

Pasinex Resources Limited

CSE: PSE | FRA: PNX

Spur high-grade zinc deposit and new discovery in Nevada

- New zinc sulphide discovery beneath high-grade zinc (Ag, Pb, Cu) oxides.
- Targeting the source; this discovery may be distal to the main system.
- Juxtaposition of high-grade carbonate-hosted zinc with underlying black shale-hosted zinc is highly unusual and presents two distinct but not necessarily mutually exclusive exploration targets.

SUMMARY

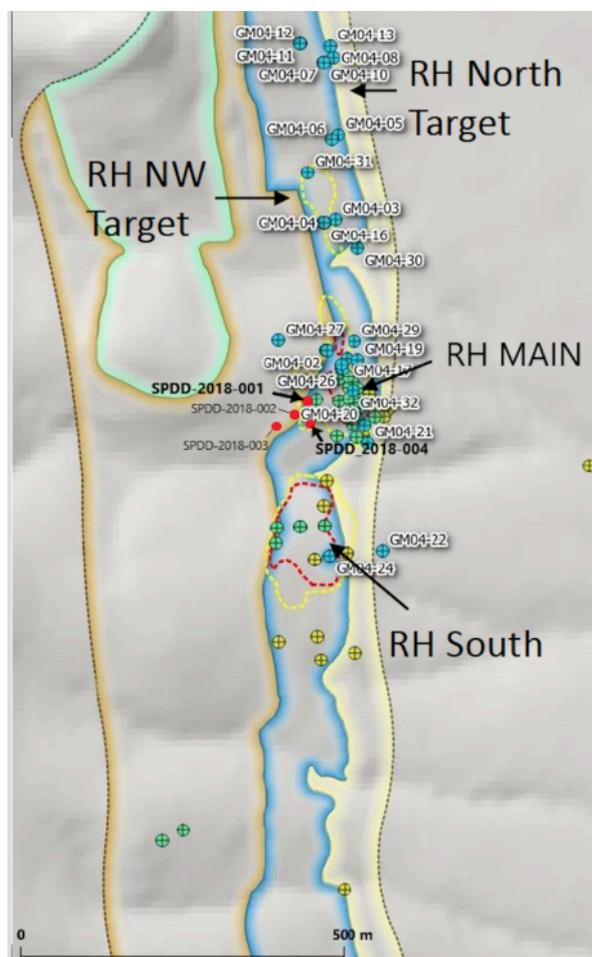
The Spur Zinc Project (“Spur”) Area is centred on a high-grade zinc concentration near the Bald Mountain gold mine and about a 90 minute drive south of Elko in White Pine County of eastern Nevada. The mineralization on the eastern apron of the Diamond Range is deeply weathered to form high-grade zinc oxides. Drilling by Pasinex Resources Limited (“Pasinex”) this summer resulted in a significant new discovery of zinc sulphides beneath the zinc oxides. This provokes a radical rethink of Spur’s exploration potential. The known mineralized occurrences run north-south and Pasinex has now staked ground extending five kilometres to the north and to the south of the initial ground holding to provide room for a major discovery.

NE Nevada



EXPLORATION HISTORY – HOW WE GOT HERE

In 1990, Western Mining (WMC) was exploring for gold guided by outcrops of Jasperoids in the basin west of Bald Mountain vectoring westward across a range front fault onto the eastern apron of the Diamond Range. WMC “stumbled” over what became the RH Main Zone high-grade zinc oxide discovery. At that time and until recently Spur was known as Gunman. Zinc was of little interest to a gold explorer. Cypress Development Corp. (“Cypress”) explored Spur intermittently between 2000 and 2014. A total of 114 reverse circulation drill-holes and 17 diamond drill holes delineated a limited part of a trend including the RH Main, RH North and RH South prospects. Pasinex optioned this high-grade zinc-oxide property from Cypress in 2017 because of its similarities to its Pinargozu high-grade zinc carbonate replacement deposit (CRD) in Turkey.



