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# **Pasinex Resources Limited**

## **Management's Discussion & Analysis**

### **For the Years Ended December 31, 2023 and 2022**

#### **Discussion dated: May 31, 2024**

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## **Introduction**

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Pasinex Resources Limited (the "Company" or "Pasinex") should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2023.

Management is responsible for the preparation of the financial statements and MD&A. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures in this MD&A are expressed in Canadian dollars, unless stated otherwise.

This MD&A has been prepared as of May 31, 2024.

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](http://www.sedar.com).

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

Certain statements contained in this MD&A constitute forward-looking statements; as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Company. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "project", "could", "believe", "predict", "potential", "should" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A 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.

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The Company has not been materially impacted by the ongoing conflict in the Ukraine, but uncertainty remains surrounding the conflict and the extent and duration of the impacts that it may have on the Company's ability to operate, on prices for zinc, on logistics and supply chains, on the Company's employees and on global financial markets.

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 prices, 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 Resources Limited owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi ("Horzum AS" or "Joint Venture"), 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. Horzum AS holds 100% of the producing Pinargozu high-grade zinc mine. Horzum AS sells directly to zinc smelters and or refiners through commodity brokers from its mine site in Türkiye. The Company also holds a 51% interest, with an option to increase to an 80% interest of a high-grade zinc exploration project, the Gunman Project, located in Nevada.

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**Selected Annual Consolidated Information**

	Years Ended December 31,		
	2023	2022	2021
<b>Financial:</b>			
Equity gain from Horzum AS	\$ 1,797,579	\$ 3,928,724	\$ 200,062
Assigned dividend	\$ 626,476	\$ 1,095,289	\$ -
Consolidated net (loss) income	\$ (309,768)	\$ 2,043,173	\$ (129,678)
Basic and diluted net (loss) income per share	\$ 0.00	\$ 0.01	\$ 0.00
Net cash (used in) provided by operating activities	\$ (554,397)	\$ 1,838,461	\$ 480,034
Weighted average shares outstanding	144,554,371	144,554,371	144,554,371

	As At December 31,		
	2023	2022	2021
Total assets	\$ 3,024,660	\$ 4,082,136	\$ 2,871,768
Total liabilities	\$ 2,976,689	\$ 3,564,963	\$ 3,993,880
Total shareholders' equity (deficiency)	\$ 47,971	\$ 517,173	\$ (1,122,112)

	Years Ended December 31,		
	2023	2022	2021
<b>Horzum AS operational data (100% basis):</b>			
Zinc product mined (wet) tonnes	8,061	13,766	10,608
Zinc product sold (wet) tonnes	7,979	13,013	8,620
Lead product sold	-	54	-
Zinc oxide product - average grade sold	NA	37.8%	31.0%
Zinc sulphide product - average grade sold	48.9%	50.1%	49.0%
Zinc sulphide product - low-grade - average grade sold	NA	18.8%	NA
Lead product - average grade sold	NA	53.0%	NA
Gross margin <sup>(1)</sup>	42.5%	71.6%	49.9%
CAD cost per tonne mined <sup>(1)</sup>	\$ 601	\$ 380	\$ 383
USD cash cost per pound of zinc product mined <sup>(1)</sup>	\$ 0.44	\$ 0.28	\$ 0.36

<sup>(1)</sup> 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 Consolidated Statement of Income – Equity gain from Horzum AS.
- The investment in Horzum AS is shown on one line on the Consolidated Statement of Financial Position - Equity investment in Horzum AS.

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## Highlights

- For the year ended December 31, 2023, Pasinex recorded a net loss of approximately \$0.3 million, compared with a net income of approximately \$2.04 million for 2022. The primary reason for the decrease in the net income into a net loss was the decrease in the equity gain in 2023 compared with 2022. In addition, the assigned dividend was lower in 2023. The decrease in net income was partially offset by lower exploration costs being incurred in Nevada in 2023 compared with 2022.
- The operating income in Horzum AS decreased in 2023, compared with 2022, as a result of the lower sales prices having been realized, fewer tonnes being sold, and higher costs being incurred. The results in 2022 were strong compared with prior years and the results in 2023 were comparable to 2021 and higher than 2020. The gross margin, (see *non-GAAP measures*), for the year ended December 31, 2023, decreased to 42% from 72% in 2022.
- Horzum AS declared a dividend to be paid to its shareholders of which Pasinex Arama was entitled to TRY 32.1 million (approximately \$2.2 million using the exchange rate on the date the dividend was declared and approved). Pasinex Arama had received all of this amount by the end of 2023.
- Horzum AS had another zero-fatality year at the Pinargozu Mine with a total of 151,200 fatality free hours having been worked at the Pinargozu Mine in 2023. Horzum AS did report five serious injuries and 28 lost-time injuries during the year.
- Horzum AS mined 8,061 tonnes of zinc product during 2023, at the Pinargozu mine, compared with 13,766 tonnes of zinc product in 2022. Production at the Pinargozu Mine for 2023 fell short of the amount forecast at the beginning of the year. Production was negatively impacted, as Horzum AS effectively "lost" two months of production early in the year as a result of seconding some of its experienced miners and its mine rescue team to the earthquake recovery effort that badly impacted the province of Adana and Hatay in February and March of 2023.
- Sales volumes decreased for the year ended December 31, 2023, when compared with 2022. Total tonnes sold decreased to 7,979 in 2023 compared with 13,067 tonnes in 2022, representing an approximately 39% decrease. The decrease in tonnes sold was primarily a function of having lower zinc product available to sell during the year.
- Sales prices per tonne on a USD basis decreased by approximately 30% for zinc sulphide product for the year ended December 31, 2023, when compared to prices in 2022. There were no sales of zinc oxide product, low-grade zinc sulphide product or lead product in 2023. Total sales of all zinc product decreased to \$8.4 million in 2023 compared with approximately \$17.9 million in 2022, which translates into a 53.4% decrease in total revenue in 2023 compared to 2022.
- The average grade of the zinc sulphide product sold was 48.9% zinc per tonne for the year ended December 31, 2023, compared with 50.1% zinc per tonne in the same period in 2022. There were no sales of zinc oxide product, low-grade zinc sulphide product and lead product in 2023. In 2022, the average grade of sales of zinc oxide product was 37.8% per tonne, low-grade zinc sulphide product was 18.8% per tonne and lead product was 53.0% per tonne.
- The CAD cost per tonne mined (see *non-GAAP measures*) increased substantially in 2023, to \$601 per tonne mined, compared with \$380 per tonne mined in 2022. The cost per tonne metric was much higher in 2023 compared with 2022, in part due to far fewer tonnes being mined. However, the main reason for the substantial increase was the increase in the prices of supplies and services incurred in 2023, as a result of inflationary pressures experienced in Türkiye.

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- The USD cash cost per pound of zinc product mined (see non-GAAP measures) increased to US\$0.44 per pound in 2023 compared with US\$0.28 per pound in 2022 primarily because of the increases in the costs of supplies and services incurred.
- The Joint Venture completed 10,782 metres of underground and surface diamond drilling in 2023 (9,345 metres in 2022) and completed 1,108 metres of exploration and development adit development during 2023 (1,743 metres in 2022).
- Subsequent to December 31, 2023, Pasinex Canada received approximately \$380,000 from shareholders of the Company, which have been added to existing shareholder loan agreements. In addition, Pasinex Arama transferred US\$60,000 (approximately \$82,000 using the exchange rates on the dates of the transfers) to Pasinex Canada.

### 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 December 31, 2023, the Company had a deficit of \$10,612,090 (December 31, 2022 – deficit of \$10,302,322) and had a working capital deficiency position of \$2,645,221 (December 31, 2022 – \$2,413,755). The Company had a net loss of \$309,768 for the year ended December 31, 2023 (2022 – net income of \$2,043,173) and negative cash flows from operations of \$554,397 for the year ended December 31, 2023 (2022 – positive cash flows from operations of \$1,838,461) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

Although revenues and profits from operations declined in 2023, Horzum AS still had a profitable year in 2023, producing approximately \$8.7 million in revenues (2022 – approximately \$18.0 million) and generating approximately \$3.8 million in operating income (2022 – approximately \$12.9 million). Pasinex Arama received approximately TRY 27.2 million (approximately \$1.8 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividends collections from Horzum AS in the twelve months ended December 31, 2023, compared with approximately TRY 42.2 million (approximately \$3.3 million using the exchange rate on the dates of the transfers from Horzum AS) in 2022.

As at December 31, 2023, Horzum AS has a receivable owing from Akmetal of approximately \$34.6 million. The above debt figure does not include certain items like interest on the outstanding debt, interest and penalties, incurred by Horzum AS, on the non-payment of income taxes as a result of not having sufficient cash on hand due to Akmetal not paying its debt to Horzum and certain other debts to Horzum AS.

