Pasinex Resources Limited

Management's Discussion & Analysis
For the Years Ended December 31, 2022 and 2021
Discussion dated: May 1, 2023

Introduction

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Pasinex Resources Limited (the "Company" or "Pasinex") should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2022.

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

This MD&A has been prepared as of May 1, 2023.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

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

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

The Pinargozu zinc mine was placed into production without a feasibility study of mineral reserves demonstrating economic and technical viability, and as such, any forward-looking statements related to the performance of the Pinargozu mine may differ materially from actual results. The decision to operate a mine without a technical report or feasibility study creates increased uncertainty. Economic or technical results of the Pinargozu zinc mine may differ materially from forward-looking statements due to reduced zinc grade, variation in estimated mineral resources, increased difficulty in mining and other risks associated with the reliability of internal analytical results, geological interpretation and statistical inferences drawn from drilling and sampling.

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity prices, particularly the zinc price, expectations regarding currency fluctuations, possible variation in mineral resources or grade, counter party risk associated with sales of zinc material, access to skilled mining personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, changes to government regulation and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors contained in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

Description of Business

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

Pasinex Resources Limited owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi ("Horzum AS" or "Joint Venture"), through its 100% owned subsidiary Pasinex Arama ve Madencilik Anonim Sirketi ("Pasinex Arama"). The other 50% owner is Akmetal Madencilik Sanayi ve Ticaret A.S. ("Akmetal"), a private Turkish company. Horzum AS holds 100% of the producing Pinargozu high-grade zinc mine. Horzum AS sells directly to zinc smelters and or refiners through commodity brokers from its mine site in Türkiye. The Company also holds a 51% interest, with an option to increase to an 80% interest of a high-grade zinc exploration project, the Gunman Project, located in Nevada.

Selected Annual Consolidated Information

		Years Ended December 31,				
		2022		2021		2020
Financial:						
Equity gain from Horzum AS	**$**	**3,928,724**	$	200,062	$	3,298
Assigned dividend	**$**	**1,095,289**	$	-	$	-
Consolidated net income (loss)	**$**	**2,043,173**	$	(129,678)	$	(1,252,426)
Basic and diluted net income (loss) per share	**$**	**0.01**	$	0.00	$	(0.01)
Net cash provided by (used in) operating activities	**$**	**1,838,461**	$	480,034	$	826,390
Weighted average shares outstanding		**144,554,371**		144,554,371		144,554,371

		As At December 31,				
		2022		2021		2020
Total assets	**$**	**4,082,136**	$	2,871,768	$	2,114,081
Total liabilities	**$**	**3,564,963**	$	3,993,880	$	3,454,502
Total shareholders' deficiency	**$**	**517,173**	$	(1,122,112)	$	(1,340,421)

		Years Ended December 31,				
		2022		2021		2020
Horzum AS operational data (100% basis):						
Zinc product mined (wet) tonnes		**13,766**		10,608		12,123
Zinc product sold (wet) tonnes		**13,013**		8,620		11,248
Lead product sold		**54**		-		145
Zinc oxide product - average grade sold		**37.8%**		31.0%		30.0%
Zinc sulphide product - average grade sold		**50.1%**		49.0%		48.0%
Zinc sulphide product - low-grade - average grade sold		**18.8%**		NA		NA
Lead product - average grade sold		**53.0%**		NA		54.8%
Gross margin [1]		**72%**		50%		13%
CAD cost per tonne mined [1]	**$**	**380**	$	383	$	313
USD cash cost per pound of zinc product mined [1]	**$**	**0.28**	$	0.36	$	0.37

(1) see non-GAAP measures

The Company has a 50% joint venture interest in Horzum AS, which is equity accounted. This means in the Pasinex consolidated financial statements Pasinex's share in Horzum AS net income is shown on the income statement as *Equity gain from Horzum AS*.

Highlights

- For the year ended December 31, 2022, Pasinex recorded a net income of approximately $2.04 million, compared with a net loss of approximately $0.13 million for 2021. The primary reason for the increase in the net income was the increase in equity gain 2022, which was partially offset by higher general and administration costs and exploration costs incurred in Nevada in 2022.

- The operating income in Horzum AS increased to $12.9 million in 2022 from $3.7 million in 2021. This substantial increase was due to higher revenue generated from higher sales prices. The increased sales prices were the result of higher worldwide zinc prices in 2022 along with selling a greater proportion of high-grade zinc sulphide product in 2022 compared with 2021. The higher sales prices also resulted in the gross margin (see *non-GAAP measures*) for the year ended December 31, 2022, increasing to 72% versus 50% in 2021.

- Horzum AS declared a dividend to be paid to its shareholders of which Pasinex Arama was entitled to TRY 42.2 million. Pasinex Arama has received all of this amount. Total cash received from Horzum AS during 2022 was approximately $4.5 million.

- It was announced on July 1, 2022, that Horzum AS and Pasinex Arama had filed legal actions against the mining ministry in Türkiye, T.C. Maden ve Petrol Iserl Genel Mudurlugu ("MAPEG") following their decision not to extend the principal mining operational license of Horzum AS beyond April 15, 2023, and the Akkaya operational exploration license of Pasinex Arama. The Joint Venture and Pasinex Arama jointly conducted negotiations with MAPEG subsequent to that announcement and on November 30, 2022, it was reported that the extension of the principal mining operational license of Horzum AS and the Akkaya operational exploration license of Pasinex Arama had both been received. Both licenses have been extended to November 2032 in Adana Province in Türkiye. In particular, the receipt of the principal mining operational license of Horzum AS allows the Joint Venture to continue generating positive cash flows.

- Horzum AS had another zero-fatality year at the Pinargozu Mine with a total of 194,504 fatality free hours having been worked at the Pinargozu Mine in 2022. Horzum AS did report four serious injuries and twelve lost-time injuries during the year.

- Horzum AS mined 13,766 tonnes of zinc product during 2022, at the Pinargozu mine, compared with 10,608 tonnes of zinc product in 2021. Mine production increased in 2022 due to an increase in available ore product resulting from the development of the Fourth Adit in 2021. Production for 2022 fell short of the amount forecasted, as Horzum AS experienced water issues at the beginning of the year and was not able to increase its monthly production level in the later months of the year.

- Sales volumes increased in 2022 to 13,067 tonnes of zinc and lead product, compared with 8,620 tonnes in 2021, primarily as the result of having higher available tonnes to sell as production increased during the year. This included 11,577 tonnes (2,871 tonnes in 2021) of high-grade zinc sulphide product.

