Pasinex Resources Limited

Management's Discussion & Analysis
For the Three Months Ended March 31, 2020 and 2019
Discussion dated: July 13, 2020

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three months ended March 31, 2020 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, 2019. 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, 2019 and 2018, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020, 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 July 13, 2020, 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". The head office, principal address and registered and records office of the Company are located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Pasinex owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi ("Horzum AS") which holds the producing Pinargozu high grade zinc mine, through its 100% owned subsidiary Pasinex Arama ve Madencilik Anonim Sirketi ("Pasinex Arama"). 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 directly to zinc smelters / refiners. The Company also holds an option to acquire 80% of the Spur high grade zinc exploration project in Nevada ("Spur Zinc Project").

Selected Quarterly Consolidated Information

	Three Months Ended March 31,	
	2020	**2019**
Financial:		
Equity gain from Horzum AS	**$ 3,298**	$ 250,055
Adjusted equity gain from Horzum AS [1]	**$ 172,036**	$ 127,236
Dividend received from investment in Horzum AS	**$ 3,298**	$ 250,055
Consolidated net loss	**$ (396,448)**	$ (214,850)
Adjusted consolidated net loss [1]	**$ (193,788)**	$ (337,669)
Basic net income per share	**$ 0.00**	$ 0.00
Diluted net income per share	**$ 0.00**	$ 0.00
Net cash (used in) provided by operating activities	**$ (183,652)**	$ 9,064
Weighted average shares outstanding	**144,554,371**	144,354,371

As at:	**March 31, 2020**	**December 31, 2019**
Total assets	**$ 2,148,240**	$ 2,165,037
Total liabilities	**$ 2,565,007**	$ 2,232,064
Shareholders' deficiency	**$ (416,767)**	$ (67,027)

	Three Months Ended March 31,	
	2020	**2019**
Horzum AS operational data (100% basis):		
Zinc product mined (wet) tonnes	**3,797**	6,787
Zinc product sold (wet) tonnes	**1,932**	7,659
Zinc product sold grade	**30%**	30%
Gross margin [1]	**13%**	59%
CAD cost per tonne mined [1]	**$ 306**	$ 257
USD cash cost per pound of zinc mined [1]	**$ 0.37**	$ 0.31

[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

Financial and Operational

- For the three months ended March 31, 2020 Pasinex incurred a net loss of approximately $0.4 million, compared with a net loss of approximately $0.2 million for the three months ended March 31, 2019. The primary difference in the increase in net loss is due to having received a smaller dividend amount from its joint venture. Exploration and general & administration costs are modestly lower in 2020 versus 2019.

- The adjusted consolidated net loss and adjusted equity gain (see non-GAAP measures) were approximately $0.2 million and $0.2 million, respectively, for the three months ended March 31, 2020 compared with approximately $0.35 million and $0.13 million, respectively, in the same period in 2019. These non-GAAP measures reflect what the results of the Company would be without the recording of the impairment charges in 2019 and 2020.

- The operating income in Horzum AS decreased substantially from approximately $2.5 million in the three months ended March 31, 2019 to $0.4 million in the same period in 2020. This decrease in operating income is a result of fewer tonnes having been sold, lower zinc product prices having been realized on sales along with higher per tonne costs of sales in the first quarter of 2020.These factors also resulted in the gross margin (see non-GAAP measures) for the first quarter of 2020 decreasing to 13% from 59% in the first quarter of 2019.

- During first quarter of 2020, the Company received $195,500 from related parties of the Company. Subsequent to the end of the year the Company received an additional $260,000 from those related parties.

Summary of Pasinex Situation in Turkey

- Akmetal is a private Turkish company, which is controlled by the Kurmel family. The Kurmel family has a conglomerate of companies (the "Kurmel Group") that includes Akmetal, a carpet company, an agricultural business, real estate assets and other minor businesses.

- Several of the companies in the Kurmel Group have gone through financial distress during the last three years. This has led to the growth of a large payable amount owed to Horzum AS by Akmetal and one of its subsidiaries.

- In November 2018, one division of the Kurmel Group together with certain family members of the Kurmel family, entered into a Turkish court-controlled process called Concordat. The purpose of this process is to allow a company with liquidity problems, but with assets greater than its debt, time to sell some or all of its assets in order to reorganize and pay its debts. This process was completed on February 21, 2020 and the division and those family members came out of the Concordat process.

- In May 2019, the Company entered into a Debt Agreement with Akmetal to resolve the collectability of the trade receivable owing 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 has weakened further.

