PASINEX RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

(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, 2018	As at December 31, 2017
Assets		
Current assets		
Cash	**$ 83,640**	$ 741,727
Goods and services tax receivable	**105,163**	147,407
Other receivables	**1,010**	1,560
Prepaid expenses and deposits	**147,032**	92,273
Dividend owing from Horzum AS (note 4)	**3,672,263**	-
Total current assets	**4,009,108**	982,967
Non-current assets		
Equipment (note 3)	**20,431**	26,134
Investment in Horzum AS (note 4)	**4,884,241**	8,045,296
Exploration and evaluation assets (note 5)	**1,883,705**	2,568,423
Total non-current assets	**6,788,377**	10,639,853
Total assets	**$ 10,797,485**	$ 11,622,820
Shareholders' Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**$ 819,089**	$ 207,826
Due to related parties (note 13)	**94,802**	27,797
Shareholder loans (notes 7 and 13)	**683,362**	-
Total liabilities	**1,597,253**	235,623
Shareholders' Equity		
Share capital (note 8)	**12,882,506**	12,618,506
Reserves	**1,730,617**	1,618,697
Retained earnings (deficit)	**256,314**	(1,204,902)
Accumulated other comprehensive loss (note 11)	**(5,669,205)**	(1,645,104)
Total shareholders' equity	**9,200,232**	11,387,197
Total liabilities and shareholders' equity	**$ 10,797,485**	$ 11,622,820

Basis of Measurement and Going Concern (note 2(b))
Subsequent Event (note 2(b))

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, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Equity gain from Horzum AS (note 4)	**$ 521,675**	$ 2,698,696	**$ 5,311,546**	$ 4,798,340
Expenses				
Impairment charge (note 5(b))	**-**	-	**1,686,600**	-
Exploration costs	**291,332**	-	**618,636**	-
General and administration costs (note 12)	**460,526**	604,732	**1,531,037**	1,411,570
Share-based payments (notes 9 and 13)	**-**	265,200	**111,920**	265,200
	(751,858)	(869,932)	**(3,948,193)**	(1,676,770)
Other income				
Other income	**5,379**	9,253	**19,053**	26,414
Gain on sale of marketable securities	**-**	-	**-**	483
Foreign exchange gain	**29,806**	444	**78,810**	3,487
	35,185	9,697	**97,863**	30,384
Net income (loss) for the period	**(194,998)**	1,838,461	**1,461,216**	3,151,954
Other comprehensive loss				
Item that will be reclassified subsequently to profit and loss:				
Currency translation adjustment (note 11)	**(2,566,143)**	(314,738)	**(4,024,101)**	(394,970)
Total comprehensive income (loss) for the period	**$ (2,761,141)**	$ 1,523,723	**$ (2,562,885)**	$ 2,756,984
Net income (loss) per share - basic (note 10)	**$ (0.00)**	$ 0.01	**$ 0.01**	$ 0.02
Net income (loss) per share - diluted (note 10)	**$ (0.00)**	$ 0.01	**$ 0.01**	$ 0.02
Weighted average number of shares outstanding - basic (note 10)	**142,608,718**	138,996,055	**142,307,484**	131,691,450
Weighted average number of shares outstanding - diluted (note 10)	**142,608,718**	140,250,915	**142,649,716**	132,946,310

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, 2018	2017
Operating activities		
Net income for the period	**$ 1,461,216**	$ 3,151,954
Dividend from Horzum AS	**765,963**	-
Adjustments for items not involving cash:		
Impairment charge	**1,686,600**	-
Share-based payments	**111,920**	265,200
Equity gain from Horzum AS	**(5,311,546)**	(4,798,340)
Other	**5,831**	4,766
Changes in non-cash working capital items:		
Goods and services tax receivable	**(3,090)**	(50,888)
Prepaid expenses and deposits	**(87,967)**	(129,210)
Accounts payable and accrued liabilities	**620,032**	6,010
Due to (from) Joint venture	**(117,004)**	128,693
Due to (from) related parties	**20,477**	(31,216)
Net cash used in operating activities	**(847,568)**	(1,453,031)
Investing activities		
Exploration and evaluation assets	**(346,633)**	(289,723)
Equipment acquisition	**(7,552)**	(17,110)
Proceeds from sale of marketable securities	**-**	11,288
Net cash used in investing activities	**(354,185)**	(295,545)
Financing activities		
Cash received from shareholder loans (note 7)	**680,000**	-
Issuance of shares	**-**	1,835,554
Net cash provided by financing activities	**680,000**	1,835,554
Net change in cash	**(521,753)**	86,978
Effect of foreign currencies on cash	**(136,334)**	330
Cash, beginning of period	**741,727**	311,958
Cash, end of period	**$ 83,640**	$ 399,266

