

PASINEX RESOURCES LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2017
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of Pasinex Resources Limited (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Pasinex Resources Limited

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at September 30, 2017	As at December 31, 2016
Assets		
Current assets		
Cash	\$ 399,266	\$ 311,958
Goods and services tax receivable	158,469	117,566
Other receivables	1,653	1,798
Prepaid expenses and deposits	183,029	55,637
Marketable securities (note 4)	-	11,342
Due from joint venture (note 6)	1,120,858	-
Total current assets	1,863,275	498,301
Non-current assets		
Equipment (note 5)	27,264	16,363
Investment in joint venture (note 6)	5,131,183	1,901,589
Exploration and evaluation assets (note 7)	1,930,086	1,649,536
Total non-current assets	7,088,533	3,567,488
Total assets	\$ 8,951,808	\$ 4,065,789
Shareholders' Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 221,847	\$ 222,566
Due to related parties (note 12)	29,036	60,252
Total liabilities	250,883	282,818
Capital and reserves		
Share capital (note 9)	12,134,506	10,219,119
Reserves	1,519,917	1,274,334
Accumulated deficit	(3,887,052)	(7,039,006)
Accumulated other comprehensive loss	(1,066,446)	(671,476)
Total shareholders' equity	8,700,925	3,782,971
Total liabilities and shareholders' equity	\$ 8,951,808	\$ 4,065,789

Going Concern (note 2)

Approved on behalf of the Board:

"Steven Williams" Director

"Victor Wells" Director

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Expressed in Canadian Dollars)

Unaudited

	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
Depreciation (note 5)	2,702	2,926	5,249	8,894
Consulting and management fees (note 12)	408,596	68,014	836,798	231,167
Investor relations	38,033	13,687	58,287	29,313
Office and general	8,522	13,980	41,169	44,546
Professional fees	40,107	18,757	107,836	107,471
Share-based payments (notes 10 and 12)	265,200	-	265,200	-
Supplies and equipment	1,564	249	15,958	2,128
Transfer agent and regulatory authorities fees	12,735	8,299	29,849	24,077
Travel and meals	57,212	40,828	173,135	92,811
	(869,932)	(187,163)	(1,676,770)	(618,332)
Other income				
Interest income	-	19	-	81
Equity gain from joint venture (note 6)	2,698,696	593,671	4,798,340	795,893
Other income	9,253	6,053	26,414	24,032
Gain on sale of marketable securities	-	1,092	483	1,092
Foreign exchange gain	444	4,226	3,487	13,141
	2,708,393	605,061	4,828,724	834,239
Net income for the period	1,838,461	417,898	3,151,954	215,907
Other comprehensive loss				
Item that will be reclassified subsequently to profit and loss:				
Currency translation adjustment	(314,738)	(62,983)	(394,970)	(149,296)
Total comprehensive income for the period	\$ 1,523,723	\$ 354,915	\$ 2,756,984	\$ 66,611
Net income per share - basic (note 11)	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.00
Net income per share - diluted (note 11)	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.00
Weighted average number of shares outstanding - basic (note 11)	138,996,055	113,892,309	131,691,450	106,933,550
Weighted average number of shares outstanding - diluted (note 11)	140,250,915	113,892,309	132,946,310	106,933,550

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net income for the period	\$ 3,151,954	\$ 215,907
Adjustments for items not involving cash:		
Gain on marketable securities	(483)	(1,092)
Depreciation	5,249	8,894
Share-based payments	265,200	-
Equity gain from joint venture	(4,798,340)	(795,893)
Changes in non-cash working capital items:		
Goods and services tax receivable	(50,888)	(6,315)
Prepaid expenses and deposits	(129,210)	205
Accounts payable and accrued liabilities	6,010	(18,187)
Due from related parties	-	(16,656)
Due from Joint venture	128,693	-
Due to related parties	(31,216)	(21,787)
Net cash used in operating activities	(1,453,031)	(634,924)
Investing activities		
Exploration and evaluation assets	(289,723)	(33,744)
Equipment acquisition	(17,110)	-
Proceeds from sale of marketable securities	11,288	4,255
Net cash used in investing activities	(295,545)	(29,489)
Financing activities		
Issuance of shares (note 9)	1,835,554	574,702
Share subscriptions received	-	92,500
Net cash provided by financing activities	1,835,554	667,202
Net change in cash	86,978	2,789
Effect of foreign currencies on cash	330	1,350
Cash, beginning of period	311,958	25,749
Cash, end of period	\$ 399,266	\$ 29,888
Supplemental Disclosure		
Shares issued for property	\$ 60,216	\$ 66,000

