

**Pasinex Resources Limited**  
**Interim Management's Discussion & Analysis – Quarterly Highlights**  
**For the Three Months Ended March 31, 2016**  
**Discussion dated: May 30, 2016**

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## **Introduction**

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three months ended March 31, 2016 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, 2015. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since 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, 2015 and 2014, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of May 30, 2016, unless otherwise indicated.

For the purposes of preparing this Interim 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 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 offices of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained in this 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 MD&A

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

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity and, particularly the zinc and gold prices, 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 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 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 MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

### **Description of Business**

Pasinex is a publicly listed company incorporated in British Columbia on February 21, 2006, and on August 4, 2006, it continued out of British Columbia and into the British Virgin Islands. On July 10, 2008, in connection with the change of control, the Company continued into British Columbia as a mineral exploration company in the exploration stage, engaged in the acquisition, exploration and development of mineral properties. On February 1, 2012, the Company purchased all the assets of 0886183 B.C. LTD. ("0886183 B.C.", a private company incorporated in British Columbia) which included a company in Turkey, Pasinex Arama ve Madencilik A.S. ("Pasinex Arama"). On March 2, 2012, the Company's major shareholder sold 19% of the Company's issued and outstanding share capital to a total of three individuals, effectively changing control of the Company. On May 31, 2013, 0886183 B.C. was voluntarily dissolved, and as a result, the Company deconsolidated all assets and liabilities associated with 0886183 B.C.

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".

## **Operational Highlights**

### **Corporate**

On February 11, 2016, the Company issued 1,000,000 common shares to Eurasian Minerals Inc., valued at \$60,000, in accordance with the Golcuk Property agreement. The Company also issued 100,000 common shares to Zimtu Capital Corp., valued at \$6,000, for finder's fees in accordance with the Golcuk Property agreement.

On May 25, 2016, the Company announced a non-brokered private placement (the "Private Placement") of up to 6,000,000 units (the "Units") at a subscription price of \$0.05 per Unit for gross proceeds of approximately \$300,000. Each Unit consists of one common share and one share purchase warrant (the "Warrant"). Each whole Warrant will be exercisable into one additional common share (the "Warrant Share") of the Company at \$0.07 per Warrant Share for a period of one year from the closing.

On May 25, 2016, the Company also announced the appointment of John Barry, EurGeol & P.Geo as the Qualified Person (QP) effective immediately.

### **Operations**

The major activity for Pasinex is the Horzum AS joint venture with Akmetal AS. The key focus within this Horzum AS JV is the Pinargozu zinc mine and exploration in Adana province, southern Turkey. At the Pinargozu mine there is both mine activity and exploration / drilling activity ongoing throughout quarter 1 of 2016 and to the date of reporting (May 30, 2016).

In first quarter of 2016 the Pinargozu mine produced about 5000 tonnes (wet weight) of direct shipping mineralization at an average mining rate in the quarter of 58.3 tonnes / day. The Horzum AS JV operation then sold about 5244 tonnes (wet weight) of direct shipping mineralization at about an average grade of 36% Zn. In total, this was about 3.9 million pounds of zinc sold in the first quarter, 2016. The product was sold to traders in zinc commodity and has gone into the global zinc market.

Drilling has continued at Pinargozu throughout the first quarter of 2016. For most of the period two drills were operating. One drill operated from an underground drill site, looking for deeper sulphide mineralization associated with the oxide mineralization currently being mined. A second drill operated from a couple of drill sites near Pinargozu mine, looking for step out manifestations of the mineralization. In total, in this first quarter of 2016, about 2639 meters of drilling was conducted.

As noted above, in May 2016 the Company announced the appointment of John Barry as QP for the Company. Management see this as a key placement as they have been without a QP for some time. However, drilling has continued through this period at Pinargozu. Given this, there is quite a backlog of drill results to report. Management expects to be reporting these drill results to the market from June 2016 to September 2016.

The Horzum AS joint venture recorded Gross sales of \$1,219,011 for the first quarter with a small operating profit of \$32,488. The profit margin of 2.7% was low because not only were usual mining and administration costs incurred but, for this quarter, the drilling and exploration costs were also expensed. This is not expected to occur in future quarters. As an indication, should

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those exploration costs be subtracted from operating costs, the operating profit margin would have been around \$250,000 or 20%+ margin.

The Horzum AS balance sheets shows Total Assets at \$2,717,964 and Shareholder equity as Share capital of \$237,400 and a Surplus of \$740,606. The Current assets of \$1,642,985 includes Inventory of \$474,785 which is direct shipping mineralization stock held at the Adana, Turkey warehouse of Horzum AS. This inventory is recorded at the costs of production.