Pasinex has initiated legal processes to collect the outstanding receivable owed by Akmetal either by court action or negotiation.

Pasinex has engaged the legal services of Denton's Canada LLP in Toronto, Canada and two Canadian partners. Pasinex has also engaged the legal services of HBB Hukuk Burosusu in Istanbul, Türkiye and two senior Turkish partners as well as a university legal professor who is the Chair of the Legal Department and founder of OZATA Law & Partners. This legal team has further legal and accounting resources available in both Canada and Türkiye.

The legal process is underway and Pasinex remains optimistic that a resolution will result from these legal actions, but assurance of success cannot be certain. Pasinex is also taking the necessary actions to ensure Horzum AS remains in operation during the legal processes, which may take several months. The Company was successful in having an interim committee appointed by the courts, which are authorized to act solely for the purpose of making the due payments of Horzum AS and the necessary and mandatory payments for Horzum AS' activities.

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Horzum AS's operations have generated positive operating income in 2023, however in the absence of the receipt of additional dividends from Horzum AS, the Company would need to secure funding from either equity financing or additional related party loans to fund its ongoing activities. 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.

**Review of Annual Consolidated Financial Statements**

**Years Ended 2023 and 2022**

The following is a summarized consolidated income statement for Pasinex:

	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Equity gain from Horzum AS	\$ 1,797,579	\$ 3,928,724
Exploration costs	(563,889)	(1,072,614)
General and administration costs	(1,486,037)	(1,390,207)
Share-based payments	-	(57,000)
Other (loss) income	(163,997)	4,230
Interest expense	(138,218)	(150,191)
Foreign exchange gain	171,472	150,939
Assigned dividend	626,476	1,095,289
Loss on net monetary position	(515,340)	(465,997)
Income tax expense	(37,814)	-
<b>Net (loss) income for the year</b>	<b>\$ (309,768)</b>	<b>\$ 2,043,173</b>

*Equity gain*

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. 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 was applied against equity gains beginning in 2019, and in the fourth quarter of 2022, Pasinex had recognized all of the equity losses recorded in prior years. Further details on the results of Horzum AS follow below – *Review of Horzum AS*.

*Exploration Costs*

Exploration costs represent expenditures incurred at the Gunman Project. For further details on the exploration program at the Gunman Project see – *Liquidity and Financial Position – Commitments – Gunman Project*.

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*General and administration costs*

	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Consulting fees	\$ 368,290	\$ 485,235
Investor relations	15,647	27,603
Management fees and salaries	220,350	231,300
Director fees	72,000	226,000
Office and general	75,869	7,146
Professional fees	532,221	278,356
Transfer agent and regulatory fees	25,301	21,892
Travel and meals	175,173	110,306
Other	1,186	2,369
<b>Total general and administrative costs</b>	<b>\$ 1,486,037</b>	<b>\$ 1,390,207</b>

General and administration costs have changed year over year due to:

- Professional fees increased in 2023 when compared to 2022 due to an increase in legal and auditing fees. Legal fees increased due to the ongoing dispute with its Joint Venture partner, see *Going Concern* for additional discussion thereon;
- Consulting fees decreased in 2023 when compared to 2022 as the Company engaged consultants to help with the collection of dividends from Horzum AS and the negotiations with MAPEG in 2022. Similar costs were limited in 2023 when compared with 2022. Consulting fees include amounts paid to the Company's general manager and exploration manager located in Türkiye;
- Director fees decreased in 2023 when compared with 2022 as the Company paid its directors bonuses in 2022. Similar bonuses were not paid in 2023. In addition, the Board of Directors elected to forego its entitlement to fourth quarter director fees in 2023, to conserve the Company's cash reserves;
- Travel and meals increased as the Company's management visited Türkiye on a more regular basis coinciding with the ongoing dispute with its Joint Venture partner, see *Going Concern* for additional discussion thereon; and
- Overall, general and administrative costs increased marginally by just less than \$100,000 or approximately 7% year over year.

*Share-based payments*

	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Share-based payments</b>	<b>\$ -</b>	<b>\$ 57,000</b>

Stock options issued:

On March 24, 2022, 1,500,000 stock options were granted to the CFO of the Company at an exercise price of \$0.04 per stock option, expiring March 24, 2027. The stock options vested immediately. The fair value of the stock options at the date of grant of \$57,000 was estimated using the Black-Scholes valuation model with the following assumptions: a five-year expected term; a 183% expected volatility based on historical trends; risk-free interest rate of 2.27%; share price at the date of grant of \$0.04; and an expected dividend yield of 0%. The Company expensed the full amount of \$57,000 in the first quarter of 2022.

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*Other (loss) income*

Cash paid by Pasinex Arama to Pasinex Canada is set up as a loan receivable (payable) by Pasinex Arama (Canada). These amounts are eliminated on consolidation. In addition, Pasinex Arama charges Pasinex Canada interest on the loan. The interest expense (income) is also eliminated on consolidation. The amount of the loan can be reduced in the event that Pasinex Arama issues dividends to Pasinex Canada or by repayment of funds from Pasinex Canada to Pasinex Arama. In 2023, the Turkish government enacted a one-time option for companies based in Türkiye to write-off long-standing debts if a penalty was paid. The Company decided to take advantage of this option and wrote-off approximately TRY 63.5 million (approximately \$5.5 million). This resulted in a penalty of approximately TRY 3.0 million (approximately \$178,000), which is included in the other loss incurred in 2023.

*Interest expense*

Interest expense decreased slightly year over year as the Company made principal repayments during 2022, which resulted in lower outstanding balances in 2023.

*Assigned dividend*

At an Ordinary General Assembly Meeting held in May 2023, Horzum AS declared a dividend and approved the distribution of legal reserves totalling approximately TRY 46.2 million. Akmetal assigned to Pasinex Arama a portion of its entitlement to these amounts, which amounted to approximately TRY 9.2 million (approximately \$0.6 million using the exchange rate on the date the dividend and distribution were declared and approved).

Horzum AS declared a dividend during the first quarter of 2022, totalling approximately TRY 60.3 million of which Pasinex Arama was entitled to TRY 30.15 million (approximately \$2.7 million using the exchange rate on the date the dividend was declared) as a result of its 50% ownership in Horzum AS. In addition, Akmetal assigned to Pasinex Arama a portion of its entitlement to the declared dividend. The value of the assignment of the dividend was approximately TRY 12 million (approximately \$1.1 million using the exchange rate on the date the dividend was declared).

*Loss on net monetary position*

Due to various qualitative factors and developments with respect to the economic environment in Türkiye during 2022, including, but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the Turkish Statistical Institute exceeded 100% in March 2022 and the significant devaluation of the Turkish Lira, Türkiye was designated a hyper-inflationary economy in the second quarter of 2022 for accounting purposes.

Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies, was applied to the Company's consolidated financial statements as the Company's Turkish wholly owned subsidiary, Pasinex Arama, uses the Turkish Lira as its functional currency. As a result, the Company recorded a loss on net monetary position of \$515,340 for the year ended December 31, 2023, compared to \$465,997 in 2022, which relates to the revaluation of Pasinex Arama's share capital.

*Income tax expense*

Pasinex Arama had a small income for income tax purposes after making adjustments for non-taxable dividend income received from Horzum and certain non-deductible expenses. This resulted in a small amount of income taxes being owed.



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**Review of Horzum AS**

**Key Performance Indicators**

(shown on a 100% basis)

	Years Ended December 31,		Three Months Ended				
	2023	2022	Dec 2023	Sept 2023	Jun 2023	Mar 2023	Dec 2022
Tonnes mined (wet)	8,061	13,766	1,548	1,748	1,954	2,811	2,961
Tonnes sold (wet):							
Zinc oxide product	-	493	-	-	-	-	-
Zinc sulphide product	7,979	11,577	-	1,989	2,993	2,997	2,008
Zinc sulphide product - Low Grade	-	943	-	-	-	-	-
Lead product	-	54	-	-	-	-	-
	7,979	13,067	-	1,989	2,993	2,997	2,008
Average grades for tonnes sold:							
Zinc oxide product	NA	37.8%	NA	NA	NA	NA	NA
Zinc sulphide product	48.9%	50.1%	NA	50.1%	47.1%	49.6%	48.2%
Zinc sulphide product - low-grade	NA	18.8%	NA	NA	NA	NA	NA
Lead product	NA	53.0%	NA	NA	NA	NA	NA
CAD cost per tonne mined <sup>(1)</sup>	\$ 601	\$ 380	\$ 768	\$ 750	\$ 496	\$ 491	\$ 365
USD cash cost per pound of zinc product mined <sup>(1)</sup>	\$ 0.44	\$ 0.28	\$ 0.62	\$ 0.54	\$ 0.36	\$ 0.34	\$ 0.25

<sup>(1)</sup> See non-GAAP measures

**Operating results**

Horzum AS mined 8,061 tonnes during the year ended December 31, 2023, at the Pinargozu mine versus 13,766 tonnes in the same period in 2022. Production at the Pinargozu mine in 2023 was less than in 2022 as Horzum AS lost two months of production early in the year as a result of seconding some of its experienced miners and its mine rescue team to the earthquake recovery effort that badly impacted the provinces of Adana and Hatay in February and March of 2023. In addition, mine production in 2022 was higher due to the increased availability of zinc product from the development of the Fourth Adit, which had been completed in the fourth quarter of 2021.