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Unaudited

	Number of Shares	Share Capital	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2015	100,792,309	\$ 8,781,434	\$ 1,208,833	\$(7,868,912)	\$ (134,393)	\$ 1,986,962
Share issued for property acquisition (note 9(b)(i))	1,100,000	66,000	-	-	-	66,000
Share issued for cash (note 9(b)(ii))	12,000,000	600,000	-	-	-	600,000
Share issuance costs - cash	-	(25,298)	-	-	-	(25,298)
Currency translation adjustment	-	-	-	-	(149,296)	(149,296)
Net income for the period	-	-	-	215,907	-	215,907
Balance, September 30, 2016	113,892,309	\$ 9,422,136	\$ 1,208,833	\$(7,653,005)	\$ (283,689)	\$ 2,694,275
Balance, December 31, 2016	121,262,250	\$10,219,119	\$ 1,274,334	\$(7,039,006)	\$ (671,476)	\$ 3,782,971
Share issued for property acquisition (note 9(b)(iv))	224,150	60,216	-	-	-	60,216
Exercise of warrants (notes 9(b)(iii))	18,467,971	1,855,171	(19,617)	-	-	1,835,554
Share-based payments	-	-	265,200	-	-	265,200
Currency translation adjustment	-	-	-	-	(394,970)	(394,970)
Net income for the period	-	-	-	3,151,954	-	3,151,954
Balance, September 30, 2017	139,954,371	\$12,134,506	\$ 1,519,917	\$(3,887,052)	\$ (1,066,446)	\$ 8,700,925

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

1. Nature of Operations and Continuance of Operations

Pasinex Resources Limited ("Pasinex" or the "Company") 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 in Turkey and invested in a joint venture in Turkey with an operating mine (the "Joint Venture"). 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.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on November 24, 2017.

2. Going Concern

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which 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.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company itself is in the exploration stage and, accordingly, has not yet commenced revenue-producing operations. The Company's 50% owned Joint Venture, however, has generated revenue in 2017 and 2016 and, as a result, the Company has recognized an equity gain from the Joint Venture for the nine months ended September 30, 2017 and the year ended December 31, 2016 (note 6). However, the receipt of future proceeds from the Joint Venture as a result of the profitable mining operation is uncertain and indeterminable at this time. The Company had an accumulated deficit as at September 30, 2017 of \$3,887,052 (December 31, 2016 -\$7,039,006). At September 30, 2017, the Company had working capital of \$1,612,392 (December 31, 2016 – \$215,483). The ability of the Company to continue as a going concern depends upon its ability to receive cash proceeds from its operations, continue to develop profitable operations and to continue to raise adequate financing required to maintain its operations, and to ultimately attain future profitable operations. Management expects the Company to continue as a going concern and plans to meet any financing requirements through cash proceeds from the Joint Venture, equity financing and seeking other business opportunities to expand the Company's operations. The outcome of these matters cannot be predicted at this time and there are no assurances that the Company will be successful in achieving its goals. The unaudited condensed interim consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests in Turkey, the continuance of profitable mining operations through its Joint Venture or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There is, primarily as a result of the conditions described above, significant doubt as to the appropriateness of the use of the going concern assumption.

The Company is expected to be profitable during the ensuing twelve months through its equity pick-up from the Joint Venture. However, the Company must rely on securing funding from either equity financing or loan from shareholders or directors until the Joint Venture is in a position to distribute profits. Though the Company has been successful at raising funds and has started to receive funds from the Joint Venture, there is no assurance that it will continue to generate sufficient funds for future operations.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Basis of Presentation

(a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These unaudited consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of November 24, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2017 could result in restatement of these unaudited consolidated interim condensed financial statements.