- Average sales prices per tonne on a USD basis improved by approximately 80% and 4%, for zinc oxide product and high-grade zinc sulphide product, respectively, between 2022 to 2021. The average USD sales price for the year ended December 31, 2022, was US$865 (2021 – US$480) per tonne for zinc oxide product and US$1,121 (2021 – US$1,078) per tonne for high-grade zinc sulphide product.

- The average grade of the high-grade zinc sulphide product sold was 50.1% zinc per tonne for the year ended December 31, 2021, compared with 48.6% zinc per tonne in the same period in 2021. The average grade of the zinc oxide product sold increased to 37.8% zinc per tonne for the year ended December 31, 2022, compared with 31.3% zinc per tonne in the same period in 2021.

- The CAD cost per tonne mined (see non-GAAP measures) dropped slightly in 2022, to $380 per tonne mined, compared with $383 per tonne mined in 2021. The cost per tonne metric in 2022 compared with 2021, was helped by increased mined tonnes in 2022. This decrease was partially offset by higher costs being incurred in 2022, including increased royalties payable as a result of higher sales values per tonne.

- The USD cash cost per pound of zinc product mined (see non-GAAP measures) dropped to US$0.28 per pound in 2022 from US$0.36 per pound in 2021 as the average grade of zinc product mined increased in 2022 compared with 2021, which resulted in more pounds of zinc being produced.

- The Joint Venture completed 9,345 metres of underground and surface diamond core drilling in 2022 compared with a forecast of 10,000 metres and completed 1,743 metres of exploration and development adit development during 2022 versus a forecast of 1,200 metres.

- The Company earned a 51% interest in the Company's Gunman Project during the year after having completed a portion of a multi-phased exploration program in Nevada.

- Subsequent to December 31, 2022, Pasinex Arama received approximately TRY 17.5 million ($1.2 million using the exchange rates on the dates of the various transfers from Horzum AS), in advanced dividends. Of this amount approximately TRY 15.5 million ($1.1 million using the exchange rates on the dates the various transfers) was transferred from Pasinex Arama to Pasinex Canada.

Going Concern

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At December 31, 2022, the Company has a net equity deficit of $10,302,322 (December 31, 2021 – net equity deficit of $12,049,182) and has a working capital deficiency position of $2,413,755 (December 31, 2021 – $2,956,668). The Company had a net income of $2,043,173 for the year ended December 31, 2022 (2021 – net loss of $129,678) and positive cash flows from operations of $1,838,461 for the year ended December 31, 2022 (2021 – negative cash flows from operations of $480,034) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

It was announced on July 1, 2022, that Horzum AS and Pasinex Arama had filed legal actions against the mining ministry in Türkiye, T.C. Maden ve Petrol Iserl Genel Mudurlugu ("MAPEG") following their decision not to extend the principal mining operational license of Horzum AS beyond April 15, 2023, and the Akkaya operational exploration license of Pasinex Arama. The Joint Venture and Pasinex Arama jointly conducted negotiations with MAPEG subsequent to that announcement and on November 30, 2022, it was reported that the extension of the principal mining operational license of Horzum AS and the Akkaya operational exploration license of Pasinex Arama had both been received. Both licenses have been extended to November 2032 in Adana Province in Türkiye. In particular, the receipt of the principal mining operational license of Horzum AS allows the Joint Venture to continue generating positive cash flows.

Horzum AS has had a profitable year in 2022, producing in excess of $18.0 million in revenues and generating approximately $12.9 million in profits. Pasinex Arama received approximately TRY 57.2 million (approximately $4.5 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividend, advanced dividends and other receivable collections from Horzum AS in the twelve months ended December 31, 2022, compared with approximately TRY 2.1 million ($200,062 using the exchange rate on the dates of the transfers from Horzum AS) in 2021. Pasinex Arama collected the full amount of the dividend that was declared in 2022.

Approximately TRY 52.7 million (approximately $4.1 million using the exchange rates on the dates of the transfers) was transferred to Pasinex Canada by Pasinex Arama in 2022. Both Pasinex Canada and Pasinex Arama now have sufficient cash on hand to fund their ongoing activities for the next 12 months, but the Company does not have enough cash on hand to repay all of its outstanding obligations.

As at December 31, 2022, Horzum AS has a receivable owing from Akmetal of approximately $45.1 million. The debt has increased during 2022 as a result of the appreciation of the United States Dollar compared with both the Turkish Lira and Canadian Dollar. The debt has increased marginally on a Turkish Lira basis in 2022. Management continues to work with Akmetal to resolve the collectability of this debt. Until strong credit worthiness is demonstrated by Akmetal, accounting principles require Pasinex to maintain an expected credit loss equivalent to the full balance of the receivable. Receipt of the Akmetal receivable would provide significant cash flow to Pasinex through additional dividends.

Horzum AS's operations have generated substantial positive cash flow in 2022, however in the absence of the receipt of additional dividends from Horzum AS, the Company would need to secure funding from either equity financing or additional related party loans to fund its ongoing activities. There can be no assurance that the Company will be able to generate either sufficient dividends from Horzum AS or be able to generate funds from other sources.

Review of Annual Consolidated Financial Statements

Years Ended 2022 and 2021

The following is a summary income statement for Pasinex:

	Years Ended December 31,	
	2022	2021
Equity gain from Horzum AS	**$ 3,928,724**	$ 200,062
Recovery of amounts due from Horzum AS	**-**	969,380
Exploration costs	**(1,072,614)**	(137,418)
General and administration costs	**(1,390,207)**	(685,407)
Share-based payments	**(57,000)**	(323,000)
Other income	**4,230**	29,989
Interest expense	**(150,191)**	(141,288)
Foreign exchange gain (loss)	**150,939**	(41,996)
Assigned dividend	**1,095,289**	-
Loss on net monetary position	**(465,997)**	-
Net income (loss) for the year	**$ 2,043,173**	$ (129,678)

Equity gain

In 2021, the equity gain from Horzum AS represents the value of dividends received by Pasinex Arama from the Company's 50% owned joint venture, Horzum AS. In 2022, the equity gain also includes the increase in equity as Horzum AS recognized all of the equity losses recorded in prior years, in 2022. Horzum AS is considered a joint venture for accounting purposes. Further details on the results of Horzum AS follow below – *Review of Horzum AS.*

Recovery of amounts due from Horzum AS

Pasinex Arama recorded a recovery of amounts due from Horzum AS of $969,380 in 2021. All remaining outstanding dividends and other receivables were collected in the first quarter of 2022. Since the Company had previously written off uncollected dividends and other receivables, the excess is recorded as a recovery of those amounts. No recovery was recorded in 2022 since the recovery was recognized into income in the fourth quarter of 2021.

