PASINEX RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

Management's Responsibility

To the Shareholders of Paxinex Resources Limited (the "Company"):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

(signed)	(signed)
Steven Williams	*Victor Wells*
CEO and Director	*Director*

Independent Auditors' Report

To the Shareholders of Pasinex Resources Limited:

We have audited the accompanying consolidated financial statements of Pasinex Resources Limited, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of income (loss) and other comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pasinex Resources Limited as at December 31, 2016, December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying out opinion, we draw attention to Note 2 in the consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt the Company's ability to continue as a going concern.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 28, 2017 — Licensed Public Accountants

MNP

Pasinex Resources Limited
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	**$ 311,958**	$ 25,749
Goods and services tax receivable	**117,566**	4,035
Other receivables	**1,798**	2,238
Prepaid expenses and deposits	**55,637**	43,894
Share subscription receivable (note 10(b)(iii))	**-**	92,500
Marketable securities (note 5)	**11,342**	17,160
Total current assets	**498,301**	185,576
Non-current assets		
Equipment (note 6)	**16,363**	31,439
Investment in joint venture (note 7)	**1,901,589**	377,794
Exploration and evaluation assets (note 8)	**1,649,536**	1,226,226
Due from related parties (note 14)	**-**	547,828
Total non-current assets	**3,567,488**	2,183,287
Total assets	**$ 4,065,789**	$ 2,368,863
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	**$ 222,566**	$ 289,595
Due to related parties (note 14)	**60,252**	92,306
Total liabilities	**282,818**	381,901
Capital and reserves		
Share capital (note 10)	**10,219,119**	8,781,434
Reserves	**1,274,334**	1,208,833
Accumulated deficit	**(7,039,006)**	(7,868,912)
Accumulated other comprehensive loss	**(671,476)**	(134,393)
Total shareholders' equity	**3,782,971**	1,986,962
Total liabilities and shareholders' equity	**$ 4,065,789**	$ 2,368,863

Going Concern (note 2)
Subsequent Events (note 17)

Approved on behalf of the Board:

"Steven Williams" Director *"Victor Wells"* Director

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

Pasinex Resources Limited

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Expenses		
Administrative fees	$ -	$ 150,000
Advertising and promotion	110,834	93,003
Depreciation (note 6)	11,683	15,046
Consulting and management fees (note 14)	310,215	479,469
Investor relations	55,140	56,867
Office and general	72,648	43,083
Professional fees	195,187	75,760
Project investigation costs	-	92,435
Share-based payments (notes 11 and 14)	112,200	15,068
Supplies and equipment	1,239	8,527
Transfer agent and regulatory authorities fees	31,322	20,665
Travel and meals	123,624	95,672
	(1,024,092)	(1,145,595)
Other income (expenses)		
Unrealized gain on marketable securities	-	1,427
Interest income	79	167
Equity gain from joint venture (note 7)	1,802,710	417,042
Other income (note 7)	37,022	71,122
Gain on sale of marketable securities	1,333	-
Foreign exchange gain (loss)	12,854	(19,387)
Impairment of mineral properties	-	(5,585)
	1,853,998	464,786
Net income (loss) for the year	829,906	(680,809)
Other comprehensive loss		
Item that will be reclassified subsequently to profit and loss:		
Currency translation adjustment	(537,083)	(60,530)
Total comprehensive income (loss) for the year	$ 292,823	$ (741,339)
Net income (loss) per share - basic (note 12)	$ 0.01	$ (0.01)
Net income (loss) per share - diluted (note 12)	$ 0.01	$ (0.01)
Weighted average number of shares outstanding - basic (note 12)	109,458,400	82,472,473
Weighted average number of shares outstanding - diluted (note 12)	111,948,251	82,472,473

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

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

	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating activities		
Net income (loss) for the year	$ **829,906**	$ (680,809)
Adjustments for items not involving cash:		
Unrealized gain on marketable securities	**(1,333)**	(1,427)
Depreciation	**11,683**	15,046
Impairment of mineral properties	**-**	5,585
Share-based payments	**112,200**	15,068
Equity gain from joint venture	**(1,802,710)**	(315,968)
Changes in non-cash working capital items:		
Goods and services tax receivable	**(129,467)**	2,817
Other receivables	**-**	567
Prepaid expenses and deposits	**(14,611)**	(1,802)
Accounts payable and accrued liabilities	**(36,178)**	385,250
Due from related parties	**513,287**	(190,115)
Due to related parties	**(37,431)**	202,673
Net cash used in operating activities	**(554,654)**	(563,115)
Investing activities		
Exploration and evaluation assets	**(455,024)**	(88,127)
Equipment acquisition	**-**	(1,189)
Proceeds from sale of marketable securities	**4,152**	-
Investment in joint venture	**(39,111)**	-
Net cash used in investing activities	**(489,983)**	(89,316)
Financing activities		
Issuance of shares for cash, net of share issue costs	**1,245,248**	528,326
Share subscriptions received	**92,500**	-
Net cash provided by financing activities	**1,337,748**	528,326
Net change in cash	**293,111**	(124,105)
Effect of foreign currencies on cash	**(6,902)**	(1,191)
Cash, beginning of year	**25,749**	151,045
Cash, end of year	$ **311,958**	$ 25,749