Revenue recognition

The Company accounts for its share of earnings in the Joint Venture by applying the equity method. Revenue, included in the equity gain of the Joint Venture, includes the sale of all direct shipping ore. Revenue is recognized when all significant risks and rewards of ownership of the ore have been transferred to the customer.

Revenue is calculated on the sale of ore based on a multiplier which considers the grade of the zinc and an average London Metals Exchange ("LME") price depending on the number of days in the quotational period as defined in the contract or as agreed with the buyer. When there is uncertainty on final pricing, the Company provisionally records revenue using a price below LME. Variations between the price recorded on the date of initial revenue recognition and the final price received are adjusted in revenue upon issuance of the final invoice.

(b) Future Accounting Pronouncements

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Company has not early adopted these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

In November 2009, the IASB issued IFRS 9 as the first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement. On July 24, 2014 the IASB issued the complete IFRS 9. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7, Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company does not expect the adoption of IFRS 9 to have a material effect on its consolidated financial statements.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Basis of Presentation (Continued)

(b) Future Accounting Pronouncements (continued)

IFRS 15 Revenue from contracts with customers ("IFRS 15")

The standard on revenue from contracts with customers was issued on May 28, 2014 and is effectively for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted. Entities have the option of using either full retrospective or modified retrospective approach to adopt the guidance. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is evaluating the impact of adopting this standard on its consolidated financial statements.

4. Marketable securities

	September 30, 2017		December 31, 2016	
	Cost	Fair Market Value	Cost	Fair Market Value
Mutual funds	\$ -	\$ -	\$ 12,978	\$ 11,342
Total	\$ -	\$ -	\$ 12,978	\$ 11,342

During the three months ended June 30, 2017, the Company disposed of its marketable securities.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

5. Equipment

Cost	Vehicles	Fixtures and Equipment	Mining Equipment	Total
Balance - December 31, 2015	\$ 23,887	\$ 29,512	\$ 48,595	\$ 101,994
Currency translation differences	(4,694)	(5,799)	-	(10,493)
Balance - December 31, 2016	19,193	23,713	48,595	91,501
Additions/(Disposal)	(19,193)	17,110	-	(2,083)
Currency translation differences	-	(2,521)	-	(2,521)
Balance - September 30, 2017	\$ -	\$ 38,302	\$ 48,595	\$ 86,897
Accumulated Depreciation				
Balance - December 31, 2015	\$ 19,166	\$ 18,146	\$ 33,243	\$ 70,555
Depreciation for the year	3,658	3,419	4,606	11,683
Currency translation differences	(3,631)	(3,469)	-	(7,100)
Balance - December 31, 2016	19,193	18,096	37,849	75,138
Depreciation for the period	-	2,831	2,418	5,249
Disposals	(19,193)	-	-	(19,193)
Currency translation differences	-	(1,561)	-	(1,561)
Balance - September 30, 2017	\$ -	\$ 19,366	\$ 40,267	\$ 59,633
Carrying Amount				
Balance - September 30, 2017	\$ -	\$ 18,936	\$ 8,328	\$ 27,264
Balance - December 31, 2016	\$ -	\$ 5,617	\$ 10,746	\$ 16,363

6. Joint Venture with Akmetal

On June 28, 2012, the Company, through its wholly owned Turkish subsidiary, Pasinex Arama Madencilik Anonim Sirketi ("Pasinex Arama"), signed a nonbinding Letter of Intent ("LOI") with an arm's length Turkey based miner, Ak Metal Madencilik Sanayi ve Ticaret Anonim Sirketi ("Akmetal") to form a 50 / 50 joint venture to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Turkey. Under the terms of the LOI it was proposed that a joint venture company would be formed and held 50 / 50 by the two parties and would be controlled by a board consisting of equal representatives of both Pasinex and Akmetal. Both partners would equally fund exploration and other general costs associated to the Joint Venture's course of business.