- The value of the loan receivable from Akmetal and one of its subsidiaries, to Horzum AS as at March 31, 2020, is $34.4 million. The portion of the receivable owed by the subsidiary is guaranteed by its parent, Akmetal. As at March 31, 2020, Horzum AS owes Pasinex Arama $2.4 million that arose upon the declaration of a dividend in 2018.

- Management has been in constant contact with senior executives of the Kurmel Group during the year, while the Kurmel Group have been working through the Concordat process. Pasinex is expecting to receive the payment of the remaining dividend and other amounts owing to Pasinex Arama following a payment of a portion of the Akmetal receivable, as a result of the financial restructuring the Kurmel Group is currently undergoing. In addition, the Company has been discussing the necessary management and structural changes at the Horzum AS joint venture.

Going Concern

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 March 31, 2020, the Company has a net equity deficit of $11,063,526 (December 31, 2019 – $10,667,078) and has a working capital deficiency position of $2,456,634 (December 31, 2019 – working capital deficiency of $2,132,494), and had a net loss of $396,448 for the three months ended March 31, 2020 (three months ended March 31, 2019 – net loss of $214,850) and negative cash flows from operations of $183,652 for the three months ended March 31, 2020 (three months ended March 31, 2019 – cash provided by operations of $9,064) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

The Company and its wholly owned subsidiary, Pasinex Arama, rely on dividends from Horzum AS and where possible equity financing to fund their exploration and development operations. Horzum AS's financial position has been severely damaged by the continued withholding of funds, by its joint venture partner Akmetal, generated via sales of ore produced by the joint venture's Pinargozu mine. As at March 31, 2020, Horzum AS has a receivable owing from Akmetal of approximately $34.4 million.

Pasinex Arama received $3,298 in dividend payments from Horzum AS in the first quarter of 2020 compared with $250,055 in the three months ended March 31, 2019. Certain Horzum AS expenses including payroll, supplies, some services and costs related to exploration have been paid by Akmetal to keep the mine operation going. Exploration results have shown that it appears there may be sufficient ore available to be mined through to the development of a 4th adit in the Pinargozu underground mine.

Akmetal is one of many companies owned and controlled by the Kurmel family. Funds have been withheld as a result of cash flow issues that existed in certain of these other companies controlled by the Kurmel family. These companies entered into a process called Concordat, which allows a company with liquidity problems, but with assets greater than its debt, time to sell some or all of its assets in order to reorganize and pay those debts. The Concordat process was completed on February 21, 2020.

With the Pinargozu mine operating and the Concordat process completed, management has been working with Akmetal and the Kurmel family to resolve the collectability of the trade receivable owing by Akmetal to Horzum AS. Until strong credit worthiness is demonstrated by Akmetal, accounting principles required Pasinex to maintain an expected credit loss equivalent to the full balance of the receivable. Receipt of the Akmetal receivable would provide significant cash flow to Pasinex through additional dividends.

As noted in the highlights, management expects to receive the payment of the remaining dividend and other receivables that are owing from Horzum AS to Pasinex Arama following a payment of a portion of the Akmetal receivable. In the absence of the receipt of dividends from Horzum AS the Company would need to secure funding from either equity financing or additional related party loans. During the first quarter of 2020, the Company received shareholder advances of $195,500 to pay for administration costs. Subsequent to the quarter end, the Company received a further $260,000 from additional related party loans. There can be no assurance that the Company will be able to generate either sufficient dividends from Horzum AS or be able to generate funds from other sources. Accordingly, until Akmetal makes significant payments, these conditions represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Pinargozu Operations Update (100% basis)

- Pinargozu mined 3,797 tonnes in the first quarter of 2020 versus 6,787 in the first quarter of 2019. Mine production has decreased in 2020, because of limited available ore and operating fewer shifts due to a reduction in available cash. Mined tonnes for the first quarter are in line with guidance provided for 2020.
- Similar to production, sales volumes are down between years, at 1,932 tonnes in the three months ended March 31, 2020 versus 7,659 in the same period in 2019, primarily as a result of lower amounts of available ore to sell.
- Lower sales volumes at lower zinc prices resulted in substantially lower gross sales year over year. Gross sales for the first quarter of 2020 were approximately $0.85 million compared to approximately $4.25 million in the same period in 2019.
- The average grade of the zinc product sold was 30% in both the first quarter of 2020 and 2019.
- Cash costs per tonne mined (see non-GAAP measures) were $306 in the first quarter of 2020 versus $257 in the same period in 2019. Production costs per tonne were higher between years mainly because of the lower production in 2020.
- Gross margins (after accounting for all operational costs) decreased substantially from 59% in the first quarter of 2019 to 13% in the same period in 2020 as a result of lower sales volumes and prices.
- Production guidance for 2020 is 12,000 tonnes of oxide product. Production will predominantly come from currently developed areas. As such, most of the production is expected to be oxide product material with a grade of around 30%.
- Production is currently on a two-shift basis at the Pinargozu mine. This may change up or down depending on how the Covid-19 situation continues to develop.