Supplemental Disclosure		
Shares issued for property acquisition	**$ 264,000**	$ 60,216

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 (note 8)	Share Capital (note 8)	Reserves	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss (note 11)	Total
Balance, December 31, 2016	**121,262,250**	**$ 10,219,119**	**$ 1,274,334**	**$(7,039,006)**	**$ (671,476)**	**$ 3,782,971**
Issuance of shares	224,150	60,216	-	-	-	60,216
Exercise of warrants	18,467,971	1,855,171	(19,617)	-	-	1,835,554
Share-based payments	-	-	265,200	-	-	265,200
Currency translation adjustment (note 11)	-	-	-	-	(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**
Balance, December 31, 2017	**142,154,370**	**$ 12,618,506**	**$ 1,618,697**	**$ (1,204,902)**	**$ (1,645,104)**	**$11,387,197**
Issuance of shares	2,200,000	264,000	-	-	-	264,000
Share-based payments	-	-	111,920	-	-	111,920
Currency translation adjustment (note 11)	-	-	-	-	(4,024,101)	(4,024,101)
Net income for the period	-	-	-	1,461,216	-	1,461,216
Balance, September 30, 2018	**144,354,370**	**$ 12,882,506**	**$ 1,730,617**	**$ 256,314**	**$ (5,669,205)**	**$ 9,200,232**

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

1. Corporate Information and Nature of Operations

Pasinex Resources Limited ("Pasinex" or the "Company") is a publicly listed company incorporated in British Columbia. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "PSE" and on the Frankfurt Stock Exchange ("FSE") under the symbol "PNX". The head office, principal address and registered and records office of the Company are located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Pasinex owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi ("Horzum AS") which holds the producing Pinargozu high grade zinc mine. Under a direct shipping program, Horzum AS sells directly to zinc smelters / refiners. The Company also holds an option to acquire 80% of the Spur (formerly named Gunman) high-grade zinc exploration project in Nevada ("Spur Zinc Project").

These unaudited condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on November 28, 2018.

2. 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 28, 2018, 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, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in restatement of these unaudited consolidated interim condensed financial statements.

(b) Basis of Measurement and Going Concern and Subsequent Event

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are measured at their fair value. The consolidated financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. Certain prior year balances have been reclassified to conform with current year presentation.

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At September 30, 2018, the Company does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months. Funding sources include dividends from Horzum AS and/or securing funding from either equity financing or related party loans. Horzum AS declared a 40 million Turkish Lira ("TRY") dividend payable to both of its 50% shareholders to be paid in instalments through 2018.

2. Basis of Presentation (Continued)

(b) Basis of Measurement and Going Concern and Subsequent Event (continued)

During the nine months ended September 30, 2018, the Company received $0.8 million of the total declared dividend amount of approximately $4.4 million and $0.7 million in shareholder loans (see note 7) to pay for working capital commitments and the drilling program and option payment obligations at Spur. In October, Pasinex received another $0.2 million from Horzum AS as contribution towards the declared dividend amount owing and an additional $65,000 in shareholder loans. These funds were used to repay a portion of the liabilities owing at September 30, 2018. In October, Horzum AS renegotiated sales contracts and commenced selling directly to third party customers rather than through Akmetal's trading company. This allows Pasinex greater control over cash and allocation of sales proceeds from Horzum AS. The Company will allocate funds towards outstanding liabilities at Horzum AS and ensure adequate funds are allocated to Pasinex to meet its payment obligations, including the shareholder loans. Projected cash flows based on anticipated production should provide the Company sufficient funds to cover its remaining nondiscretionary spending for the year. The Company has agreed with Akmetal that funds will be received directly by Horzum AS from sale of the zinc product, but there is no assurance that this will be the case and that the Company will be able to generate funds from other sources.

(c) Changes in accounting policies

(i) IFRS 9, Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance had no impact on the Company's unaudited condensed interim consolidated financial statements.

2. Basis of Presentation (Continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial Instruments (continued)

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Other receivables	Loans and receivables (amortized cost)	Amortized cost
Dividends owing from Horzum AS	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Due to related parties	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets and measured at FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's other receivables and dividend owing from Horzum AS are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable and accrued liabilities and due from related parties do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

2. Basis of Presentation (Continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, Financial Instruments (continued)

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements as at January 1, 2018.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of the promised asset and the Company satisfies its performance obligation. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. On January 1, 2018, the Company adopted IFRS 15 on a retrospective basis and concluded that there were no significant changes in the accounting for revenues as a result of the transition to IFRS 15.