On October 29, 2012, the new joint venture company, Horzum Arama ve Isletme AS ("Joint Venture"), was formed while a Joint Venture Agreement had not been substantiated. On January 17, 2013, Pasinex Arama and Akmetal signed a Joint Venture Agreement effective the same day. During the year ended December 31, 2013, the Joint Venture acquired, through staking, one property in Turkey: Pinargozu. The property is located within the Turkish Provinces of Adana, and was acquired for the potential to host base and precious metals.

The initial capital of the Joint Venture company was determined to be a total of TRY 500,000 and Pasinex Arama was obligated for 50% of the total, being TRY 250,000. As at December 31, 2016, Pasinex Arama has paid TRY 250,000 in cash toward the total required capital. The investment in the joint venture is accounted for using the equity method.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

6. Joint Venture with Akmetal (Continued)

	TRY	CAD
Balance - December 31, 2015	795,692	\$ 377,794
Additional investment in joint venture	88,950	33,934
Gain from joint venture	4,099,865	1,802,710
Foreign exchange difference	-	(312,849)
Balance - December 31, 2016	4,984,507	1,901,589
Dividend declared from joint venture	(3,550,000)	(1,309,595)
Gain from joint venture	13,196,755	4,798,340
Foreign exchange difference	-	(259,151)
Balance - September 30, 2017	14,631,262	\$ 5,131,183

A dividend of US\$2 million was declared by the Joint Venture to its shareholders in early 2017. In the three months ended September 30, 2017, Pasinex Arama received US\$100,000 and in October 2017 received an additional US\$200,000. At September 30, 2017, Pasinex Arama's 50% share of the outstanding dividend from the Joint Venture was US\$900,000 (\$1,120,858) and is included in Due from joint venture in the unaudited condensed interim consolidated statements of financial position.

The following is a summary of the financial statements of the Joint Venture:

Statement of Financial Position at September 30, 2017

	TRY	CAD
Current assets		
Cash and prepaid expenses	114,720	\$ 40,232
Trade receivables ⁽¹⁾	35,255,566	12,364,127
Other receivables	256,388	89,915
Amounts due from Joint Venture partners and related parties ⁽²⁾	40,466,193	14,191,494
Inventory	3,826,284	1,341,878
Non-current assets		
Plant and equipment	1,927,553	675,993
Other non-current assets	910,600	319,348
Total assets	82,757,304	\$ 29,022,987
Current liabilities		
Accounts payable and other current liabilities	11,686,562	\$ 4,098,477
Amounts due to Joint Venture partners and related parties ⁽²⁾	41,543,803	14,569,412
Equity		
Share capital	500,000	237,400
Surplus	29,026,939	11,370,263
Foreign exchange difference	-	(1,252,565)
Total liabilities and equity	82,757,304	\$ 29,022,987

(1) The sale of zinc is largely sold to a subsidiary of Akmetal who in turn sells the material to third parties. The trade receivables include a \$12,332,585 (TRY 35,165,625) receivable from this subsidiary.

(2) Joint Venture Partners and related parties include Pasinex Arama, Akmetal and two companies related to Akmetal. Amounts due to Joint Venture partners and related parties include TRY 3.2 million (\$1.1 million) in dividends payable to Pasinex Arama.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

6. Joint Venture with Akmetal (Continued)

Statement of Financial Position at December 31, 2016

	TRY	CAD
Current assets		
Cash and prepaid expenses	183,445	\$ 69,984
Trade receivables ⁽¹⁾	8,990,939	3,430,043
Other receivables	144,445	55,106
Amounts due from Joint Venture partners and related parties ⁽²⁾	19,312,035	7,367,541
Inventory	3,184,974	1,215,068
Non-current assets		
Plant and equipment	884,449	337,417
Other non-current assets	394,313	150,430
Total assets	33,094,600	\$ 12,625,589
Current liabilities		
Accounts payable and other current liabilities	1,187,014	\$ 452,846
Amounts due to Joint Venture partners and related parties ⁽²⁾	21,481,570	8,195,218
Non-current liabilities		
Employee benefits and other liabilities	192,585	73,471
Equity		
Share capital	500,000	237,400
Surplus	9,733,431	4,313,253
Foreign exchange difference	-	(646,599)
Total liabilities and equity	33,094,600	\$ 12,625,589

(1) The sale of zinc is largely sold to a subsidiary of Akmetal who in turn sells the material to third parties. The trade receivables include a \$2,420,054 (TRY 6,343,522) receivable from this subsidiary.