Sales volumes decreased for the year ended December 31, 2023, when compared with 2022. Total tonnes sold decreased to 7,979 in 2023 compared with 13,067 tonnes in 2022, representing an approximately 39% decrease. The decrease in tonnes sold was primarily a function of having lower zinc product available to sell during the year. Horzum AS continued to sell its zinc product on a more frequent smaller batch basis in 2023 as it had done in 2022.

The average grade of the zinc sulphide product sold was 48.9% zinc per tonne for the year ended December 31, 2023, compared with 50.1% zinc per tonne in the same period in 2022. There were no sales of zinc oxide product, low-grade zinc sulphide product and lead product in 2023. In 2022, the average grade of sales of zinc oxide product was 37.8% per tonne, low-grade zinc sulphide product was 18.8% per tonne and lead product was 53.0% per tonne.

The CAD cost per tonne mined (see non-GAAP measures) increased substantially in 2023, to \$601 per tonne mined, compared with \$380 per tonne mined in 2022. The cost per tonne metric was much higher in 2023 compared with 2022, in part due to far fewer tonnes being mined. However, the main reason for the substantial increase was the increase in the prices of supplies and services incurred in 2023, as a result of inflationary pressures experienced in Türkiye. The USD cash cost per pound of zinc product mined (see non-GAAP measures) increased to US\$0.44 per pound in 2023 compared with US\$0.28 per pound in 2022 primarily because of the increases in the costs of supplies and services incurred.

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Financial results

Below are the statements of operation for Horzum AS for year ended December 31, 2023 and 2022 with a reconciliation to the Company's equity gain (loss) as shown on the Pasinex consolidated financial statements.

<i>(100% basis Canadian dollars)</i>	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenue	\$ 8,658,801	\$ 18,014,071
Cost of sales	(4,668,947)	(4,666,025)
Selling, marketing and other distribution	(237,637)	(434,178)
Operating income	<b>3,752,217</b>	12,913,868
Impairment of Akmetal receivable (note 6(a))	(11,428,778)	(17,924,361)
General and administrative expenses	(555,461)	(508,072)
Foreign exchange gain	11,925,192	15,281,714
Finance expense	(106,205)	(240,795)
Gain on net monetary position	1,423,083	960,487
Other	-	22,617
Net income for the year - before income tax expense	<b>5,010,048</b>	10,505,458
Deferred income tax (recovery) expense	(361,827)	72,458
Current income tax expense	(1,144,234)	(954,010)
<b>Net income for the year - after income tax expense</b>	<b>\$ 3,503,987</b>	<b>\$ 9,623,906</b>
Pasinex ownership interest	50%	50%
Share of net income	1,751,994	4,811,953
Recognition of prior years equity losses	-	(1,852,119)
Hyperinflationary adjustments to opening retained earnings	-	719,169
Hyperinflationary adjustments to share capital	45,585	249,721
<b>Equity gain from Horzum AS</b>	<b>\$ 1,797,579</b>	<b>\$ 3,928,724</b>

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*Revenue* - The table below shows further details on revenue:

<i>(100% basis Canadian dollars)</i>	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Wet Tonnes	CAD	Wet Tonnes	CAD
Zinc oxide product sales	-	-	493	\$ 528,494
Zinc sulphide product sales	7,979	8,359,890	11,577	17,181,759
Zinc sulphide product sales - low-grade	-	-	943	211,625
Lead product sales	-	-	54	69,255
Other sales	-	298,911	-	22,938
<b>Total revenue</b>	<b>7,979</b>	<b>\$ 8,658,801</b>	<b>13,067</b>	<b>\$ 18,014,071</b>

Sales volume for the year decreased as discussed above, see *Review of Horzum AS – Operating results*. Sales prices per tonne on a USD basis decreased by approximately 30% for zinc sulphide product for the year ended December 31, 2023, when compared to prices in 2022. There were no sales of zinc oxide product, low-grade zinc sulphide product or lead product in 2023. Total sales of all zinc product decreased to approximately US\$6.2 million in 2023 compared with approximately US\$12.0 million, which translates into a 47.9% decrease in total revenue in 2023 compared to 2022. On a CAD basis, total sales of all zinc product decreased to approximately \$8.4 million in 2023 compared with approximately \$17.9 million, which translates into a 53.4% decrease in total revenue in 2023 compared to 2022.

*Costs of sales*

The cost of sales in 2023, remained flat in dollar terms, when compared to 2022 even though the number of tonnes sold was lower. The reasons for the increase include overall higher costs in 2023 compared with 2022, an under accrual for royalties owed in 2022 that was included in 2023 (approximately \$225,000), and the write-off of low-grade zinc sulphide product inventory (approximately \$637,000). The Joint Venture completed more diamond drilling in 2023, 10,782 metres in 126 holes versus 9,345 metres in 106 holes in 2022. Exploration and development adit development completed during 2023 was 1,108 metres versus 1,743 metres in 2022.

*Operating income*

The operating income in Horzum AS decreased in 2023, compared with 2022, as a result of the lower sales prices been realized, fewer tonnes being sold, and higher costs being incurred. The results in 2022 were strong compared with prior years and the results in 2023 were comparable to 2021 and higher than 2020. The gross margin, (see *non-GAAP measures*), for the year ended December 31, 2023, decreased to 42% from 72% in 2022. Zinc prices realized in 2023 (US\$780 per tonne), were lower when compared with 2022 (US\$1,044 per tonne). The average price per pound of zinc realized was US\$0.74 per pound in 2023 compared with an average of US\$1.58 per pound in 2022.

*Impairment of Akmetal receivable* is described below *Akmetal Receivable*.

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 *Review of Horzum AS – Akmetal Receivable*. 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. The impairment decreased in 2023 compared with 2022, as the Company revised the method of calculating the total debt. See *Review of Horzum AS – Financial condition – Akmetal receivable*.

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*Foreign exchange gain*

The functional currency of Horzum AS is the TRY. The foreign exchange gain in both 2023 and 2022 is a result of the revaluation of a portion of the Akmetal receivable, which is denominated in US dollars. The gains are the result of the significant decline in the value of the TRY relative to the US dollar during both 2023 and 2022. The exchange gain decreased in 2023 compared with 2022.

*Gain on net monetary position*

As discussed in the *Review of Quarterly Consolidated Financial Statements – Loss on net monetary position*, Türkiye was designated as a hyperinflationary economy in the second quarter of 2022 and as a result IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to the summarized financial information for Horzum AS. The effect of inflation on Horzum AS's net monetary position for the current period is included in the statement of operations as a net monetary gain, relating to adjustments on share capital, lease assets and plant and equipment.

*Income tax expense*

The statutory rate for income taxes in 2023 was 25% compared with 23% in 2022. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

<b>(100% basis Canadian dollars)</b>	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Income before income tax expense	\$ 5,010,048	\$ 10,505,458
Statutory tax rate	25%	23%
Expected income tax (expense) recovery	(1,252,512)	(2,416,255)
Non deductible expenses	(35,125)	(161,003)
Reduction of utilization of tax losses	(308,207)	-
Tax expense not recognized	451,610	1,623,248
<b>Income tax expense</b>	<b>\$ (1,144,234)</b>	<b>\$ (954,010)</b>

*Equity gain from Horzum AS*

See above discussion in *Review of Annual Consolidated Financial Statements – Equity gain*.