Review of Quarterly Consolidated Financial Statements

Three Months Ended March 31, 2020 and 2019

The following is a summary income statement for Pasinex:

	Three Months Ended March 31, 2020	2019
Equity gain from Horzum AS	**$ 3,298**	$ 250,055
Impairment of Horzum AS receivable	**(33,922)**	-
Exploration costs	**(43,933)**	(42,803)
General and administration costs	**(266,834)**	(418,622)
Interest expense	**(18,216)**	(11,072)
Share-based payments	**(28,500)**	-
Other income	**3,810**	3,383
Foreign exchange (loss) gain	**(12,151)**	4,209
Net loss	**$ (396,448)**	$ (214,850)

- Equity gain from Horzum AS represents the value of dividends received by Pasinex Arama from the Company's 50% owned joint venture, 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.*
- Pasinex Arama has not received payment from Horzum AS for amounts it has invoiced to Horzum AS since August of 2019. An impairment charge of approximately $0.03 million was recorded in the first quarter of 2020 to reflect the uncertainty of the collectability of the receivable from Horzum AS. No impairment was recorded in the same period in 2019.
- Exploration costs represent consulting at the Spur Zinc Project.

Pasinex general and administration costs include the following:

	Three Months Ended March 31, 2020	2019
General and administration costs		
Advertising and promotion	**$ 23**	$ 28,166
Consulting fees	**73,664**	96,197
Investor relations	**352**	9,273
Management fees and salaries	**51,922**	118,866
Office and general	**11,912**	17,508
Professional fees	**80,509**	37,418
Transfer agent and regulatory fees	**21,405**	11,788
Travel and meals	**19,430**	93,818
Other	**7,617**	5,588
	$ 266,834	$ 418,622

- In general, Pasinex has reduced its overall spend on elective general and administrative costs during the three months ended March 31, 2020 compared with the same period in 2019 in order to conserve cash.
- Specifically, consulting fees for both years were largely due to costs incurred in conjunction with management of its Turkish operations. Management fees and salaries decreased as the Company moved to a part-time CEO and CFO in mid-2019 and the resignation of its Vice President of Exploration in June of 2019. Professional fees increased as a result of increased legal expenses. Travel and meals decreased as Company's management visited Turkey fewer times in order to conserve cash.

- Interest expense increased as a result of increased shareholder loans needed to fund the ongoing expenses of the Company.

Pasinex share-based payments are as follows:

	Three Months Ended March 31,	
	2020	**2019**
Share-based payments	**$ 28,500**	$ -

- On February 7, 2020, 1,500,000 stock options were granted to an officer of the Company at an exercise price of $0.04 per stock option, expiring February 7, 2022. The stock options vested immediately. The fair value of the stock options at the date of grant of $28,500 was estimated using the Black Scholes valuation model with the following assumptions: a two-year expected term; a 188% expected volatility based on historical trends; risk free interest rate of 1.47%; share price at the date of grant of $0.03; and an expected dividend yield of 0%. The fair value was expensed during the three months ended March 31, 2020.

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Three Months Ended March 31,	
	2020	**2019**
Tonnes mined (wet)	**3,797**	6,787
Tonnes sold (wet):		
Zinc oxide product	**1,932**	7,659
Zinc sulphide product	**-**	-
Lead product	**-**	-
	1,932	7,659
Average grades for tonnes sold:		
Zinc oxide product	**30%**	30%
Zinc sulphide product	**0%**	0%
CAD cost per tonne mined [(1)]	**$ 306**	$ 257
Equity gain	**$ 3,298**	$ 250,055

(1) See non-GAAP measures

Operating results

Production at Pinargozu decreased in the first quarter of 2020 compared to the first quarter of 2019. Mine production has decreased in the first quarter of 2020, because of limited available ore and operating fewer shifts due to a reduction in available cash. Mined tonnes for the first quarter are in line with guidance provided for 2020.The lower tonnage has resulted in increased costs per tonne mined in the first quarter of 2020 versus the first quarter of 2019.

