Pasinex Resources Limited

Management's Discussion & Analysis
For the Three and Six Months Ended June 30, 2019 and 2018
Discussion dated: August 29, 2019

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three and six months ended June 30, 2019 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2018. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2018 and 2017, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Where the Turkish Lira is reported it is referenced as TRY. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 29, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the Secretary of the Company or on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements; as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Company. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "project", "could", "believe", "predict", "potential", "should" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should be considered carefully and investors should not place undue reliance on them as the Company cannot assure investors that actual results will be consistent with these forward-looking statements.

These statements speak only as of the date of this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) general business and economic conditions; (ii) timing and amount of estimated future production (iii) the supply and demand for, deliveries of, and the level and volatility of prices of zinc and other precious metals; (iv) the timing of the receipt of any outstanding regulatory and governmental approvals for the Company's projects; (v) the ability to meet social and environmental standards and expectations; (vi) the availability of financing for the Company's development of its properties on reasonable terms; (vii) the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; (viii) the ability to attract and retain skilled staff; (ix) exploration and development timetables; and (x) capital expenditure and operating cost estimates.

The Pinargozu zinc mine was placed into production without a feasibility study of mineral reserves demonstrating economic and technical viability, and as such, any forward-looking statements related to the performance of the Pinargozu mine may differ materially from actual results. The decision to operate a mine without a technical report or feasibility study creates increased uncertainty. Economic or technical results of the Pinargozu zinc mine may differ materially from forward-looking statements due to reduced zinc grade, variation in estimated mineral resources, increased difficulty in mining and other risks associated with the reliability of internal analytical results, geological interpretation and statistical inferences drawn from drilling and sampling.

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity and, particularly the zinc price, expectations regarding currency fluctuations, possible variation in mineral resources or grade, counter party risk associated with sales of zinc material, access to skilled mining personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, changes to government regulation and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors contained in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

Description of Business

Pasinex Resources Limited ("Pasinex" or the "Company") is a publicly listed company incorporated in British Columbia. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "PSE" and on the Frankfurt Stock Exchange ("FSE") under the symbol "PNX".

Pasinex owns 50% of Horzum Maden Arama ve İşletme Anonim Şirketi ("Horzum AS"), which holds the producing Pinargozu high grade zinc mine, through its 100% owned subsidiary Pasinex Arama ve Madencilik Anonim Sirketi. The other 50% owner is Akmetal Madencilik Sanayi ve Ticaret A.S. ("Akmetal"), a private Turkish company. Under a direct shipping program, Horzum AS sells to zinc smelters / refiners. The Company accounts for its 50% joint venture interest as an equity accounted investment where its proportionate share of income is recorded as an equity gain in the statements of income and comprehensive income.

The Company also holds an option to acquire 80% of the Spur Zinc Project, a high-grade zinc exploration project in Nevada ("Spur Zinc Project").

Selected Quarterly Consolidated Information

	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Financial:				
Equity gain from Horzum AS	**$ 286,383**	$ 1,805,685	**$ 536,438**	$ 4,789,871
Adjusted equity gain from Horzum AS (1)	**$ 333,363**	$ 1,805,685	**$ 1,253,493**	$ 4,789,871
Dividend received from investment in Horzum AS	**$ 286,383**	$ 377,370	**$ 536,438**	$ 765,963
Consolidated net income	**$ (108,609)**	$ 930,193	**$ (323,459)**	$ 1,656,214
Basic net income per share	**$ 0.00**	$ 0.01	**$ 0.01**	$ 0.01
Diluted net income per share	**$ 0.00**	$ 0.01	**$ 0.01**	$ 0.01
Cash used in operating activities	**$ 90,369**	$ 142,789	**$ 81,305**	$ 160,648
Weighted average shares outstanding	**144,354,370**	142,154,370	**144,354,370**	142,154,370

As at:	**June 30, 2019**	**December 31, 2018**
Investment in Horzum AS	**$ -**	$ -
Total assets	**$ 2,210,916**	$ 2,280,793
Total liabilities	**$ 1,592,922**	$ 1,314,222
Equity	**$ 617,994**	$ 966,571

	Three Months Ended June 30 2019	2018	Six Months Ended June 30 2019	2018
Horzum AS operational data (100% basis):				
Zinc produced (wet) tonnes	**4,293**	13,080	**11,080**	26,117
Zinc sold (wet) tonnes	**2,397**	9,951	**10,056**	22,672
Zinc sold grade	**46%**	32%	**33%**	33%
Gross margin (1)	**69%**	69%	**61%**	73%
C$ cost per tonne mined (1)	**$ 403**	$ 173	**$ 318**	$ 180
US$ cash cost per pound of zinc produced (1)	**$ 0.32**	$ 0.20	**$ 0.34**	$ 0.20

(1) see non-GAAP measures

The Company has a 50% joint venture interest in Horzum AS, which is equity accounted. This means in the Pasinex consolidated financial statements:

- Horzum AS net income is shown on one line in the income statement – Equity gain from Horzum AS
- Horzum AS net assets are shown in Investment in Horzum AS. The investment increases from the equity gain and decreases when dividends are paid.