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Financial condition

The following are summary balance sheets for Horzum AS:

<i>(100% basis Canadian dollars)</i>	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and prepaid expenses	\$ 381,510	\$ 639,101
Akmetal receivable	34,639,070	45,099,246
Less - allowance on Akmetal receivables	(34,639,070)	(45,099,246)
Trade receivables	3,077	18,378
Other current assets	320,556	273,870
Due from shareholders and related parties	-	362,000
Inventories	1,345,344	1,166,806
Non-current assets	3,017,675	3,867,803
<b>Total assets</b>	<b>\$ 5,068,162</b>	<b>\$ 6,327,958</b>
<b>Liabilities</b>		
Current liabilities	\$ 2,955,721	\$ 4,049,057
Non-current liabilities	463,601	245,192
Total liabilities	3,419,322	4,294,249
<b>Equity</b>	<b>1,648,840</b>	<b>2,033,709</b>
<b>Total liabilities and equity</b>	<b>\$ 5,068,162</b>	<b>\$ 6,327,958</b>

*Akmetal receivable*

The total receivable from Akmetal is approximately \$34.6 million as at the end of December 31, 2023, compared with \$45.1 million at the end of December 31, 2022. The receivable consists of a number of items including joint venture sales proceeds received and withheld by Akmetal, the value of zinc product mined at the joint venture used by Akmetal, foreign currency gains on USD denominated amounts and the value of certain loan payments made to a customer on behalf of Akmetal; less the value of ongoing operating expenses paid by Akmetal. The above debt figure does not include certain items like interest on the outstanding debt, interest and penalties, incurred by Horzum AS, on the non-payment of income taxes as a result of not having sufficient cash on hand due to Akmetal not paying its debt to Horzum and certain other debts to Horzum AS.

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay, in full, its liabilities in the normal course of operations. Horzum AS has approximately \$3.0 million in current liabilities (\$4.0 million at December 31, 2022) and a working capital deficiency of approximately \$0.9 million (\$1.6 million at December 31, 2022). Included within the total current liabilities are approximately \$0.3 million owed in trade payables (approximately \$0.5 million at December 31, 2022), approximately \$0.5 in amounts due to shareholders and related parties (nil at December 31, 2022), deferred revenue of approximately \$1.6 million (approximately \$1.7 million at December 31, 2022) and approximately \$0.3 million in various taxes payable (\$1.0 million at December 31, 2022).

Due to Akmetal's continued liquidity issues and continued nonpayment of the receivable, management has continued to assess the probability of credit losses to be high. As a result, the receivable remains written down to zero.

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*Due from shareholders and related parties*

Amounts due from shareholders and related parties as at December 31, 2022, include the amount advanced to Pasinex Arama in the form of an advanced dividend. There were no amounts due from shareholders and related parties at December 31, 2023.

*Inventories*

The following is a reconciliation of the Horzum AS inventory tonnage movements for 2023:

<b>Tonnes</b>	<b>Oxide</b>	<b>Sulphide</b>	<b>Low-Grade Sulphide</b>	<b>Lead</b>	<b>Total</b>
Opening Inventory	-	3,056	-	-	3,056
Production Net of Waste	81	6,926	1,054	-	8,061
Sales	-	(7,979)	-	-	(7,979)
Write-off	-	-	(1,054)	-	(1,054)
Ending Inventory	81	2,003	-	-	2,084

*Non-current assets*

The non-current assets held in Horzum AS are primarily plant and equipment including leased assets.

*Current liabilities*

Current liabilities include trade payables, deferred revenue and various taxes payable in both 2023 and 2022. The decrease in current liabilities at December 31, 2023, compared with December 31, 2022 is primarily due to a reduction in taxes payable.

*Other liabilities*

Other liabilities include employee benefit obligations in both 2023 and 2022 and a deferred tax liability recognized in 2023.

*Shareholders' equity*

The decrease in the shareholders' equity at December 31, 2023, compared with December 31, 2022 is due to a combination of factors including, the issuance of a dividend to its shareholders and foreign currency adjustments offset by increases from net income from its operations and the recognition of inflationary gains recorded as a result of applying IAS 29.

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Expectations for 2024 and 2023 Review

*Safety, Health and Environment*

The Joint Venture was fortunate that its Adana offices and the Pinargozu Mine did not sustain any damage during the tragic earthquakes in Türkiye in 2023. To ensure the safety and well-being of our employees, the operations of the Joint Venture were temporarily halted in February. Our well-trained mine rescue team, along with excavators and trucks, were mobilized to aid in the recovery efforts of nearby towns and cities. Approximately 50 personnel assisted in the clean-up and recovery efforts and were responsible for saving ten lives in Hatay, Türkiye. The Company is very proud of the contributions made by those persons and the service they provided to the local communities.

The Company is pleased to report that Horzum AS had another zero-fatality year at the Pinargozu Mine with a total of 151,200 fatality free hours having been worked during 2023 (194,504 fatality free hours in 2022). Horzum AS did report five serious injuries and 28 lost-time injuries during the year. Horzum AS has focused on the development of a Health and Safety Management System and Culture since it began mining at Pinargozu in 2015.

*Production and Exploration*

<b>(100% basis)</b>	<b>Revised Guidance for the Year Ended December 31, 2023</b>	
	<b>Wet Tonnes</b>	<b>Average Grade</b>
Zinc oxide product mined	-	<b>NA</b>
Zinc sulphide product mined	<b>9,000 to 11,000</b>	<b>47.5%</b>
Zinc low-grade sulphide product mined	-	<b>NA</b>
	<b>9,000 to 11,000</b>	
CAD cost per tonne mined		<b>\$475 - \$525</b>

Production at the Pinargozu Mine for 2023 fell short of the amount forecast at the beginning of the year. Production for the year, net of waste, included 8,061 tonnes of a mix of high-grade zinc sulphide product, high-grade zinc oxide product and low-grade zinc oxide product compared to a revised forecast of between 9,000 and 11,000 tonnes of zinc sulphide product.

Production during the year was less than expected as Horzum AS effectively "lost" two months of production early in the year as a result of seconding some of its experienced miners and its mine rescue team to the earthquake recovery effort that badly impacted the province of Adana and Hatay in February and March of 2023. The 541-metre level adit (the "Fourth Adit") was the main production hub for the Pinargozu Mine in 2023 and it is expected it will continue to be so into the future.

We remain very conscious of the ongoing water challenges that could await us as we go deeper in the orebody. As the decline has advanced below the 541-metre level, both for future production and to enable deeper diamond drilling to be undertaken, the areas where production will occur in future quarters have become drier and water dams below the 538-metre level have been established. This will allow any water that is encountered to be handled easily and safely by being pumped directly out of the mine to the settling ponds prior to being discharged into the local watercourse. All testing of the water discharged has confirmed that it meets the standards for potable water and does not cause an environmental problem.

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The other main area of horizontal development has been the extension of the Fourth Adit towards the Akkaya property, which has allowed exploration drilling to be undertaken from the Fourth Adit to test areas of the lease where surface drilling would be both difficult and costly. A second underground drill rig (one diamond rig and one percussion rig) were operational during 2023. In addition, towards the end of the year, a third drill rig (a diamond drill) was delivered to site. Work on the preparation of drill sites below the 541-metre level is ongoing.

The Joint Venture completed 10,782 metres of underground and surface diamond drilling in 2023 (9,345 metres in 2022) and completed 1,108 metres of exploration and development adit development during 2023 (1,743 metres in 2022). The rate of underground development is expected to increase in 2024 to enable more working places for the mining of zinc sulphide material to be undertaken. Drilling is important to delineate the zinc bearing structure, but it is only by underground development that production areas can be established. The rate at which this was achieved in 2023 fell short of an optimum rate. Mine production at the Pinargozu mine was pre-dominantly on a two-shift basis in 2023.

A surface diamond drill rig was established on site in December 2023 and is currently continuing with a programme designed to test the vertical extent of mineralization and lateral extent into the Akkaya property. Exploration will be the key to the ongoing success of the Pinargozu and the Akkaya properties and to this effect, additional emphasis on extending the understanding of the mineralised structure at depth has been placed by the exploration team for its activities in 2024. The deepest intersection of high-grade zinc has been reported as part of this programme at a level of 428 metres (some 100 metres below the lowest current production level). Four drill rigs will be in operation this year operating both underground and from surface with the addition of a second underground diamond drill rig.

The Company has not completed a current technical report that includes a mineral resource estimate as defined by the Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council, and procedures for classifying the reported Mineral Resources were undertaken within the context of the Canadian Securities Administrators National Instrument 43-101 ("NI 43-101"). The Company has no intention of completing a NI 43-101 compliant technical report. The Joint Venture has not followed accepted quality assurance and quality control procedures with respect to its current drilling program and has not used an independent third-party laboratory for its assay analysis. The Joint Venture uses field handheld X-ray fluorescence analyzers ("XRF") for zinc assays and grade control in exploration and mining. In addition, assays are completed by an independent third-party laboratory for all of the Joint Venture's sales.

The decision to enter production at the Pinargozu zinc mine was made without reference to a technical report or feasibility study prepared under NI 43-101. Accordingly, the Company's production estimates, and the economic viability of the mine may differ materially from the estimates contained herein.

