	7,023	14,888	33,464
Travel and meals	13,382	20,429	29,315	43,587
Other	2,904	1,368	5,042	4,929
Total general and administrative cost:	\$ 156,794	\$ 361,823	\$ 527,275	\$ 829,205

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Management fees and salaries	\$ 33,150	\$ 211,797	\$ 102,200	\$ 309,266
Consulting fees	42,307	44,849	123,235	137,017
Share-based payments	-	-	323,000	28,500
Interest expense on shareholder loans	35,189	24,811	97,939	64,402
	\$ 110,646	\$ 281,457	\$ 646,374	\$ 539,185

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Amounts payable to related parties were as follows:

	Due to Related Parties		Shareholder Loans	
	As at September 30, 2021	As at December 31, 2020	As at September 30, 2021	As at December 31, 2020
7312067 Canada Limited ⁽¹⁾	\$ 100,692	\$ 141,384	\$ -	\$ -
Larry Seeley ⁽²⁾	129,354	129,354	-	-
Joachim Rainer ⁽²⁾	5,000	5,000	-	-
Jonathan Challis ⁽²⁾	9,250	14,250	-	-
Victor Wells ⁽²⁾	84,000	66,000	-	-
1514341 Ontario Inc. ⁽³⁾	17,961	17,961	1,960,169	1,380,071
Soner Koldas ⁽⁴⁾	97,787	97,718	-	-
Seeley Holdings Ltd. ⁽⁵⁾	-	-	632,544	607,801
Rainer Beteiligungsgesellschaft ⁽⁶⁾	1,806	1,905	93,772	70,673
2192640 Ontario Inc. ⁽⁷⁾	38,048	32,673	-	-
Shareholder loans to unrelated parties	-	-	112,022	107,739
	\$ 483,898	\$ 506,245	\$ 2,798,507	\$ 2,166,284

(1) Steven Williams was the Chief Executive Officer of the Company until his resignation on August 25, 2020. 7312067 Canada Limited is controlled by Mr. Williams.

(2) Larry Seeley, Joachim Rainer, Jonathan Challis and Victor Wells were directors of the Company at September 30, 2021 and December 31, 2020.

(3) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.

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

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

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

(7) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO of the Company.

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

To the knowledge of the directors and officers of the Company, as at September 30, 2021, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

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

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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 September 30, 2021		As at December 31, 2021	
Non-current assets by geographic segment				
Turkey	\$	634,878	\$	666,936
United States		1,325,097		1,343,194
	\$	1,959,975	\$	2,010,130

Total assets by geographic segment				
Canada	\$	109,451	\$	84,805
Turkey		643,687		686,082
United States		1,325,097		1,343,194
	\$	2,078,235	\$	2,114,081

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Equity gain from joint venture				
Canada	\$ -	\$ -	\$ -	\$ -
Turkey	-	-	32,232	3,298
United States	-	-	-	-
Total equity gain from joint venture	\$ -	\$ -	\$ 32,232	\$ 3,298
Net income (loss)				
Canada	\$ (153,034)	\$ (341,121)	\$ (920,794)	\$ (359,485)
Turkey	(466)	(9,804)	39,891	(595,947)
United States	(50,318)	(57,690)	(128,177)	(145,589)
Total net income (loss)	\$ (203,818)	\$ (408,615)	\$ (1,009,080)	\$ (1,101,021)

14. Subsequent event

Subsequent to September 30, 2021, the Company received \$50,000 from additional related party loans.