(Expressed in Canadian Dollars, unless otherwise indicated)

2. Basis of Presentation (Continued)

(d) 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.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 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, but no material change is expected.

3. Equipment

Cost	**Vehicles**	**Fixtures and Equipment**	**Mining Equipment**	**Total**
Balance - December 31, 2016	$ 19,193	$ 23,713	$ 48,595	$ 91,501
Additions/(Disposals)	(19,193)	19,340	-	147
Currency translation differences	-	(4,522)	-	(4,522)
Balance - December 31, 2017	-	38,531	48,595	87,126
Additions/(Disposal)	-	7,552	-	7,552
Currency translation differences	-	(15,493)	-	(15,493)
Balance - September 30, 2018	**$ -**	**$ 30,590**	**$ 48,595**	**$ 79,185**
Accumulated Depreciation				
Balance - December 31, 2016	$ 19,193	$ 18,096	$ 37,849	$ 75,138
Depreciation for the year	-	4,544	3,224	7,768
Disposals	(19,193)	-	-	(19,193)
Currency translation differences	-	(2,721)	-	(2,721)
Balance - December 31, 2017	-	19,919	41,073	60,992
Depreciation for the period	-	4,138	1,693	5,831
Currency translation differences	-	(8,069)	-	(8,069)
Balance - September 30, 2018	**$ -**	**$ 15,988**	**$ 42,766**	**$ 58,754**
Carrying Amount				
Balance - September 30, 2018	**$ -**	**$ 14,602**	**$ 5,829**	**$ 20,431**
Balance - December 31, 2017	$ -	$ 18,612	$ 7,522	$ 26,134

(Expressed in Canadian Dollars, unless otherwise indicated)

4. Investment in Horzum AS

On January 17, 2013, the Company, through its wholly owned Turkish subsidiary, Pasinex Arama ve Madencilik AS ("Pasinex Arama"), entered into a joint venture agreement with Turkey based miner, Akmetal, to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Turkey. A joint venture company was formed, Horzum AS, held 50% by each joint venture partner. Horzum AS is controlled by a board consisting of equal representatives of both Pasinex and Akmetal.

In 2013, Horzum AS acquired the Pinargozu mine in Turkey. The property is located within the Turkish Provinces of Adana and has been in operation since 2016 producing high grade zinc.

The investment in Horzum AS is considered a joint venture for accounting purposes and accordingly is accounted for using the equity method.

The following table shows the change in the value of the Company's 50% investment in Horzum AS.

	As at September 30, 2018	As at December 31, 2017
Opening balance	**$ 8,045,296**	**$ 1,901,589**
Equity gain from Horzum AS (4(a))	5,311,546	8,153,698
Dividend received from Horzum AS	(765,963)	(1,183,215)
Dividend owing from Horzum AS	(3,672,263)	-
Foreign exchange difference included in other accumulated comprehensive loss (note 11)	(4,034,375)	(826,776)
Closing balance	**$ 4,884,241**	**$ 8,045,296**

Horzum AS can distribute its profits based on terms under the joint venture agreement which requires approval from Horzum AS's board of directors. In March 2018, after approval from its board of directors and shareholders, Horzum AS declared a TRY 40 million dividend (Pasinex's 50% share is approximately $4.4 million at September 30, 2018 exchange rates). As of September 30, 2018, the Company has received $765,963 and as of November 28, 2018 the Company has received $1 million in total. The remaining portion of the dividend is expected to be paid over approximately six to nine months. The dividend receivable is a TRY based obligation and as such will be subject to variations from foreign exchange fluctuations.

In 2017, a dividend of TRY 7.1 million was declared and paid by Horzum AS to its shareholders, of which Pasinex received half.

(Expressed in Canadian Dollars, unless otherwise indicated)

4. Investment in Horzum AS (Continued)

(a) Summarized Financial Statements for Horzum AS

Summarized financial information for Horzum AS, based on its IFRS financial statements and a reconciliation with the carrying amounts in the Company's consolidated financial statements, are set out below.