The Company views the first quarter of 2016 as a positive period for the Horzum AS joint venture. Mine production at Pinargozu was increased to around 60 tonnes / day of direct shipping ore (averaged 58.3 tonnes per day for the period). Exploration continued throughout the period with two drill rigs running. In total, 2693 meters of diamond drilling was undertaken. Results from this drilling is expected to be reported between now and September, 2016. Management continues to believe that the exploration opportunity for further zinc resource at Pinargozu is very good.

There was no exploration or mining activity on the Golcuk copper property, Sivas province, Turkey during the first quarter of 2016.

## **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. During the quarter, equity markets in Canada showed signs of improvement, with equities increasing significantly during this period. Strong equity markets are favourable conditions for completing a public merger, financing or acquisition transaction. Apart from these and the discussion below on zinc prices, 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.

Management believes that Pasinex is strongly leveraged to the zinc price and so management continuously monitors the global zinc market. The zinc price has move up approximately 30% in 2016 from a low of around 65 c US / lb to a current price of about 85 c US / lb. Pasinex believes that the major driver in this price increase has been an emerging medium term mine supply side shortage of zinc stock. This has been due to a number of large zinc mine closures over the last two years. Global zinc stocks have reduced over the last few months and this has resulted in the zinc price strengthening.

## **Financial Highlights**

### **Financial Performance**

The Company's net loss totaled \$124,318 for the three months ended March 31, 2016, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$348,380 with basic and diluted loss per share of \$0.00 for the three months ended March 31, 2015. The decrease in net loss of \$224,062 was principally because:

- A decrease in administrative fees of \$37,500 from the comparative period due to the cessation of a management services contract in Vancouver, BC, Canada. The Company relocated their corporate business to Toronto, Ontario and so no longer required this

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Vancouver based service contract.

- A decrease in consulting and management fees to \$60,817 from \$116,504 in the comparative period due to less consultants being used during the period and the implementation of cost saving initiatives.
- An increase in professional fees to \$17,054 from \$3,253 due to increased legal and accounting fees during the current period.
- A decrease in property investigation costs to \$nil from \$14,965 in the comparative period as the Company did not explore new property opportunities during the current period.
- A decrease in travel and meals to \$15,632 from \$51,552 in the comparative period due to decreased travel in the current period.
- An increase in the equity gain of affiliates to \$16,244 from a loss of \$2,218 in the comparative period due to the joint venture's income from the sale of goods during the current period.
- An increase in the foreign exchange gain to \$7,346 from a loss of \$44,773 in the comparative period due to the fluctuation in the foreign exchange rate of the Turkish Lira in the current period.

The Company's total assets at March 31, 2016 were \$2,237,770 (December 31, 2015 - \$2,368,863) and total liabilities were \$369,555 (December 31, 2015 - \$381,901). The decrease in total assets of \$131,093 resulted mainly from cash spent on operating costs. The Company does not have sufficient current assets to pay its existing liabilities of \$369,555 at March 31, 2016. However, the Company is expected to close a private placement of approximately \$300,000 subsequent to March 31, 2016 (refer to "Subsequent Events" below).

Overall, in this period, the Company made significant cost reductions. Expenses were reduced from \$294,644 in the first quarter of 2015 to \$151,496 in this first quarter of 2016. This reduction of about \$140,000 reflected efforts to reduce costs and in particular, the relocation of the corporate office from Vancouver, British Columbia to Toronto, Ontario, necessitating a number of changes to management support contracts.

### **Cash Flows**

At March 31, 2016, the Company had cash and cash equivalents of \$2,593 at March 31, 2016, compared to \$25,749 at December 31, 2015. The decrease in cash and cash equivalents of \$23,156 resulted from cash outflow in operating activities of \$81,260. Operating activities were affected by adjustments of amortization of \$3,384 and equity gain from joint venture of \$16,244. The net change in non-cash working capital balances of \$55,918 reflects an increase in taxes receivable of \$6,769, an increase in prepaid expenses and other current assets of \$1,282, a decrease in due from related parties of \$82,520, a decrease in accounts payable and accrued liabilities of \$11,358 and a decrease in due to related parties of \$7,193.

Cash outflow for investing activities was \$34,123 for expenditure on exploration and evaluation assets.

Financing activities generated cash inflow of \$92,500 share subscription received of \$92,500.