At Spur and specifically in RH Main Zone reverse circulation drilling programs totalling 12,250 metres intersected zinc grades between 5% to 33% and also silver between 15g/t to 465g/t and some minor lead over substantial widths. The deposit has central zones of massive, strongly oxidized mineralization and halos of partial replacement and veining. The mineralization is within 125 metres of the surface.

Previous explorers drilled the core of RH Main Zone by reverse circulation drilling. Such drilling identifies mineralization but provides very little else in terms of useful structural information which give clues the orientation of feeder structures.

Highlights of previous drilling by Cyprus prior to Pasinex involvement:

Figure 1:

Drill Hole	From (feet)	To (feet)	Length (feet)	% Zn	Ag ppm
BC-16	125	185	60	10.96	45
BC-24*	20	65	45	4.02	40
GM04-32	40	210	170	15.13	145
GM-01	160	210	50	9.47	60
GM-01	355	375	20	14.96	121
GM-07	105	165	60	9.88	57
GM-07	180	205	25	12.50	82
GM-09	130	195	65	6.78	49
GM-09	225	285	60	5.98	39
GM-26	50	225	175	15.66	149
GM-27	60	205	145	5.11	37
GM-28	5	175	170	9.97	51
GM-29	15	85	70	5.96	33
GM-29	140	180	40	6.47	33
GM-32	45	165	120	8.73	51
GMRC-4	20	175	155	8.70	48
GMRC-5	5	205	200	8.87	63
GMRC-9	50	225	175	11.99	121
GMRC-11	0	150	150	3.06	18
GMRC-11	165	215	50	7.87	126
GMRC-15	80	185	105	19.33	103
GMRC-16	45	225	180	16.74	105
GMRC-20	40	185	145	9.52	79
GMRC-22	105	150	45	21.38	41

* Apart from BC-24, in the RH South zone, all intersections are from the main RH zone.

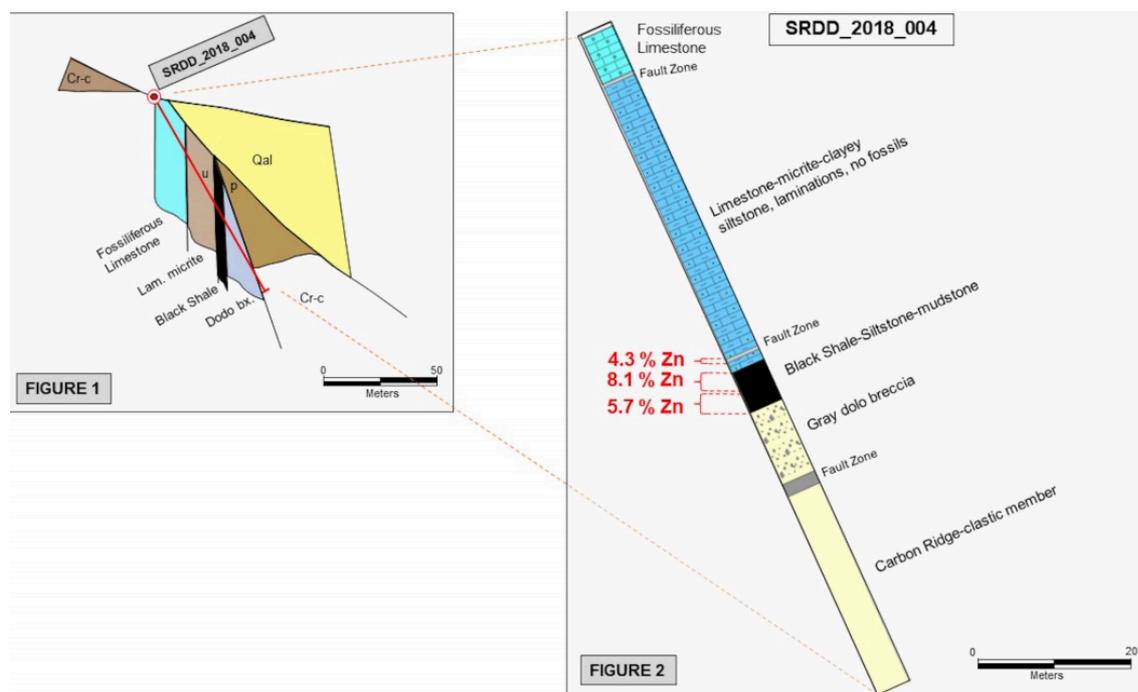
Note: True widths of the drill hole intersections reported in the Figure 1 cannot be determined from the information available.