Highlights

Q2 Highlights

- For the three and six months ended June 30, 2019 Pasinex incurred an approximately $0.1 million and $0.3 million loss, respectively, compared to net income of approximately $0.9 million for the three months ended June 30, 2018 and approximately $1.7 million for the six months ended June 30, 2018. The decrease in net income is largely due to lower equity gains from Horzum AS.

- The equity gains from Horzum AS for the three and six months ended June 30, 2019 were approximately $0.3 million and $0.5 million, respectively, compared with approximately $1.8 million and $4.8 million for the same periods in 2018, respectively.

- In May 2019, the Company entered into a Debt Agreement with Akmetal to resolve the collectability of the trade receivable owing from them to Horzum AS. The terms of the Debt Agreement include a minimum amount of repayments on a monthly basis plus the chance for additional repayments from proceeds Akmetal would receive from the sale of its other assets (see *Loan Receivable – Akmetal)*. Akmetal has not honoured the terms of the Debt Agreement and has not been able to complete the sale of its other assets as it had planned. As a result, the financial position of Horzum AS and the Company have weakened further.

- In May 2019, the Company received $100,000 from a shareholder of the Company. Subsequent to the end of the quarter the Company received an additional $30,000 from a shareholder of the Company.

- Subsequent to the quarter ended June 30, 2019, the Company appointed a new Chief Financial Officer to its management team.

Going Concern

- At June 30, 2019 the Company's cash balance was $0.1 million with $0.7 million in current payables, excluding shareholder loans payable.

- The Company relies on dividends from Horzum AS to fund its spending. The 2019 production forecast for Pinargozu is approximately 19,000 tonnes (half of 2018 production), but in combination with the sale of inventory on hand at January 1, 2019 there should be adequate cash flow to fund operations at Horzum AS as well as fund non-discretionary spending at Pasinex for the next twelve months. Drilling will continue through 2019 at Pinargozu to find a parallel oxide system in an effort to increase 2019 production.

- In May 2019, the Company entered into a Debt Agreement with Akmetal to resolve the collectability of the trade receivable owing by them to Horzum AS. The terms of the Debt Agreement include a minimum amount of repayments on a monthly basis plus the chance for additional repayments from proceeds Akmetal would receive from the sale of its other assets (see *Loan Receivable – Akmetal)*. Akmetal has not honoured the terms of the Debt Agreement and has not been able to complete the sale of its other assets as it had planned. As a result, the financial position of Horzum AS and the Company have weakened further. At June 30, 2019 the receivable owing from Akmetal to Horzum AS was approximately $34.5 million.

- In March and April of 2019 Akmetal used approximately 6,300 tonnes of oxide from Horzum AS to fulfill an obligation to one of its customers. Management is pursuing alternatives with Akmetal to have the material returned or paid for by Akmetal.

- The Company will continue to push Akmetal to return to Horzum AS, or pay for, the 6,300 tonnes of oxide they used and repay significant amounts of the debt owing through 2019. If this happens, Horzum AS should be able to deliver steady dividends to its partners. In the absence of the receipt of dividends from Horzum AS the

Company would need to secure funding from either equity financing or additional related party loans. The Company received an additional $100,000 in May 2019 and an additional $30,000 in July 2019, from a shareholder to pay for certain overdue administration costs. There can be no assurance that the Company will be able to generate sufficient dividends from Horzum AS nor be able to generate funds from other sources. Accordingly, these conditions represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to the carrying values of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Pinargozu Operations and Horzum AS Financial Update (100% basis)

- Pinargozu produced 4,293 tonnes in the second quarter versus 6,787 tonnes of material in the first quarter of 2019 and versus 13,080 tonnes produced in the second quarter of 2018. As expected, mine production has decreased in 2019, because of difficulties in gaining access to the available ore.

- Similar to production, sales volumes are down between years, at 2,369 tonnes in second quarter 2019 versus 9,951 tonnes in the same period in 2018. Sales volumes for the six months ended June 30, 2019 were 10,056 tonnes versus 22,672 tonnes for the same period in 2018.

- Lower sales volumes at lower zinc prices resulted in lower gross sales between periods. Gross sales for the second quarter of 2019 were approximately $1.6 million compared to approximately $6.6 million in the same period in 2018. For the six months ended June 30, 2019 sales were approximately $5.8 million versus approximately $16.1 million for the same period in 2018.

- The average grade of the zinc product sold in the second quarter of 2019 was 46% versus 32% in the same period in 2018. This higher grade reflects predominantly sulphide material being sold in Q2 2019 versus lower grade oxide material.

- Cash costs per pound of production were higher between periods mainly because of the lower production.

- Gross margins (after accounting for all operational costs) are strong at 61% in 2019 despite the lower sales volumes and prices. This compares to 73% in 2018.