Exploration Costs

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

General and administration costs

	Years Ended December 31,	
	2022	**2021**
Consulting fees (note 15)	**$ 485,235**	$ 202,333
Investor relations	**27,603**	20,523
Management fees and salaries (note 15)	**231,300**	133,540
Director fees (note 15)	**226,000**	24,000
Office and general	**7,146**	41,288
Professional fees	**278,356**	202,331
Transfer agent and regulatory fees	**21,892**	18,721
Travel and meals	**110,306**	36,736
Other	**2,369**	5,935
Total general and adminstrative costs	**$ 1,390,207**	$ 685,407

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

- Consulting fees increased in 2022 due to price increases for its consultants and the engagement of consultants to help with the collection of dividends from Horzum AS and the negotiations with MAPEG. Consulting fees include amounts paid to the Company's general manager and exploration manager located in Türkiye;
- Management fees increased in 2022 compared with 2021 due to price increases and increased activity for its management consultant;
- The Company also began to incur director fees for all of its directors in 2022;
- Professional fees increased during 2022 compared with 2021 due to price increases for its audit and legal providers and increased activity;
- Travel and meals increased as the Company's management was able to visit Türkiye on a regular basis with the lifting of travel restrictions that had been caused by the COVID-19 pandemic; and
- In total, general and administrative costs increased by over $700,000 or 100% year over year.

Share-based payments

	Years Ended December 31,	
	2022	**2021**
Share-based payments	**$ 57,000**	$ 323,000

Stock options issued:

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

On April 30, 2021, 8,500,000 stock options were granted to officers, directors, employees and consultants of the Company at an exercise price of $0.04 per stock option, expiring April 30, 2026. The stock options vested immediately. The fair value of the stock options at the date of grant of $323,000 was estimated using the Black-Scholes valuation model with the following assumptions: a five-year expected term; a 184% expected volatility based on historical trends; risk-free interest rate of 0.93%; share price at the date of grant of $0.04; and an expected dividend yield of 0%. The Company expensed the full amount of $323,000 in the second quarter of 2021.

Interest expense

Interest expense increased slightly year over year as shareholder loans increased during 2021 to fund the ongoing expenses of the Company. The majority of those amounts remained unpaid and therefore the average amounts outstanding in 2022 were higher than in 2021, which resulted in higher interest expense.

Assigned dividend

Horzum AS declared a dividend during the first quarter of 2022, totalling approximately TRY 60.3 million of which Pasinex Arama was entitled to TRY 30.15 million (approximately $2.7 million using the exchange rate on the date the dividend was declared) as a result of its 50% ownership in Horzum AS. In addition, Akmetal has assigned to Pasinex Arama, 20% of its entitlement to the declared dividend. The value of the assignment of the dividend was approximately TRY 12 million (approximately $1.1 million using the exchange rate on the date the dividend was declared).

Loss on net monetary position

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

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

Review of Horzum AS

Key Performance Indicators
(shown on a 100% basis)

	Years Ended December 31,		Three Months Ended				
	2022	2021	**Dec 2022**	**Sept 2022**	**Jun 2022**	**Mar 2022**	Dec 2021
Tonnes mined (wet)	**13,766**	10,608	**2,961**	**3,001**	**3,264**	**4,540**	2,864
Tonnes sold (wet):							
Zinc oxide product	**493**	5,749	**-**	**-**	**59**	**434**	394
Zinc sulphide product	**11,577**	2,871	**2,008**	**3,998**	**3,041**	**2,530**	1,568
Zinc sulphide product - Low Grade	**943**	**-**	**-**	**943**	**-**	**-**	-
Lead product	**54**	**-**	**-**	**-**	**54**	**-**	-
	13,067	8,620	**2,008**	**4,941**	**3,154**	**2,964**	1,962
Average grades for tonnes sold:							
Zinc oxide product	**37.8%**	31.3%	**NA**	**NA**	**41.6%**	**37.3%**	31.2%
Zinc sulphide product	**50.1%**	48.6%	**48.2%**	**50.0%**	**49.5%**	**52.6%**	52.9%
Zinc sulphide product - low-grade	**18.8%**	NA	**NA**	**18.8%**	**NA**	**NA**	**NA**
Lead product	**53.0%**	NA	**NA**	**NA**	**53.0%**	**NA**	**NA**
CAD cost per tonne mined (1)	**$ 380**	$ 383	**$ 365**	**$ 463**	**$ 401**	**$ 319**	$ 409
USD cash cost per pound of zinc product mined (1)	**$ 0.28**	$ 0.36	**$ 0.25**	**$ 0.37**	**$ 0.26**	**$ 0.26**	$ 0.29

(1) See non-GAAP measures

Operating results

Horzum AS mined 13,766 tonnes during the year ended December 31, 2022, at the Pinargozu mine versus 10,608 tonnes in the same period in 2021. Mine production at Pinargozu increased in 2022 due to increased available zinc product due to the development of the Fourth Adit in 2021. Development of the Fourth Adit was completed in the fourth quarter of 2021. Production in 2022 was predominately high-grade zinc sulphide product (11,577 tonnes) compared 5,749 tonnes of zinc oxide product and 2,871 tonnes of zinc sulphide product in 2021. Production was reasonably consistent throughout the year.

Sales volumes increased for the year ended December 31, 2022, when compared with 2021. Total tonnes sold increased to 13,067 in 2022 compared with 8,620 tonnes in 2021, representing a 52% increase. The increase in tonnes sold was primarily a function of higher zinc product availability and a higher inventory on hand to begin the year in 2022. Horzum AS continued to sell its zinc product on a more frequent smaller batch basis in 2022, which allowed for more consistent cash flow.

The average grade of the zinc oxide product sold increased to 37.8% zinc per tonne for the year ended December 31, 2022, compared with 31.3% zinc per tonne in the same period in 2021. The average grade of the zinc sulphide product sold was 50.1% zinc per tonne for the year ended December 31, 2022, compared with 48.6% zinc per tonne in the same period in 2021.

The CAD cost per tonne mined (see non-GAAP measures) dropped slightly in 2022, to $380 per tonne mined, compared with $383 per tonne mined in 2021. The cost per tonne metric in 2022 compared with 2021, was helped by increased mined tonnes in 2022. This decrease was partially offset by higher costs being incurred in 2022, including increased royalties payable as a result of higher sales values per tonne. The USD cash cost per pound of zinc product mined (see non-GAAP measures) dropped to US$0.28 per pound in 2022 from US$0.36 per pound in 2021 as the average grade of zinc product mined increased in 2022 compared with 2021, which resulted in more pounds of zinc being produced.

