Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Pasinex Resources Limited (the "Company" or "Pasinex") for the three and nine months ended September 30, 2017 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2016. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2016 and 2015, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Where the Turkish Lira is reported it is referenced as TRY. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 24, 2017, unless otherwise indicated.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

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

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity and, particularly the zinc and gold prices, 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 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 is a publicly listed company incorporated in British Columbia on February 21, 2006, and on August 4, 2006, it continued out of British Columbia and into the British Virgin Islands. On July 10, 2008, in connection with the change of control, the Company continued into British Columbia as a mineral exploration company in the exploration stage, engaged in the acquisition, exploration and development of mineral properties. On February 1, 2012, the Company purchased all the assets of 0886183 B.C. LTD. ("0886183 B.C.", a private company incorporated in British Columbia) which included a company in Turkey, Pasinex Arama ve Madencilik A.S. ("Pasinex Arama"). On March 2, 2012, the Company's major shareholder sold 19% of the Company's issued and outstanding share capital to a total of three individuals, effectively changing control of the Company. On May 31, 2013, 0886183 B.C. was voluntarily dissolved, and as a result, the Company deconsolidated all assets and liabilities associated with 0886183 B.C.

On October 29, 2012 Pasinex Arama entered into a joint venture agreement with Turkish mining company, Ak Metal Madencilik Sanayi ve Ticaret A.S. ("Akmetal"), to explore for zinc and lead in Southern Turkey, through a 50/50 owned company called Horzum Arama ve Isletme AS (Horzum AS). On May 14, 2013 Horzum AS acquired the exploration license for Pinargozu and commenced larger scale mining in 2016. High grade zinc material is mined and shipped directly for sale through a subsidiary of Akmetal to third parties. The Company accounts for its 50% joint venture interest as an equity accounted investment where its proportionate share of income is recorded as an equity gain (loss) from joint venture in the statements of income (loss) and comprehensive income (loss).

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".

Highlights

Corporate

- Pasinex reported net income of $1.8 million in the third quarter of 2017 compared to net income of $0.4 million in the third quarter of 2016. For the nine months to September 2017, net income was $3.2 million compared to $0.2 million in the comparable period of 2016. The significant improvement in 2017 is due to an increase in equity gain from joint venture, which is a result of a substantial increase in production and sales at its Pinargozu mine (see further details below).
- During the nine months ended September 30, 2017, 18,467,971 warrants were exercised for gross proceeds of $1.8 million, of which 1,607,669 warrants were exercised in the third quarter of 2017 for gross proceeds of $0.3 million. In the second quarter and first half of 2016, 12 million shares were issued upon exercise of 12 million warrants for net proceeds of $0.6 million.
- On November 9, 2017, the Company announced its maiden mineral resource estimate (National Instrument (NI) 43-101 compliant) for the Pinargozu zinc mine in Turkey. As at June 30, 2017, the total Inferred Mineral Resource for 100% of the mine included 200,000 tonnes of zinc at an average grade of 31%.
- In 2017, Horzum AS declared a dividend to its shareholders to be paid prior to the end of the year. In the third quarter, US$100,000 was received with the remaining US$900,000 ($1.1 million) still owing to Pasinex Arama at September 30, 2017. By November 24, 2017, Pasinex Arama received another US$200,000.
- Corporate expenses have increased in 2017 due to an increase in personnel costs and marketing costs reflecting the requirements of a growing company.

Pinargozu Operations and Financial Update (100% basis)

Detailed sales statistics for the first nine months of 2017 and the full year 2016 are presented in the table below and highlights are as follows:

- Production has steadily climbed since mining commenced. In the third quarter of 2017, the mine produced 15,760 tonnes (wet) of high grade zinc, a 10% increase from the second quarter of 2017 and 34% increase from the first quarter of 2017. For the third quarter of 2016 production was 7,747 tonnes (wet).

- For the nine months ended September 30, 2017 production was 41,927 tonnes (wet) compared to sales for the same period of 35,099 tonnes (wet). Approximately 7,000 tonnes of ore were stockpiled in the second and third quarters of 2017 to accommodate a large vessel shipment, of which 4,100 tonnes were sold in October 2017 with the remainder expected to be sold later in the fourth quarter.