Review of Quarterly Consolidated Financial Statements

Three and Six Months Ended June 30, 2019 and 2018

The following is a summary income statement for Pasinex:

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
Equity gain from Horzum AS	**$ 286,383**	$ 1,805,685	**$ 536,438**	$ 4,789,871
Impairment charge	**-**	-	**-**	(1,686,600)
Exploration costs	**(40,989)**	(285,445)	**(83,792)**	(327,304)
General and administration costs	**(364,270)**	(587,299)	**(793,964)**	(1,070,511)
Share-based payments	**0**	(43,286)	**0**	(111,920)
Other income	**10,267**	40,538	**17,859**	62,678
Net income (loss)	**$ (108,609)**	$ 930,193	**$ (323,459)**	$ 1,656,214

- Equity gain from Horzum AS represents the Company's 50% share of the net income of Horzum AS. Horzum AS is considered a joint venture for accounting purposes and as such the Company records its share of net income on one line in the income statement. Further details on the results of Horzum AS follow below – *Review of Horzum AS.*

- Exploration costs represent consulting at the Spur Zinc Project.

- In 2018, the Company completed an extensive geological review including mapping, structure, mineralization and geological model/genesis and took the decision to not advance the Golcuk property. Although there is evidence of copper throughout the property the Company believes that it will be difficult to get sufficient contiguous mineralization that would underpin the Company's targets for economical tonnage. The license for the property has been relinquished to the Turkish government. The fair value has been estimated at zero which resulted in an impairment charge of $1.7 million in 2018.

- Pasinex general and administration costs include the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2019	2018	**2019**	2018
General and administration costs				
Advertising and promotion	**$ 8,859**	$ 115,895	**$ 37,025**	$ 138,404
Consulting fees	**81,654**	128,595	**177,851**	180,665
Investor relations	**1,280**	42,876	**10,553**	131,722
Management fees and salaries	**125,350**	160,166	**244,216**	318,838
Office and general	**31,660**	22,022	**60,240**	44,598
Professional fees	**54,141**	34,917	**91,559**	71,411
Supplies and equipment	**-**	7,413	**-**	8,555
Transfer agent and regulatory fees	**7,355**	3,113	**19,143**	16,469
Travel and meals	**50,343**	70,095	**144,161**	155,782
Other	**3,628**	2,207	**9,216**	4,067
	$ 364,270	$ 587,299	**$ 793,964**	$ 1,070,511

In general, Pasinex has reduced its overall spend on elective general and administrative costs during the three and six months ended June 30, 2019 compared with the same periods in 2018 in order to conserve cash.

- Pasinex share-based payments are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Share-based payments	**$ -**	$ 43,286	**$ -**	$ 111,920

- Stock options issued:
  - On December 4, 2017, 1 million stock options were granted to an employee of the Company at a price of $0.25 each, expiring December 4, 2022. 400,000 of these stock options vested immediately and the remaining 600,000 stock options vested over a six-month period from date of grant. The fair value of the stock options at the date of grant was $202,000 of which $98,780 was expensed in 2017 and the balance of $103,220 expensed in 2018 (of which $59,934 was expensed in the first quarter of 2018).
  - On January 24, 2018, 50,000 stock options were granted to a consultant of the Company at a price of $0.20 each, expiring January 24, 2023. The stock options vested immediately and the fair value of the stock options at the date of grant of $8,700 was fully expensed in 2018.
  - No stock options were issued during the first two quarters of 2019.

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Tonnes produced (wet)	**4,293**	13,080	**11,080**	26,117
Tonnes sold (wet):				
Zinc oxide	**-**	9,951	**7,659**	20,855
Zinc sulphide	**2,397**	-	**2,397**	1,700
Lead	**-**	-	**-**	117
	2,397	9,951	**10,056**	22,672
Average grades:				
Zinc oxide	**0%**	32%	**33%**	33%
Zinc sulphide	**46%**	0%	**47%**	42%
C$ cost per tonne mined (1)	**$ 403**	$ 173	**$ 318**	$ 180
Equity gain	**$ 286,383**	$ 1,805,685	**$ 536,438**	$ 4,789,871

(1) See non-GAAP measures

Operating results

- Production at Pinargozu decreased in second quarter of 2019 compared to the first quarter of 2019 and also the same period in 2018. The production in the first quarter of 2019 also decreased compared to the same period in 2018. As expected, difficult access to available ore resulted in lower production tonnage. The lower tonnage has resulted in increased costs per tonne mined in 2019 versus 2018.

Financial results

The equity gain in Horzum AS represents 50% of Horzum AS net income.

Below are the statements of operation for Horzum AS for the three and six months ended June 30, 2019 and 2018 with a reconciliation to the Company's equity gain as shown on the Pasinex consolidated financial statements.