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 months ended March 31, 2020 and 2019 with a reconciliation to the Company's equity gain as shown on the Pasinex consolidated financial statements.

(100% basis Canadian dollars)	Three Months Ended March 31,	
	2020	**2019**
Revenue	**$ 847,199**	$ 4,254,339
Cost of sales	**(463,090)**	(1,647,247)
Selling, marketing and other distribution	**(23,183)**	(118,123)
Operating Income	**360,926**	2,488,969
Recovery (impairment) of Akmetal receivable	**2,763,547**	(1,037,741)
General and administration expenses	**(54,250)**	(122,244)
Foreign exchange loss on receivable	**(2,239,299)**	-
Finance expense	**(130,406)**	-
Other	**398**	(1,818)
	700,916	1,327,166
Income tax expense	**(7,600)**	(524,647)
Net income	**$ 693,316**	$ 802,519
Pasinex joint venture interest	**50%**	50%
Share of net income	**346,658**	401,260
Recognition of prior year equity losses	**(346,658)**	(401,260)
Dividend received	**3,298**	250,055
Equity gain from Horzum AS	**$ 3,298**	$ 250,055

Revenue

The table below shows further details on revenue:

(100% basis Canadian dollars)	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Wet Tonnes		CAD	Wet Tonnes		CAD
Zinc oxide product sales	**1,932**	**$**	**830,157**	7,659	$	4,254,339
Zinc sulphide product sales	**-**		**-**	-		-
Lead product sales	**-**		**-**	-		-
Final sales adjustments	**-**		**(9,159)**	-		-
Other sales	**-**		**26,201**			
Total revenue	**1,932**	**$**	**847,199**	7,659	$	4,254,339

Revenues

Revenues in the first quarter of 2020 have decreased compared to the same period in 2019 due to lower sales volumes and lower zinc prices. Sales volumes decreased as a result of lower production.

Costs of Sales

Operating costs decreased in 2020 as a result of lower production, however they have increased on a cost per tonne basis.

Recovery (Impairment) of Akmetal Receivable is described below, *Loan receivable - Akmetal*.

In 2018, the Company performed an assessment resulting in the recording of an impairment of the loan receivable from Akmetal as required by IFRS 9. For further discussion see "Highlights – Summary of Situation in Turkey" and "*Loan receivable – Akmetal*". The recording of the impairment does not represent the elimination of the loan receivable and as such the Company continues to expect full repayment of the loan receivable in due course. A recovery was recognized in the first quarter of 2020 primarily as a result of a decrease in the value of the US dollar compared to the TRY in the first quarter of 2020.

Foreign Exchange Loss on Receivable

Horzum AS recorded a foreign exchange loss in the first quarter of 2020 as the USD:TRY exchange rate decreased in the first quarter of 2020.

Income Tax Expense

The statutory rate for income taxes in 2020 and 2019 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 March 31, 2020**	**2019**
Income before income tax expense	**$ 700,916**	$ 1,327,166
Statutory tax rate	22%	22%
Expected income tax recovery (expense)	**(154,202)**	(291,977)
Non deductible expenses	**-**	(4,367)
Tax expense (recovery) not recognized on impairment of Akmetal receivable	**146,602**	(228,303)
Income tax expense	**$ (7,600)**	$ (524,647)

Recognition of Prior Year Equity Losses

In the fourth quarter of 2018 an impairment of the Akmetal receivable was recorded. Since the joint venture is equity accounted and because the impairment was so large, the equity loss was capped in the fourth quarter of 2018 so that the investment would not be below zero. The unrecognized loss is to be applied against future equity gains beginning in 2019. Equity gains from the three months ended March 31, 2020 and 2019 both reduced the unrecognized loss.

Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis Canadian dollars)		As at March 31, 2020		As at December 31, 2019
Assets				
Cash and prepaid expenses	$	**8,576**	$	6,029
Loan receivable - Akmetal		**34,368,793**		35,123,238
Less - discount and allowance on Akmetal receivables		**(34,368,793)**		(35,123,238)
Trade receivables - other		**166,352**		15,876
Other current assets		**603,885**		67,895
Inventory		**561,358**		102,433
Non current assets		**1,320,553**		1,347,527
Total assets	$	**2,660,724**	$	1,539,760
Liabilities				
Amounts due to shareholders and related parties	$	**2,621,553**	$	2,596,730
Other liabilities		**11,966,328**		11,719,155
Total liabilities		**14,587,881**		14,315,885
Deficit		**(11,927,157)**		(12,776,125)
Total liabilities and deficit	$	**2,660,724**	$	1,539,760

Loan Receivable – Akmetal

Akmetal is a private Turkish company, which is controlled by the Kurmel family. The Kurmel family has a conglomerate of companies, the Kurmel Group, that includes Akmetal, a carpet company, an agricultural business, real estate assets and other minor businesses.