(2) Joint Venture Partners and related parties include Pasinex Arama, Akmetal and two companies related to Akmetal.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

6. Joint Venture with Akmetal (Continued)

Statement of Operations for the three months ended September 30, 2017

	TRY	CAD
Gross sales	25,916,303	\$ 9,327,185
Cost of sales, including exploration	(6,287,763)	(2,246,281)
General and administrative expenses	(935,507)	(334,164)
Income tax expense	(3,738,607)	(1,349,348)
Net income	14,954,426	\$ 5,397,392

Statement of Operations for the three months ended September 30, 2016

	TRY	CAD
Gross sales	7,659,594	\$ 3,413,571
Cost of sales, including exploration	(4,915,944)	(2,184,761)
General and administrative expenses	(98,974)	(41,470)
Net income	2,644,676	\$ 1,187,340

Statement of Operations for the nine months ended September 30, 2017

	TRY	CAD
Gross sales	53,339,970	\$ 19,394,413
Cost of sales, including exploration	(17,702,057)	(6,436,468)
General and administrative expenses	(2,646,025)	(962,095)
Income tax expense	(6,598,378)	(2,399,170)
Net income	26,393,510	\$ 9,596,680

Statement of Operations for the nine months ended September 30, 2016

	TRY	CAD
Gross sales	15,382,278	\$ 6,931,254
Cost of sales, including exploration	(11,112,417)	(5,007,255)
General and administrative expenses	(737,271)	(332,214)
Net income	3,532,590	\$ 1,591,785

The Pinargozu license is held by the Joint Venture. As such, the Pinargozu property exploration expenditures are reported on the balance sheet of the Joint Venture. Any expenditures incurred by the Company on the Pinargozu license are recorded as due from the Joint Venture.

Pasinex Resources Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

7. Exploration and Evaluation Assets

	Horzum JV Properties	Golcuk Property	Total
Balance, December 31, 2015	\$ 300,446	\$ 925,780	\$ 1,226,226
Additions during the year:			
Acquisition costs - cash	(24,154)	46,322	22,168
Acquisition costs - shares issued	-	145,738	145,738
Property exploration costs:			
Consulting fees	337,147	-	337,147
Geological and field personnel	(1,818)	7,211	5,393
Miscellaneous expenses	(1,149)	16,603	15,454
Travel and accommodation	-	11,145	11,145
VAT receivable - mining activities	-	47,115	47,115
Total additions during the year	310,026	274,134	584,160
Foreign exchange adjustment	(34,733)	(126,117)	(160,850)
Balance, December 31, 2016	575,739	1,073,797	1,649,536
Additions during the period:			
Acquisition costs - cash	17,684	95,176	112,860
Acquisition costs - shares issued	-	60,216	60,216
Property exploration costs:			
Assays	11,989	8,158	20,147
Drilling expense	-	97,992	97,992
Geological and field personnel	26,760	18,624	45,384
Miscellaneous expenses	2,741	8,870	11,611
Travel and accommodation	4,623	6,465	11,088
Total additions during the period	63,797	295,501	359,298
Foreign exchange adjustment	(11,921)	(66,827)	(78,748)
Balance, September 30, 2017	\$ 627,615	\$ 1,302,471	\$ 1,930,086

Properties Held in Turkey

Horzum JV Properties

The Company, through Pasinex Arama had originally acquired six properties in the vicinity of Horzum, Adana province, Turkey as part of the initial exploration there. These properties were acquired to be included in the Joint Venture. During the nine months ended September 30, 2017, \$46,113 in exploration costs and \$17,684 in license costs have been spent by Pasinex Arama on the Joint Venture (\$8,987 and recovery of \$917, respectively for the three months ended September 30, 2017). During the nine months ended September 30, 2016, recovery of \$3,425 in exploration costs and a recovery of \$27,725 in license costs were spent and received. As at September 30, 2017, the Company had only the Akkaya Property with its exploration license in good standing. The process to transfer the license of the Akkaya Property to the Joint Venture is still ongoing, therefore the Company is capitalizing all costs spent on the property until the transfer takes place.