Financial results

Below are the statements of operation for Horzum AS for year ended December 31, 2022 and 2021 with a reconciliation to the Company's equity gain (loss) as shown on the Pasinex consolidated financial statements.

(100% basis Canadian dollars)	Years Ended December 31, 2022	2021
Revenue	$ **18,014,071**	$ 7,360,600
Cost of sales	**(4,666,025)**	(3,534,799)
Selling, marketing and other distribution	**(434,178)**	(161,651)
Operating income	**12,913,868**	3,664,150
Impairment of Akmetal receivable (note 6(a))	**(17,924,361)**	(27,318,809)
General and administrative expenses	**(508,072)**	(515,772)
Foreign exchange gain	**15,281,714**	26,799,472
Finance expense	**(240,795)**	(243,602)
Gain on net monetary position	**960,487**	-
Other	**22,617**	7,767
Net income for the year - before income tax expense	**10,505,458**	2,393,206
Deferred tax income	**72,458**	-
Current income tax expense	**(954,010)**	-
Net income for the year - after income tax expense	$ **9,623,906**	$ 2,393,206
Pasinex ownership interest	**50%**	50%
Share of net income	**4,811,953**	1,196,603
Recognition of prior years equity losses	**(1,852,119)**	(1,196,603)
Hyperinflationary adjustments to opening retained earnings	**719,169**	-
Hyperinflationary adjustments to share capital	**249,721**	-
Dividend	**-**	200,062
Equity gain from Horzum AS	$ **3,928,724**	$ 200,062

Revenue - The table below shows further details on revenue:

(100% basis Canadian dollars)	Years Ended December 31, 2022			Years Ended December 31, 2021		
	Wet Tonnes		CAD	Wet Tonnes		CAD
Zinc oxide product sales	**493**	**$**	**528,494**	5,749	$	3,443,553
Zinc sulphide product sales	**11,577**		**17,181,759**	2,871		3,848,866
Zinc sulphide product sales - low-grade	**943**		**211,625**	-		-
Lead product sales	**54**		**69,255**	-		-
Other sales	**-**		**22,938**	-		17,475
Sales adjustments - prior year	**-**		**-**	-		50,706
Total revenue	**13,067**	**$**	**18,014,071**	8,620	$	7,360,600

Sales volume for the year increased as discussed above, see *Review of Horzum AS – Operating results*. Sales prices per tonne on a USD basis improved by approximately 80% for zinc oxide product and 4% for zinc sulphide product for the year ended December 31, 2022, when compared to prices in 2021. Overall sales prices per tonne, for all sales, on a USD basis improved by approximately 54% for zinc product in 2022, when compared to prices in 2021 as the mix of product sold was more heavily weighted to higher-grade zinc sulphide product in 2022 compared to more zinc oxide product in 2021. The 2022 results do include the sale of the low-grade zinc sulphide product, which brings the average sale price down. The average USD sales prices in 2022, were US$865 per tonne for zinc oxide product, US$1,121 per tonne for zinc sulphide product and US$196 per tonne for low-grade zinc sulphide product. The combination of a greater proportion of higher valued zinc sulphide product sales and overall higher prices resulted in a US7.7 million or 132% increase in total revenue from sales in 2022, compared with the same period in 2021. On a CAD basis the increase was approximately $10.7 million or 145% as the increase in the USD:CAD rate pushes the increased percentage even higher.

Costs of sales

The cost of sales in 2022, increased in dollar terms when compared to the same periods in 2021 primarily due to more tonnes having been sold but dropped slightly on a per tonne basis, as discussed in *Review of Horzum AS – Operating Results*. The Joint Venture completed more diamond drilling in 2022, 9,345 metres in 2022 versus 7,557 metres in 2021 and 1,743 metres of exploration and development adit development during 2022 versus 1,933 metres in 2021.

Operating income

The operating income in Horzum AS increased in 2022, compared with 2021, as a result of the higher sales prices having been realized. The gross margin, (see *non-GAAP measures*), for the year ended December 31, 2022, increased to 72% from 50% in 2021. These substantial increases are primarily due to higher zinc prices realized in 2022 compared with 2021, resulting from the higher proportion of high-grade zinc sulphide tonnes being sold in 2022 versus zinc oxide product in 2021 and higher worldwide zinc prices in 2022 compared with 2021. The average price per pound of zinc was US$1.58 in 2022 compared with an average of US$1.36 in 2021.

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

In 2018, the Company performed an assessment resulting in the recording of an impairment of the loan receivable from Akmetal as required by IFRS 9. For further discussion see *Review of Horzum AS – Akmetal Receivable*. The recording of the impairment does not represent the elimination of the loan receivable and as such the Company continues to expect full repayment of the loan receivable in due course. The impairment increased in 2022 compared with 2021, primarily as the Akmetal receivable increased due to the increase in the USD:TRY and USD:CAD exchange rates.

Foreign exchange gain

The functional currency of Horzum AS is the TRY. The foreign exchange gain in both 2022 and 2021 is a result of the revaluation of a portion of the Akmetal receivable, which is denominated in US dollars. The gains are the result of the significant decline in the value of the TRY relative to the US dollar during both 2022 and 2021.

Gain on net monetary position

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

Income tax expense

The statutory rate for income taxes in 2022 was 23% compared with 25% in 2021. The following is a reconciliation of the expected income tax expense using the statutory rate compared to the actual income tax expense:

(100% basis Canadian dollars)	**Years Ended December 31,**	
	2022	2021
Income before income tax expense	**$ 10,505,458**	$ 2,393,206
Statutory tax rate	23%	25%
Expected income tax (expense) recovery	**(2,416,255)**	(598,302)
Non deductible expenses	**(161,003)**	-
Tax expense not recognized	**1,623,248**	598,302
Income tax expense	**$ (954,010)**	$ -

Equity gain from Horzum AS

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

Financial condition

The following are summary balance sheets for Horzum AS:

(100% basis Canadian dollars)		Years Ended December 31,		
		2022		2021
Assets				
Cash and prepaid expenses	**$**	**639,101**	$	9,324
Akmetal receivable		**45,099,246**		40,064,449
Less - allowance on Akmetal receivables		**(45,099,246)**		(40,064,449)
Trade receivables		**18,378**		1,630
Other current assets		**273,870**		346,353
Due from related parties		**362,000**		-
Inventories		**1,166,806**		602,015
Non current assets		**3,867,803**		1,176,190
Total assets	**$**	**6,327,958**	$	2,135,512
Liabilities				
Amounts due to shareholders and related parties	**$**	-	$	893,345
Other liabilities		**4,294,249**		4,946,404
Total liabilities		**4,294,249**		5,839,749
Equity (deficiency)		**2,033,709**		(3,704,237)
Total liabilities and equity	**$**	**6,327,958**	$	2,135,512

Akmetal receivable

The total receivable from Akmetal is approximately $45.1 million as at the end of December 31, 2022, compared with $40.1 million at the end of December 31, 2021. The receivable consists of a number of items including joint venture sales proceeds received and withheld by Akmetal, the value of zinc product mined at the joint venture used by Akmetal, foreign currency gains on USD denominated amounts and the value of certain loan payments made to a customer on behalf of Akmetal; less the value of ongoing operating expenses paid by Akmetal.