Several of the companies in the Kurmel Group have gone through financial distress during the last three years. This has led to the growth of the loan receivable from Akmetal. In November 2018, one division of the Kurmel Group together with certain family members of the Kurmel family, entered into a Turkish court-controlled process called Concordat. The purpose of this process is to allow a company with liquidity problems, but with assets greater than its debt, time to sell some or all of its assets in order to reorganize and pay its debts.

During the year end December 31, 2018, since Horzum AS did not receive any payment from Akmetal on the receivables outstanding for over the year, along with liquidity issues Akmetal was facing during this same period, the Company acknowledged that the credit risk on the Akmetal receivable had increased significantly and there was evidence of impairment. IFRS 9 required that management undergo an exercise to calculate its expected credit losses on the Akmetal receivable. Due to Akmetal's liquidity issues and past performance of nonpayment (or default), 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 receivable at December 31, 2018.

On May 10, 2019, the Company entered into a legally binding debt repayment agreement ("Debt Agreement") with Akmetal and Horzum AS. The loan receivable owing from Akmetal, and one if its subsidiaries, to Horzum AS as at March 31, 2020 includes (i) the former loan receivable and trade receivable from Akmetal that arose when Akmetal was selling Horzum AS zinc material; (ii) the cost of approximately 17,000 tonnes of oxide product Akmetal used during 2019 and 2020; and (iii) $2.2 million in loan payments made to a customer on behalf of Akmetal (note 3(c)) less certain ongoing operating expenses paid by Akmetal (the "Debt"). As per the Debt Agreement, the Debt, including the portion owed by Akmetal's subsidiary, is guaranteed by Akmetal. Debt repayments were to be by means of Akmetal's delivery of all zinc sulphide product and some zinc oxide product from its wholly owned Horzum mine. Horzum AS would sell the product and proceeds from the sale will be used to repay the Debt. Repayments of the Debt would be used to pay Horzum AS's tax obligations, for ongoing expenses of Pasinex Arama and for dividend payments from Horzum AS to Pasinex Arama that would then flow to Pasinex. Akmetal is obligated to deliver a minimum of 300 tonnes of zinc product per month. In addition, a portion of proceeds from the sale of certain other of Akmetal assets will also be used to repay the Debt. The Debt Agreement provides other enhancements to the Joint Venture Agreement and will terminate by December 31, 2020.

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. Due to Akmetal's continued liquidity issues, continued nonpayment of the trade payable, along with the additional usage of Horzum AS inventory in 2019 and 2020, management continued to assess the probability of credit losses to be high. The value of the loan receivable from Akmetal and one of its subsidiaries, to Horzum AS as at March 31, 2020, is $34.4 million.

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.

Management has been in constant contact with senior executives of the Kurmel Group during 2019 and 2020, while the Kurmel Group have been working through the Concordat process. The Concordat process was completed on February 21, 2020 and the division and those family members came out of the Concordat process. Pasinex is expecting to receive the payment of the remaining dividend and other amounts owing to Pasinex Arama following a payment of a portion of the Akmetal receivable, as a result of the financial restructuring the Kurmel Group has undergone in the past few months. In addition, the Company has been discussing the necessary management and structural changes at the Horzum AS joint venture.

Amounts Due to Shareholders and Related Parties

Amounts due to shareholders and related parties include the dividend payable to Pasinex Arama of $2.4 million.

Other Liabilities

These liabilities include income taxes payable and mining royalties payable. Mining royalties are payable to the government based on a formula of 2% of production value plus a zinc price escalator. The increase in other liabilities at March 31, 2020 compared with December 31, 2019 is due to the non-payment on income and other taxes.

Equity

The decrease in deficit at March 31, 2020 compared with December 31, 2019 is due to net income recorded for the three months of 2020.

Commitments

Akmetal entered into a loan facility with one of its customers for overpayments received on advanced provisional invoice payments received in 2018. Akmetal did not make payments against the loan facility, but Horzum AS has paid a total of US$2,211,008 (approximately $3.1 million using the March 31, 2020 spot rate) to this customer, as at March 31, 2020. The US dollar total paid by Horzum AS is unchanged from December 31, 2019.