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7. Exploration and Evaluation Assets (Continued)

Golcuk Property

On July 19, 2012, the Company signed an option agreement (the "Agreement") with Eurasian Minerals Inc. ("Eurasian") and its wholly owned Turkish subsidiary, Eurasia Madencilik Ltd. STI, whereby Pasinex, through its wholly owned Turkish subsidiary, Pasinex Arama, can acquire a 100% interest in the Golcuk Property ("Golcuk") located in northeast Turkey. Under the Agreement, Golcuk will be forthwith transferred to Pasinex Arama.

As consideration, upon granting of the mining obligation extension, Pasinex issued common shares to Eurasian as follows:

- 500,000 common shares within five (5) days after the granting of the extension (issued);
- 500,000 common shares on the one year anniversary of the Initial Issuance Date (issued);
- 1,000,000 common shares on the two year anniversary of the Initial Issuance Date (issued); and
- 1,000,000 common shares on the three year anniversary of the Initial Issuance Date (issued)(note 9).

Eurasian will retain a 2.9% Net Smelter Royalty on Golcuk which Pasinex has the option of buying down to 2% within six years of the Agreement date for consideration of \$1,000,000.

Additionally, Pasinex will be required to complete minimum annual work commitments on the project as follows:

- \$200,000 before the one year anniversary of the date of the transfer of Golcuk to Pasinex Arama (the "Completion Date");
- \$250,000 before the two year anniversary of the Completion Date; and
- \$250,000 before the end of the four year anniversary of the Completion Date.

Golcuk is classified as an operational license under the Turkish government mining regulations. As such, the property requires, at a minimum, a small-scale mining operation to be carried out each year in order to satisfy its operational license, and each year, the project must process approximately 900 tonnes of ore. On the completion and acceptance of the Agreement, Pasinex was to file a request for a one-year extension in regard to the Company's small-scale mining obligation to the Turkish government. However, Pasinex applied for and obtained an Open Pit Application and management has determined that the granting of the Open Pit Application would replace the one-year extension requirement of the original option Agreement. The Company entered into an Amended Agreement with Eurasian to waive certain government requirements and the right to terminate the agreement. The Golcuk property was transferred to Pasinex Arama in September 2012.

On November 30, 2016, the Company entered into a Second Amendment to the Agreement with Eurasian for the Golcuk Property. This amendment included:

- (a) Advance Royalty Payment of 50 troy ounces of gold or its equivalent in shares of the Company on or before the fourth anniversary of the Initial Issuance Date (664,483 Pasinex common shares issued in September 2016). This amount to be set off against the Net Smelter Royalty once payable;
- (b) Advance Royalty Payment of 75 troy ounces of gold or its equivalent in shares of the Company on or before the fifth anniversary of the Initial Issuance Date (224,150 Pasinex common shares and US\$49,204 in cash issued in September 2017); and on or before each anniversary of the Initial Issuance Date commencing on the fifth anniversary. These amounts to be set off against the Net Smelter Royalty once payable;
- (c) Definition of the Completion Date in the Agreement to be changed to September 18, 2012; and

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7. Exploration and Evaluation Assets (Continued)

- (d) Work Program Provisions of the Agreement are in part amended so that the third portion of Expenditures (as this term is defined in the Agreement) to be undertaken by Pasinex Arama, being the additional \$250,000 shall be completed on or before June 30, 2017, instead of June 16, 2016, provided that Pasinex Arama agrees to commence a program of exploration drilling on the properties prior to June 30, 2017 and also provided that the failure to commence drilling by that date shall constitute a material breach giving Eurasian the right to terminate the Agreement, should Pasinex Arama fail to cure such default within 30 days of being delivered a default notice.