<i>(100% basis)</i>	<b>Guidance for the Year Ended December 31, 2024</b>	
	<b>Wet Tonnes</b>	<b>Average Grade</b>
Zinc oxide product mined	-	NA
Zinc sulphide product mined	<b>6,000 to 9,000</b>	<b>50.0%</b>
	<b>6,000 to 9,000</b>	
CAD cost per tonne mined		\$500 - \$600

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Production at the Pinargozu Mine for 2024 is forecast to be between 6,000 and 9,000 tonnes of zinc sulphide product at an average grade in excess of 50% zinc as direct shipping material. Depending on the progress of underground exploration at Pinargozu, this production forecast could be increased in the second half of 2024. Horzum AS expects that it will complete in excess of 10,000 metres of underground and surface diamond core drilling and in excess of 900 metres of adit development in 2024. Production and diamond core drilling will be predominately underground from and in the Fourth Adit (at the 541-metre level and below). Horzum AS will continue to extend the existing Fourth Adit an additional 300 metres to reach the Akkaya property.

The Joint Venture received numerous key permits during 2023 with respect to Akkaya including the environmental and workplace permits. Once the forestry permit has been received, the final operational permit will be obtained and the production licence issued.

## 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.

Türkiye has continued to experience very high inflation. According to the Türkiye İstatistik Kurumu (Turkish Statistical Institute), the three-year cumulative inflation rate to the end of December 2023 was 268% (three-year cumulative inflation rate to the end of December 2022 was 156%). As a result, Horzum AS has been and will continue to experience price pressure on its goods and services incurred, including wages of its labour force. The price of zinc declined during 2023, with the monthly average declining from a high of US\$1.49 per pound in January to a low of US\$1.11 per pound in October. The average price per pound in 2023 of US\$1.20 per pound was 24% lower than the average price per pound in 2022 of US\$1.58. Notwithstanding the lower zinc prices and higher costs, the Joint Venture continued to report a high gross margin in 2023 of 42% (see Non-GAAP measures – Gross Margin).

Horzum AS sells their product in US dollars and to a lesser extent in Euros, which are then converted to the Turkish Lira. As such, Horzum AS's financial performance also depends on the TRY to US dollar. The USD / TRY exchange rate has had a substantial increase in the past few years. The average USD / TRY rate increased to 30:1 at the end of 2023, which represents a 58% increase compared to the end of 2022. The average USD / TRY rate at the end of 2023 increased by 8% compared to the average USD / TRY rate at the end of the third quarter of 2023. Since the Joint Ventures sales are priced in USD, the increase in the USD / TRY exchange rate helps to offset the higher TRY costs when the sales proceeds are converted to pay for the local costs.

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**Liquidity and Financial Position**

**Cash Flows**

A summary of Pasinex's cash flows is as follows:

	<b>Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash provided by (used in) operating activities</b>		
Net (loss) income for the year	\$ (309,768)	\$ 2,043,173
Net equity gain from Horzum AS	(1,797,579)	(3,928,724)
Dividend received	1,760,901	3,256,282
Adjustments for items not involving cash:		
Changes in working capital	(156,745)	621,530
	<b>(554,397)</b>	1,838,461
Net cash used in investing activities	(1,823)	(2,041)
Net cash used in by financing activities	(50,000)	(634,617)
Effect of foreign currencies	(72,069)	(446,267)
<b>Net change in cash</b>	<b>(678,289)</b>	755,536
Opening cash balance	855,567	100,031
<b>Closing cash balance</b>	<b>\$ 177,278</b>	<b>\$ 855,567</b>

*Cash provided by (used in) operating activities*

The Company had modest outflows of cash from its operating activities in 2023. Pasinex Arama received TRY 27.2 million (approximately \$1.8 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividend collections from Horzum AS resulting from its 50% percent ownership interest. Pasinex Arama also received approximately TRY 5.6 million for expenses recovered from Horzum (approximately \$0.3 million using the exchange rates on the dates of the various transfers from Horzum AS). In 2022, the primary reason for the positive cash inflow from operating activities was the collection of all of the amounts that were due from related parties at the end of 2021, the collection of the dividend that was declared in 2022 and recoveries of expenses.

*Cash used in investing activities*

Cash used in investing activities in both 2023 and 2022 relate to miscellaneous costs incurred by Pasinex Arama.

*Cash used in from financing activities*

Cash used in financing activities for both 2023 and 2022 relate to the payment of interest and principal on the Company's shareholder loans.

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#### Commitments

##### *Gunman Project*

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 Gunman Project (formerly the "Spur Zinc Project") located in White Pine County, Nevada ("Option Agreement"). The Option Agreement's total consideration to acquire an 80% interest is a combination of cash and Pasinex common shares. The Company must incur minimum exploration expenditures totalling US\$2,950,000.

On September 12, 2019, the Company announced they reached an agreement with Cypress and Caliber to change the terms relating to the earn in option agreement by changing the date of the US\$100,000 option payment to December 11, 2019 (paid) and deferred the 2019 exploration obligations to 2020.

On November 27, 2020, the Company entered into an additional amending agreement with Cypress and Caliber to extend the deadline for completion of the minimum exploration expenditures to December 31, 2022. Also, the deadline to acquire the additional 29% interest, as outlined below, has been extended to December 31, 2024. As part of the amending agreement the Company changed the name of the project to Gunman Project, agreed to pay US\$15,000 to Cypress and was required to spend a minimum of US\$200,000 by December 31, 2021, as a condition precedent for the effectiveness of the amending agreement.

On December 14, 2021, the Company entered into an additional amending agreement with Cypress and Caliber to extend the deadline to complete the minimum of US \$200,000.00 of qualified exploration expenditures to on or before June 30, 2022.

On December 29, 2022, The Company entered into an additional amending agreement with Cypress and Caliber to extend the deadline for completing the First Option Conditions of Exercise to March 31, 2023.

The spending and associated ownership is as follows:

The Company has completed the following to earn its initial 51% of the Gunman 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.
- In December 2019, a payment of US\$100,000 cash and issuance of 200,000 Pasinex Common Shares (valued at \$6,000) 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 (spent);
  - US\$800,000 prior to December 5, 2019 (spent);
  - US\$800,000 prior to December 5, 2020 (spent).

The Option Agreement calls for Pasinex and Cypress to enter into a joint venture agreement now that the Company has exercised the first option and earned the 51% interest. Pasinex is currently discussing with Cypress whether this is necessary and may continue with phase 2, to earn an additional 29% interest, without the joint venture agreement. Total consideration to acquire the 51% interest included US\$425,000 in cash payments, the issuance of 4.6 million Pasinex Common Shares and exploration expenditures of US\$1,850,000.

To acquire an additional 29% of the Gunman Project:

- Prior to December 5, 2021 (deferred to December 31, 2024):
  - a payment of US\$250,000 cash and issuance of 200,000 Pasinex Common Shares to Century; and
  - spend an additional US\$1.1 million (spent approximately US\$500,000 to December 31, 2023) in exploration expenditures as defined in the Option Agreement.

The underlying licenses are in good standing until September 2024.

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#### *Gunman Project exploration activities in 2023*

In November 2022, Pasinex commenced a reverse circulation drilling program ("RC"), which was to include 14 drill holes totalling 3,000 metres of drilling. Only three drill holes were completed with a fourth drill hole having been stopped short of its target depth. About 30% of the originally planned meterage was completed.

The drill program was originally scheduled to begin in September 2022 and be completed by October 2022, but the contracted driller was late in arriving to the property. The Company decided to proceed with the drill program, despite the late start and the more difficult drilling conditions, which began with the onset of winter, in order to complete its spending requirement to acquire the 51% interest in the Gunman Project. A combination of severe winter conditions and mechanical issues with the driller's equipment caused numerous delays, poor performance and the low meterage drilled. The Company therefore halted the drill program in February. The Company did not restart the drill program later in 2023 due to a shortage of available cash and does not expect to be in a position to do so in 2024. The Company will maintain the underlying licenses in good standing and hopes to be able to restart its drilling efforts once cash inflows from Horzum AS become more consistent.

#### **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 December 31, 2023, the Company had a deficit of \$10,612,090 (December 31, 2022 – deficit of \$10,302,322) and had a working capital deficiency position of \$2,645,221 (December 31, 2022 – \$2,413,755). The Company had a net loss of \$309,768 for the year ended December 31, 2023 (2022 – net income of \$2,043,173) and negative cash flows from operations of \$554,397 for the year ended December 31, 2023 (2022 – positive cash flows from operations of \$1,838,461) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

Subsequent to December 31, 2023, Pasinex Canada received approximately \$380,000 from shareholders of the Company, which have been added to existing shareholder loan agreements. In addition, Pasinex Arama transferred US\$60,000 (approximately \$82,000 using the exchange rates on the dates of the transfers) to Pasinex Canada. 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 Gunman Project Agreement (*see Liquidity and Financial Position – Commitments – Gunman Project*). 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.

