



eNewsletter

# CHF Spotlight

April Issue | 2017



**Pasinex**  
Resources Limited

**28% - 60% Zn**  
HIGH GRADE MATERIAL PRODUCT

*Scoop Tractor at Third Adit*

## Building a Mid-Tier Zinc Producer

The pundits seem to be predicting a period of strong growth for zinc with shortages due to the exhaustion of some major mines and a lack of exploration success over the past few years. With zinc approximately 80% higher year-over-year, operating zinc mines will be profitable and impact share prices accordingly. Hudbay Minerals posted a dramatic change in earnings and a bounce in share price because of higher zinc prices.

In theory high grade zinc producers stand to perform the best provided their capital and operating expenses are kept low. Our feature story Pasinex fits the bill perfectly.

Going public in 2012 when the TSX Venture index was in a free-fall and money for junior companies was very scarce, **Pasinex Resources Limited (CSE: PSE, FSE: PNK)** was founded by President and CEO Steve Williams who has a strong metallurgical and technical background based on many decades of global mining experience. Often the key to success in foreign jurisdic-

tions is finding a local partner with equipment and trained labour and the desire to adopt modern exploration and development techniques. Akmetal AS, a large Turkish mining company and historical operator of the nearby Horzum Zinc Mine, was open to tapping Pasinex's technical expertise so they formed a subsidiary together, a 50/50 J.V. Within two years they were producing zinc DSO (direct shipping ore) at a rate of 25 tpd grading over 25% zinc within their Horzum joint venture. Hence the perfect match.

Turkey's mineral endowment – which includes legendary geologically rich tethyan belt – is a result of tectonic activity causing fractures and faults in the rocks through which the mineralizing fluids flowed. The area in which Pasinex's Pinargozu mine is located had shallow adits into the sides of the mountainous terrain, an area that hosts ore bodies known as Carbonate Replacement Deposits (CRD). These types of mineralized systems are found in other parts of the world such as Mexico and Peru.



The shapes of CRD deposits are often strongly controlled by faults and fractures in the rocks through which the mineralizing fluids flowed resulting in ore body shapes including “chimneys” for deposits with vertical dispositions, and “mantos” for ore bodies with horizontal, blanket-like orientations. Chimney deposits are often formed closer to their igneous source while manto ore bodies often occur further away and are defined by a strict stratigraphic control on their distribution, generally within a porous formation within a structural trap site. The igneous link to manto deposit formation is usually not conclusively proven. CRD deposits are notoriously difficult to drill however the good news is the sharp contact between high grade mineralization and barren host carbonate rock making extraction easier.

Fast forward to 2017, the Pinargozu project is producing at a rate of 160 tpd of DSO trucked to a warehouse in Adana, where the rock is crushed and sold to metal traders. **This year an estimated 40M pounds of zinc will be sold.**



Senior Executives at Pinargozu

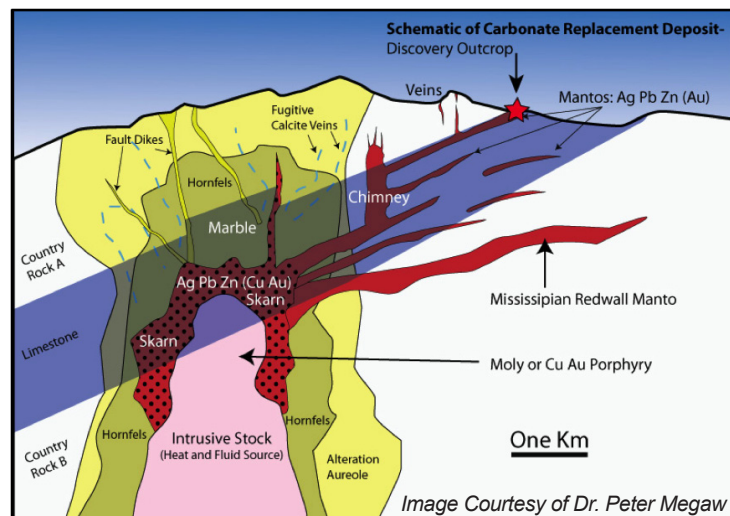


New Scoop Tram

The reason for the improved grades is the new third adit that was constructed in 2016 and became operational in August. What is different about this new adit is that it is located deeper in the mineralized system and the zinc ore (Smithsonite) has transitioned to sulphide ore (Sphalerite) which grades as high as 62%.

## Deeper Sulphide Roots May Hide Larger Zinc Body

World renowned zinc expert Dr. Peter Megaw recently visited the mine. After examining the third adit, his advice illustrated below, was to focus on the deeper sulphide roots where he suggests a larger zinc body may be uncovered.



What is so remarkable about this project is the negligible capital costs, the low operating costs and the incredible infrastructure. Some 12,000m will be drilled this year. Pasinex needs to demonstrate the life-of-mine and plan to do so before the end of Q3. An independent NI 43-101 resource calculation is underway. This study will go a long way to demonstrate the size of this zinc-rich mine and the average grade yet to be extracted. This data will allow institutions to purchase shares in Pasinex and therefore open up a whole new source of liquidity and financing. Up until now funding has been provided from Directors, friends and family resulting in an estimated 70% of the shares closely held.