Statement of Financial Position

(100% basis Canadian dollars)	**As at September 30, 2018**	**As at December 31, 2017**
Current assets		
Cash and prepaid expenses	$ (6,760)	$ 35,172
Loan receivable – Akmetal (note 4(a)(i))	10,033,223	1,500,978
Less - discount on loan receivable	(485,402)	-
Trade receivables – Akmetal (note 4(a)(i))	-	4,574,872
Trade receivables – other	-	8,772
Other receivables	280,017	503,817
Inventories	1,535,550	2,049,268
Other current assets	-	44,458
Total current assets	**11,356,628**	**8,717,337**
Non-current assets		
Loan receivable - Akmetal (note 4(a)(i))	4,549,776	12,015,408
Trade receivables – Akmetal (note 4(a)(i))	8,859,095	-
Less - discount on loan and trade receivables	(5,834,390)	-
Plant and equipment	1,373,392	966,904
Deferred taxes	198,784	282,253
Other non-current assets	194,685	286,753
Total non-current assets	**9,341,342**	**13,551,318**
Total assets	**$ 20,697,970**	**$ 22,268,655**
Current liabilities		
Trade payable and other current liabilities	$ 4,072,723	$ 4,102,539
Amounts due to shareholders and related parties (note 4(a)(ii))	3,774,905	152,980
Income taxes payable	3,018,865	1,825,290
Total current liabilities	**10,866,493**	**6,080,809**
Non-current liabilities		
Employee benefits and other liabilities	62,995	97,254
Equity		
Share capital	237,400	237,400
Surplus	17,124,553	18,001,460
Foreign exchange difference	(7,593,471)	(2,148,268)
Total liabilities and equity	**$ 20,697,970**	**$ 22,268,655**
Pasinex ownership interest	50 %	50 %
Net assets (equity) from above	$ 9,768,482	$ 16,090,592
Pasinex investment in Horzum AS	$ 4,884,241	$ 8,045,296

4. Investment in Horzum AS (Continued)

(i) Amounts due from Akmetal include a loan receivable of $14.6 million and trade receivables of $8.9 million. Up until October 2018, the sale of zinc was largely sold to a subsidiary of Akmetal which in turn sold the material to third parties. The payments from Akmetal to Horzum AS have been historically slow and the trade receivable from Akmetal was growing. As a result, at the end of 2017, Horzum AS entered into an agreement with Akmetal to structure a formal repayment process, plus interest, for US$11.4 million. At the end of 2017 this amount represented a significant portion of the trade receivables owing from Akmetal's subsidiary. By September 30, 2018, US$550,000 of the US$11.4 million loan had been repaid. Payments of US$300,000 were due to Horzum AS in the third quarter of 2018 under the terms of the loan agreement, of which none were paid by Akmetal.

Throughout 2018 Horzum AS continued to sell its material through the subsidiary of Akmetal and payments from Akmetal continued to be slow resulting in a significant increase in the trade receivable. No funds were received on repayment of any of the trade receivables in the third quarter of 2018.

In October the zinc ore material has been sold and invoiced directly from Horzum AS. The cash receipts from sales starting in November have been managed and controlled by Horzum AS, which requires authorization of payments from both Akmetal and Pasinex (as joint venture partners). As a result, the receivable from Akmetal is not expected to increase further.

Because Horzum AS did not receive any payment from Akmetal on the receivables outstanding in the quarter along with recent liquidity issues disclosed by Akmetal, the Company has acknowledged that the credit risk on the Akmetal receivables has increased significantly. As a result, under the requirements of IFRS 9, management underwent an exercise to calculate its expected credit losses on the Akmetal receivables. The Company has been in close discussion with Akmetal to determine Akmetal's repayment plan to Horzum AS in combination with other creditor repayment plans they are negotiating with respect to certain of its other subsidiaries. The Company believes that Akmetal can repay the Horzum AS receivable through various means, including Akmetal selling assets from its other subsidiaries to attain liquidity, transferring other valuable mining assets to Horzum AS in return for a reduction of the receivable, future dividends from Horzum AS being redirected from Akmetal to repayment of the receivable and sale of its share of Horzum AS. The repayment plans are in progress and will take a number of months to conclude. Company management believes that the receivable is fully recoverable but that the time is likely to extend over longer repayment terms than initially expected.

As a result, as required under IFRS 9, the Company has recorded a reduction in the receivables of $6.3 million to reflect the time value of money using repayments based on the various plans in discussion with Akmetal and the related probabilities of success. The cash flows, which include a dividend estimate for 2019, extend over a period of 7 years and have been discounted at a rate of 12%. The discount rate reflects the fact that the cash flows are predominantly US dollar based, but factors in risks in relation to mine production, resource potential, Turkish economic factors, amongst others. As the Company's discussions and plans regarding Akmetal's repayment plan become more defined, assumptions may change and result in a material change in value of the receivables.