- Daily production increased to 171 tonnes per day in the third quarter of 2017 compared to 160 tonnes per day in the second quarter of 2017 and 76 tonnes per day for all of 2016. The increased daily production realized in 2017 was due to the addition of a new larger adit in August 2016 and on-going mine development in 2017 that has opened up many new mining stope areas.

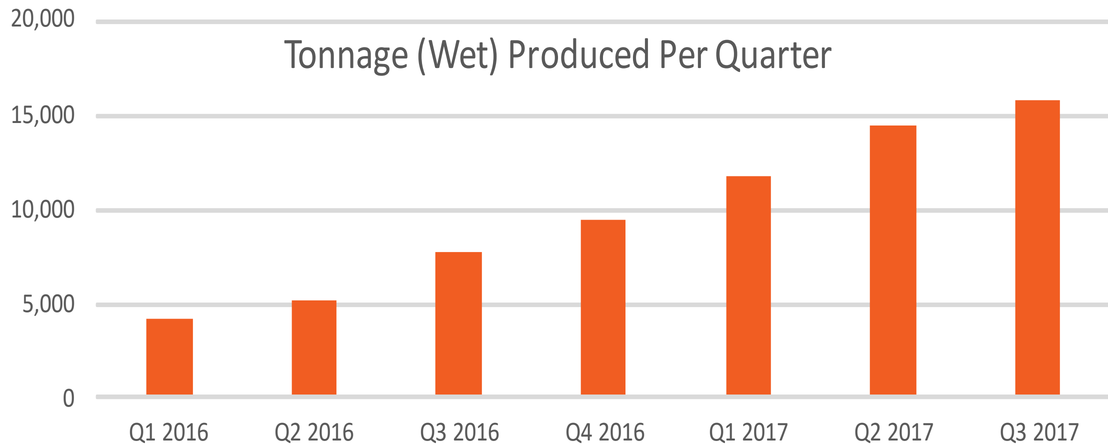
- The average grade of the zinc product sold in the third quarter of 2017 was 35%, representing approximately 10.3 million pounds of contained zinc metal.

- Gross sales included in the equity gain in joint venture rose significantly in the third quarter and first nine months of 2017 compared to the same periods in 2016. This is largely due to the higher production/sales at the mine and due to final settlements on provisional sales invoices issued in 2016 and the first quarter of 2017. Approximately 8,800 dry tonnes of ore sold during those periods received final pricing in the third quarter of 2017 resulting in a positive revenue adjustment of TRY 5.5 million or $2 million (Pasinex's share being $1 million included in equity gain in joint venture).

- In 2016, mining costs (including all mine development) were just greater than $250 per tonne mined. For the third quarter and year to September 2017 the costs per tonne mined were approximately $132 and $124, respectively. The lower cost per tonne mined for 2017 versus 2016 reflects the improved productivity due to higher tonnage mined. Refer to non-GAAP measures for a reconciliation of costs to the Horzum AS statement of income.