Supplemental Disclosure		
Shares issued for property	$ **145,738**	$ 132,000
Shares issued for debt	$ **-**	$ 391,034
Fair value of agent warrants issued	$ **-**	$ 199

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

Pasinex Resources Limited

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscription Received	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2014	**80,684,309**	**$ 7,645,473**	**$ 19,800**	**$ 1,193,566**	**$(7,188,103)**	**$ (73,863)**	**$ 1,596,873**
Share issued for property acquisition (note 10(b)(ii))	1,100,000	132,000	-	-	-	-	132,000
Share issued for cash (note 10(b)(i)(iii))	11,187,315	613,966	(19,800)	-	-	-	594,166
Share issued for debt (note 10(b)(iv))	7,820,685	391,034	-	-	-	-	391,034
Share-based payments	-	-	-	15,068	-	-	15,068
Share issuance costs	-	(1,039)	-	199	-	-	(840)
Currency translation adjustment	-	-	-	-	-	(60,530)	(60,530)
Net loss for the year	-	-	-	-	(680,809)	-	(680,809)
Balance, December 31, 2015	**100,792,309**	**8,781,434**	**-**	**1,208,833**	**(7,868,912)**	**(134,393)**	**1,986,962**
Share issued for property acquisition (note 10(b)(v)(vii))	1,764,483	145,738	-	-	-	-	145,738
Shares issued for cash (note 10(b)(vi))	12,000,000	600,000	-	-	-	-	600,000
Share issue costs - cash	-	(25,298)	-	-	-	-	(25,298)
Exercise of warrants (note 10(c)(d))	6,705,458	717,245	-	(46,699)	-	-	670,546
Share-based payments	-	-	-	112,200	-	-	112,200
Currency translation adjustment	-	-	-	-	-	(537,083)	(537,083)
Net income for the year	-	-	-	-	829,906	-	829,906
Balance, December 31, 2016	**121,262,250**	**$10,219,119**	**$ -**	**$ 1,274,334**	**$ (7,039,006)**	**$ (671,476)**	**$ 3,782,971**

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

1. Nature of Operations and Continuance of Operations

Pasinex Resources Limited ("Pasinex" or the "Company") 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 in Turkey and invested in a joint venture in Turkey with an operating mine. 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.

These consolidated financial statements for the year ended December 31, 2016, were authorized for issue by the Audit Committee and Board of Directors on April 28, 2017.

2. Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which 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.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company itself is in the exploration stage and, accordingly, has not yet commenced revenue-producing operations. The Company's 50% owned Joint Venture has started to generate revenue in 2015 and, as a result, the Company has recognized an equity gain from the Joint Venture for the years ended December 31, 2016 and 2015 (note 7). However, the receipt of future proceeds from the Joint Venture as a result of the profitable mining operation is uncertain and indeterminable at this time. The Company had an accumulated deficit as at December 31, 2016 of $7,039,006 (2015 - $7,868,912). At December 31, 2016, the Company had working capital of $215,483 (2015 – working capital deficiency of $196,325). The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing required to maintain its operations, and to ultimately attain future profitable operations. Management expects the Company to continue as a going concern and plans to meet any financing requirements through equity financing and seeking other business opportunities to expand the Company's operations. The outcome of these matters cannot be predicted at this time and there are no assurances that the Company will be successful in achieving its goals. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests in Turkey, the continuance of profitable mining operations through its Joint Venture or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There is, primarily as a result of the conditions described above, significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is expected to be profitable during the ensuing twelve months through its equity pick-up from the Joint Venture. However, the Company must rely on securing funding from either equity financing or loan from shareholders or directors until the Joint Venture is in a position to distribute profits. Though the Company has been successful at raising funds, there is no assurance that it will continue to generate sufficient funds for future operations. Subsequent to the year ended December 31, 2016, the Company raised approximately $769,000 from the exercise of warrants (see note 17).

3. Basis of Presentation

(a) Statement of Compliance

These consolidated statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are measured at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Judgement is used mainly in determining how a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Significant areas where management's judgement has been applied include:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs – Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.
- Functional currency – The functional currency for the Company's subsidiary and investment in joint venture, is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity in Turkey is the New Turkish Lira (TRY). Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.
- Joint Venture – Pursuant to the Joint Venture Agreement between Pasinex Arama ve Madencilik A.S. ("Pasinex Arama") and Akmetal Madencilik Sanayi ve Ticaret A.S. ("Akmetal") dated January 17, 2013, the Company has determined the Joint Venture is a form of joint venture and the Company is required to account for its share in the joint venture company by using the equity method.
- Going concern – Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.
- Deferred taxes - deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that is probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery. As of December 31, 2016, the Company has not recognized any deferred income tax assets.

3. Basis of Presentation (Continued)

(c) Use of Estimates (continued)

Significant areas requiring the use of management estimates and assumptions include:

- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the year; and
- The inputs used in accounting for share-based payment expenses.

4. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the financial statements of Pasinex and its subsidiary listed below:

	Jurisdiction	Nature of Operation	Equity Interest 2016	2015
Pasinex Arama	Turkey	Mineral exploration	100%	100%

The financial statements of Pasinex Arama are included in the consolidated financial statements from the date that control commences until the date that control ceases. Pasinex and its subsidiary are collectively referred to as the "Company". All intercompany transactions, balances and unrealized gains and losses from intercompany transactions have been eliminated upon consolidation.

(b) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line or declining methods at the following annual rates:

Vehicles	4 years on a straight-line method
Fixtures and equipment	3 - 10 years on a straight-line method
Mining equipment	30% on declining method

Additions during the year are depreciated on a pro-rata basis based on the annual depreciation amount.

4. Significant accounting policies (Continued)

(c) Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive income (loss) to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. There is no amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(d) Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the parent company is the Canadian dollar. The functional currency of Pasinex Arama is TRY. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At year-end, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the year-end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit and loss.

Assets and liabilities of Pasinex Arama having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the periods, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income (loss) (“OCI”).

(e) Financial instruments

Financial Assets

Financial assets are classified into one of the following categories: fair value through profit or loss, loans and receivables, available-for-sale, or held-to-maturity. The classification depends on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. Management determines the classification of its financial asset at initial recognition. The Company’s accounting policy for each category is as follows:

4. Significant accounting policies (Continued)

(e) Financial instruments (continued)

Financial Assets (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term and are classified as current assets. Derivatives are also categorized as at fair value through profit or loss unless they are designated as hedges. Cash is classified as at fair value through profit or loss and is measured at fair value. Marketable securities are classified as at fair value through profit or loss for those bought and held principally for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses recognized in earnings.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as "trading" assets, have not been designated at fair value through profit or loss or as available-for-sale and for which the holder may recover substantially all of its initial investment, other than because of credit deterioration. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Other receivables and due from related parties are classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

(iii) Available-For-Sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally of the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale financial assets are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income, net of tax. The Company does not have any financial assets classified as available-for-sale.

(iv) Held-to-maturity

The held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any financial assets classified as held-to-maturity.

Impairment on Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

4. Significant accounting policies (Continued)

(e) Financial instruments (continued)

Financial Liabilities

The Company's financial liabilities are all classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company’s financial liabilities are due to related parties, and accounts payable and accrued liabilities.

(f) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day’s closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

4. Significant accounting policies (Continued)

(g) Share-based payment transactions (continued)

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

(h) Joint venture

The Company determines whether the joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Where the Company determines the joint arrangement represents a joint venture, the Company recognizes its interest in a joint venture as an investment and accounts for this investment using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Company's share of the net assets of the joint venture. The Company's share of the joint venture's profit or loss and other comprehensive income (loss) is included in Company's profit or loss and other comprehensive income (loss), respectively.

(i) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. Significant accounting policies (Continued)

(k) Warrants

The fair value of warrants is measured at grant date, using the Black-Scholes option pricing model. Warrants issued as a finder's fee is recognized as share issuance costs with a corresponding increase in contributed surplus. Proceeds from issuances of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is deferred based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

(l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties

(m) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

(n) Earning/Loss per share

Basic earnings / loss per share is computed by dividing the net income or loss attributable to the owners of the Company by the weighted average number of common shares outstanding for the relevant period.

4. Significant accounting policies (Continued)

(n) Earning/Loss per share (continued)

Diluted earnings per share is determined by adjusting the earnings or loss attributable to the owners of the Company and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

(o) Future Accounting Pronouncements

The accounting pronouncements detailed in this note have been issued but is not yet effective. The Company has not early adopted these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

In November 2009, the IASB issued IFRS 9 as the first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement. On July 24, 2014 the IASB issued the complete IFRS 9. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company does not expect the adoption of IFRS 9 to have a material effect on its consolidated financial statements.

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

The standards on revenue from contracts with customers was issued on May 28, 2014 and is effectively for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted. Entities have the option of using either full retrospective or modified retrospective approach to adopt the guidance. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, 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.

(Expressed in Canadian Dollars, unless otherwise indicated)

5. Marketable securities

	December 31, 2016		December 31, 2015	
	Cost	Fair Market Value	Cost	Fair Market Value
Mutual funds	**$ 12,978**	$ 11,342	**$ 16,053**	$ 17,160
Total	**$ 12,978**	$ 11,342	**$ 16,053**	$ 17,160

6. Equipment

Cost	Vehicles	Fixtures and Equipment	Mining Equipment	Total
Balance - December 31, 2014	$ 25,175	$ 29,838	$ 48,595	$ 103,608
Additions	-	1,189	-	1,189
Currency translation differences	(1,288)	(1,515)	-	(2,803)
Balance - December 31, 2015	23,887	29,512	48,595	101,994
Currency translation differences	(4,694)	(5,799)	-	(10,493)
Balance - December 31, 2016	**$ 19,193**	**$ 23,713**	**$ 48,595**	**$ 91,501**