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay its liabilities in the normal course of operations. Horzum AS currently has approximately $4.0 million ($4.4 million at December 31, 2021) in current liabilities and a working capital deficiency of approximately $1.6 million ($3.4 million at December 31, 2021). Included within the total current liabilities are approximately $0.5 million owed in trade payables ($0.3 million at December 31, 2021), no amounts owed to the Company's wholly owned subsidiary in Türkiye ($0.9 million at December 31, 2021), deferred revenue of $1.7 million (nil at December 31, 2021) and $1.0 million in various taxes payable ($2.4 million at December 31, 2021). Due to the tax restructuring $1.4 million of the taxes payable had been classified as non-current at December 31, 2021. Those amounts were paid in 2022 and no non-current income taxes are owed at December 31, 2022.

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

Due from related parties

Amounts due from shareholders and related parties as at December 31, 2022, include the amount advanced to Pasinex Arama in the form of an advanced dividend

Inventories

The following is a reconciliation of the Horzum AS inventory tonnage movements for 2022:

Tonnes	**Oxide**	**Sulphide**	**Low-Grade Sulphide**	**Lead**	**Total**
Opening Inventory	334	1,724	-	34	**2,092**
Production Net of Waste	159	12,849	758	-	**13,766**
Purchased Ore Product	-	60	185	20	**265**
Sales	(493)	(11,577)	(943)	(54)	**(13,067)**
Ending Inventory	-	**3,056**	-	-	**3,056**

Non-current assets

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

Amounts due to shareholders and related parties

Amounts due to shareholders and related parties at December 31, 2021, include the dividend payable to Pasinex Arama of approximately TRY 8.9 million, (approximately $0.84 million using the December 31, 2021 spot rate) along with amounts owed to Pasinex Arama for services performed by Pasinex Arama. No amount was due to shareholders and related parties as at December 31, 2022.

Other liabilities

Other liabilities include trade payables, lease liabilities, deferred revenue, income taxes payable and mining royalties payable. The decrease in other liabilities at December 31, 2022, compared with December 31, 2021 is primarily due to a reduction in taxes payable and the full payment of the amounts due to shareholders and related parties, partially offset by the recording of deferred revenue in 2022. The Joint Venture has collected approximately $1.7 million in advanced payments for uncompleted sales at the end of 2022.

The following are a summary of the restructured tax liabilities included in Other Liabilities.

	(100% basis Canadian Dollars)		***(100% basis Turkish Lira)***		
	As at December 31, 2022	As at December 31, 2021	**As at December 31, 2022**	Payments Made	As at December 31, 2021
Restructuring					
#1	**$ -**	$ 2,289,593	**$ -**	$ (24,126,370)	$ 24,126,370
#2	**-**	311,264	**-**	(3,279,914)	3,279,914
#3	**-**	130,731	**-**	(1,377,562)	1,377,562
#4	**-**	-	**-**	-	-
#5	**-**	369,391	**-**	(3,892,427)	3,892,427
#6	**-**	12,293	**-**	(129,541)	129,541
Total restructurings	**$ -**	$ 3,113,272	**$ -**	$ (32,805,814)	$ 32,805,814

In December 2020, Horzum AS restructured its tax liabilities that were due as at August 31, 2020, as allowed by the Turkish taxation department. Horzum AS is scheduled to make instalments of its various tax debts, with each tax debt under its own schedule of 18 equal instalments. The Joint Venture paid of all the remaining instalments due during 2022. In total, approximately TRY 32.3 million (approximately $2.5 million using the exchange rates on the dates of the payments) was paid in 2022 bringing the cumulative total to approximately TRY 42.0 million (approximately $3.8 million using the exchange rates on the dates of the payments). Approximately TRY 0.5 million of the amounts due were forgiven due to early repayment of certain of the instalments. No future payments are required under this tax payment schedule. As of the date of this MD&A, Horzum AS has made all of its ongoing required tax payments.

In addition to the above restructurings, in October 2021, Horzum AS was assessed corporate taxes, VAT and penalties owed on certain longstanding amounts due. Amounts totaling TRY 3.55 million were assessed in taxes and penalties due. All of these amounts have been paid and no future payments are required under this assessment.

Shareholders' equity (deficiency)

The decrease in the shareholders' deficiency at December 31, 2021, of $3,704,237 into a shareholders' equity position of $2,033,709 at December 31, 2022 is due to a combination of factors including, net income from its operations and the recognition of inflationary gains recorded as a result of applying IAS 29, and is partially offset by the issuance of a dividend to its shareholders.

Türkiye was designated as a hyperinflationary economy in the second quarter of 2022 and as a result IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to the summarized financial information for Horzum AS. The effect of inflation on Horzum AS's net monetary position for the year is included in the statements of operations presented below as a net monetary gain. In addition, Horzum AS recorded a net opening equity adjustment of approximately $1.44 million related to the hyperinflation adjustments for non-monetary assets, liabilities and equity items in the statements of financial position as at January 1, 2022. The opening equity adjustment includes a $0.43 million increase to share capital, a $0.74 million increase to lease assets and a $1.2 million increase to plant and equipment.

Expectations for 2023 and 2022 Review

Safety, Health and Environment

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

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

(100% basis)	**Guidance for the Year Ended December 31, 2022**	
	Wet Tonnes	**Grade**
Zinc oxide product mined	**1,000 to 4,000**	**30%**
Zinc sulphide product mined	**15,000 to 18,000**	**+50%**
	16,000 to 22,000	
CAD cost per tonne mined		$450 - $500

Production at the Pinargozu Mine for 2022 fell short of the amount forecasted at the beginning of the year. Production for the year included 12,849 tonnes of high-grade zinc sulphide product, 758 tonnes of low-grade zinc sulphide product and 159 tonnes of zinc oxide product compared to a forecast of between 15,000 and 18,000 tonnes of zinc sulphide product and 1,000 to 4,000 tonnes of zinc oxide product. The average grade of mined zinc sulphide product was 50.1%, which is consistent with the forecast for 2022. The average grade of mined zinc oxide product was 37.8%, which exceeded the forecast grade of 30% for 2022.