Horzum AS - Pinargozu mine sales summary 2016 and 2017							
	Date of sale	Type Oxide or Sulphide or Lead	Wet weight	Moisture %	Dry Weight	Initial Assay % Zn	Final Assay % Zn
First Half 2016							
Subtotal		**Oxide and Sulphide**	**9,298.780**	**7.06%**	**8,641.827**		**35.1%**
		Q1 2016	**4,115.260**				
		Q2 2016	**5,183.520**				
Q3 2016							
Subtotal Q3		**Oxide**	**7,746.540**	**6.97%**	**7,206.304**		**32.0%**
Q4 2016							
Subtotal Q4		**Oxide and Lead**	**9,416.615**	**7.20%**	**8,738.926**		**30.3%**
Total 2016		**Oxide, Sulphide and Lead**	**26,461.935**	**7.09%**	**24,587.057**		**32.5%**
Q1 2017							
1	2017-01-05	Oxide	509.000	6.00000	478.460	34.81	33.78
2	2017-11-06	Oxide	267.640	6.00000	251.582	35.25	33.71
3	2017-01-11	Oxide	333.840	6.50000	312.140	31.60	32.03
4	2017-01-18	Oxide	503.375	7.50000	465.622	27.72	
5	2017-01-21	Oxide	507.290	7.50000	469.243	27.72	27.44
6	2017-01-24	Oxide	216.700	7.50000	200.447	27.62	28.24
7	2017-01-27	Oxide	498.020	8.50000	455.688	28.21	29.66
8	2017-01-31	Oxide	987.280	5.98635	928.178	31.00	30.43
9	2017-02-04	Sulphide	1,359.330	1.60000	1,337.580	46.14	
10	2017-02-08	Oxide	1,497.140	7.54225	1,384.222	30.00	28.90
11	2017-02-21	Oxide	1,497.230	9.96253	1,348.068	29.00	31.94
12	2017-03-10	Oxide	849.350	8.16154	780.030	28.00	27.08
13	2017-03-10	Oxide	490.950	8.00000	451.674	26.33	
14	2017-03-15	Oxide	509.865	5.50000	481.822	23.30	22.62
15	2017-03-16	Oxide	504.725	8.00000	464.347	29.80	
16	2017-03-20	Oxide	215.100	5.60000	203.054	23.40	23.55
17	2017-03-22	Oxide	508.195	8.00000	467.539	33.96	31.41
18	2017-03-24	Sulphide	492.495	5.00000	467.870	43.50	
19	2017-03-29	Sulphide	129.970	5.40000	122.952	43.00	
20	2017-03-31	Oxide	501.060	7.80000	461.977	33.20	32.87
Subtotal Q1		**Oxide and Sulphide**	**12,378.555**	**6.83%**	**11,532.495**		**32.35%**

Horzum AS - Pinargozu mine sales summary 2016 and 2017 continued							
	Date of sale	Type Oxide or Sulphide or Lead	Wet weight	Moisture %	Dry Weight	Initial Assay % Zn	Final Assay % Zn
Q2 2017							
1	2017-04-03	Oxide	505.075	7.50000	467.194	35.20	35.13
2	2017-04-10	Oxide	501.480	8.50000	458.854	27.60	29.38
3	2017-04-13	Oxide	395.915	8.50000	362.262	25.84	24.13
4	2017-04-13	Oxide	100.065	8.50000	91.559	25.84	24.13
5	2017-04-26	Oxide	495.765	9.91000	446.635	26.74	27.52
6	2017-05-03	Oxide	508.950	3.47000	491.289	38.36	
7	2017-05-04	Oxide	433.220	3.28000	419.010	38.56	
8	2017-05-09	Oxide	503.690	7.79000	464.453	32.61	
9	2017-05-12	Oxide	495.580	8.22000	454.843	34.26	32.12
10	2017-05-17	Sulphide	998.860	1.16000	987.273	44.00	
11	2017-05-17	Oxide	499.205	7.73000	460.616	33.13	
12	2017-05-18	Lead	323.200	1.89000	317.092	Zn 11,28 Pb 57,55	
13	2017-05-25	Oxide	501.415	6.49000	468.873	37.55	
14	2017-05-30	Oxide	501.660	5.82000	472.463	35.99	34.00
15	2017-06-02	Oxide	501.740	8.26000	460.296	30.18	32.07
16	2017-06-09	Oxide	504.400	7.47000	466.721	32.43	32.95
17	2017-06-16	Oxide	498.800	7.96000	459.096	33.97	32.23
18	2017-06-23	Oxide	497.960	6.23000	466.937	32.23	29.28
Subtotal Q2		**Oxide, Sulphide and Lead**	**8,766.980**	**6.29%**	**8,215.468**		**34.29%**
							(Zn product only)
Q3 2017							
1	2017-07-07	Oxide	497.770	6.00000	467.904	33.25	31.13
2	2017-07-14	Lead	263.070	4.70000	250.706		
3	2017-07-17	Sulphide	500.215	1.85000	492.065	37.53	
4	2017-07-20	Oxide	1,499.300	6.01000	1,409.192	28.00	
5	2017-07-21	Oxide	497.400	7.45000	460.344	24.64	
6	2017-07-28	Oxide	499.410	7.48000	462.054	28.23	27.30
7	2017-08-02	Oxide	494.040	7.94000	454.813	30.97	30.00
8	2017-08-03	Sulphide	496.620	2.89500	482.243	35.82	35.64
9	2017-08-04	Oxide	498.765	6.24000	467.642	30.10	29.63
10	2017-08-07	Oxide	496.340	7.04000	461.398	34.03	33.52
11	2017-08-10	Oxide	500.320	6.23000	469.150	33.12	35.15
12	2017-08-16	Oxide	498.720	8.09500	458.349	33.85	32.40
13	2017-08-16	Sulphide	1,741.640	4.50000	1,663.266	46.11	
14	2017-08-18	Sulphide	501.935	7.08000	484.618	37.18	
15	2017-08-24	Oxide	500.640	5.69000	472.154	37.27	38.14
16	2017-09-07	Oxide	500.690	6.63000	467.494	30.23	30.47
17	2017-09-11	Oxide	492.200	6.91000	458.189	32.87	31.04
18	2017-09-13	Oxide	496.005	6.60000	463.269	33.57	32.49
19	2017-09-15	Oxide	500.445	4.88000	476.023	36.06	34.45
20	2017-09-19	Sulphide	999.880	4.50000	999.880	46.63	
21	2017-09-20	Oxide	504.090	5.59000	475.911	34.10	33.10
22	2017-09-21	Oxide	500.365	6.01800	470.253	33.62	32.17
23	2017-09-27	Oxide	496.200	6.18000	465.535	35.23	
Subtotal Q3		**Oxide, Sulphide and Lead**	**13,976.060**	**5.32%**	**13,232.451**		**35.01%**
							(Zn product only)