Accumulated Depreciation	Vehicles	Fixtures and Equipment	Mining Equipment	Total
Balance - December 31, 2014	$ 15,362	$ 13,511	$ 26,663	$ 55,536
Depreciation for the year	4,549	5,274	6,580	16,403
Currency translation differences	(745)	(639)	-	(1,384)
Balance - December 31, 2015	19,166	18,146	33,243	70,555
Depreciation for the year	3,658	3,419	4,606	11,683
Currency translation differences	(3,631)	(3,469)	-	(7,100)
Balance - December 31, 2016	**$ 19,193**	**$ 18,096**	**$ 37,849**	**$ 75,138**

Carrying Amount	Vehicles	Fixtures and Equipment	Mining Equipment	Total
Balance - December 31, 2016	**$ -**	**$ 5,617**	**$ 10,746**	**$ 16,363**
Balance - December 31, 2015	$ 4,721	$ 11,366	$ 15,352	$ 31,439

(Expressed in Canadian Dollars, unless otherwise indicated)

7. Joint Venture with Akmetal

On June 28, 2012, the Company, through its wholly-owned Turkish subsidiary, Pasinex Arama, signed a non-binding Letter of Intent ("LOI") with an arm's length Turkey based miner, Akmetal to form a 50 / 50 joint venture to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Turkey. Under the terms of the LOI it was proposed that a joint venture company would be formed and held 50 / 50 by the two parties and would be controlled by a board consisting of equal representatives of both Pasinex and Akmetal. Both partners would equally fund exploration and other general costs associated to the joint venture's course of business.

On October 29, 2012, the new joint venture company, Horzum Arama ve Isletme AS ("Joint Venture"), was formed while a Joint Venture Agreement had not been substantiated. On January 17, 2013, Pasinex Arama and Akmetal signed a Joint Venture Agreement effective the same day. During the year ended December 31, 2013, the Joint Venture acquired, through staking, one property in Turkey: Pinargozu. The property is located within the Turkish Provinces of Adana, and was acquired for the potential to host base and precious metals.

The initial capital of the Joint Venture company was determined to be a total of TRY 500,000 and Pasinex Arama was obligated for 50% of the total, being TRY 250,000. As at December 31, 2016, Pasinex Arama has paid TRY 250,000 in cash toward the total required capital. The investment in the joint venture is accounted for using the equity method.

	TRY	CAD
Balance - December 31, 2014	**123,849**	**$ 61,974**
Gain from joint venture	886,757	417,042
Elimination of intercompany profits (a)	(214,914)	(101,074)
Foreign exchange difference	-	(148)
Balance - December 31, 2015	**795,692**	**377,794**
Additional investment in joint venture	88,950	33,934
Gain from joint venture	4,099,865	1,802,710
Foreign exchange difference	-	(312,849)
Balance - December 31, 2016	**4,984,507**	**$ 1,901,589**

(a) For the year ended December 31, 2015, the Company charged $580,448 (TRY 1,234,208) to the Joint Venture for the exploration costs spent on Pinargozu and one of the Horzum JV Properties, plus a 5% management fee. A portion of the costs were written off in a prior year. As a result, 50% of the gain amounted to $101,074 and was recognized as other income on the consolidated statements of operations for the year ended December 31, 2015. The gain was reduced by other expenses of $29,952.

(Expressed in Canadian Dollars, unless otherwise indicated)

7. Joint Venture with Akmetal (Continued)

The following is a summary of the financial statements of the Joint Venture:

Balance Sheet at December 31, 2016

	TRY	CAD
Current assets		
Cash and prepaid expenses	183,445	$ 69,984
Trade receivables [1]	8,990,939	3,430,043
Other receivables	144,445	55,106
Amounts due from JV partners and related parties [2]	19,312,035	7,367,541
Inventory	3,184,974	1,215,068
Non-current assets		
Plant and equipment	884,449	337,417
Other non-current assets	394,313	150,430
Total assets	33,094,600	$ 12,625,589
Current liabilities		
Accounts payable and other current liabilities	1,187,014	$ 452,846
Amounts due to JV partners and related parties [2]	21,481,570	8,195,218
Non-current liabilities		
Employee benefits and other liabilities	192,585	73,471
Equity		
Share capital	500,000	237,400
Surplus	9,733,431	4,313,253
Foreign exchange difference	-	(646,599)
Total liabilities and equity	33,094,600	$ 12,625,589

Statement of Operations for the year ended December 31, 2016

	TRY	CAD
Gross sales	26,514,352	$ 11,658,361
Cost of sales	(15,445,447)	(6,791,363)
General and administrative expenses	(814,118)	(357,969)
Income tax expense	(2,055,058)	(903,609)
Net income	8,199,729	$ 3,605,420

[1] Included in trade receivables was $2,420,054 (TRY 6,343,522) receivable from a company related to Akmetal.
[2] JV Partners and related parties include Pasinex Arama, Akmetal and two companies related to Akmetal.

It should be noted that the Pinargozu license is held by the Joint Venture company. As such, the Pinargozu property exploration expenditures are reported on the balance sheet of the Joint Venture company Horzum AS. Any expenditures incurred by the Company on the Pinargozu license are recorded as due from the Joint Venture.