The Company had to revise its annual guidance lower in the third quarter of 2022 to between 12,000 and 14,000 tonnes of high-grade zinc sulphide product mined at an average grade of approximately 50%. The Company revised its guidance lower for both zinc oxide product and zinc sulphide product but did add a number of tonnes of low-grade zinc sulphide product. Production during the year was less than expected as Horzum AS experienced water issues at the beginning of the year and was not able to increase its monthly production level in the later months of the year. The 541-metre level adit (the "Fourth Adit") was the main production hub for the Pinargozu Mine in 2022 and it is expected it will continue to be so into the future.

There is still limited ingress of water which is having no impact on production. There exists ample pumping and underground water storage capacity, which provides confidence that in the event of any unexpected water ingress, sufficient capacity is available to ensure that the impact on production and development will be minimal. As the decline has advanced, the areas where production will occur in future quarters have become drier and water dams below the 538-metre level have been established, that will allow any water that is encountered to be handled easily and safely by being pumped directly out of the mine to the settling ponds prior to being discharged into the local watercourse. All testing of the water discharged has confirmed that it meets the standards for potable water and does not cause an environmental problem.

The other main area of horizontal development has been the extension of the Fourth Adit towards the Akkaya property, which will allow exploration drilling to be undertaken from the Fourth Adit to test areas of the lease where surface drilling would be both difficult and costly. A second underground drill rig was delivered to site in 2022 and work on the preparation of drill sites along the Fourth Adit extension toward Akkaya was started. This work will allow the marble, which has been encountered to date, to be drill tested for zinc mineralization in an area of the property that has no drilling information. Consideration is also being given to linking this Fourth Adit extension, near the Akkaya boundary, with the level above to facilitate the movement of men and equipment, as well as improving future possible production efficiency, within the Pinargozu and Akkaya mining complex.

The Joint Venture completed 9,345 metres of underground and surface diamond core drilling in 2022 compared with a forecast of 10,000 metres and completed 1,743 metres of exploration and development adit development during 2022 versus a forecast of 1,200 metres. Mine production at the Pinargozu mine was pre-dominantly on a two-shift basis in 2022.

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

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

(100% basis)	**Guidance for the Year Ended December 31, 2023**	
	Wet Tonnes	**Grade**
Zinc sulphide product mined	**11,000 to 13,000**	**48% to 52%**
	11,000 to 13,000	
CAD cost per tonne mined		$400 - $450

Production at the Pinargozu Mine for 2023 is forecast to be between 11,000 and 13,000 tonnes of zinc sulphide product at an average grade in excess of 50% zinc as direct shipping material. Depending on the progress of underground exploration at Pinargozu, this production forecast could be increased in the second half of 2023. Horzum AS expects that it will complete in excess of 10,000 metres of underground and surface diamond core drilling and in excess of 900 metres of adit development in 2023. Production and diamond core drilling will be predominately underground from and in the Fourth Adit (at the 541-metre level). Horzum AS will continue to extend the existing Fourth Adit an additional 300 metres to reach the Akkaya property.

Exploration will be the key to the ongoing success of the Pinargozu and the Akkaya properties and to this effect, additional drill rigs will be in operation this year operating both underground and from surface. By the end of second quarter of 2023, three diamond drill rigs (one of which can be used in either surface or underground configuration) and one percussion rig will be operational. One of these will be used primarily to probe ahead of the development adit towards the Akkaya property to better ascertain the orientation and location of the target zone. Once that has been established, the extension of the Fourth Adit into the Akkaya property will become a major priority. The Joint Venture received its operational exploration license in November of 2022 and has three years to complete and submit various studies prior to applying for the conversion to a production licence. The Joint Venture has started this process and will engage certain consultants in 2023 to begin the process to complete the reports necessary to support the application.

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Apart from these and the discussion below on zinc prices and foreign currency, and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risks and Uncertainties" below.

Türkiye continued to experience very high inflation in 2022 and into 2023. The three-year cumulative inflation rate to the end of December 2022 was 156%. The same three-year cumulative inflation rate to the end of March 2023 was 182%. Depending on the outcome of the upcoming presidential election scheduled to be held on May 14, 2023, the inflation rate could soar even higher. The country was declared a hyperinflationary economy for accounting purposes in the second quarter of 2022. As a result, Horzum AS has been and will continue to experience price pressure on its goods and services incurred, including wages of its labour force. The price of zinc increased to a high of US$1.98 per pound in April of 2022 and then retreated during the remainder of the year to a price of US$1.42 per pound at year end. The average price per pound increased to US$1.58 in 2022 compared with an average price of US$1.36 per pound 2021. These price increases combined with the increase in the USD exchange rate in relation to the Turkish Lira had a positive impact on Horzum AS's gross margins in 2022 and partially offset the increases in costs.

Horzum AS sells their product in US dollars and to a lesser extent in Euros, which are then converted to the Turkish Lira. As such, Horzum AS's financial performance also depends on the TRY to US dollar. The USD / TRY exchange rate has had a substantial increase in the past few years. The increase was further accelerated in 2022, with the rate moving from approximately 13.4 at the end of 2021 to approximately 18.7 at the end of 2022. The average rate for the quarter ended December 31, 2022 was approximately 18.6 compared with approximately 18.0 in the third quarter of 2022, 15.8 in the quarter ended June 30, 2022, and an average rate of 14.0 in the first quarter of 2022. Further increases in 2023 have already been experienced, reaching 19.2 at the end of March 2023. The outcome of the upcoming presidential election has the potential to drive the rate even higher.

Liquidity and Financial Position

Cash Flows

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

	Years Ended December 31,	
	2022	2021
Cash provided by (used in) operating activities		
Net income (loss) for the year	**$ 2,043,173**	$ (129,678)
Net equity gain from Horzum AS	**(3,928,724)**	200,062
Dividend received	**2,738,221**	-
Adjustments for items not involving cash:	**482,171**	(414,747)
Changes in working capital	**503,620**	(135,671)
	1,838,461	(480,034)
Net cash used in investing activities	**(2,041)**	(29,608)
Net cash (used in) provided by financing activities	**(634,617)**	580,000
Effect of foreign currencies	**(446,267)**	(16,355)
Net change in cash	**755,536**	54,003
Opening cash balance	**100,031**	46,028
Closing cash balance	**$ 855,567**	$ 100,031

Cash provided by (used in) operating activities

Cash provided by operating activities in 2022 resulted from the collection of dividend and other receivables, that were collected from Horzum AS. The total amount received by Pasinex Arama was approximately TRY 57.2 million (approximately $4.5 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividends, advanced dividends and other receivable collections from Horzum AS in the twelve months ended December 31, 2022, compared with TRY 2,063,065 ($200,062 using the exchange rate on the dates of the transfers from Horzum AS) in 2021. The amounts received in 2022 were for the collection of all of the amounts that were due from related parties at the end of 2021 and the collection of the full amount of the dividend that was declared in 2022. The dividend received from Horzum AS in 2021 represents a portion of the dividend which was declared in 2018.