(Expressed in Canadian Dollars, unless otherwise indicated)

4. Investment in Horzum AS (Continued)

A portion of the loan receivable has been allocated to long-term based on the loan agreement repayment plan which concurs with the cash flow assumptions used to determine fair value. Trade receivables have all been allocated to long-term because the cash flow assumptions assume a longer repayment time frame of up to 7 years.

The repayment plan for the remaining US$10.85 million (C$14.6 million) to Horzum AS is as follows:

Fourth quarter 2018	$ -	
First quarter 2019	3,778,746	
Second quarter 2019	2,345,429	
Third quarter 2019	3,909,048	
Next 12 months	10,033,223	
Fourth quarter 2019	3,909,048	
2020	640,728	includes interest
	$ 14,582,999	includes interest

Interest is to be paid at a rate equivalent to Wall Street Journal (WSJ) prime rate.

(ii) Amounts due to shareholders and related parties includes the dividend payable to Pasinex Arama of $3.7 million.

Statement of Operations for the nine months ended September 30,

(100% Canadian dollars)	**2018**	**2017**
Revenue	$ 20,955,157	$ 19,394,413
Cost of sales	(6,624,154)	(6,436,468)
Selling, marketing and other distribution	(127,699)	-
General and administrative expenses	(455,106)	(962,095)
Foreign exchange gain	7,165,657	-
Finance expense	(7,195,681)	-
Other	(82,012)	-
Income tax expense	(3,013,069)	(2,399,170)
Net income	$ 10,623,093	$ 9,596,680
Pasinex ownership interest	50 %	50 %
Equity gain from Horzum AS	$ 5,311,546	$ 4,798,340

The functional currency of Horzum AS is the TRY and the foreign exchange gain is a result of the revaluation of the US dollar receivables to TRY. The significant gain is a factor of the significant decline in the value of the TRY relative to the US dollar during the year. Finance expense largely represents the discount amount applied to the Akmetal receivables (as described above).

(Expressed in Canadian Dollars, unless otherwise indicated)

5. Exploration and Evaluation Assets

	Horzum Properties	Golcuk Property	Spur Project	Total
Balance, December 31, 2016	**$ 575,739**	**$ 1,073,797**	**$ -**	**$ 1,649,536**
Additions during the year:				
Acquisition costs - cash	16,690	94,297	178,362	289,349
Acquisition costs - shares issued	-	60,216	484,000	544,216
Property exploration costs:				
Assays	17,474	7,699	-	25,173
Drilling	-	92,488	-	92,488
Geological and field personnel	25,759	49,932	-	75,691
Miscellaneous expenses	263	2,193	-	2,456
Travel and accommodation	-	6,471	-	6,471
Total additions during the year	60,186	313,296	662,362	1,035,844
Foreign exchange adjustment	(17,706)	(99,251)	-	(116,957)
Balance, December 31, 2017	**618,219**	**1,287,842**	**662,362**	**2,568,423**
Additions during the period:				
Acquisition costs - cash	-	50,739	258,960	309,699
Acquisition costs - shares issued (note 8)	-	-	264,000	264,000
Property exploration costs:				
Geological and field personnel	94,192	2,119	-	96,311
Miscellaneous expenses	1,170	3,012	-	4,182
Travel and accommodation	3,151	-	-	3,151
Total additions during the period	98,513	55,870	522,960	677,343
Foreign exchange adjustment	**(18,349)**	**(26,579)**	**-**	**(44,928)**
Impairment	**-**	**(1,317,133)**	**-**	**(1,317,133)**
Balance, September 30, 2018	**$ 698,383**	**$ -**	**$ 1,185,322**	**$ 1,883,705**

(a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at September 30, 2018, the Company only held the Akkaya Property with its exploration license in good standing. The Company is in the process of transferring the license for the Akkaya Property to Horzum AS. In 2018, in anticipation of the license transfer, Horzum AS will incur the costs to continue to explore Akkaya and as such the costs related to Akkaya will be capitalized in the accounts of Horzum AS.

5. Exploration and Evaluation Assets (Continued)

(b) Golcuk Property

On July 17, 2012, amended on January 29, 2013 and further amended on November 8, 2016, the Company signed an option agreement (the "Agreement") with EMX Royalty Corporation ("EMX") (formerly named Eurasian Minerals Inc.) and its wholly owned Turkish subsidiary, Eurasia Madencilik Ltd. STI, whereby Pasinex, through Pasinex Arama, would acquire a 100% interest in the Golcuk Property ("Golcuk") located in northeast Turkey. The Golcuk mineral rights and operational license were transferred to Pasinex Arama in September 2012 and all consideration for the transaction was paid.