The increase in production rate has led to a strong improvement in the financial performance of Horzum AS and it is expected that the production estimate for the year of 60,000 tonnes of direct shipping ore should be achieved.

Drilling continued at Pinargozu throughout the third quarter of 2017. For most of the period two drills were operating. One drill operated from an underground drill site, looking for deeper sulphide mineralization associated with the oxide mineralization currently being mined. A second drill operated from various drill sites near Pinargozu mine, looking for step out manifestations of the mineralization. In November 2017 Pasinex announced its maiden NI 43-101 compliant mineral resource for the Pinargozu zinc mine. This can be seen in the news release dated November 9, 2017 accessible through www.pasinex.com. The issuance of the NI 43-101 report was a strategic priority of Pasinex in the third quarter.

Horzum AS
Statement of Financial Position
(100% basis)

	As at September 30, 2017		As at December 31, 2016	
	TRY	CAD	TRY	CAD
Assets				
Current assets				
Cash and prepaid expenses	114,720	**$ 40,232**	183,445	**$ 69,984**
Trade receivables [1]	35,255,566	**12,364,127**	8,990,939	**3,430,043**
Other receivables	256,388	**89,915**	144,445	**55,106**
Amounts due from JV partners and related parties [2]	40,466,193	**14,191,494**	19,312,035	**7,367,541**
Inventory	3,826,284	**1,341,878**	3,184,974	**1,215,068**
	79,919,151	**28,027,646**	31,815,838	**12,137,742**
Non-current assets				
Property and equipment	1,927,553	**675,993**	884,449	**337,417**
Other non-current assets	910,600	**319,348**	394,313	**150,430**
	2,838,153	**995,341**	1,278,762	**487,847**
Total assets	**82,757,304**	**$29,022,987**	**33,094,600**	**$12,625,589**
Current liabilities				
Accounts payable and other current liabilities	11,686,562	**$ 4,098,477**	1,187,014	**$ 452,846**
Amounts due to JV partners and related parties [2]	41,543,803	**14,569,412**	21,674,155	**8,268,689**
Total liabilities	53,230,365	**18,667,889**	22,861,169	**8,721,535**
Equity				
Share capital	500,000	**237,400**	500,000	**237,400**
Surplus	29,026,939	**11,370,263**	9,733,431	**4,313,253**
Foreign exchange difference		**(1,252,565)**		**(646,599)**
Equity	29,526,939	**10,355,098**	10,233,431	**3,904,054**
Total liabilities and equity	**82,757,304**	**$29,022,987**	**33,094,600**	**$12,625,589**

(1) The sale of zinc is largely sold to a subsidiary of Akmetal who in turn sell the material to third parties. The trade receivables include a $12,332,585 (TRY 35,165,625) receivable from this subsidiary (at December 31, 2016 the receivable was $2,420,054 (TRY 6,343,522).