(Expressed in Canadian Dollars, unless otherwise indicated)

8. Exploration and Evaluation Assets

	Horzum JV Properties	Golcuk Property	Total
Balance, December 31, 2014	**$ 280,785**	**$ 770,462**	**$ 1,051,247**
Additions during the year:			
Acquisition costs - cash	18,191	41,332	59,523
Acquisition costs - shares issued	-	132,000	132,000
Property exploration costs:			
Assays	1,500	3,256	4,756
Field supplies and rentals	-	30	30
Geological and field personnel	12,224	3,099	15,323
Miscellaneous expenses	-	1,728	1,728
Travel and accommodation	-	915	915
VAT receivable - mining activities	404	415	819
Total additions during the year	32,319	182,775	215,094
Foreign exchange adjustment	(12,658)	(27,457)	(40,115)
Balance, December 31, 2015	**300,446**	**925,780**	**1,226,226**
Additions during the year:			
Acquisition costs - cash	(24,154)	46,322	22,168
Acquisition costs - shares issued	-	145,738	145,738
Property exploration costs:			
Consulting services	337,147	-	337,147
Geological and field personnel	(1,818)	7,211	5,393
Miscellaneous expenses	(1,149)	16,603	15,454
Travel and accommodation	-	11,145	11,145
VAT receivable - mining activities	-	47,115	47,115
Total additions during the year	310,026	274,134	584,160
Foreign exchange adjustment	**(34,733)**	**(126,117)**	**(160,850)**
Balance, December 31, 2016	**$ 575,739**	**$ 1,073,797**	**$ 1,649,536**

Properties Held in Turkey

Horzum JV Properties

The Company, through Pasinex Arama had originally acquired six properties in the vicinity of Horzum, Adana province, Turkey as part of the initial exploration there. These properties were acquired to be included in the 50 / 50 joint venture with Akmetal. During the year ended December 31, 2016, $334,180 (2015 – costs of $14,128) in exploration costs and recovery of $24,154 (2015 - costs of $18,191) in license costs have been spent on the Horzum JV. As at December 31, 2016, the Company had only the Akkaya Property with its exploration license in good standing. The process to transfer the license of the Akkaya Property to the Joint Venture is still ongoing, therefore the Company is capitalizing all costs spent on the property until the transfer takes place. See also Note 7.

8. Exploration and Evaluation Assets (Continued)

Golcuk Property

On July 19, 2012, the Company signed an option agreement (the "Agreement") with Eurasian Minerals Inc. ("Eurasian") and its wholly owned Turkish subsidiary, Eurasia Madencilik Ltd. STI, whereby Pasinex, through its wholly owned Turkish subsidiary, Pasinex Arama, can acquire a 100% interest in the Golcuk Property ("Golcuk") located in northeast Turkey. Under the Agreement, Golcuk will be forthwith transferred to Pasinex Arama.

As consideration, upon granting of the mining obligation extension, Pasinex issued common shares to Eurasian as follows:

- 500,000 common shares within five (5) days after the granting of the extension (issued);
- 500,000 common shares on the one year anniversary of the Initial Issuance Date (issued);
- 1,000,000 common shares on the two year anniversary of the Initial Issuance Date (issued)(note 10); and
- 1,000,000 common shares on the three year anniversary of the Initial Issuance Date (issued)(note 10).

Eurasian will retain a 2.9% Net Smelter Royalty on Golcuk which Pasinex has the option of buying down to 2% within six years of the Agreement date for consideration of $1,000,000.

Additionally, Pasinex will be required to complete minimum annual work commitments on the project as follows:

- $200,000 before the one year anniversary of the date of the transfer of Golcuk to Pasinex Arama (the "Completion Date");
- $250,000 before the two year anniversary of the Completion Date; and
- $250,000 before the end of the four year anniversary of the Completion Date.

Golcuk is classified as an operational license under the Turkish government mining regulations. As such, the property requires, at a minimum, a small-scale mining operation to be carried out each year in order to satisfy its operational license, and each year, the project must process approximately 900 tonnes of ore. On the completion and acceptance of the Agreement, Pasinex was to file a request for a one-year extension in regard to the Company's small-scale mining obligation to the Turkish government. However, Pasinex applied for and obtained an Open Pit Application and management has determined that the granting of the Open Pit Application would replace the one-year extension requirement of the original option Agreement. The Company entered into an Amended Agreement with Eurasian to waive certain government requirements and the right to terminate the agreement. The Golcuk property was transferred to Pasinex Arama in September 2012.

On November 30, 2016, the Company entered into a Second Amendment to the Agreement with Eurasian for the Golcuk Property. This amendment included:

(a) Advance Royalty Payment of 50 troy ounces of gold or its equivalent in shares of the Company (664,483 common shares issued)(see note 10) ;
(b) Definition of the Completion Date in the Agreement to be changed to September 18, 2012; and
(c) Work Program Provisions of the Agreement are in part amended so that the third portion of Expenditures (as this term is defined in the Agreement) to be undertaken by Pasinex Arama, being the additional $250,000 shall be completed on or before June 30, 2017, instead of June 16, 2016, provided that Pasinex Arama agrees to commence a program of exploration drilling on the properties prior to June 30, 2017 and also provided that the failure to commence drilling by that date shall constitute a material breach giving Eurasian the right to terminate the Agreement, should Pasinex Arama fail to cure such default within 30 days of being delivered a default notice.