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### **Liquidity and Financial Position**

The Company is actively investigating financing alternative in order to continue as a going concern. The Company has reduced expenses wherever possible and will continue to do so moving forward. Most of the funding has been raised through the issuance of shares. Funds have been received by the Joint Venture project in Turkey, and it is expected that these funds will increase during fiscal 2016 as more product is sold. The availability of financing, as and when needed, to fund the Company's activities cannot be assured. See "Risks and Uncertainties" below.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body. The Company is in the process of securing additional funds from the offering of 6,000,000 units for approximate gross proceeds of \$300,000 (refer to "Subsequent Event" below).

During fiscal 2016, the Company's corporate head office costs are estimated to average less than \$125,000 per quarter, reflecting cost reduction efforts. Head office costs include professional fees, regulatory fees, management and consulting fees, advertising and promotion and general and administrative costs.

The Company's cash and cash equivalents at March 31, 2016 are not anticipated to be sufficient to fund its current liabilities of \$369,555 and the estimated remaining operating expenses of \$375,000 (\$125,000 per quarter), for fiscal 2016. The Company will have to raise equity capital in amounts sufficient to fund working capital requirements. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risks and Uncertainties" below and "Caution Note Regarding Forward-Looking Statements" above.

Additional measures may be undertaken or are under consideration to further reduce corporate overhead.

### **Transactions with Related Parties**

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

	Three months ended March 31, 2016 (\$)	Three months ended March 31, 2015 (\$)
Management and consulting fees	38,223	58,500
Share-based payments	nil	9,800
<b>Total</b>	<b>38,223</b>	<b>68,300</b>

	March 31, 2016 (\$)	December 31, 2015 (\$)
Clinton Smyth <sup>(1)</sup>	40,530	50,890
Larry Seeley <sup>(2)</sup>	nil	2,872
Jody Bellefleur <sup>(3)</sup>	nil	12,600
Steven Williams <sup>(4)</sup>	47,120	25,944
Marrelli Support Services Inc. <sup>(5)</sup>	5,526	nil
DSA Corporate Services <sup>(6)</sup>	5,052	nil
<b>Total</b>	<b>98,228</b>	<b>92,306</b>

- (1) Clinton Smyth is a former VP of Exploration of the Company.
- (2) Larry Seeley is a director of the Company.
- (3) Jody Bellefleur is the former Chief Financial Officer ("CFO") of the Company.
- (4) Steven Williams is Chief Executive Office of the Company.
- (5) Mrs. Cindy Davis, the CFO of the Company, is also a senior employee of Marrelli Support Services Inc. ("Marrelli Support"). Marrelli Support also provides accounting services to the Company.
- (6) DSA Corporate Services ("DSA") is affiliated with Marrelli Support through a common officer. DSA provides corporate and secretarial services for the Company

These transactions are in the normal course of operations and have been valued in these 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.

Pasinex Arama provides project management and technical management services to Akmetal for Akmetal's 100%-owned license, numbered IR-1179, located in the Adana area. The balance of receivable from Akmetal is \$123,936 as of March 31, 2016 (December 31, 2015 - \$128,007). This property may be transferred to the Joint Venture pending approval from the Turkish government.

Pasinex Arama provides project management and technical management services to the Joint Venture for Pinargozu property and Horzum JV Properties which will be transferred to the Joint Venture. The balance of receivable from the Joint Venture is \$327,663 as of March 31, 2016 (December 31, 2015 - \$419,821).

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To the knowledge of the directors and officers of the Company, as at March 31, 2016, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

	<b>Number of Common Shares</b>	<b>Percentage of Outstanding Common Shares</b>
<b>Larry Seeley</b>	<b>21,015,815</b>	<b>20.63%</b>

### **Risks and Uncertainties**

The Company is in the exploration stage 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. There is no assurance that the Company's funding initiatives will continue to be successful to fund its planned projects, which are now focused on the joint venture in Turkey.

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, 2015, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Disclosure of Internal Controls**

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

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:

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- 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.

### **Subsequent Event**

On May 25, 2016, the Company announced Private Placement of up to 6,000,000 Units at a subscription price of \$0.05 per Unit for gross proceeds of approximately \$300,000. Each Unit consists of one Warrant. Each whole Warrant will be exercisable into one additional Warrant Share of the Company at \$0.07 per Warrant Share for a period of one year from the closing.

### **Additional Information**

Additional information about the Company can be found on their Disclosure Hall page at [www.cnsx.ca](http://www.cnsx.ca), the Company's website at [www.pasinex.com](http://www.pasinex.com), or on [www.sedar.com](http://www.sedar.com).