(100% basis Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Revenue	**$ 1,578,134**	$ 6,604,956	**$ 5,832,473**	$ 16,102,663
Cost of sales	**(473,130)**	(2,046,575)	**(2,120,377)**	(4,359,562)
Selling, marketing and other distribution	**(11,262)**	2,547	**(129,385)** -	44,613
Operating Income	**1,093,742**	4,560,929	**3,582,711**	11,698,489
General and administration costs	**(178,405)**	(154,690)	**(300,649)**	(340,494)
Impairment of Akmetal receivable	**(1,964,348)**	-	**(3,002,089)**	-
Other	**(14,715)**	222,257	**(16,534)**	944,953
	(1,063,726)	4,628,495	**263,439**	12,302,948
Income tax expense	**(233,896)**	(1,017,125)	**(758,543)**	(2,723,205)
Net income (loss)	**$ (1,297,622)**	$ 3,611,371	**$ (495,104)**	$ 9,579,742
Pasinex joint venture interest	**50%**	50%	**50%**	50%
Share of net income (loss)	**(648,811)**	1,805,685	**(247,552)**	4,789,871
Increase (recognition) of prior year equity losses	648,811	-	247,552	-
Dividend received	**286,483**	-	**536,538**	-
Equity gain from Horzum AS	**$ 286,483**	$ 1,805,685	**$ 536,538**	$ 4,789,871

Revenue

The table below shows further details on revenue:

(100% basis)	**Three Months Ended June 30, 2019**			**Three Months Ended June 30, 2018**		
	(wet tonnes)		*(C$)*	*(wet tonnes)*		*(C$)*
Zinc oxide sales	1,397	**$**	**757,837**	9,951	$	6,604,956
Zinc sulphide sales	1,000		**1,019,096**	-		-
Lead sales	-		**-**	-		-
Final sales adjustments related to 2018		**-**	**198,799**			
Total revenue	2,397	**$**	**1,578,134**	9,951	$	6,604,956

(100% basis)	**Six Months Ended June 30, 2019**			**Six Months Ended June 30, 2018**		
	(wet tonnes)		*(C$)*	*(wet tonnes)*		*(C$)*
Zinc oxide sales	9,056	**$**	**4,106,435**	20,855	$	14,022,536
Zinc sulphide sales	1,000		**1,924,837**	1,700		1,924,837
Lead sales	-		**-**	117		155,290
Final sales adjustments related to 2018		**-**	**198,799**			-
Total revenue	10,056	**$**	**5,832,473**	22,672	$	16,102,663

Revenues have decreased year over year mainly due to lower sales volumes although lower zinc prices have contributed as well. Sales volumes have decreased as a result of lower production and available ore having been used by Akmetal.

Costs and other income/expense

Costs have decreased in 2019. Lower production resulted in lower variable mining costs, including fuel, vehicle expenses, explosives and ground support. Drilling costs remain consistent between periods. In addition, the TRY based costs when translated to Canadian dollars reduces the Canadian dollar costs because of the weaker TRY to the Canadian dollar.

Impairment of Akmetal receivable is described below, *Loan receivable - Akmetal*.

Income tax expense

The statutory rate for income taxes in 2019 and 2018 is at a rate of 22%. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

(100% basis Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Income before income tax expense	**$ (1,063,727)**	$ 4,628,495	**$ 263,439**	$ 12,302,948
Statutory tax rate	**22%**	22%	**22%**	22%
Expected income tax recovery (expense)	**234,020**	(1,018,269)	**(57,957)**	(2,706,649)
Non deductible expenses	**(35,759)**	1,144	**(40,127)**	(16,556)
Tax recovery not recognized on impairment of Akmetal receivable	**(432,157)**	-	**(660,460)**	-
Income tax expense	**$ (233,896)**	**$ (1,017,125)**	**$ (758,543)**	**$ (2,723,205)**

Recognition of prior year losses

In 2018, the equity loss from Horzum AS was greater than its investment value so the loss was capped as the investment could not be less than zero. The unrecognized loss is to be applied against future equity gains beginning in 2019. In the three and six months ended June 30, 2019 there were no equity gains therefore none of the unrecognized loss was used.

Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis)	**As at June 30 2019**	**As at December 31 2018**
Assets		
Cash and prepaid expenses	**$ 9,416**	$ 9,079
Loan receivable - Akmetal	**34,507,965**	14,859,606
Trade receivables - Akmetal	**-**	12,580,043
Less - discount and allowance on Akmetal receivables	**(34,507,965)**	(27,439,649)
Trade receivables - other	**52,858**	538,393
Other current assets	**957,380**	2,295,348
Non current assets	**1,840,250**	2,017,622
Total assets	**$ 2,859,904**	$ 4,860,442
Liabilities		
Amounts due to shareholders and related parties	**$ 2,797,250**	$ 3,970,164
Other liabilities	**8,388,945**	9,955,192
	11,186,195	13,925,356
Equity	**(8,326,291)**	(9,064,914)
Total liabilities and equity	**$ 2,859,904**	$ 4,860,442

Loan receivable – Akmetal

On May 10, 2019, the Company entered into a legally binding debt repayment agreement ("Debt Agreement") with Akmetal and Horzum AS. The debt owing from Akmetal to Horzum AS as at June 30, 2019 includes (i) the former loan receivable and trade receivable from Akmetal that arose from when Akmetal was selling Horzum AS zinc material; (ii) the cost of approximately 6,300 tonnes of oxide material Akmetal used in the first six months of 2019; and (iii) $1.9 million in loan payments made to a customer on behalf of Akmetal (note 4(c)) (the "Debt"). As per the Debt Agreement, the Debt is guaranteed by Akmetal. The Debt repayments will be by means of Akmetal's delivery of all sulphide zinc and some oxide zinc material from its wholly owned Horzum mine. Horzum AS will sell the material and proceeds from the sale will be used to repay the Debt. Akmetal is obligated to deliver a minimum of 300 tonnes of zinc material per month. In addition, a portion of proceeds from sale of certain other of Akmetal assets will also be used to repay the Debt. In addition, the Debt Agreement provides other enhancements to the Joint Venture Agreement and will terminate by December 31, 2020.