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## 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 10.5 million 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 year. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, 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:

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	Years Ended December 31,	
	2023	2022
Management fees and salaries	\$ 220,350	\$ 231,300
Consulting fees	187,019	208,338
Director fees	72,000	226,000
Share-based payments	-	57,000
Interest expense on shareholder loans	138,218	147,147
	<b>\$ 617,587</b>	<b>\$ 869,785</b>

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Amounts payable to related parties were as follows:

	<b>Due to Related Parties</b>		<b>Shareholder Loans</b>	
	<b>As at December 31,</b>		<b>As at December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
1514341 Ontario Inc. <sup>(1)</sup>	\$ -	-	\$ 2,030,457	1,968,357
Soner Koldas <sup>(2)</sup>	19,178	-	-	-
Seeley Holdings Ltd. <sup>(3)</sup>	-	-	372,175	351,093
Rainer Beteiligungsgesellschaft <sup>(4)</sup>	-	-	88,733	83,697
2192640 Ontario Inc. <sup>(5)</sup>	30,504	44,236	-	-
Horzum AS	-	362,000	-	-
	<b>\$ 49,682</b>	<b>\$ 406,236</b>	<b>\$ 2,491,365</b>	<b>\$ 2,403,147</b>

(1) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.

(2) Soner Koldas is the General Manager of Pasinex AS and Managing Director of Horzum AS.

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

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

(5) 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.

In 2022, Pasinex Arama received a TRY 5.0 million payment (approximately \$357,000 using the exchange rates on the date the amount was received), in the form of an advance for a dividend that was expected to be declared in 2023. This amount was included in due to related parties until the dividend was declared. The value of the advanced dividend at December 31, 2022, using the year-end exchange rate was \$362,000.

To the knowledge of the directors and officers of the Company, as at December 31, 2023, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

	<b>Number of Common Shares</b>	<b>Percentage of Outstanding Common Shares</b>
<b>Larry Seeley</b>	<b>30,000,591</b>	<b>20.75%</b>

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**Review of Quarterly Consolidated Financial Statements**

**Three Months Ended December 31, 2023 and 2022**

The following is a summary income statement for Pasinex:

	<b>Three Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Equity (loss) gain from Horzum AS	\$ (328,349)	\$ 856,728
Exploration costs expense	(5,443)	(328,744)
General and administration costs	(363,631)	(535,264)
Other income	7,374	3,136
Interest expense	(34,835)	(36,084)
Foreign exchange gain (loss)	63,658	(34,955)
Loss on net monetary position	(98,881)	(82,652)
Income tax expense	(37,814)	-
<b>Net loss</b>	<b>\$ (797,921)</b>	<b>\$ (157,835)</b>

*Equity gain from Horzum AS*

The equity loss in the fourth quarter of 2023 arose due to the Company's share of the net loss recorded by Horzum AS. The net loss included losses from operations, which were partially offset by hyperinflationary adjustments. In 2022, Horzum AS had net income in the fourth quarter, which resulted in an equity gain.

*Exploration costs*

Exploration costs for Pasinex incurred in the fourth quarter of 2023 related to minor maintenance costs at the Company's Gunman Project (see *Liquidity and Financial Position – Commitments – Gunman Project*). Exploration costs for Pasinex incurred in the fourth quarter of 2022 were for the exploration program being carried out at the Gunman Project.

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*General and administration costs*

General and administration costs for Pasinex for the fourth quarter include the following:

	<b>Three Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>General and administration costs</b>		
Consulting fees	\$ 66,100	\$ 172,960
Investor relations	3,167	12,558
Management fees and salaries	46,800	77,680
Director fees	-	154,000
Office and general	1,878	(16,736)
Professional fees	212,297	93,424
Transfer agent and regulatory fees	7,614	3,636
Travel and meals	25,824	36,327
Other	(49)	1,415
	<b>\$ 363,631</b>	<b>\$ 535,264</b>

General and administration costs have changed year over year due to:

- Consulting fees in 2022 included costs for consultants engaged to help with the collection of dividends from Horzum AS and for the negotiations with MAPEG. Also included were amounts paid to the Company's general manager and exploration manager located in Türkiye. In 2023, only amounts paid to the Company's general manager and exploration manager located in Türkiye are included;
- Management fees decreased in 2023 compared with 2022 as fees for the Company's management consultant included a bonus in 2022 while the fees in 2023 did not include a similar amount;
- Director fees in the fourth quarter of 2022 included the normal quarterly fee for all of its directors and also included year-end bonuses. In 2023, the directors of the Company waived their entitlement to their regular director fees in order to conserve cash balances. Also, no bonuses were paid in 2023;
- Professional fees increased during 2023 compared with 2022 due to price increases for its audit and legal providers and increased activity related to the legal processes initiated to collect the outstanding receivable owed by Akmetal; and
- In total, general and administrative costs decreased by \$171,000 or 32% year over year.

*Loss on net monetary position*

As noted in the *Review of Annual Consolidated Financial Statements – Loss on net monetary position*, IAS 29 was applied to the Company's audited consolidated financial statements. As a result, the Company recorded a loss on net monetary position of \$98,881 for the three months ended December 31, 2023 (2022 - \$82,652), which relates to the revaluation of Pasinex Arama's share capital.

*Income tax expense*

Pasinex Arama incurred a small income tax expense in 2023. No similar amount was incurred in 2022.



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Below are the statements of income for Horzum AS for the fourth quarter of 2023 and 2022 with a reconciliation of the equity gain from Horzum AS.

<i>(100% basis Canadian dollars)</i>	<b>Three Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenue	\$ 63,087	\$ 2,226,580
Cost of sales	(799,787)	(803,045)
Selling, marketing and other distribution	(290)	(60,581)
Operating (loss) income	(736,990)	1,362,954
Impairment of Akmetal receivable	7,704,585	(405,987)
General and administrative expenses	(345,643)	134,924
Foreign exchange (loss) gain	(8,107,830)	484,006
Finance expense	(18,745)	(124,584)
Gain on net monetary position	344,230	294,953
Other	2	7,388
Net (loss) income for the year - before income tax recovery (expense)	(1,160,391)	1,753,654
Deferred tax (expense) recovery	(175,882)	72,458
Current income tax recovery (expense)	658,501	(124,090)
<b>Net (loss) income for the year - after income tax recovery (expense)</b>	<b>\$ (677,772)</b>	<b>\$ 1,702,022</b>
Pasinex ownership interest	50%	50%
Share of net (loss) income	(338,886)	851,010
Hyperinflationary adjustments to share capital	10,500	5,716
<b>Equity (loss) gain from Horzum AS</b>	<b>\$ (328,386)</b>	<b>\$ 856,726</b>

*Revenue*

<i>(100% basis Canadian dollars)</i>	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Wet Tonnes</b>	<b>CAD</b>	<b>Wet Tonnes</b>	<b>CAD</b>
Zinc sulphide product sales	-	\$ -	2,008	\$ 2,213,145
Other sales	-	63,087	-	13,435
<b>Total revenue</b>	<b>-</b>	<b>\$ 63,087</b>	<b>2,008</b>	<b>\$ 2,226,580</b>

Sales in the fourth quarter of 2022 included high-grade zinc sulphide product. There were no sales in the fourth quarter of 2023 although there were advanced payments received in December 2023 for sales that were finalized early in January 2024. The average grade of tonnes sold was 52.9% for the high-grade zinc sulphide product sold in the fourth quarter of 2022.

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*Cost of sales*

Although there were no sales in the fourth quarter there were adjustments to cost of sales for the amount accrued for royalties owed on 2023 sales (approximately \$46,000), the write-off of low-grade inventory (approximately \$637,000) and other minor year-end adjustments. Cost of sales in 2022 include the cost of the zinc product sold which includes an amount accrued for 2022 royalties owed.

*Operating income*

There was an operating loss in the fourth quarter of 2023 as there were no sales in that period, yet Horzum AS recorded the cost of sales adjustments mentioned above. The operating income in the fourth quarter of 2022, was generated from the sale of high-grade zinc sulphide product at a gross margin of 61%.

*Cash flows*

The following is a summary cash flow for the Company for the fourth quarter.