Expectations for 2020

(100% basis)	**Guidance for the Year Ended December 31, 2020**	
	Wet Tonnes	**Grade**
Zinc oxide product mined	**10,000 to 12,000**	**29% to 31%**
Zinc sulphide product mined	**-**	**-**
	10,000 to 12,000	
CAD cost per tonne mined		$450 - $500

- Mine production from Pinargozu this year is expected to be at least 1,000 tonnes per month. Production will predominantly come from currently developed areas. As such, most of the production is expected to be oxide product material with a grade of around 30%.

- Production is currently on a two-shift basis at the Pinargozu mine. This may change up or down depending on how the Covid-19 situation continues to develop.

- Development of the new adit for access to deep sulphide mineralization has been stalled because of cash flow issues. It is planned to resume this underground development when these cash issues are resolved. At this stage, it is unlikely to expect any production of deeper sulphide mineralization in 2020, rather this production should be realized in 2021.

- 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. After two relatively strong quarters in the beginning of 2019 the zinc price dropped during the second half of 2019 to an average of US$1.07 per pound compared with US$1.24 per pound during the first six months of the year. This trend is consistent with 2018 where the zinc price average US$1.48 during the first six months of 2018 versus US$1.17 during the last six months of the year in 2018. In 2020, the zinc price has faltered after a strong start to the year. The average price per pound dropped to US$0.92 over the first six months of the year with a low of US$0.86 in April. Historically, the low-cost structure of Horzum AS has resulted in strong gross margins notwithstanding the downward trend in zinc prices.

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. The USD / TRY exchange rate had a substantial move higher in the latter half of 2018. The average rate for the six months ended June 30, 2020 was 6.9 compared with an average rate of 5.7 in 2019 and 4.8 in 2018. 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 11 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 March 31,	
	2020	**2019**
Cash used in operating activities		
Before changes in working capital	**$ (317,793)**	$ (451,275)
Dividend from Horzum AS	**3,298**	250,055
Changes in working capital	**130,843**	210,284
	(183,652)	9,064
Cash used in investing activities	**14,612**	(50,772)
Cash received from shareholder loans	**195,500**	-
Effect of foreign currencies	**(20,691)**	(6,792)
Net change in cash	**5,769**	(48,500)
Opening cash balance	**30,634**	218,623
Closing cash balance	**$ 36,403**	$ 170,123

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

In 2018, the Company entered into loans with certain shareholders and directors of the Company (the "lenders") in the form of promissory notes amounting to $748,362 (includes $3,362 of accrued and unpaid interest). The promissory notes are payable on demand by the lenders and bear interest at 6% per annum, payable quarterly in arrears commencing September 15, 2018. The Company can pre-pay the promissory notes to the lenders. The promissory notes are secured by all the property and assets of the Company.

During the three months ended March 31, 2020, the Company received $195,500 from shareholders of the Company to pay for administration costs in the Company and Pasinex Arama.

Commitments

Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Cypress Development Corp ("Cypress") and Caliber Minerals Inc. ("Caliber") (formerly named Silcom Systems Inc.) to earn up to an 80% interest in the Spur Zinc Project located in White Pine County, Nevada ("Option Agreement"). The 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 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 an initial 51% of the Spur Zinc Project:

- In December 2017, a cash payment was made to Caliber of US$125,000 ($158,897) and 2.2 million Pasinex Common Shares (value of $484,000) were issued to Caliber and Cypress.
- In September 2018, a cash payment of US$200,000 ($258,960) and issuance of 2.2 million Pasinex Common Shares (value of $264,000) were made to Caliber and Cypress.
- Prior to September 11, 2019 a payment of US$100,000 cash (deferred to December 11, 2019 - paid) and issuance of 200,000 Pasinex Common Shares (issued) to Cypress.
- In addition, minimum exploration expenditures as defined in the Option Agreement must be spent as follows:
  - US$250,000 prior to December 5, 2018 (paid)
  - US$800,000 prior to December 5, 2019 (deferred to December 5, 2020 - paid $507,000 to March 31, 2020)
  - 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 minimum 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 Option Agreement.

On September 12, 2019, the Company announced they have reached an agreement with Cypress and Caliber to change the terms relating to the earn-in option agreement on the Spur Zinc Project in Nevada, USA.