While Turkey certainly has some political issues, the government is keen to expand the country's mining sector which is generally unexplored, especially for base metals in some of the potentially most promising geology in the world. The industrious workforce at the mine, numbering 180, boasts a safe operating track record and the site is adjacent to key infrastructure – roads, port, airport and power.

Turkey's corporate taxes are 20% and there is a 2% royalty on zinc mineral sold, paid annually.

## Investment Thesis

### Debt Free Company With Small Shareholder Base and Large Land Position in Growing Zinc District

With so few comparables available, Pasinex, an emerging zinc producer, provides investors with a unique opportunity. Pasinex is a small DSO producer with no debt, an independent resource calculation underway that should provide a reasonable life-of-mine, and an enviable shareholder base.

We believe the shares will advance in step with the mine's financial performance.

## Recent Sulphide Drill Results - A New Discovery

**Table 1: Summary Highlights of Drill Assay Results**

Drill Hole #	Core Length Interval Metres*	Zn Grade %**	Core Recovery %***	From (metres)
PPU16-018	9.8	49.4	58.2	21.6
PPU16-020	8	55.6	84.7	18.5
including	4.9	62.5	90.8	21.6
PPU16-024	8.6	40.8	65.1	23.5
and	3.3	54.7	79.7	45.7
PPU16-028	10	54.4	78.4	27
including	6	62.3	88.5	29.6
PPU16-030	34	35.1	58.7	22.4
PPU16-031	19.4	41.4	53.6	19.1

\* True widths have yet to be determined.

\*\* Zinc mineralization is predominantly a mix of non-sulphide (Smithsonite) and sulphide (Sphalerite) material.

\*\*\* Grades for intervals with poor core recovery may not truly represent the complete mineralised interval.

## Pinargozu Growth in Numbers

- Discovery of Pinargozu high grade zinc project at the beginning of 2014
- Today Pinargozou is in 3rd year of production
- Since June 2014: 52,418 tons of >35% DSO
- Since March 2014: > 4.1 kilometres underground development completed
- Since May 2014: 29,058 metres of exploration drilling completed

## Meet the President & CEO of Pasinex Resources Limited



**Steve Williams,**  
President & CEO

Steve Williams is the President and CEO of Pasinex Resources Limited. Mr. Williams graduated with a Bachelor of Applied Science (Extractive Metallurgy) from the Western Australian School of Mines and an MBA from Tulane University. He has worked in the mining industry since 1976 in milling operations in Australia and Canada. He worked 20 years with SGS Lakefield Research in Canada and Chile in both metallurgical project management and business management, finally becoming Managing Director for SGS Canada, a company with about 1,300 employees in Canada. Steve has authored many technical papers and in 2004 he became a CIM Distinguished Lecturer and in 2008 a CIM Fellow, for his work in geometallurgy.

Mr. Williams has a strong technical and management background that serves well for leading a junior mining and exploration team. His strengths are in vision, strategy and team building.

---

## Author of CHF Spotlight Article: Cathy Hume, CHF Investor Relations



**Cathy Hume,**  
CEO

Cathy is a high profile, Canadian Investor Relations leader. She is an instructor of Ryerson University's course, "Resource Valuation, Financing, and Investor Relations" offered by The Chang School of Business as part of its Certificate in Mining Management. She is also an advisor in External Business for the Ted Rogers Leadership Centre. Cathy is co-chair of Women in Mining Toronto.

Specializing successfully in providing individually-crafted comprehensive representation to the investment community, CHF serves an international portfolio of publicly-listed companies, operating in a broad range of industries that include mining developers and producers, oil and gas, communications, high-tech, and special situations fields.



CHF is recognized as the best full service, cost-effective, outsourced Investor Communications and Capital Markets firm for emerging to mid-cap companies in Canada. By focusing on face-to-face relationships in the investment community, we measure our success through our clients' success. Our business has succeeded due to client retention and industry referrals.

**Principals of CHF are shareholders of PSE.**

---

**CHF Disclaimer:** Statements that are forward-looking, including statements relating to the future growth of the company's assets or expressions suggesting future outcomes or events are believed to be reasonable but, cannot be relied upon. Forward-looking statements and the use of words such as "expect to", "will be", are based on current information and expectations that involve a number of risks and uncertainties, which could cause actual results or events to differ materially from those anticipated. Such information contained herein represents CHF's knowledge and best judgment as of the date hereof based on information currently available. CHF undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. The company does not intend to update this information. The TSX Venture Exchange does not accept responsibility for the adequacy or reliability of information in this publication.

CHF recommends that individuals consult a registered financial advisor and carry out their own independent due diligence before making an investment in any publicly-traded company.

---

### Contact CHF

**Cathy Hume, CEO**

80 Richmond Street W, Suite 303, Toronto, M5H 2A4 | T: 416.868.1079 x231 | E: cathy@chfir.com