	<b>Three Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash used in operating activities</b>		
Net income (loss) for the year	\$ (695,696)	\$ (15,827)
Net equity gain from Horzum AS	219,603	(998,736)
Dividend received	(3,484)	-
Adjustments for items not involving cash:	(476,853)	97,032
Changes in working capital	760,120	183,030
	<b>(196,310)</b>	<b>(734,501)</b>
Cash used in investing activities	-	(547)
Cash received from financing activities	-	(199,597)
Effect of foreign currencies	33,549	44,174
<b>Net change in cash</b>	<b>(162,761)</b>	<b>(890,471)</b>
Opening cash balance	340,039	1,746,039
<b>Closing cash balance</b>	<b>\$ 177,278</b>	<b>\$ 855,567</b>

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**Selected Consolidated Quarterly Financial Data**

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

	Three Months Ended							
	Dec 2023	Sept 2023	June 2023	Mar 2023	Dec 2022	Sept 2022	June 2022	Mar 2022
Financial:								
Equity (loss) gain from Horzum AS	\$ (328,349)	\$ 529,122	\$ 821,044	\$ 775,762	\$ 856,728	\$ 948,698	\$ 1,976,852	\$ 146,446
Consolidated net (loss) income	\$ (797,921)	\$ (270,729)	\$ 954,465	\$ (195,583)	\$ (157,835)	\$ 550,035	\$ 1,831,658	\$ (180,685)
Basic and diluted net (loss) income per share	\$ (0.01)	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00

See *Review of Annual Consolidated Financial Statements – Years Ended 2023 and 2022 – Equity gain* for an explanation of Equity gain. In both 2023 and 2022, the quarterly equity gains are calculated by taking 50% of the following calculation. Horzum AS's net income, which includes hyperinflationary adjustments, less dividends issued by Horzum AS.

Quarterly consolidated net income or loss has varied primarily due to the variability of the equity gain or loss recorded from the joint venture. The consolidated net loss in the fourth quarter of 2023 was primarily due to the fact that there was an equity loss in the fourth quarter of 2023 compared with equity gains in the seven prior quarters. The consolidated net loss in the third quarter of 2023 was the result of a more modest equity gain being offset by higher general and administrative costs and a higher loss on net monetary position driven by the substantial drop in the CPI rate in Türkiye that occurred after the presidential election. The consolidated net income in the second quarter of 2023 was due to equity gain and dividend income received whereas the loss in the first quarter of 2023 was driven by the increased exploration costs at the Gunman Project, general and administration costs and the loss on the net monetary position. The consolidated net loss recorded in the first and fourth quarters of 2022 were the result of lower equity gains in those quarters. The 2022 second and third quarter consolidated net incomes were higher as the equity gains in those quarters were higher when compared to other quarter equity gains or losses. The second quarter consolidated net loss was partially offset by a higher loss on net monetary position as this was the first quarter when hyperinflationary adjustments were recognized.

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**Financial Instruments and Capital Disclosures**

In accordance with IFRS, the Company shall disclose the comparison of carrying amounts and fair values of the Company's financial instruments that are carried in the consolidated financial statements. As of December 31, 2023 and 2022, the fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments, except for cash which is measured at fair value based on price quotations at the reporting date.

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

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

<b>As at December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 177,278	\$ -	\$ -	\$ 177,278

  

<b>As at December 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 855,567	\$ -	\$ -	\$ 855,567

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

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

a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is attributable to its cash balances, trade receivables and related party receivables. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada and in Türkiye. Management believes that the credit risk with respect to trade receivables is remote because of receipt of upfront payments from most customers. The credit risk on related party receivables has been assessed as high. The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the date of the consolidated statements of financial position.

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b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at December 31, 2023, the Company had a cash balance of \$177,278 (2022 - \$855,567) and current liabilities of \$2,976,689 (2022 - \$3,564,963). All of the Company's accounts payable and accrued liabilities and due to related parties have contractual maturities of less than 60 days and are subject to normal trade terms. Shareholder loans are due on demand from the shareholders but because of the related party nature and the ownership interests of these shareholders, it is unlikely the shareholders would call the loan until ample funds are available in the Company. The Company may manage its short-term liquidity shortfall by obtaining additional loans from directors or by equity financing. See also the discussion in *Going Concern*.

c) Market Risk

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

(i) Currency risk - foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company received dividends from its investment in Horzum AS. Dividends are declared in TRY and paid to the Company in increments as excess cash is available and therefore subject to foreign currency risk arising from the fluctuation in currency exchange between the Canadian dollar and TRY. In addition, during the year ended December 31, 2023, the translation of the assets and liabilities of Pasinex Arama and Pasinex Nevada resulted in foreign currency translation adjustments of negative \$159,434 (2022 - negative \$164,575) recorded in other comprehensive loss. For the year ended December 31, 2023, if the TRY to Canadian dollar exchange rate increased/decreased by 5% with all other variables held constant, other comprehensive loss would have been approximately \$193,000 higher/lower (2022 - approximately \$246,000 higher/lower).

(ii) Interest rate risk - interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is currently not exposed to interest rate risk as the Company does not have any debt with a variable interest rate.

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

The Company's future profitability and viability depend upon the world market price of zinc. Zinc prices have fluctuated widely in recent years. Sales in Horzum AS are subject to fluctuations in zinc price. For the year ended December 31, 2023, if the sales prices increased/decreased by 5% with all other variables held constant, other comprehensive loss would have been approximately \$169,000 higher/lower. The Company uses the equity method to account for its investment in Horzum and therefore any change in Horzum AS's income statement is shown as an equity gain on the Company's income statement.

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d) Capital Structure

In addition to its cash balances, the Company manages its common shares, stock options and warrants as capital. Management reviews its capital management approach on an ongoing basis and will assess making adjustments within the context of the Company's strategy, economic conditions and risk characteristics of its assets. No changes were made to management's approach in 2022 from 2021. To adjust or maintain the capital structure, the Company may issue new equity, incur debt, enter into joint venture arrangements, or dispose of certain assets. The Company's key policy guidelines for managing capital structure is to ensure there is enough funding to complete its commitments under option agreements and other growth initiatives while maintaining a conservative level of debt relative to total capital and earnings within the context of its financial forecasts for pricing, costs and production.

The Company's investment policy is to hold excess cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

**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.

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		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
<b>Reconciliation of cost per tonne mined</b>				
Cost of sales per Horzum AS income statement	\$ 799,787	\$ 803,045	\$ 4,668,947	\$ 4,666,025
FX Differences	(118,137)	(21,667)	(480,758)	(246,428)
Inventory change	506,739	300,692	659,296	811,220
	<u>\$ 1,188,389</u>	<u>\$ 1,082,070</u>	<u>\$ 4,847,485</u>	<u>\$ 5,230,817</u>
Tonnes mined	1,548	2,961	8,061	13,766
<b>CAD Cost per tonne mined</b>	<u>\$ 768</u>	<u>\$ 365</u>	<u>\$ 601</u>	<u>\$ 380</u>

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USD cash cost per pound of zinc produced

The following table provides a reconciliation of USD 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
<b>Reconciliation of US\$ cash cost per pound of zinc product mined</b>				
Cost of sales per Horzum AS income statement adjusted for foreign exchange and inventory change	\$ 1,188,389	\$ 1,082,070	\$ 4,847,485	\$ 5,230,817
Less - sales of lead product	-	-	-	(69,255)
	<u>1,188,389</u>	<u>1,082,070</u>	<u>4,847,485</u>	<u>5,161,562</u>
Translate to US\$	A \$ 872,596	\$ 796,812	\$ 3,591,735	\$ 3,976,938
Zinc product tonnes mined (wet)	1,548	2,961	8,061	13,766
Zinc product grade mined	42.4%	49.0%	47.2%	48.0%
Moisture loss	2.0%	2.0%	2.4%	2.0%
Pounds of zinc product mined	B 1,416,757	3,127,308	8,190,186	14,230,456
US\$ cash cost per pound of zinc product mined	A/B \$ 0.62	\$ 0.25	\$ 0.44	\$ 0.28

Treatment and refining costs are not included in the USD 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
<b>Reconciliation of gross margin</b>				
Operating (loss) income per Horzum AS income statement	\$ (736,990)	\$ 1,362,954	\$ 3,752,217	\$ 12,913,868
Deduct other sales	\$ (63,140)	\$ (13,435)	\$ (298,965)	\$ (23,788)
Adjust for final price adjustments for revenue and cost of goods sold related to other periods	800,130	-	225,091	-
Gross margin	\$ -	\$ 1,349,519	\$ 3,678,343	\$ 12,890,080
Revenue (excluding price adjustments related to other periods and other sales)	\$ -	\$ 2,213,145	\$ 8,658,801	\$ 18,014,071
Gross margin (gross margin / revenue)	NA	61%	42%	72%

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### **Qualified Person**

Jonathan Challis, a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer, is the qualified person ("QP") as defined by NI 43-101 for all information in this MD&A other than the information relating to the Gunman Project. See *Liquidity and Financial Position – Commitments – Gunman Project*. He has inspected the original paid sales invoices issued by the Joint Venture for the shipment of zinc sulphide product specified in this news release and has approved the scientific and technical disclosure herein. Mr. Challis is a director of the Company and Chair of the Joint Venture.