The agreement changes the date of the US$100,000 option payment to December 11, 2019 and defers the 2019 exploration obligations to 2020, bringing the exploration obligations to US$1,600,000 for 2020, of which $507,000 has been spent to March 31, 2020. The underlying licenses are in good standing until September 2020.

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 March 31, 2020, the Company has a net equity deficit of $11,063,526 (December 31, 2019 – $10,667,078) and has a working capital deficiency position of $2,456,634 (December 31, 2019 – working capital deficiency of $2,132,494), and had a net loss of $396,448 for the three months ended March 31, 2020 (three months ended March 31, 2019 – net loss of $214,850) and negative cash flows from operations of $183,652 for the three months ended March 31, 2020 (three months ended March 31, 2019 – cash provided by operations of $9,064) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

See Going Concern above for additional discussion related to the financial condition of the Company.

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 are becoming 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, the Company has 144,554,371 issued and outstanding common shares and an aggregate of 3,250,000 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 March 31, 2020	2019
Management fees and salaries	**$ 46,469**	$ 118,866
Consulting fees	**45,828**	44,708
Share-based payments	**28,500**	-
Interest expense on shareholder loans	**18,216**	11,072
	$ 139,013	$ 174,646

Amounts Payable to related parties were as follows:

	Accrued Liabilities		Shareholder Loans	
	As at March 31, 2020	**As at December 31, 2019**	**As at March 31, 2020**	**As at December 31, 2019**
Steven Williams [(1)]	**$ 1,595**	$ -	**$ -**	$ -
7312067 Canada Limited [(1)]	**105,090**	94,620	**-**	-
Larry Seeley [(2)]	**117,354**	55,304	**-**	-
Sven Olsson [(2)]	**4,870**	4,870	**103,424**	101,996
Joachim Rainer [(2)]	**5,000**	5,000	**-**	-
Jonathan Challis [(2)]	**23,145**	3,515	**-**	-
1514341 Ontario Inc. [(3)]	**14,232**	14,232	**626,400**	476,714
Irus Consulting Ltd. [(4)]	**28,835**	28,835	**-**	-
Victor Wells [(5)]	**48,000**	42,000	**-**	-
Wendy Kaufman [(6)]	**26,666**	26,666	**-**	-
Soner Koldas [(7)]	**74,482**	68,187	**-**	-
Seeley Holdings Ltd. [(8)]		-	**582,877**	534,728
Rainer Beteiligungsgesellschaft [(9)]	**1,901**	1,779	**67,794**	53,341
2192640 Ontario Inc. [(10)]	**41,803**	54,748	**-**	-
Share-based payments	**$ 492,973**	$ 399,756	**$ 1,380,495**	$ 1,166,779

(1) Steven Williams is the Chief Executive Officer of the Company. 7312067 Canada Limited is controlled by Steven Williams.
(2) Larry Seeley, Joachim Rainer and Jonathan Challis were directors of the Company at March 31, 2020 and December 31, 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. Mr. Barry was the Vice President Exploration of the Company until his resignation on July 23, 2019.
(5) Victor Wells is a director and the Chairman of the Company.
(6) Wendy Kaufman was the Chief Financial Officer ("CFO") 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.
(10) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO of the Company.

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

To the knowledge of the directors and officers of the Company, as at March 31, 2020, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

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

Selected Consolidated Quarterly Financial Data

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

	Three Months Ended							
	March 2020	**Dec 2019**	**Sept 2019**	**June 2019**	**March 2019**	**Dec 2018**	**Sept 2018**	**June 2018**
Financial:								
Equity gain (loss) from Horzum AS	**$ 3,298**	$ -	$ 135,701	$ 286,383	$ 250,055	$ (9,410,185)	$ 521,675	$ 1,805,685
Adjusted equity gain (loss) from Horzum AS (1)	**$ 172,036**	$ 2,502,731	$ 1,688,233	$ (352,513)	$ 127,236	$ 519,503	$ 521,675	$ 1,805,685
Consolidated net income (loss)	**$ (396,448)**	$ (464,140)	$ (245,251)	$ (108,609)	$ (214,850)	$ (9,890,542)	$ (194,998)	$ 930,193
Adjusted consolidated net income (loss) (1)	**$ (193,788)**	$ 2,038,591	$ 1,307,281	$ (747,505)	$ (337,669)	$ 39,146	$ (194,998)	$ 930,193
Basic net income (loss) per share	**$ 0.00**	$ (0.01)	$ -	$ -	$ -	$ (0.07)	$ -	$ 0.01
Diluted net income (loss) per share	**$ 0.00**	$ (0.01)	$ -	$ -	$ -	$ (0.07)	$ -	$ 0.01

(1) See non-GAAP measures.