During the year ended December 31, 2016, $82,074 (2015 - $9,443) in exploration costs and $192,060 (2015 - $173,332) in acquisition costs have been incurred on the Golcuk Property.

(Expressed in Canadian Dollars, unless otherwise indicated)

9. Accounts Payable and Accrued Liabilities

As at December 31,	2016	2015
Falling due within the year		
Trade payables	**$ 222,566**	$ 289,595
Total	**$ 222,566**	$ 289,595

10. Share Capital

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

(b) Issued:

At December 31, 2016, the 121,262,250 issued common shares amounted to $10,219,119 (2015 - 100,792,309 common shares amounting to $8,781,434).

During the year ended December 31, 2015

(i) On February 6, 2015, the Company closed a non-brokered private placement of 910,000 units (the “Units”) at a price of $0.11 per Unit for gross proceeds of $100,100. Each Unit consisted of one common share and one half of a share purchase warrant (the “Warrant”). Each whole Warrant will be exercisable into one additional common share (the “Warrant Share”) of the Company at $0.18 per Warrant Share for a period of two years from closing.

(ii) On February 12, 2015, the Company issued 1,000,000 common shares to Eurasian, valued at $120,000, in accordance with the Golcuk Property agreement (see Note 8). The Company also issued 100,000 common shares to Zimtu Capital Corp., valued at $12,000, for finder’s fees in accordance with the Golcuk Property agreement.

(iii) On December 31, 2015, the Company closed a non-brokered private placement of 10,277,315 units (the “Units”) at a price of $0.05 per Unit for gross proceeds of $513,866. Each Unit consists of one common share and one half of a share purchase warrant (the “Warrant”). Each whole Warrant will be exercisable into one additional common share (the “Warrant Share”) of the Company at $0.10 per Warrant Share for a period of one year from closing. As at December 31, 2015, $92,500 of the funds were not yet collected; however, all funds have been received subsequent to December 31, 2015.

(iv) On December 31, 2015, the Company issued 7,820,685 shares at a deemed value of $0.05 to various creditors for the settlement of debt valued at $391,034.

During the year ended December 31, 2016

(v) On February 11, 2016, the Company issued 1,000,000 common shares to Eurasian, valued at $60,000, in accordance with the Golcuk Property agreement (see Note 8). 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.

(Expressed in Canadian Dollars, unless otherwise indicated)

10. Share Capital (Continued)

During the year ended December 31, 2016 (continued)

(vi) On June 3, 2016, the Company closed a non-brokered private placement of 12,000,000 units (the "Units") at a subscription price of $0.05 per Unit for gross proceeds of $600,000. Each Unit consisted of one common share and one share purchase warrant (the "Warrant"). Each whole Warrant is 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.

The fair value of the Warrants at the date of issue of $348,000 was estimated using the Black Scholes valuation model with the following assumptions: a 1 year expected term; a 108% expected volatility based on historical trends; risk free interest rate of 0.51%; share price at the date of grant of $0.07; and an expected dividend yield of 0%.

(vii) On November 28, 2016, the Company issued 664,483 common shares to Eurasian, valued at $79,738, in accordance with the Amendment with the Golcuk Agreement (see Note 8).

(c) Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2014	**11,484,821**	**$ 0.15**
Issued (note 10(b)(i)(iii))	5,593,658	0.11
Expired	(1,948,750)	0.16
Balance, December 31, 2015	**15,129,729**	**0.14**
Issued (note 10(b)(vi))	12,000,000	0.07
Exercised	(6,688,658)	0.10
Expired	(1,682,500)	0.18
Balance, December 31, 2016	**18,758,571**	**$ 0.10**

The Company had the following warrants outstanding at December 31, 2016:

Expiry Date	Exercise Price	Number of Warrants
February 6, 2017	$0.18	455,000
April 7, 2017	$0.12	2,973,572
April 22, 2017	$0.12	724,731
June 6, 2017	$0.07	12,000,000
August 18, 2017	$0.20	2,605,268
		18,758,571

(Expressed in Canadian Dollars, unless otherwise indicated)

10. Share Capital (Continued)

(d) Agent Warrants

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

	Number of Agent Warrants	Weighted Average Exercise Price
Balance, December 31, 2014	**258,800**	**$ 0.18**
Issued	16,800	0.10
Expired	(58,400)	0.16
Balance, December 31, 2015	**217,200**	**0.18**
Exercised	(16,800)	0.10
Expired	(32,000)	0.18
Balance, December 31, 2016	**168,400**	**$ 0.19**

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent warrants granted. During the year ended December 31, 2015, share issue costs of $199 were recognized. The fair value of each agent warrant grant was calculated using the following weighted average assumptions: a 1 year expected term; a 87% expected volatility based on historical trends; risk free interest rate of 0.48% and an expected dividend yield of 0%.