(2) JV Partners and related parties include Pasinex Arama, Akmetal and two companies related to Akmetal. Amounts due to JV partners and related parties include TRY 3.2 million in dividends payable to Pasinex Arama.

Horzum AS
Statement of Income
(100% basis)

	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016	
	TRY	**CAD**	**TRY**	**CAD**
Gross sales	25,916,303	**$ 9,327,185**	7,659,594	$3,413,571
Cost of sales	(5,602,872)	**(2,001,604)**	(4,483,580)	(1,992,609)
Exploration	(684,891)	**(244,677)**	(432,364)	(192,152)
General and administrative expenses	(935,507)	**(334,164)**	(98,974)	(41,470)
Income tax expense	(3,738,607)	**(1,349,348)**	-	-
Net income	14,954,426	**$ 5,397,392**	2,644,676	$1,187,340

	Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	TRY	**CAD**	**TRY**	**CAD**
Gross sales	53,339,970	**$19,394,413**	15,382,278	$6,931,254
Cost of sales	(14,922,839)	**(5,425,944)**	(9,589,033)	(4,320,818)
Exploration	(2,779,218)	**(1,010,524)**	(1,523,384)	(686,437)
General and administrative expenses	(2,646,025)	**(962,095)**	(737,271)	(332,214)
Income tax expense	(6,598,378)	**(2,399,170)**	-	-
Net income	26,393,510	**$ 9,596,680**	3,532,590	$1,591,785

Comments on the financial results of Horzum AS (100% basis):

Gross sales

The table below shows further details on gross sales:

Gross sales (100% basis)

	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016	
	Wet Tonnes	**CAD**	**Wet Tonnes**	**CAD**
Oxide sales	10,972	**$ 4,186,490**	9,718	$3,053,108
Sulphide sales	2,742	**3,022,125**	-	-
Lead sales	263	**127,131**	-	-
Adjustments from final adjustments		**1,991,439**		360,463
Total gross sales	13,977	**$ 9,327,185**	9,718	$3,413,571

	Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	Wet Tonnes	**CAD**	**Wet Tonnes**	**CAD**
Oxide sales	29,113	**$10,983,433**	19,800	$6,003,003
Sulphide sales	5,722	**6,126,474**	716	422,299
Lead sales	263	**127,131**	-	-
Adjustments from final adjustments		**2,157,375**		505,952
Total gross sales	35,098	**$19,394,413**	20,516	$6,931,254

For the third quarter of 2017, Horzum AS gross sales were $9.3 million, almost three times greater than the $3.4 million recognized in the same period of 2016. The improvement is due to increased production and sales, as well as higher zinc prices. In addition, zinc sulphides were sold in 2017, which demand a significantly higher sales price. Gross sales of $19.4 million were recorded for the nine months ended September 30, 2017 compared to $6.9 million for the same period of 2016. Similar to the quarter, the improved sales are due to the increase in production, higher zinc prices and a larger proportion of sulphide sales.

A 7,000 tonne zinc stockpile was accumulated through the second and third quarters of 2017 to accommodate a shipment on a large vessel. The stockpile is expected to be sold in the fourth quarter of 2017, which should contribute an approximate additional $2 million in Horzum AS gross sales.