Under the Agreement, Pasinex will pay EMX a 2.9% net smelter royalty ("NSR") from Golcuk production. Prior to production, Pasinex is to pay EMX an advance royalty payment of 75 troy ounces of gold or its equivalent on or before each anniversary of the Initial Issuance Date commencing on the sixth anniversary (September 2018). These amounts to be set off against the NSR once payable. In September 2017, Pasinex paid EMX an equivalent amount of advance royalty payment of 75 troy ounces of gold through issuance of 224,150 Pasinex common shares and payment of $62,425 in cash (to be set off against the NSR once payable).

<u>**Impairment Charge**</u>

In May 2018, the Company met with EMX and finalized an extensive geological review including mapping, structure, mineralization and geological model/genesis and made the decision to not advance the Golcuk property. Although there is evidence of copper throughout the property the Company believes that it will be difficult to get sufficient contiguous mineralization that would underpin the Company's targets for economical tonnage. The property will either be transferred back to EMX, sold or the license will be relinquished to the Turkish government. The fair value of the property has been estimated at zero and costs to dispose of $0.3 million have been accrued as at September 30, 2018 resulting in an impairment charge of $1.7 million for the nine months ended September 30, 2018.

(c) Spur (formerly named Gunman) Zinc Project

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

The Option Agreement's total consideration to acquire an 80% interest is staged over four years payable in a combination of cash and Pasinex common shares. In addition, the Company must incur minimum exploration expenditures totalling US$2,950,000 over the same four year period. The Company can accelerate payments to acquire ownership sooner and also has no obligation to continue payments if the Company decides not to proceed in exercising the option.

(Expressed in Canadian Dollars, unless otherwise indicated)

5. Exploration and Evaluation Assets (Continued)

(c) Spur (formerly named Gunman) Zinc Project (continued)

The spending and associated ownership over the four years is as follows:

To acquire initial 51% of the Spur Zinc Project:
- In December 2017, a cash payment was made to Caliber of US$125,000 ($158,897) and 2.2 million Pasinex Common Shares (value of $484,000) were issued to Caliber and Cypress
- In September 2018, a cash payment of US$200,000 ($258,960) and issuance of 2.2 million Pasinex Common Shares (value of $264,000) to Caliber and Cypress
- Prior to September 11, 2019 a payment of US$100,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- In addition, minimal exploration expenditures as defined in the Option Agreement must be spent as follows:
    - ♦ US$250,000 prior to December 5, 2018
    - ♦ US$800,000 prior to December 5, 2019
    - ♦ US$800,000 prior to December 5, 2020.

If the 51% option is exercised, Pasinex will enter into a joint venture agreement with Cypress. Total consideration to acquire the 51% interest includes US$425,000 in cash payments, issuance of 4.6 million Pasinex Common Shares and minimal exploration expenditures of US$1,850,000.

To acquire an additional 29% of the Spur Zinc Project:
- Prior to December 5, 2021 a payment of US$250,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress
- Spend an additional US$1.1 million in exploration expenditures as defined in the Option Agreement.

6. Accounts Payable and Accrued Liabilities

	As at September 30, 2018	As at December 31, 2017
Trade payables (a)	**$ 473,559**	$ 176,159
Accrued liabilities (b)	**345,530**	31,667
Total	**$ 819,089**	$ 207,826

(a) Trade payables include approximately $0.3 million related to drilling costs at the Spur Zinc Project.

(b) Accrued liabilities include $0.3 million related to costs to prepare the Golcuk property for transfer back to EMX, sale or relinquishment of license (note 5(b)), which are expected to be incurred in the first half of 2019.

(Expressed in Canadian Dollars, unless otherwise indicated)

7. Shareholder loans

On August 1, 2018 the Company entered into loans with certain shareholders and directors of the Company (the "lenders") in the form of promissory notes amounting to $400,000. The promissory notes are payable on demand by the lenders and bear interest at 6% per annum, payable quarterly in arrears commencing September 15, 2018. The Company can pre-pay the promissory notes to the lenders. The promissory notes are secured by all the property and assets of the Company.

On September 25, 2018 the promissory notes were amended to reflect additional funding of $345,000 (of which $65,000 was received in October 2018) and $3,362 of accrued and unpaid interest. The remainder of the terms were consistent with the August 1 promissory notes.

8. Share Capital

(a) Authorized: Unlimited common shares with no par value.