By the end of June 2019, Akmetal used approximately 6,300 tonnes of Horzum AS zinc oxide material. This value of this material is included as part of the Debt. Akmetal has not honoured the terms of the Debt Agreement and has not been able to complete the sale of its other assets as it had planned. As a result, the financial position of Horzum AS and the Company has weakened further. This inventory along with 2019 sales projections are needed to ensure sufficient cash flow is available to fund the Horzum AS operations, pay dividends to Pasinex and fund Horzum AS's net working capital deficit.

During the year end December 31, 2018, since Horzum AS did not receive any payment from Akmetal on the receivables outstanding for over nine months, along with liquidity issues Akmetal was facing during this same period, the Company acknowledged that the credit risk on the Akmetal receivables had increased significantly and there was evidence of impairment. As a result, under the requirements of IFRS 9, management underwent an exercise to calculate its expected credit losses on the Akmetal receivables. Due to Akmetal's liquidity issues, past performance of non-payment (or default) along with the additional usage of Horzum AS inventory in 2019, management had assessed the probability of credit losses to be high.

As a result, as required under IFRS 9, the Company took a full impairment charge of the loan and trade receivables at December 31, 2018. Entering into the legally binding Debt Agreement provides a legal mechanism for Horzum AS to receive payment of the Debt but it still does not demonstrate credit worthiness from Akmetal and as a result the receivable remains written down to zero and additions to the receivable from usage of inventory by Akmetal have been written down to zero as well. The Company will continue to vigorously pursue receipt of funds from Akmetal and re-assess the expected credit losses on a regular basis. Any recovery of the receivable will be recorded in the equity gain from Horzum AS.

Amounts due to shareholder and related parties

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

Other liabilities

These liabilities include income taxes payable and mining royalties payable. The decrease from 2018 is a result of payments made on December liabilities net of additional taxes and royalties payable from 2019 results. Mining royalties are payable to the government based on a formula of 2% of production value plus 30% of 4% of production value.

Equity

The increase in equity from December 31, 2018 is due to net income from the first quarter of 2019.

Commitments

Akmetal entered into a loan facility with one of its customers for overpayments received on advanced provisional invoice payments received earlier in 2018. Horzum AS is a guarantor of the loan facility and recorded the full amount as a current liability. Akmetal did not make payments against the loan facility, but Horzum AS has paid a total of US$1,868,141 (approximately $2.5 million) to this customer. As at December 31, 2018, this amount was US$900,000 ($1.2 million).

Expectations for 2019

(100% basis)	**Original Guidance for the Year Ended December 31, 2019**		**Revised Guidance for the Year Ended December 31, 2019**	
	(wet tonnes)	*(grade)*	*(wet tonnes)*	*(grade)*
Zinc oxide production	9,000 - 10,000	29% to 31%	17,000 - 18,000	29% to 31%
Zinc sulphide production	5,000 - 7,000	45% to 47%	1,000 - 2,000	45% to 47%
	14,000 - 17,000		18,000 - 20,000	
		(C$)		*(C$)*
Cost per tonne mined		$450 - $500		$400 - $450

- Revised guidance is the same as disclosed in the MD&A dated April 30, 2019.

- Horzum AS is going through a transition year in 2019. The known accessible oxide ore is depleting. As such the company is engaged in a significant mine development program to open-up sulphide mineralization known to be at depth by new access through either a spiral development or use of an additional adit. This development is underway but has encountered strong water ingress at depth. This water ingress has delayed development while the company works on a water control mitigation strategy. At this stage there is anticipated to be a production hiatus either late in 2019 or early 2020, while development is completed for access to the deeper mineralization which may be delayed into the first half of 2020 before production can begin on the deeper sulphide mineralization.

- The production forecast for 2019 is significantly lower than 2018 production due to the transition as described above. The revised guidance reflects production of additional oxide ore that was discovered in the first quarter and third quarter of 2019 and a delay in the hiatus in production required for the development until late in 2019 or early 2020.

- As development work is prioritized over production in 2019, the cost per tonne mined will increase because development costs are expensed against reduced production resulting in an estimated cost per tonne mined of between $400 and $450 per tonne. Costs incurred during the production downtime are not included in the cost per tonne mined guidance for 2019.

- Original and revised guidance assumes TL/C$ exchange rate of 4.0. Cost per tonne mined includes underground development and drilling. Revised guidance includes actual results to date and estimates for the remainder of the year based on the mining plan.

- The decision to enter production at the Pinargozu zinc mine was made without reference to a technical report or feasibility study prepared under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). Accordingly, the Company's production estimates and the economic viability of the mine may differ materially from the estimates contained herein.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Apart from these and the discussion below on zinc prices and foreign currency, and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risks and Uncertainties" below.