WHAT HAS BEEN FOUND BY PASINEX AND COMPARISON WITH EUREKA STYLE CRD

During the summer (2018) Pasinex drilled four inclined and oriented diamond drill-holes to try and better understand the geology and the controls on the mineralization. During Pasinex's limited surgical drilling campaign at RH Main, diamond drill hole SRDD-2018-001 cut 144 feet (43.9 metres) averaging 14.2% of oxide zinc from 142 feet (43.3 metres) - including 45 feet (13.7 metres) averaging 26.1% zinc and 242 g/t silver (5.6 ozs) from 160 feet (48.8 metres). Pasinex is now assessing potential similarities to the relatively nearby Eureka CRD District (2Mt of 1.65M oz Au, 39M oz Ag and 625M lbs Pb)¹. Eureka ores were thoroughly oxidized so most of the zinc was flushed out.

DRILLING DEEPER AND DISCOVERY OF UNUSUAL HOST ROCKS FOR A CRD

The last drill hole in Pasinex's drilling campaign, SRDD-2018-004 made a surprising discovery – the intersection of the black-shale-hosted zinc-sulphide 50 metres south and down-plunge of drill hole SRDD-2018-001. This is a highly unusual rock type to be mineralized in a CRD setting. The intersection was nine feet (2.74 metres) averaging 8.1% zinc from 289 feet (88.1 metres) and 11 feet (3.35 metres) averaging 5.7% zinc from 304 feet (92.6 metres).



¹ Graton Sales volume 1968 - historic production of oxides. A larger tonnage of sulfide ore remains unmined and there is a possible genetic link to surrounding multi million ounce gold deposits



RESULTS LEAD TO TWO POSSIBLE EXPLORATION MODELS

This exploration project has now not one but two distinct and compelling exploration targets. The upper limestone-hosted high-grade zinc oxide mineralization may be the weathered top of a much deeper wall-rock Carbonate Replacement Deposit (CRD) while the shale-hosted zinc sulphide mineralization may represent the distal fringes of a very different deposit type – a shale-hosted massive sulphide deposit (SHMS). Alternatively these two deposit types may be related and not mutually exclusive.

GEOLOGY

On the eastern flank of the Diamond Range steeply dipping Ely Limestone of Pennsylvania age hosts the high-grade zinc oxide mineralization. The Ely Limestone lies unconformably below the gently dipping Carbon Ridge Formation of Permian age. The Ely Limestone was folded during the Antler Orogeny prior to deposition of the overlying Carbon Ridge. The last hole in the recent drilling program intersected creamy low-iron sphalerite (zinc sulphide) at the base of the Ely Limestone. The black shale could be part of the Ely Formation. Another possibility is that it represents an attenuation of the Chainman Shale Formation of older Mississippian age. The contact between the Ely Limestone and the Chainman Shale Formation in this part of Nevada is conformable. The Chainman is extensively mineralized in Nevada and the main host to the Carlin Trend gold deposits. The late Professor Sam Carey, the renowned iconoclast and revolutionary geologist said “*we must disbelieve if we can, challenge the model, never sit back and believe what you read or are told to believe and question everything rigorously and then if you do accept the model, you have verified it for yourself and you have made it your own*”. That is how major discoveries are made.

THE OPPORTUNITY

The exploration potential for possibly two quite distinct deposit types has now emerged. On the other hand the oxide zinc mineralization in the limestones maybe be related to the deeper zinc sulphide mineralization in the black shales.