Horzum AS direct ships its zinc ore and prices it based on a multiplier which considers the grade of the zinc and an average LME zinc price depending on the number of days in the quotational period as defined in the contract or as agreed with the buyer. Zinc is largely sold to a subsidiary of Akmetal who in turn sells the material to third parties. Sales through Akmetal are provisionally recorded at a price below the LME zinc price because of the uncertainty on final pricing. Certainty concerning pricing occurs upon final invoicing, at which time quantities and grades are finalized and price is adjusted to the LME zinc price as agreed with the buyer. Certain other sales of zinc are provisionally recorded as revenue at the LME zinc price expected upon settlement as stipulated by the sales contract.

In the third quarter of 2017, Horzum AS finalized invoices which were provisionally issued in 2016 and the first quarter of 2017 resulting in an upward adjustment to revenues of TRY 5.5 million (C$2.0 million). The adjustment was mainly related to finalizing the sales price, but also on quantity and grades on 8,800 dry tonnes of zinc. Revenues from the second and third quarters of 2017 relating to approximately 11,700 dry tonnes of zinc still remain to be finalized. Once final invoices are agreed with Akmetal, revenues will be adjusted accordingly, which is expected in the fourth quarter of 2017.

Costs

The cost of sales and general and administrative expenses have increased in conjunction with the increase in production. However, the mine benefitted from economies of scale resulting in gross margins improving from approximately 23% in 2016 to over 60% in 2017 (see Non-GAAP measures for calculation).

Income taxes are at a rate of 20% and the expense in 2017 reflects this. In 2016, Horzum AS had tax loss carryforwards which were realized to offset the taxable income.

Financial condition

Amounts due from, net of amounts due to, Joint Venture partners and related parties have increased $0.5 million from December 31, 2016, of which Akmetal's net receivable increased $1.2 million. In addition, trade receivables from Akmetal have increased $9.9 million from December 31, 2016 due to higher sales, but also because of slow timing of payments from Akmetal to Horzum AS. At September 30, 2017 $13 million is owing from Akmetal to Horzum AS.

Accounts payable and accrued liabilities have mainly increased from 2016 due to the increase in income taxes payable.

The surplus balance also has increased from December, a reflection of higher net income in 2017 offset by the TRY 7.1 million dividend declaration to shareholders, which was partially paid as of September 30, 2017.

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. During 2017, equity markets in Canada showed signs of improvement, with equities increasing significantly during this period. Strong equity markets are favourable conditions for completing a public merger, financing or acquisition transaction. Apart from these and the discussion below on zinc prices, and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risks and Uncertainties" below.

Management believes that Pasinex is strongly leveraged to the zinc price and so management continuously monitors the global zinc market. The zinc price has moved up over 100% from 2016 from a low of around US$0.65/lb in 2016 to a current price (November 2017) of US$1.45/lb. Pasinex believes that the major driver in this price increase has been an on going medium term mine supply side shortage of zinc stock. This has been due to several large zinc mine closures over the last few years. As Horzum AS is now producing and selling zinc product there is a direct benefit being received for the higher zinc prices this year.

Horzum AS sells their product in US dollars and to a lesser extent in Euros which are then converted to Turkish Lira. As such, Horzum AS's financial performance also depends on the Turkish Lira (TL) to US Dollar (USD) and Euro exchange rates. The USD / TL exchange rate has changed favourably for the Joint Venture company in 2017, from 3.5 at the end December 2016 to 3.9 by November 23, 2017.

Financial Highlights

Financial Performance

A summary of the Company's financial information is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Expenses				
Advertising and promotion	**$ 35,261**	$ 20,423	**$ 143,289**	$ 77,925
Consulting and management fees	**408,596**	68,014	**836,798**	231,167
Share-based payments	**265,200**	-	**265,200**	-
Investor relations	**38,033**	13,687	**58,287**	29,313
Professional fees	**40,107**	18,757	**107,836**	107,471
Travel and meals	**57,212**	40,828	**173,135**	92,811
Other expenses	**25,523**	25,454	**92,225**	79,645
	869,932	187,163	**1,676,770**	618,332
Other income				
Equity gain from joint venture	**2,698,696**	593,671	**4,798,340**	795,893
Other income	**9,697**	11,390	**30,384**	38,346
	2,708,393	605,061	**4,828,724**	834,239
Net income	**$1,838,461**	$417,898	**$3,151,954**	$215,907
Net income per share - basic	**$0.01**	$0.00	**$0.02**	$0.00
Net income per share - diluted	**$0.01**	$0.00	**$0.02**	$0.00

The increase in net income in 2017 is due to the increase in the equity gain from joint venture, which represents 50% of Horzum AS's net income. Steadily increasing production at Pinargozu and final invoice adjustments, as described earlier, is the major factor contributing to improved earnings.