Management believes that Pasinex is strongly leveraged to the zinc price and so management continuously monitors the global zinc market. The zinc price for the first quarter of 2019 was US$1.23 per pound compared to US$1.55 per pound in the first quarter of 2018, but the price has been increasing steadily from the fourth quarter of 2018 where it averaged US$1.19 per pound. The fundamentals of supply and demand still demonstrate continuing strength in the zinc price and because of the low-cost structure of Horzum, gross margins would be expected to remain strong.

Horzum AS sells their product in US dollars and to a lesser extent in Euros which are then converted to Turkish Lira. As such, Horzum AS's financial performance also depends on the TRY to US Dollar (USD). The USD / TRY exchange rate has changed in 2019, from 5.3 at the end December 2018 to 5.8 at June 30, 2019. The devaluation of the Turkish Lira is a benefit to Horzum AS as sales are denominated in US dollars or Euros, however, the devaluation has a negative impact to Pasinex on the approximately 12 million TRY dividend still owing.

Liquidity and Financial Position

Cash Flows

A summary of the Company's cash flows is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Cash used in operating activities				
Before changes in working capital	**$(396,425)**	$(829,999)	**$(831,772)**	$(1,331,070)
Dividend from Horzum AS	**286,383**	377,370	**536,438**	765,963
Changes in working capital	**19,673**	309,840	**214,029**	404,459
	(90,369)	(142,789)	**(81,305)**	(160,648)
Cash used in investing activities	**(23,648)**	(6,637)	**(74,420)**	(92,421)
Cash received from shareholder loans	**80,000**	-	**80,000**	-
Effect of foreign currencies	**(24,650)**	(57,651)	**(31,442)**	(62,970)
Net change in cash	**(58,667)**	(207,077)	**(107,167)**	(316,039)
Opening cash balance	**170,123**	632,765	**218,623**	741,727
Closing cash balance	**$111,456**	$425,688	**$111,456**	$425,688

Cash provided by (used in) operating activities

Cash used in operating activities before changes in working capital has decreased period over period in line with the decrease in general and administration costs as described above in financial performance.

Changes in working capital

The change between periods is largely a function of timing of payable payments.

Cash received from shareholder loans

The Company received $100,000 in May 2019 from a shareholder to pay for certain overdue administration costs and to make a repayment on a separate shareholder loan of $20,000.

Commitments

In December 2017, Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Cypress and Caliber to earn up to an 80% interest in the Spur Zinc Project located in White Pine County, Nevada ("Spur Option Agreement").

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

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

To acquire the initial 51% of the Spur Zinc Project:

- Cash payment made to Caliber of US$125,000 ($158,897) and issuance of 2.2 million Pasinex Common Shares (value of $484,000) to Caliber and Cypress (made in December 2017)
- Cash payment of US$200,000 ($258,960) cash and issuance of 2.2 million Pasinex Common Shares to Caliber and Cypress (made in September 2018)
- Prior to September 11, 2019 a payment of US$100,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- In addition, minimal exploration expenditures as defined in the Option Agreement must be spent as follows:
    - US$250,000 prior to December 5, 2018 (spent)
    - US$800,000 prior to December 5, 2019
    - US$800,000 prior to December 5, 2020.

If the 51% option is exercised, Pasinex will enter into a joint venture agreement with Cypress.
Total consideration to acquire the 51% interest includes US$425,000 in cash payments, issuance of 4.6 million Pasinex Common Shares and minimal exploration expenditures of US$1,850,000.

To acquire an additional 29% of the Spur Zinc Project:

- Prior to December 5, 2021 a payment of US$250,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- Spend an additional US$1.1 million in exploration expenditures as defined in the Spur Option Agreement.

The Company has commenced discussions with Cypress and Caliber to allow for the possible deferral of exploration expenditures if required.

Financial Condition

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At June 30, 2019, the Company had deficit of $9,957,687 (December 31, 2018 – $9,634,228) and has a working capital deficiency of $1,309,999 (December 31, 2018 – $915,466). For the six months ended June 30, 2019, the Company had a net loss of $323,459 (six months ended June 30, 2018 – net income of $1,656,214) and cash outflows from operations of $81,305 (six months ended June 30, 2018 – cash outflows $160,648) for the six months then ended and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

The Company relies on dividends from Horzum AS to fund its spending. Based on the 2019 production forecast for Pinargozu and the sale of inventory on hand at January 1, 2019 the Company expects there to be adequate cash flow to fund Horzum AS as well as non-discretionary spending at Pasinex for at least the next twelve months. Drilling will continue through 2019 at Pinargozu to find a parallel oxide system in an effort to increase 2019 production.

The Company has been working with Akmetal to resolve the collectability of the trade receivable owing from them to Horzum AS. In May 2019, a legally binding debt repayment agreement was signed between Akmetal, Pasinex and Horzum AS defining the terms of debt repayment amongst other conditions (see Loan receivable - Akmetal). The terms of the Debt Agreement include a minimum amount of repayments on a monthly basis plus the chance for additional repayments from proceeds Akmetal would receive from the sale of its other assets. Akmetal has not honoured the terms of the Debt Agreement and has not been able to complete the sale of its other assets as it had planned. As a result, the financial position of Horzum AS and the Company have weakened further. At June 30, 2019 the receivable owing from Akmetal to Horzum AS was approximately $34.5 million.