During the nine months ended September 30, 2017, \$140,109 in exploration costs and \$155,392 in acquisition costs have been incurred on the Golcuk Property (\$(3,470) and \$124,586, respectively for the three months ended September 30, 2017). During the nine months ended September 30, 2016, \$13,398 in exploration costs and \$116,387 in acquisition costs were incurred.

8. Accounts Payable and Accrued Liabilities

	As at September 30, 2017	As at December 31, 2016
Trade payables	\$ 216,020	\$ 222,566
Accrued liabilities	5,827	-
Total	\$ 221,847	\$ 222,566

9. Share Capital

- (a) Authorized: Unlimited common shares with no par value.
- (b) Issued: At September 30, 2017, 139,954,371 common shares valued at \$12,134,506 (December 31, 2016 - 121,262,250 common shares valued at \$10,219,119).

During the nine months ended September 30, 2016, 13,100,000 common shares were issued as follows:

(i) On February 11, 2016, the Company issued 1,000,000 common shares to Eurasian, valued at \$60,000, in accordance with the Golcuk Property agreement (see Note 7). The Company also issued 100,000 common shares to Zimtu Capital Corp., valued at \$6,000, for finder's fees in accordance with the Golcuk Property agreement.

(ii) On June 3, 2016, the Company closed a non-brokered private placement of 12,000,000 units (the "Units") at a subscription price of \$0.05 per Unit for gross proceeds of \$600,000. Each Unit consisted of one common share and one share purchase warrant (the "Warrant"). Each whole Warrant is exercisable into one additional common share (the "Warrant Share") of the Company at \$0.07 per Warrant Share for a period of one year from the closing.

During the nine months ended September 30, 2017, 18,692,121 common shares were issued as follows:

(iii) During the nine months ended September 30, 2017, 18,467,971 common shares were issued for a cash proceeds value of \$1,835,554 upon exercise of the warrants and agent warrants.

(iv) On September 18, 2017, the Company issued 224,150 common shares to Eurasian, valued at \$60,216 (US\$49,204), in accordance with the Golcuk Property agreement (see Note 7).

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9. Share Capital (Continued)

(c) Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2015	15,129,729	\$ 0.14
Issued (note 9(b)(ii))	12,000,000	0.07
Balance, September 30, 2016	27,129,729	\$ 0.11
Exercised	(6,688,658)	0.10
Expired	(1,682,500)	0.18
Balance, December 31, 2016	18,758,571	\$ 0.10
Exercised	(18,303,571)	0.09
Expired	(455,000)	0.18
Balance, September 30, 2017	-	\$ -

(d) Agent Warrants

The following table reflects the continuity of agent warrants for the periods presented:

	Number of Agent Warrants	Weighted Average Exercise Price
Balance, December 31, 2015 and September 30, 2016	217,200	\$ 0.18
Exercised	(16,800)	0.10
Expired	(32,000)	0.18
Balance, December 31, 2016	168,400	\$ 0.19
Exercised	(164,400)	0.19
Expired	(4,000)	0.20
Balance, September 30, 2017	-	\$ -

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10. Stock Options

The Company has a Stock Option Plan (the "Plan") in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the CSE. The expiry date for each option should be for a maximum term of five years. The Plan was most recently approved at the Company's 2015 Annual General Meeting.

The following table reflects the continuity of stock options for the periods presented:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2015	3,290,000	\$ 0.12
Expired / forfeited	(1,250,000)	0.11
Balance, September 30, 2016	2,040,000	0.13
Granted	2,200,000	0.19
Expired / forfeited	(50,000)	0.10
Balance, December 31, 2016	4,190,000	0.16
Granted (i)	1,200,000	0.25
Expired / forfeited	(40,000)	0.14
Balance, September 30, 2017	5,350,000	\$ 0.18

(i) On August 14, 2017, 1,200,000 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 with the following assumptions: a 5 year expected term; a 139% expected volatility based on historical trends; risk free interest rate of 1.48%; share price at the date of grant of \$0.25; and an expected dividend yield of 0%.