The Company had the following agent warrants outstanding at December 31, 2016:

Expiry Date	Exercise Price	Number of Agent Warrants
April 7, 2017	$0.12	27,200
August 18, 2017	$0.20	141,200
		168,400

(Expressed in Canadian Dollars, unless otherwise indicated)

11. 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 years presented:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2014	**3,100,000**	**$ 0.12**
Granted (i)	190,000	0.14
Balance, December 31, 2015	**3,290,000**	**0.12**
Granted (ii)	2,200,000	0.19
Expired / forfeited	(1,300,000)	0.11
Balance, December 31, 2016	**4,190,000**	**$ 0.16**

(i) On May 8, 2015, 190,000 stock options were granted to officers and a consultant of the Company at a price of $0.14, expiring May 8, 2020. The stock options vested immediately. The fair value of the stock options at the date of grant of $15,068 was estimated using the Black Scholes valuation model with the following assumptions: a 5 years expected term; a 113% expected volatility based on historical trends; risk free interest rate of 1.02%; share price at the date of grant of $0.09; and an expected dividend yield of 0%.

(ii) On October 18, 2016, 2,200,000 stock options were granted to directors and officers of the Company at a price of $0.19, expiring October 18, 2018. The stock options vested immediately. The fair value of the stock options at the date of grant of $112,200 was estimated using the Black Scholes valuation model with the following assumptions: a 2 years expected term; a 114% expected volatility based on historical trends; risk free interest rate of 0.59%; share price at the date of grant of $0.11; and an expected dividend yield of 0%.

The Company had the following stock options outstanding as of December 31, 2016:

	Number of Options			
Expiry Date	**Outstanding**	**Exercisable**	**Exercise Price**	**Weighted Average Remaining Contractual Life (years)**
March 14, 2019	550,000	550,000	$ 0.10	2.20
December 19, 2019	1,400,000	1,400,000	$ 0.14	2.97
May 8, 2020	40,000	40,000	$ 0.14	3.35
October 18, 2018	2,200,000	2,200,000	$ 0.19	1.80
	4,190,000	4,190,000		2.26

(Expressed in Canadian Dollars, unless otherwise indicated)

12. Net Income (Loss) per Common Share

Basic and diluted income (loss) per share are as follows for the years presented:

	Year ended December 31, 2016	Year ended December 31, 2015
Numerator:		
Net income (loss)	**$ 829,906**	$ (680,809)
Denominator		
Weighted average number of common shares - basic	**109,458,400**	82,472,473
Effect of dilutive securities	**2,489,851**	**-**
Weighted average number of common shares - diluted	**111,948,251**	82,472,473
Net income (loss) per share - basic	**$ 0.01**	$ (0.01)
Net income (loss) per share - diluted	**$ 0.01**	$ (0.01)

13. Financial Instruments and Capital Disclosures

In accordance with IFRS, the Company shall disclose the comparison of carrying amounts and fair values of the Company's financial instruments that are carried in the consolidated financial statements. As of December 31, 2016 and 2015, the fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments, except for cash and marketable securities which are measured at fair value based on price quotations at the reporting date.

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 311,958	$ -	$ -	$ 311,958
Marketable securities	11,342	-	-	11,342
	$ 323,300	$ -	$ -	$ 323,300

As at December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 25,749	$ -	$ -	$ 25,749
Marketable securities	17,160	-	-	17,160
	$ 42,909	$ -	$ -	$ 42,909

13. Financial Instruments and Capital Disclosures (Continued)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein. A discussion of the Company's use of financial instruments and their associated risk is provided below:

a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada and in Turkey. Management believes that the credit risk with respect to receivables is remote. The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits. The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the statements of financial position date.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at December 31, 2016, the Company had a cash balance of $311,958 (2015 - $25,749) and current liabilities of $282,818 (2015 - $381,901). All of the Company's accounts payable and accrued liabilities and due to related parties have contractual maturities of less than 60 days and are subject to normal trade terms. The Company may manage its short term liquidity shortfall by obtaining additional loans from directors or by equity financing.

c) Market Risk

Market risk consists of currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency Risk - foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. Foreign currency risk also arises from the fluctuation in currency exchange between the Canadian dollar and TRY. During the year ended December 31, 2016, the translation of the assets and liabilities of Pasinex Arama resulting in foreign currency translation adjustments of $537,083 to OCI. For the year ended December 31, 2016, if the TRY to Canadian dollar rate increased/decreased by 5% with all other variables held constant, OCI would have been approximately $54,000 higher/lower.

ii) Interest Rate Risk - interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is currently not exposed to interest rate risk.

13. Financial Instruments and Capital Disclosures (Continued)

c) Market Risk (continued)

(iii) Price Risk - the Company is exposed to price risk with respect to commodity prices, particularly the price of zinc. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to zinc prices, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's future profitability and viability depend upon the world market price of zinc. Zinc prices have fluctuated widely in recent years. The Joint Venture's sales are subject to fluctuations in zinc price. For the year ended December 31, 2016, if the price of zinc increased/decreased by 10% with all other variables held constant, net income and comprehensive income would have been approximately $583,000 higher/lower.

The Company manages its common shares, stock options and warrants as capital. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its project for the benefit of its stakeholders. The Company is not subject to any externally imposed capital requirement.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of its mineral properties. The Board of Directors has not established quantitative capital structure criteria for management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business. The properties in which the Company currently has interest are in the exploration stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. In order to facilitate the management of capital and maintenance and development of future mining sites, the Company may issue new equity, incur additional debt, option its properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

14. 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 transacted 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.