For the quarters ended June and September 2018, the equity gains represent Pasinex's share of the net income in the joint venture. In the fourth quarter of 2018 an impairment of the Akmetal receivable was recorded. Since the joint venture is equity accounted and because the impairment was so large, the equity loss was capped in the fourth quarter of 2018 so that the investment would not be below zero. In 2019, the quarterly equity gains represent dividends received from Horzum AS as net gains reduce the remaining equity loss not recorded in the fourth quarter of 2018 and net losses increase the unrecorded equity loss. Quarterly adjusted equity gains add back the impairment, net of foreign exchange and income tax impacts, to arrive at the equity gains achieved by the joint venture. Production from the joint venture is stockpiled and sold therefore revenue is not always recognized on a consistent basis. This results in quarterly equity gains varying from quarter to quarter.

Quarterly consolidated net income or loss has varied primarily due to the variability of the equity gain or loss recorded form the joint venture. Exploration and general and administrative costs also impact the consolidated net income but have remaining consistent for the quarters presented so have not impacted the variability a great deal. The quarterly adjusted consolidated net income or loss variability is primarily due to the variability of the adjusted equity gain or loss as described above.

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 30, 2019 includes positive sales adjustments related to sales in prior quarters. 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. Consolidated net income also includes the Company's general and administration costs and exploration expenditures related to the Spur Zinc Project,.

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 March 31,	
	2020	**2019**
Reconciliation of adjusted equity gain:		
Equity gain (loss) as per Pasinex statement of loss	**$ 3,298**	$ 250,055
Add back from Horzum AS statement of operation:		
50% of (recovery) impairment of Akmetal receivable	**(1,381,774)**	518,871
50% of foreign exchange gain on receivable	**1,207,152**	(792,895)
Income tax effect of above add backs	**-**	-
Recognition (increase) of prior year equity losses	**346,658**	401,260
Receipt of dividend recorded as equity gain	**(3,298)**	(250,055)
Adjusted equity gain	**$ 172,036**	$ 127,236

Adjusted consolidated net loss

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

	Three Months Ended March 31,	
	2020	**2019**
Reconciliation of adjusted consolidated net loss:		
Net loss as per Pasinex statement of income	**$ (396,448)**	$ (214,850)
Add back (deduct):		
Impairment of Horzum AS receivable	**33,922**	-
Equity gain from Horzum AS	**(3,298)**	(250,055)
Adjusted equity gain	**172,036**	127,236
Adjusted consolidated net loss	**$ (193,788)**	$ (337,669)

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 March 31, 2020	2019
Reconciliation of cost per tonne mined		
Cost of sales per Horzum income statement	**$ 463,090**	$ 1,647,247
Cost of sales adjustments related to a prior period	**259,780**	-
Cost of sales related to other items	**(21,693)**	-
Inventory change	**458,925**	96,967
	$ 1,160,102	$ 1,744,214
Tonnes mined	**3,797**	6,787
CAD Cost per tonne mined	**$ 306**	$ 257

US$ cash cost per pound of zinc produced

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

		Three Months Ended March 31, 2020	2019
Reconciliation of US$ cash cost per pound of zinc product mined			
Cost of sales per Horzum income statement adjusted for cost of sales adjustments and inventory change		**$ 1,160,102**	$ 1,744,214
Less - sales of lead product		**-**	-
		1,160,102	1,744,214
Translate to US$	A	**$ 863,043**	$ 1,312,228
Zinc tonnes mined (wet)		**3,797**	6,787
Zinc product grade mined		**30%**	30%
Moisture loss		**7%**	7%
Pounds of zinc mined	B	**2,335,493**	4,174,609
US$ cash cost per pound of zinc mined	A/B	**$ 0.37**	$ 0.31

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 March 31, 2020	2019
Reconciliation of gross margin		
Operating income per Horzum AS income statement	**$ 360,926**	$ 2,488,969
Add back final price adjustments for Revenue and Cost of Goods Sold related to other periods	**(250,621)**	-
Gross margin	**$ 110,305**	$ 2,488,969
Revenue (excluding price adjustments related to other periods and other sales)	**$ 856,358**	$ 4,254,339
Gross margin (gross margin / revenue)	**13%**	59%

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.

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

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, 2019, 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.