The change in working capital in 2022 is primarily due to the recording of the dividend receivable upon its declaration in March of 2022. The change in 2021 is due to a decrease in related party amounts offset by a small increase in accounts payable.

Cash used in investing activities

Cash used in investing activities in 2022 relate to miscellaneous costs incurred by Pasinex Arama. Cash used in investing activities in 2021 relates to a cash payment of US$20,000 ($25,679), made to extend the spending deadlines under the Gunman Project Agreement and miscellaneous costs incurred by Pasinex Arama at Pinargozu.

Cash received from financing activities

Cash received from shareholder loans was $580,000 during the year ended December 31, 2021. No shareholder loan amounts were received in 2022 as the collections of dividends from Horzum AS have provided funding for the Company. The Company paid $518,107 in accrued interest and principal repayments on its shareholder loans in 2022. Also, $116,510 was paid in accrued interest and principal repayments on its loan payable in 2022.

Commitments

Gunman Project

Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Cypress Development Corp ("Cypress") and Caliber Minerals Inc. ("Caliber") (formerly named Silcom Systems Inc.) to earn up to an 80% interest in the Gunman Project (formerly the "Spur Zinc Project") located in White Pine County, Nevada ("Option Agreement"). The Option Agreement's total consideration to acquire an 80% interest is a combination of cash and Pasinex common shares. The Company must incur minimum exploration expenditures totalling US$2,950,000.

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

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

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

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

The spending and associated ownership is as follows:

The Company has completed the following to earn its initial 51% of the Gunman Project:

- In December 2017, a cash payment was made to Caliber of US$125,000 ($158,897) and 2.2 million Pasinex Common Shares (value of $484,000) were issued to Caliber and Cypress.
- In September 2018, a cash payment of US$200,000 ($258,960) and issuance of 2.2 million Pasinex Common Shares (value of $264,000) were made to Caliber and Cypress.
- In December 2019, a payment of US$100,000 cash and issuance of 200,000 Pasinex Common Shares (valued at $6,000) to Cypress.
- In addition, minimum exploration expenditures as defined in the Option Agreement must be spent as follows:
  - US$250,000 prior to December 5, 2018 (spent);
  - US$800,000 prior to December 5, 2019 (spent);
  - US$800,000 prior to December 5, 2020 (spent).

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

To acquire an additional 29% of the Gunman Project:
- Prior to December 5, 2021 (deferred to December 31, 2024):
  - a payment of US$250,000 cash and issuance of 200,000 Pasinex Common Shares to Cypress; and
  - spend an additional US$1.1 million (spent approximately US$66,000 to December 31, 2022) in exploration expenditures as defined in the Option Agreement.

The underlying licenses are in good standing until September 2023.

Gunman Project exploration activities in 2022

The Company began a three-phased exploration program in 2022 at the Gunman Project. Ronacher McKenzie Geoscience of Sudbury, Ontario ("RMG") have managed the various phases advised by John Barry, former Vice President of Exploration for Pasinex. High-grade zinc oxide mineralization discovered by previous explorers at the RH Main prospect is now interpreted as the upper distal part of a carbonate replacement deposit ("CRD").

RMG constructed a geological model during phase 1, which involved compilation of previous 2D and 3D exploration data and interpretation of this data to support survey planning. In phase 2, helicopter magnetic (218 line-kilometres) and ground gravity geophysical surveys (2,078 total stations) were completed in April and June of 2022. This work was complimented by a geochemical survey of 453 samples. RMG also retrieved data from a 2006 Titan-24 DCIP/MT geophysical survey and completed a resistivity and chargeability inversions to aid interpretation of depth to drill-targets.

The heli-mag imagery outlined the geology and delineated the Ely Limestone, which is the host-rock to the mineralization, as a low-magnetic response. The north-south range-front fault with offsets, flexures and secondary oblique structures were clearly evident features in the imagery. A key observation for exploration is that these structural features appear to be associated with mineralized occurrences along the north-south mineralized corridor. Total horizontal derivative and other filter products from the ground magnetic data also confirmed these structural features.

Not surprisingly the RH Main prospect shows up as a strong zinc soil anomaly but elevated gold and silver concentrations in the southern part of the survey-grid and increasing copper approaching Copper Hill strongly warrants drill-testing. The copper at Copper Hill is in veins and fissures above the unconformity in the strongly altered carbon ridge sandstone and may represent leakage from mineralization in the underlying Ely Limestone. Drilling here will test the intersection of a silicified north-south fault showing copper mineralization with an underlying unconformable contact with the Ely Limestone. Drilling will be deep enough to test a magnetic-low at about 300 metres depth, which may be related to magnetite destruction in the carbon ridge sandstone caused by hydrothermal alteration associated with mineralizing fluids.

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

The drill program was originally scheduled to begin in September 2022 and be completed by October 2022, but the contracted driller was late in arriving to the property. In order to complete its spending requirement to acquire the 51 percent interest in the Gunman Project the Company decided to proceed with the drill program despite the late start at the onset of winter and the increasingly difficult drilling conditions. A combination of severe winter conditions and mechanical issues with the driller's equipment caused numerous delays, poor performance and the low meterage drilled. The Company therefore halted the drill program in February 2023 and will recommence once weather conditions improve.

The drill program is designed to test prospects along a north-south corridor about two kilometres in length (see Figure 1). Targets include probing for potential depth extensions beneath the RH Main high-grade oxidised zinc mineralization. Targets along strike to the south at Copper Hill and RH South, and to the north at RH North, appear as centres of hydrothermal alteration with overlapping geochemical and geophysical anomalies.

None of the drill holes intersected visible zinc mineralization. As a general guide to the following drilling results, zinc concentrations between 1,000 ppm (0.1%) and 3,000ppm (0.3%) Zn would be considered significant and in general might indicate proximity to a CRD mineralizing system. Five samples from completed assays meet these criteria.