Expenses have increased period over period largely attributed to costs associated with the growth of the Company. Specifically:

- Consulting and management fees increased due to increased marketing efforts, fees incurred in conjunction with compilation of the NI 43-101 report and other geological work.
- On August 14, 2017, 1.2 million stock options were granted to an officer and an employee of the Company at a price of $0.25 each, expiring August 14, 2022. The stock options vested immediately. The fair value of the stock options at the date of grant was $265,200 estimated using the Black Scholes valuation model.
- Advertising and promotion, as well as investor relation costs increased as the Company ramped up communication efforts in line with its marketing strategy.
- An increase in travel and meals is mainly a result of the travel associated with additional consulting and marketing efforts.

The Company's total assets at September 30, 2017 were $8,951,808 (December 31, 2016 - $4,065,789) and total liabilities were $250,883 (December 31, 2016 - $282,818). The increase in total assets of $4,886,019 resulted mainly from the equity gain and the dividend due from the joint venture. The Company has sufficient cash to pay its existing liabilities of $250,883 at September 30, 2017.

Liquidity and Financial Position

Cash Flows

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Cash used in operating activities				
Before changes in working capital	**$(592,333)**	$(173,939)	**$(1,376,420)**	$(572,184)
Changes in working capital	**118,825**	(27,093)	**(76,611)**	(62,740)
	(473,508)	(201,032)	**(1,453,031)**	(634,924)
Cash used in investing activities	**(94,615)**	32,125	**(295,545)**	(29,489)
Cash received from issuance of shares	**321,534**	-	**1,835,554**	574,702
Cash received from share subscriptions	**-**	-	**-**	92,500
Effect of foreign currencies	**2,262**	1,231	**330**	1,350
Net change in cash	**(244,327)**	(167,676)	**87,308**	4,139
Opening cash balance	**643,593**	197,564	**311,958**	25,749
Closing cash balance	**$399,266**	$29,888	**$399,266**	$29,888

Cash used in operating activities before changes in working capital has increased period over period in line with the increase in expenses as described above in financial performance. For the three months ended September 30, 2017 the change in working capital reflects the receipt of US$100,000 of the US$1 million dividend owing from the joint venture.

Cash used in investing activities has increased in conjunction with the drilling campaign on the Golcuk property. An exploration drilling campaign was completed during the second quarter of 2017. Small scale mining was also undertaken. This small drilling campaign at Golcuk is pursuant to the amended agreement on the Golcuk option with Eurasian Minerals (news release December 6, 2016). In addition, in September 2017, also as stipulated in the amended Golcuk option agreement, an advance royalty payment equal to the equivalent of 75 troy ounces of gold was made. The Company issued 224,150 common shares and US$49,204 in cash to settle the obligation.

During the nine months ended September 30, 2017, 18,467,971 warrants were exercised for gross proceeds of $1.8 million, of which 1,607,669 warrants were exercised in the third quarter of 2017 for gross proceeds of $0.3 million. In the nine months ending September 30, 2016, 12 million shares were issued for net proceeds of $0.6 million. As at September 30, 2017, the Company had no warrants outstanding.

Liquidity and Financial Position

The Company is actively investigating financing alternatives in order to continue funding the Canadian corporate entity and exploration associated with the Golcuk project in Turkey. Most of the funding has been raised through the issuance of shares. Funds have been received by the Joint Venture project in Turkey, Horzum AS, and continue to increase during 2017 as more product is sold. These funds cover development and capital requirements including on-going exploration by Horzum AS, mine development costs and capital equipment for Pinargozu. The availability of financing, as and when needed, to fund the Company's activities cannot be assured. See "Risks and Uncertainties" below. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

The Company's cash at September 30, 2017 is anticipated to be sufficient to fund its current liabilities of $250,883 and the estimated operating expenses for the remainder of fiscal 2017. Subsequent to September 30, 2017, the Company received US$200,000 from the dividends owing from the Joint Venture and an additional US$700,000 is expected before the end of the year. The Company may need to raise equity capital in amounts sufficient to fund working capital or other growth requirements. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risks and Uncertainties" below and "Caution Note Regarding Forward-Looking Statements" above.