In the absence of the receipt of dividends from Horzum AS the Company would need to secure funding from either equity financing or additional related party loans. The Company received an additional $100,000 in May 2019 and an additional $30,000 in July 2019, from a shareholder to pay for certain overdue administration costs. There can be no assurance that the Company will be able to generate sufficient dividends from Horzum AS nor be able to generate funds from other sources.

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

See "Risks and Uncertainties" below and "Cautionary Note Regarding Forward-Looking Statements" above.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

Commitments and Contingencies

As of the date of this MD&A, the Company has no commitments and contingencies other than those owed in accordance with the Spur Option Agreement (*see Liquidity and Financial Position – Commitments*) . The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are constantly changing and generally more restrictive. The Company does not believe that there are currently any decommissioning liabilities at its sites, nor subject to known additional environmental liabilities or mitigation measures.

Share Capital

As of the date of this MD&A, August 28, 2019, the Company has 144,354,371 issued and outstanding common shares and an aggregate of 3,550,000 stock options outstanding.

Transactions with Related Parties

Related Party Balances and Transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Company during the period. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, for similar transactions to non-key management personnel related entities on an arm's length basis.

A summary of the related party transactions are as follows:

	Three Months Ended	June 30	Six Months Ended	June 30
	2019	**2018**	**2019**	**2018**
Management fees and salaries	**$ 125,350**	$ 160,166	**$ 244,216**	$ 318,838
Consulting fees	**81,654**	128,595	**177,851**	180,665
Interest expense on shareholder loans	**12,115**	-	**23,187**	-
Share-based payments	**-**	43,286	**-**	111,920
	$ 219,119	$ 332,047	**$ 445,254**	$ 611,423

Amounts payable to related parties were as follows:

	Accrued liabilites		Shareholder Loans	
	As at June 30 2019	**As at December 31 2018**	**As at June 30 2019**	**As at December 31 2018**
Steven Williams (1)	**$ 5,532**	$ -	**$ -**	$ -
7312067 Canada Limited (1)	**54,240**	$ 13,560	**$ -**	$ -
Larry Seeley (2)	**11,610**	11,610	**-**	-
Sven Olsson (2)	**-**	9,563	**99,109**	115,453
Joachim Rainer (2)	**5,000**	-	**51,823**	50,197
Jonathan Challis (2)	**2,726**	-	**-**	-
1514341 Ontario Inc. (3)	**14,232**	14,232	**300,791**	291,356
Irus Consulting Ltd. (4)	**32,335**	7,500	**-**	-
Victor Wells (5)	**30,000**	18,000	**-**	-
Wendy Kaufman (6)	**17,178**	1,145	**-**	-
Soner Koldas (7)	**25,520**	13,301	**-**	-
Rainer Beteiligungsgesellschaft (9)	**1,816**	-	**-**	-
Seeley Holdings Ltd. (8)	**-**	-	**401,794**	291,356
	$ 200,189	$ 88,911	**$ 853,517**	$ 748,362

(1) Steven Williams is the Chief Executive Officer of the Company. 7312067 Canada Limited is controlled by Steven Williams.

(2) Larry Seeley, Jonathan Challis and Joachim Rainer were directors of the Company at December 31, 2018 and June 30, 2019. Sven Olsson was a director of the Company until his resignation on March 31, 2019.

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

(4) Irus Consulting Ltd. is a company controlled by John Barry, the Vice President Exploration of the Company as at June 30, 2019. Mr. Barry resigned from his position on July 23, 2019.

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

(6) Wendy Kaufman was the Chief Financial Officer of the Company until her resignation on June 30, 2019.

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

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

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

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

To the knowledge of the directors and officers of the Company, as at June 30, 2019, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

	Number of Common Shares	Percentage of Outstanding Common Shares
Larry Seeley	**29,990,591**	**20.78%**

Selected Consolidated Quarterly Financial Data

The following table provides a summary of unaudited financial data for the last eight quarters:

	Three Months Ended							
	June 2019	**March 2019**	**Dec 2018**	**Sept 2018**	**June 2018**	**March 2018**	**Dec 2017**	**Sept 2017**
Financial:								
Equity gain (loss) from Horzum AS	**$ 286,383**	$ 250,055	$ (9,410,185)	$ 521,675	$ 1,805,685	$ 2,984,186	$ 3,355,358	$ 2,698,696
Adjusted equity gain from Horzum AS (1)	**$ 333,363**	$ 920,130	$ 519,503	$ 521,675	$ 1,805,685	$ 2,984,186	$ 3,355,358	$ 2,698,696
Consolidated net income (loss)	**$ (108,609)**	$ (214,850)	$ (9,890,542)	$ (194,998)	$ 930,193	$ 726,021	$ 2,682,150	$ 1,838,461
Adjusted consolidated net income (loss) (1)	**$ 511,137**	$ 455,225	$ 39,146	-$ 194,998	$ 930,193	$ 726,021	$ 2,682,150	$ 1,838,461
Basic net income (loss) per share	**$ -**	$ -	$ (0.07)	$ -	$ 0.01	$ 0.01	$ 0.02	$ 0.01
Diluted net income (loss) per share	**$ -**	$ -	$ (0.07)	$ -	$ 0.01	$ 0.01	$ 0.02	$ 0.01

(1) See non-GAAP measures.