### **Risks and Uncertainties**

The Company's business contains significant risk due to the nature of mining, exploration and development activities. In addition to the usual risks associated with an investment in a junior resource company, management and the directors of the Company believe that, in particular, the following risk factors should be considered by prospective investors. It should be noted that this list is not exhaustive and that other risk factors may apply. 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 below that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

#### **Risks to Profitability**

The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in the United States and Türkiye. 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. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors.

The profitability of the Company's current operations will be directly related to the performance of the Pinargozu zinc mine located in Türkiye, which operates without a technical report or established mineral reserves. The development of a mining operation typically involves large capital expenditures and a high degree of risk and uncertainty. Mining operations put into production without first establishing mineral reserves supported by a NI 43-101 technical report and completed feasibility study are subject to much higher risk of economic or technical failure. As the Pinargozu mine (held by Horzum AS) was put into production without a feasibility study or mineral reserves demonstrating economic and technical viability, there is increased uncertainty. The economic and technical risk of failure at the Pinargozu mine is increased by operating without a technical report, and the ore grade, estimated mineral resources, profitability of the mine, the life of the mine, the difficulty in mining zinc ore, the cost in maintaining the mine and any other economic or technical projection may differ materially from the Company's estimates, which would have a material and adverse effect on the Company's results.

Moreover, the ability of the Pinargozu mine to generate positive cash flow for the Company has been impacted by the ability of Horzum AS to collect receivables from Akmetal, the Company's distribution partner. To date, the loan receivables owing to the Company from Akmetal were unrecoverable, and as a result the Company's business, results of operations and financial condition have experienced a material adverse impact.



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#### **Reliability of Mineral Resource Estimates**

As the Company has not established mineral reserves supported by a NI 43-101 technical report, there is no assurance that the Company's resource or production estimates can be relied upon. The Company currently relies on internal mineral resource estimates for the basis of its projections and forward-looking information. Mineral resources are estimates based on sampling of the mineralized material in a deposit and such estimates may not be found to be accurate. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimation of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The Company's mineral resource estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, all of which may prove to be unreliable. Furthermore, there are risks related to the reliability of analytical results and unforeseen possible variations in grade or other considerations.

#### **Exploration Risk**

The exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current mining, exploration and development programs of the Company will result in profitable commercial mining operations.

#### **Commodity Markets**

The price of the Company's securities, its financial results, and its access to the capital required to finance its production and exploration activities may in the future be adversely affected by declines in the price of zinc. Zinc prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of zinc by various dealers, financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, and international political and economic trends, conditions and events. If these or other factors adversely affect the price of zinc that are the subject of the Company's production and exploration efforts, the market price of the Company's securities may decline.

#### **Market Fluctuation and Commercial Quantities**

The market for minerals is influenced by many factors beyond the Company's control, including without limitation, the supply and demand for minerals. In addition, the metals industry in general is intensely competitive and there is no assurance that, even if apparently commercial quantities and qualities of metals are discovered, a market will exist for their profitable sale. Commercial viability of zinc and other mineral deposits may be affected by other factors that are beyond the Company's control, including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure, the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, and environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability such that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital or having its mineral projects be rendered uneconomic. These risks are accentuated because of the lack of a NI 43-101 technical report on mineral reserves at the Pinargozu mine. Without a NI 43-101 technical report, economic and technical viability of the Pinargozu mine cannot be assured.

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### **Option and Joint Venture Agreements**

The Company has and may continue to enter into option agreements and/or joint ventures as a means of acquiring property interests. Any failure of any partner to meet its obligations to the Company or other third parties, or any disputes with respect to third parties' respective rights and obligations could have a material adverse effect on the Company's rights under such agreements. Furthermore, the Company may be unable to exert direct influence over strategic decisions made in respect of properties that are subject to the terms of these agreements, and the result may be a materially adverse impact on the strategic value of the underlying mineral claims.

### **Property Titles**

The principal property interests that the Company owns, controls or has the right to acquire by option or agreement come variously under the *3213 Turkish Mining Law* (Türkiye), the *Federal Land Policy and Management Act* (United States), and the *General Mining Law of 1872* (United States), each of which has its own registration and management systems. Although the Company has either obtained title opinions or reviewed title for the material properties that it owns, controls or has the right to acquire by option or agreement, there is no guarantee that title to such mineral property interests will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. The Company may also experience challenges in effecting the transfer of title to certain of its mineral properties. There may be valid challenges to the title of the mineral property interests which, if successful, could impair development and/or operations.

### **Financing Risks**

Although the Company currently generates operating cash flow from the Pinargozu mine, the Company's distribution partner, Akmetal, has been slow to pay Horzum AS. The Company has no other source of operating cash flow and there is no assurance additional funding will be available for further exploration, development and maintenance of its projects. Further exploration and development of the Company's properties may be dependent upon its ability to obtain financing through equity or debt, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Company's projects, the loss of right to the Company's properties, or the ability to finance the continued operation of the Pinargozu mine.

### **Mining Risks and Insurance**

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

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### **Risks Related to Operations in a Foreign Jurisdiction**

The Company's business operates in a foreign jurisdiction where there are added risks and uncertainties due to the different economic, cultural and political environments. The Corporation's mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation and policy relating to the mining industry. Other risks of foreign operations include political unrest, labour disputes and unrest, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries (including nationalization of mines), foreign taxation, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. Local economic conditions can also adversely affect the security of the Company's operations and the availability of supplies. In addition, risks of operations in Türkiye include fluctuations in currency exchange rates, inflation, and significant changes in laws and regulations including but not limited to tax regulations, permitting and expropriation. These risks may limit or disrupt the Company's projects, reduce financial viability of local operations, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation. There can be no assurance that changes in the government or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect the Company's business, financial condition, results of operation and prospects.

### **Government Regulations, Permitting and Taxation**

The Company's production and exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its activities, its various licences and permits must be obtained and kept current. There is no guarantee that the Company's licences and permits will be granted, or that once granted will be extended. In addition, the terms and conditions of such licences or permits could be changed and there can be no assurances that any application to renew any existing licences will be approved. There can be no assurance that all permits that the Company requires will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development or maintenance of its properties. The Company will also have to obtain and comply with permits and licences that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions. Future taxation of mining operators cannot be predicted with certainty so planning must be undertaken using present conditions and best estimates of any potential future changes.

### **Health, Safety and Community Relations**

The Company's operations are subject to various health and safety laws and regulations that impose various duties on the Company's operations relating to, among other things, worker safety and obligations in respect of surrounding communities. These laws and regulations also grant the relevant authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance with such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Company's operations. The Company has made, and expects to make in the future, expenditures to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, to create social and economic benefit in the surrounding communities near the Company's mineral properties.

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#### **Environmental Protection**

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds. There is also a risk that environmental and other laws and regulations may become more onerous, making it more costly for the Company to remain in compliance with such laws and regulations.

#### **Reliance on Key Personnel**

The Company's development to date has largely depended and in the future will continue to depend on the efforts of key management and other key personnel. Loss of any of these people, particularly to competitors, could have a material adverse effect on the Company's business. Further, with respect to future development of the Company's projects, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is becoming more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside the Company's control, including competition for human capital and the high level of technical expertise and experience required to execute this development, will affect the Company's ability to employ the specific personnel required. The failure to retain or attract a sufficient number of key skilled personnel could have a material adverse effect on the Company's business, results of operations and financial condition. The Company has not taken out and does not intend to take out 'key person' insurance in respect of any directors, officers or other employees.

#### **Competitive Industry Environment**

The mining industry is highly competitive, both domestically and internationally. The Company's ability to acquire properties and develop mineral reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration, of which there is a limited supply. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter competition from other mining companies in its efforts to hire experienced mining professionals. Competition could adversely affect the Company's ability to attract necessary funding or acquire suitable producing properties or prospects for mineral exploration in the future. Competition for services and equipment could result in delays if such services or equipment cannot be obtained in a timely manner due to inadequate availability, and could also cause scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project development, exploration or construction costs and result in project delays.

#### **Global Financial Conditions**

Recent global financial conditions have been characterized by increased volatility and access to public financing, particularly for junior mining companies. These conditions may affect the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company or at all. If such conditions continue, the Company's operations could be negatively impacted. See discussion related to the ongoing Ukraine conflict in the Cautionary Note Regarding Forward-Looking Statements.

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## **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

## **Use of Accounting Judgements and Estimates**

Refer to Note 4 of the Company's Consolidated Financial Statements.

## **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 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 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](http://www.cnsx.ca), the Company's website at [www.pasinex.com](http://www.pasinex.com), or on [www.sedar.com](http://www.sedar.com).