The Company had the following stock options outstanding as of September 30, 2017:

Expiry Date	Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (years)
	Outstanding	Exercisable		
March 14, 2019	550,000	550,000	\$ 0.10	1.45
December 19, 2019	1,400,000	1,400,000	\$ 0.14	2.22
October 18, 2018	2,200,000	2,200,000	\$ 0.19	1.05
August 14, 2022	1,200,000	1,200,000	\$ 0.25	4.87
	5,350,000	5,350,000		2.25

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Unaudited

11. Net Income per Common Share

Basic and diluted net income per share are as follows for the periods presented:

	Three Months Ended September 30, 2017		2016		Nine Months Ended September 30, 2017		2016	
Numerator:								
Net income	\$	1,838,461	\$	417,898	\$	3,151,954	\$	215,907
Denominator								
Weighted average number of common shares - basic		138,996,055		113,892,309		131,691,450		106,933,550
Effect of dilutive securities		1,254,860		-		1,254,860		-
Weighted average number of common shares - diluted		140,250,915		113,892,309		132,946,310		106,933,550
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

12. 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 includes 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 had transactions 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, or 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		2016		Nine Months Ended September 30, 2017		2016	
Management and consulting fees ⁽¹⁾	\$	131,317	\$	53,285	\$	280,394	\$	144,545
Share-based payments		221,000		-		221,000		-
	\$	352,317	\$	53,285	\$	501,394	\$	144,545

⁽¹⁾ These amounts along with non-related expenses for geological work, communication and marketing are included as Consulting and management fees in the unaudited condensed interim consolidated statements of income and comprehensive income.

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Notes to Condensed Interim Consolidated Financial Statements

Three and Nine months Ended September 30, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

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12. Related Party Balances and Transactions (Continued)

Amounts payable to related parties were as follows:

	As at September 30, 2017	As at December 31, 2016
Steven Williams ⁽¹⁾	\$ 1,406	\$ 50,522
Marrelli Support Services Inc. ⁽²⁾	-	2,222
DSA Corporate Services ⁽³⁾	-	2,549
Sven Olsson. ⁽⁴⁾	5,160	4,959
Irus Consulting Ltd. ⁽⁵⁾	9,143	-
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) 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.

(3) DSA Corporate Services ("DSA") is affiliated with Marrelli Support through a common officer. DSA provides corporate and secretarial services for the Company.

(4) Sven Olsson is a director of the Company.

(5) Irus Consulting Ltd. is a company controlled by John Barry, a director of the Company.

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

(7) Wendy Kaufman is the current CFO of the Company.

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

To the knowledge of the directors and officers of the Company, as at 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 %

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13. Segmented Information

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on the location:

	As at September 30, 2017	As at December 31, 2016
Non-current assets by geographic segment		
Turkey	\$ 7,088,533	\$ 3,567,488
Canada	-	-
	\$ 7,088,533	\$ 3,567,488

	As at September 30, 2017	As at December 31, 2016
Assets by geographic segment		
Turkey	\$ 8,535,304	\$ 3,750,211
Canada	416,504	315,578
	\$ 8,951,808	\$ 4,065,789

Nine Months Ended September 30, 2017	Canada	Turkey	Total
Equity gain from joint venture	\$ -	\$ 4,798,340	\$ 4,798,340
Net (loss) income	\$ (1,462,830)	\$ 4,614,784	\$ 3,151,954

Nine Months Ended September 30, 2016	Canada	Turkey	Total
Equity gain from joint venture	\$ -	\$ 795,893	\$ 795,893
Net (loss) income	\$ (478,399)	\$ 694,306	\$ 215,907

Three Months Ended September 30, 2017	Canada	Turkey	Total
Equity gain from joint venture	\$ -	\$ 2,698,696	\$ 2,698,696
Net (loss) income	\$ (779,970)	\$ 2,618,431	\$ 1,838,461

Three Months Ended September 30, 2016	Canada	Turkey	Total
Equity gain from joint venture	\$ -	\$ 593,671	\$ 593,671
Net (loss) income	\$ (149,222)	\$ 567,120	\$ 417,898