The quarterly adjusted consolidated net income for Pasinex is highly correlated to results from its 50% owned investment in Horzum AS. The adjusted equity gain changes are a result of tonnes produced and sold as well as the zinc price. The equity gain for the three months ended September 2018 include negative sales price adjustments of $1.4 million related to sales from the first half of 2018. The equity gain for the three months ended December 2017 include approximately $2 million in positive sales price adjustments related to sales from the second and third quarters of 2017. Consolidated net income also includes the Company's general and administration costs and exploration expenditures related to the Spur Zinc Project, both of which had been increasing in line with the Company's growth plans.

Non-GAAP measures

The Company has included certain non-GAAP performance measures throughout this document. These performance measures are employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Adjusted equity gain from Horzum AS

The following table provides a reconciliation of equity loss of Horzum AS to adjusted equity gain from Horzum AS.

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of adjusted equity gain:				
Equity gain as per Pasinex statement of loss	**$ 286,383**	$1,805,685	**$ 536,438**	$4,789,871
Add back from Horzum AS statement of operation:				
50% of impairment of Akmetal receivable	**982,174**	**-**	**1,501,045**	**-**
Recognition (increase) of prior year equity losses	**(648,811)**	**-**	**(247,552)**	**-**
Receipt of dividend recorded as equity gain	**(286,383)**		**(536,438)**	
Adjusted equity gain	**$ 333,363**	$1,805,685	**$ 1,253,493**	$4,789,871

Adjusted consolidated net income

The following table provides a reconciliation of consolidated loss to adjusted net income.

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of adjusted net income:				
Income (loss) as per Pasinex statement of income	**$ (108,609)**	$ 930,193	**$ (323,459)**	$1,656,214
Add back:				
Impairment charge	**-**	-	**-**	1,686,600
Equity gain from Horzum AS	**286,383**	-	**536,438**	-
Adjusted equity gain	**333,363**	-	**1,253,493**	-
Adjusted net income	**$ 511,137**	$ 930,193	**$ 1,466,472**	$3,342,814

Cost per tonne mined

The following table provides a reconciliation of cost per tonne mined to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of cost per tonne mined				
Cost of sales per Horzum income statement	**$ 473,130**	$2,046,575	**$ 2,120,377**	$4,359,562
Inventory change	**1,259,034**	210,498	**1,403,934**	335,629
	1,732,164	2,257,073	**3,524,311**	4,695,191
Tonnes produced	**4,293**	13,080	**11,080**	26,117
Cost per tonne mined	**$ 403**	$ 173	**$ 318**	$ 180

US$ cash cost per pound of zinc produced

The following table provides a reconciliation of US$ cash cost per pound of zinc produced to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

		Three Months Ended June 30		Six Months Ended June 30	
		2019	**2018**	**2019**	**2018**
Reconciliation of US$ cash cost per pound of zinc produced					
Cost of sales per Horzum income statement adjusted for inventory change		**$ 1,732,164**	$2,257,073	**$ 3,524,311**	$4,695,191
Less - sales of lead		**0**	0	**0**	(155,290)
		1,732,164	2,257,073	**3,524,311**	4,539,901
Translate to US$	**A**	**$ 1,295,076**	$1,749,127	**$ 2,643,300**	$3,552,904
Zinc tonnes produced (wet)		**4,293**	13,080	**11,080**	26,117
Zinc grade		**46%**	32%	**34%**	33%
Moisture loss		**7%**	7%	**7%**	7%
Pounds of zinc produced	**B**	**4,048,885**	8,581,721	**7,723,877**	17,695,176
US$ cash cost per pound of zinc produced	**A/B**	**$ 0.32**	$ 0.20	**$ 0.34**	$ 0.20

Treatment and refining costs are not included in the US$ cash cost per pound.

Gross margin

The following table provides a reconciliation of gross margin to net income (the nearest GAAP measure) per the Horzum AS Statements of Operations.

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Reconciliation of gross margin				
Operating income per Horzum AS income statement	**$ 1,093,742**	$ 4,560,928	**$ 3,582,711**	$ 11,698,488
Revenue	**$ 1,578,134**	$ 6,604,956	**$ 5,832,473**	$ 16,102,663
Gross margin (gross margin / revenue)	**69%**	69%	**61%**	73%

Risks and Uncertainties

The Company's business contains significant risk due to the nature of mining, exploration and development activities. The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in the United States of America and Turkey. The Company's properties have no established mineral reserves and there is no assurance that any of the Company's projects can be mined profitably. The Company is also exploring and developing other opportunities and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic and base mineral price volatility.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2018, available on SEDAR at **www.sedar.com**

Disclosure of Internal Controls

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

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Information

Additional information about the Company can be found on their Disclosure Hall page at www.cnsx.ca, the Company's website at www.pasinex.com, or on www.sedar.com.