Transactions with Related Parties

Related Party Balances and Transactions

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

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

	Three Months Ended September 30 2017	Three Months Ended September 30 2016	Nine Months Ended September 30 2017	Nine Months Ended September 30 2016
Management and consulting fees				
Steven Williams [1]	**$ 38,880**	$ 22,080	**$ 86,880**	$ 72,000
Irus Consulting Ltd. [2]	**17,925**	18,023	**51,225**	29,952
Marrelli Support Services Inc. [3]	**5,000**	7,500	**20,000**	25,000
DSA Corporate Services [4]	**3,349**	5,682	**13,273**	17,593
Sven Olsson [5]	**18,588**	-	**52,441**	-
Victor Wells [6]	**6,000**	-	**15,000**	-
Wendy Kaufman [7]	**41,575**	-	**41,575**	-
Wendy Kaufman share-based payments [7]	**221,000**	-	**221,000**	-
	$ 352,317	$ 53,285	**$ 501,394**	$ 144,545

	September 30 2017	December 31 2016
Amounts payable		
Steven Williams [1]	**$ 1,406**	$ 50,522
Irus Consulting Ltd. [2]	**9,143**	-
Marrelli Support Services Inc. [3]	**-**	2,222
DSA Corporate Services [4]	**-**	2,549
Sven Olsson [5]	**5,160**	4,959
Victor Wells [6]	**6,000**	-
Wendy Kaufman [7]	**7,327**	-
	$ 29,036	$ 60,252

(1) Steven Williams is Chief Executive Office of the Company.
(2) Irus Consulting Ltd. is controlled by John Barry, a director of the Company.
(3) Mrs. Cindy Davis, the former Chief Financial Officer ("CFO") of the Company, is also a senior employee of Marrelli Support Services Inc. ("Marrelli Support"). Marrelli Support also provides accounting services to the Company.
(4) DSA Corporate Services ("DSA") is affiliated with Marrelli Support through a common officer. DSA provides corporate and secretarial services for the Company.
(5) Director of the Company.
(6) Director and Chairman of the Company.
(7) Current CFO of the Company.

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

To the knowledge of the directors and officers of the Company, as at September 30, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

	Number of Common Shares	Percentage of Outstanding Common Shares
Larry Seeley	**29,728,191**	**21.24%**

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 Statement of Income.

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Reconciliation of cost per tonne mined				
Cost of sales per Horzum income statement	**$ 2,001,604**	$1,992,609	**$5,425,944**	$4,320,818
Inventory change	**104,203**	-	**(126,810)**	-
	2,105,807	1,992,609	**5,299,134**	4,320,818
Tonnes produced	**15,760**	7,747	**41,297**	17,045
Cost per tonne mined	**$ 134**	$ 257	**$ 128**	$ 253

Gross margin

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

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2017	**2016**	**2017**	**2016**
Reconciliation of gross margin				
Net income per Horzum income statement	**$ 5,397,392**	$1,187,340	**$9,596,680**	$1,591,785
Add back income taxes	**1,349,348**	-	**2,399,170**	-
Gross margin	**6,746,740**	1,187,340	**11,995,850**	1,591,785
Gross sales	**9,327,185**	3,413,571	**19,394,413**	6,931,254
Gross margin (gross margin / gross sales)	**72%**	35%	**62%**	23%

Risks and Uncertainties

The Company is in the project exploration and development stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic and base mineral price volatility. There is no assurance that the Company's funding initiatives will continue to be successful to fund its planned projects, which are now focused on the joint venture in Turkey.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2016, available on SEDAR at **www.sedar.com**.

Disclosure of Internal Controls

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

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

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

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

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

Additional Information

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