The CRD target: The Taylor Deposit sold recently (remaining 83%) by Arizona Mining to South32 for US\$1.3 billion is an example of a major CRD deposit in neighbouring Arizona. Another good example of the potential prize is the historic Leadville Mine in Colorado which exploited a major CRD Deposit. Examples of major SHMS deposits further north in Canada would be Red Dog in Alaska and Sullivan in British Columbia and bringing us up to the present day would be Fireweed Zinc's Macmillan Pass Project in the Yukon.

Pasinex asked world-renowned CRD exploration geologist Peter Megaw to visit Spur and examine the drill-core. Peter commented: *"I would note from the start that the evidence to date is that the CRD style mineralization present is clearly of economic size and interest and that chasing it is fairly straightforward. The purported SHMS mineralization known may be of significant volume, but some pretty strong evidence will need to be mustered that it is actually a different genesis from the fairly typical CRD mineralization. (Spur) has the chemical earmarks of CRD mineralization: in fact it looks like it could be a series of stacked bedding replacements and oxide "smearing" between, similar to the relatively nearby Eureka District (2Mt of 1.65M oz Au, 39M oz Ag and 625M lbs Pb); Eureka ores were thoroughly oxidized so most of the zinc was flushed out"*.

Bill Tafuri a highly experienced Nevada geologist, based in Park City, Utah, mapped the mineralized zones at Spur in detail and commented: *"the Spur zinc-silver prospect represents a significant discovery and I expect could be expanded in size due to the extent of the presently known mineralization being open in several directions plus the excellent potential to make additional discoveries in the expanded claim-block"*.

Dr Neal Reynolds of CSA Global is a recognized international expert on zinc mineral systems, including SHMS and lower temperature Irish-style and MVT deposits. Pasinex asked Dr Reynolds to consult on Spur and he visited the site and logged the drill-core from the recent drilling program. Dr Reynolds commented: *"the important point is that it is a significant system and that we can better use available historical data to understand it and design an effective test that is inclusive of both CRD and SHMS models"*.

NEXT STEPS

There is plenty of favourable stratigraphy present to provide room for a big zinc mineralized system. Specifically the black shale hosted mineralization may be extensive within the region. Pasinex will take a district-scale view of the various mineralization centres and relate the structure, geophysics, geochemistry and any hints of an intrusion (higher temperature) it can find. Pasinex will thoroughly review the literature on the nearby Eureka District for comparisons in light of the expert advice.

A drone-borne magnetic and LiDAR survey (for accurate topography) is planned to illuminate geology and structure.

Drilling

- Plan a drill program of approximately 10,000 metres to 15,000 metres of RC drilling to test the black mudstone target and/or CRD target (ideally combined). Priority and design will depend on re-interpretation of historical drill-hole data.
- CRD mineralization in the Ely Limestone may be linked to Cu-Ag-Pb-Zn mineralization on fractures that cut the overlying Carbon Ridge Formation upper. The team will chase this mineralization to source.
- The down-plunge oxide zone extending south of RH Main towards the RH South Prospect is a compelling target.
- The Ely Limestone Formation should be drill-tested beneath the Copper Mountain mineralized structures and chase the mineralizing system down structure to the west ideally testing both target types.

THE OPTION AGREEMENT

Pasinex can earn up to an 80 per cent interest in the project from Cypress (TSX.V: CYP) and Caliber Minerals Inc. The total consideration being US\$675,000 in cash and the issuance of 4.8 million Pasinex Common Shares payable over a four-year period ending December 2021. As of September 30, 2018, Pasinex has paid US\$325,000 and issued 4.4 million Pasinex Common Shares. In addition, the Company must incur minimum exploration expenditures totalling US\$2,950,000 also to be spent over four years commencing from the start of the agreement, December 5, 2017.

EurGeol, P.Geol. John Barry, a Qualified Person as defined by NI 43-101, is responsible for the preparation of the scientific and technical information in this project profile. Mr. Barry is VP Exploration for Pasinex and is a director of the Company.