(b) Issued: At September 30, 2018, 144,354,370 common shares valued at $12,882,506 (December 31, 2017 - 142,154,370 common shares valued at $12,618,506).

The table below lists the shares that have been issued.

	2018		2017	
	Common Shares	**Amount**	**Common Shares**	**Amount**
Balance, January 1,	**142,154,370**	**$ 12,618,506**	**121,262,250**	**$ 10,219,119**
Exercise of warrants and agent warrants (c) and (d)	-	-	18,467,971	1,855,171
Advance royalty payment to EMX (note 5(b))	-	-	224,150	60,216
Payment under Option Agreement for the Spur Zinc Project (note 5(c))	2,200,000	264,000	-	-
Balance, September 30,	**144,354,370**	**$ 12,882,506**	**139,954,371**	**$ 12,134,506**

(c) Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	**18,758,571**	**$ 0.10**
Exercised	(18,303,571)	0.09
Expired	(455,000)	0.18
Balance, September 30, 2017	**-**	**$ -**
Balance, December 31, 2017 and September 30, 2018	**-**	**$ -**

(Expressed in Canadian Dollars, unless otherwise indicated)

8. Share Capital

(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, 2016	**168,400**	**$ 0.19**
Exercised	(164,400)	0.19
Expired	(4,000)	0.20
Balance, September 30, 2017	**-**	**$ -**
Balance, December 31, 2017 and September 30, 2018	**-**	**$ -**

9. 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, 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**
Balance, December 31, 2017	**6,350,000**	**$ 0.19**
Granted (iii)	50,000	0.20
Balance, September 30, 2018	**6,400,000**	**$ 0.19**

(Expressed in Canadian Dollars, unless otherwise indicated)

9. Stock Options (continued)

(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 in 2017. 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 fair value was expensed in the three months ending September 30, 2017.

(ii) On December 4, 2017, 1,000,000 stock options were granted to a director of the Company at a price of $0.25 each, expiring December 4, 2022. The stock options will vest as follows: 400,000 stock options vested immediately and the remaining 600,000 stock options will vest six months from date of grant. The fair value of the stock options at the date of grant was $202,000 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 1.72%; share price at the date of grant of $0.23; and an expected dividend yield of 0%. $98,780 of the fair value was expensed in the three months ending December 31, 2017 and $103,220 expensed over the first half of 2018.

(iii) On January 24, 2018, 50,000 stock options were granted to a consultant of the Company at a price of $0.20, expiring January 24, 2023. The stock options vested immediately. The fair value of the stock options at the date of grant of $8,700 was estimated using the Black Scholes valuation model with the following assumptions: a 5 year expected term; a 133% expected volatility based on historical trends; risk free interest rate of 2.05%; share price at the date of grant of $0.20; and an expected dividend yield of 0%. The fair value was expensed during the three months ended March 31, 2018.

The Company had the following stock options outstanding as of September 30, 2018:

	Number of Options		Exercise	Weighted Average Remaining Contractual
Expiry Date	**Outstanding**	**Exercisable**	**Price**	**Life (years)**
October 18, 2018	2,200,000	2,200,000	$ 0.19	0.05
March 14, 2019	550,000	550,000	$ 0.10	0.45
December 19, 2019	1,400,000	1,400,000	$ 0.14	1.22
August 14, 2022	1,200,000	1,200,000	$ 0.25	3.87
December 4, 2022	1,000,000	1,000,000	$ 0.25	4.18
January 24, 2023	50,000	50,000	$ 0.20	4.32
	6,400,000	6,400,000		1.74

(Expressed in Canadian Dollars, unless otherwise indicated)

10. Net Income per Common Share

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Numerator:				
Net income (loss)	**$ (194,998)**	$ 1,838,461	**$ 1,461,216**	$ 3,151,954
Denominator				
Weighted average number of common shares - basic	**142,608,718**	138,996,055	**142,307,484**	131,691,450
Effect of dilutive securities	**-**	1,254,860	**342,232**	1,254,860
Weighted average number of common shares - diluted	**142,608,718**	140,250,915	**142,649,716**	132,946,310
Net income (loss) per share - basic	**$ (0.00)**	$ 0.01	**$ 0.01**	$ 0.02
Net income (loss) per share - diluted	**$ (0.00)**	$ 0.01	**$ 0.01**	$ 0.02

11. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss only includes the currency translation adjustment related to the translation of Pasinex Arama's TRY based financial statements to the Canadian dollar functional currency. The balances and exchange rates used to translate the financial statements are as follows:

	2018	2017
Currency translation adjustment for the nine months ending September 30	**$ 4,024,101**	$ 394,970
Foreign exchange rate TRY to Canadian dollar at September 30	**0.2144**	0.3689
Foreign exchange rate TRY to Canadian dollar at the start of the year	**0.3310**	0.3815
Pasinex Arama net assets (in TRY) at September 30	**40,736,722**	16,815,792
Pasinex Arama net assets (in TRY) at the start of the year	**26,323,180**	5,263,752

Pasinex Arama includes the 50% joint venture interest in Horzum AS. The currency translation adjustment is affected by both the net assets and the foreign exchange rate. For the nine months ending September 30, 2018 the currency translation increased by $4,024,101 due to the devaluation of the TRY relative to the Canadian dollar over this same period. The currency translation adjustment calculation represents the change in currency exchange rates relative to the net assets at the start of the period and the change in net assets during the period.

(Expressed in Canadian Dollars, unless otherwise indicated)

12. General and Administration Costs

General and administration costs are as follows:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Advertising and promotion	**$ 8,593**	$ 35,261	**$ 130,107**	$ 143,289
Depreciation (note 3)	**1,764**	2,702	**5,831**	5,249
Consulting fees (note 13)	**44,544**	288,878	**225,209**	597,410
Investor relations	**61,205**	38,033	**192,927**	58,287
Management fees and salaries (note 13)	**178,624**	119,718	**497,462**	239,388
Office and general	**19,585**	8,522	**64,183**	41,169
Professional fees	**38,438**	40,107	**109,849**	107,836
Supplies and equipment	**3,012**	1,564	**11,567**	15,958
Transfer agent and regulatory authorities fees	**6,781**	12,735	**23,250**	29,849
Travel and meals	**97,980**	57,212	**270,652**	173,135
General and administration costs	**$ 460,526**	$ 604,732	**$ 1,531,037**	$ 1,411,570

13. 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 year. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, 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, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Management fees and salaries	**$ 121,472**	$ 280,394	**$ 413,310**	$ 280,394
Consulting fees	**6,000**	-	**41,390**	-
Share-based payments	**-**	221,000	**103,220**	221,000
	$ 127,472	$ 501,394	**$ 557,920**	$ 501,394

(Expressed in Canadian Dollars, unless otherwise indicated)

13. Related Party Balances and Transactions (Continued)

Amounts payable to related parties were as follows:

	As at September 30, 2018	As at December 31, 2017
Due to related parties:		
Steven Williams (1)	**$ 13,560**	$ -
Sven Olsson (2)	**-**	14,297
Irus Consulting Ltd.(3)	**19,464**	7,500
Victor Wells (4)	**12,000**	6,000
Wendy Kaufman(5)	**37,157**	-
Soner Koldas(6)	**12,621**	-
	$ 94,802	$ 27,797
Shareholder loans:		
Larry Seeley (2)	**$ 582,713**	$ -
Sven Olsson (2)	**50,452**	-
Joachim Rainer (2)	**50,197**	-
	$ 683,362	$ -

(1) Steven Williams is Chief Executive Office of the Company.
(2) Sven Olsson, Larry Seeley and Joachim Rainer are directors of the Company.
(3) Irus Consulting Ltd. is a company controlled by John Barry, a director of the Company.
(4) Victor Wells is a director and the Chairman of the Company.
(5) Wendy Kaufman is the CFO of the Company.
(6) Soner Koldas is the Country Director in Turkey.

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, 2018, 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**	**20.59 %**

(Expressed in Canadian Dollars, unless otherwise indicated)

14. 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, 2018	As at December 31, 2017
Non-current assets by geographic segment		
Turkey	**$ 5,603,055**	$ 9,977,491
United States	**1,185,322**	662,362
	$ 6,788,377	$10,639,853

	As at September 30, 2018	As at December 31, 2017
Total assets by geographic segment		
Turkey	**$ 9,497,850**	$10,482,028
Canada	**114,313**	478,430
United States	**1,185,322**	662,362
	$10,797,485	$11,622,820

Nine Months Ended September 30, 2018	**Canada**	**Turkey**	**United States**	**Total**
Equity gain from joint venture	$ -	$ 5,311,546	$ -	$ 5,311,546
Net income (loss)	$ (1,347,108)	$ 3,429,107	$ (620,783)	$ 1,461,216

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

Three Months Ended September 30, 2018	**Canada**	**Turkey**	**United States**	**Total**
Equity gain from joint venture	$ -	$ 521,675	$ -	$ 521,675
Net income (loss)	$ (366,157)	$ 464,319	$ (293,160)	$ (194,998)

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