(Expressed in Canadian Dollars, unless otherwise indicated)

14. Related Party Balances and Transactions (Continued)

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

	Year Ended December 31, 2016	Year Ended December 31, 2015
Management and consulting fees	**$ 243,864**	$ 204,050
Share-based payments	**112,200**	-
Geological fees	**-**	10,300
	$ 356,064	$ 214,350

Amounts payable to related parties were as follows:

	As at December 31, 2016	As at December 31, 2015
Steven Williams (1)	**$ 50,522**	$ 25,944
Marrelli Support Services Inc. (2)	**2,222**	-
DSA Corporate Services (3)	**2,549**	-
Sven Olsson. (4)	**4,959**	-
Clinton Smyth (5)	**-**	50,890
Larry Seeley (6)	**-**	2,872
Jody Bellefleur (7)	**-**	12,600
	$ 60,252	$ 92,306

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

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 was $nil as of December 31, 2016 (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 $nil as of December 31, 2016 (2015 - $419,821).

(Expressed in Canadian Dollars, unless otherwise indicated)

14. Related Party Balances and Transactions (Continued)

To the knowledge of the directors and officers of the Company, as at December 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:

	Number of Common Shares	Percentage of Outstanding Common Shares
Larry Seeley	**28,728,191**	**23.69 %**

15. 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 December 31, 2016	As at December 31, 2015
Non-current assets by geographic segment		
Turkey	**$ 3,567,488**	$ 2,183,287
Canada	**-**	-
	$ 3,567,488	$ 2,183,287

	As at December 31, 2016	As at December 31, 2015
Assets by geographic segment		
Turkey	**$ 3,750,211**	$ 2,311,211
Canada	**315,578**	57,652
	$ 4,065,789	$ 2,368,863

Year ended December 31, 2016	Canada	Turkey	Total
Equity gain from joint venture	$ -	$ 1,802,710	$ 1,802,710
Net income (loss)	$ (852,897)	$ 1,682,803	$ 829,906

Year ended December 31, 2015	Canada	Turkey	Total
Equity gain from joint venture	$ -	$ 417,042	$ 417,042
Net income (loss)	$ (727,884)	$ 47,075	$ (680,809)

(Expressed in Canadian Dollars, unless otherwise indicated)

16. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statement of income (loss) and comprehensive income (loss) for the years ended December 31, 2016 and 2015:

	Year ended December 31, 2016	Year ended December 31, 2015
Income (loss) before income taxes	**$ 829,906**	$ (680,809)
Statutory tax rate	**26.00 %**	26.00 %
Expected income tax recovery based on statutory rate	**215,776**	(177,011)
Adjustment to expected income tax benefit:		
Non-deductible items	**12,375**	6,742
Change in estimates	**-**	46,824
Loss carryforwards expired	**-**	30,239
Share issuance costs	**-**	(270)
Foreign tax rate difference	**(244,231)**	(2,826)
Change in deferred tax assets not recognized	**16,080**	96,302
Total income tax provision (recovery)	**$ -**	$ -

<u>Canada</u>

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

	December 31, 2016	December 31, 2015
Non-capital loss carry-forwards	**$ 5,778,000**	$ 5,038,260
Capital losses	**74,150**	74,150
Equipment	**13,393**	1,904
Financing costs	**56,888**	68,170
	$ 5,922,431	$ 5,182,484

No deferred tax liabilities have been recognized in respect of the aggregate amount of $1,791,188 of taxable temporary differences associated with interests in joint ventures, as the Company controls the timing and circumstances of the reversal of these differences, the occurrence of which is not anticipated to reverse in the foreseeable future.

(Expressed in Canadian Dollars, unless otherwise indicated)

16. Income Taxes (Continued)

The Company has non-capital loss carryforwards of approximately $5,778,000 (2015 - $5,040,000) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	Canada
2026	$ 118,000
2027	132,000
2028	376,000
2029	648,000
2030	261,000
2031	529,000
2032	631,000
2033	671,000
2034	903,000
2035	764,000
2036	745,000
	$ 5,778,000

In addition, the Company has capital loss of $74,150 (2015 - $74,150), which may be carryforward indefinitely and apply to reduce future capital gains.

Turkey

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

	December 31, 2016	2015
Exploration and evaluation assets	**$ 68,857**	$ (301,328)
Investments	**-**	(10,713)
Net operating loss carryforwards	**1,109,335**	912,380
	$ 1,178,192	$ 600,339

Pasinex Arama has net operating loss carryforwards of approximately $1,109,000 (2015 - $1,014,000) which may be carried forward to apply against future year income tax for Turkish tax purposes.

Expiry	Turkey
2017	$ 199,000
2018	335,000
2019	110,000
2020	358,000
2021	107,000
2026	-
	$ 1,109,000

17. Subsequent Events

(i) Subsequent to December 31, 2016, 8,325,502 warrants were exercised for gross proceeds of $769,060.
(ii) On February 6, 2017, 455,000 warrants with an exercise price of $0.18 expired unexercised.