The first drill hole PSX22-01 was collared just to the south-west of RH Main and angled due east through the projected vertical extension of the RH Main mineralization. There was no deviation in the drillhole. The average zinc concentration for all bedrock samples taken from a total drilled length of 580ft was about 270ppm Zn. This included elevated concentrations within the interval from 85ft to 135ft averaging 680ppm Zn, which is considered weakly anomalous. Results were disappointing in that no visible zinc mineralization was observed and that the concentrations of zinc were lower than what was expected given the proximity to RH Main.

PSX22-02 was also drilled at RH Main but stepped back about 50ft further west from PSX22-01 and angled to the southeast. Total drilled length was 962ft and the down-hole survey indicated that the hole deviated significantly from what was planned. The inclined drill hole steepened and rotated clockwise toward the north-south strike of the Ely Limestone. All bedrock samples averaged in the mid 90's ppm Zn with just one short ten-foot interval from 435ft to 445ft averaging 900ppm Zn.

PSX22-03 was a vertical hole drilled at RH South. Total drilled length was 420ft and all bedrock samples averaged in the mid 170's ppm Zn with a 45ft interval from 150ft averaging 635ppm Zn.

PSX23-04 was collared at RH South and angled to the southeast to target a deep low-resistivity horizon underlying a magnetic anomaly. The drill hole deviated off-target and was suspended at a drilled length of 910ft. The drill target was not reached and therefore not tested as the targeted drill length was 1,310ft. Results from PSX23-04 include, one sample returning 3,610ppm Zn within the interval from 160ft to 135ft, an additional sample returning 1,510ppm Zn within the interval from 785ft to 790ft and one sample returning 1,000ppm Zn within the interval from 840ft to 845ft.

Although no visible zinc mineralization has been observed to date, two of the four drill holes deviated severely from the planned targets. There remain compelling targets to be tested at Copper Hill and along strike to the north including RH North.

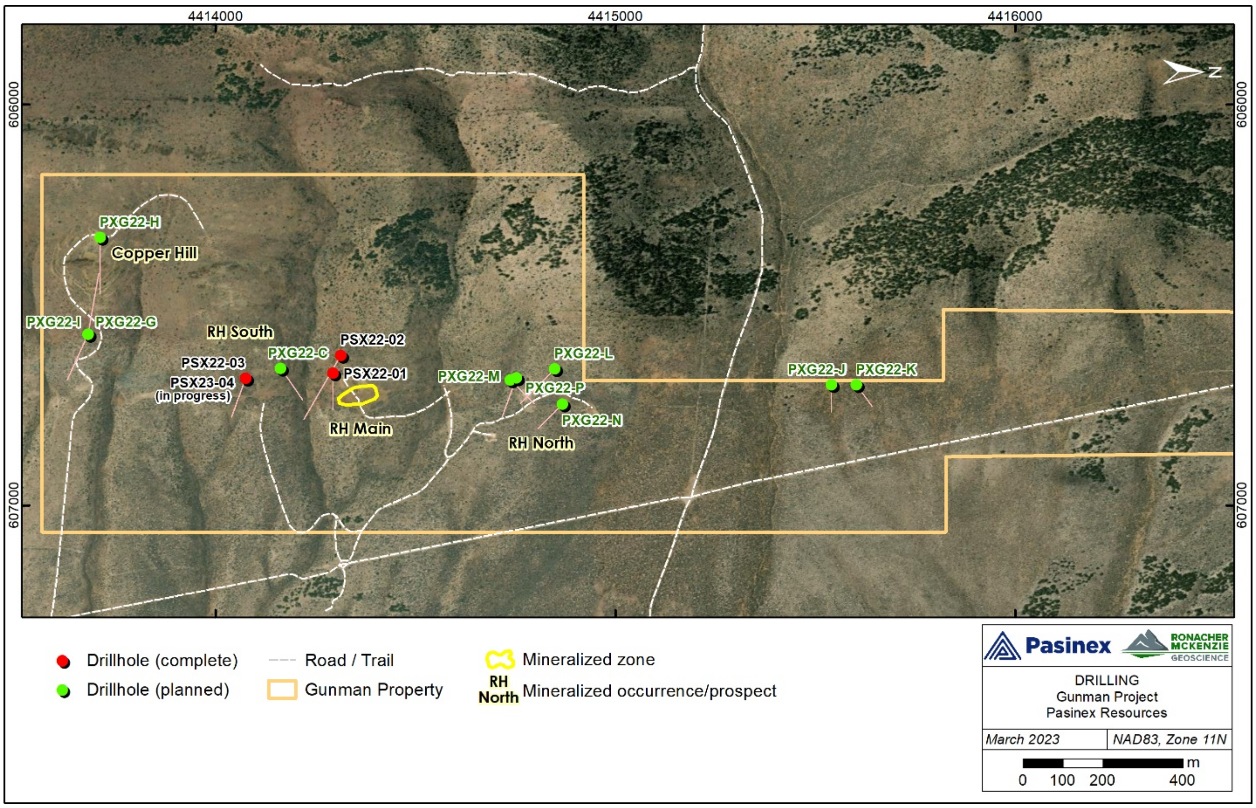

Figure 1 – 2022-2023 planned drilling at the Gunman Project. Completed drill holes are indicated with red collars and numbered suffixes. Pending drill holes are indicated with green collars and letter suffixes. RH Main zinc mineralized zone and other mineralized prospects are shown along a two-kilometre trend.

Table 1: Drill hole collar locations

(UTM Z11 NAD83)

Hole Name	Zone	Easting	Northing	Elevation	Initial	Initial	Drilled Length	Drilled Length
PSX22-01	RH Main	606668	4414295	1985	090	-54	177	580
PSX22-02	RH Main	606633	4414313	1998	116	-51	293	962
PSX22-03	RH South	606685	4414072	1990	n/a	-90	125	420
PSX23-04*	RH South	606693	4414075	1990	104	-74	277	910

*Suspended and to be completed with a target drilled-depth of 1310' (400m)

RC versus DC drilling

RC is a more cost-effective option to the more expensive high-precision diamond drilling ("DC") and was used for the program that began in 2022 in order to maximize the number of holes drilled. DC was completed in the 2018 exploration program at the Gunman Project, which focussed on RH Main. It provides a better understanding of the geology, the style of mineralization and structural controls are revealed in oriented drill-core.

Geology

Mineralization at RH Main is of a CRD type and hosted within the Ely Limestone of Pennsylvanian age. The thickness of the Ely Limestone is not yet determined at the Gunman Project, but it is about 1,500 ft thick[1] about 40 air-kilometres south of the Gunman Project in the Eureka District. The Ely Limestone is steeply dipping to the west beneath and angular and gently dipping Carbon Ridge Formation of Permian age. At the Gunman Project, seven separate sub-units or facies have been identified from previous drill-core logging. The mineralization at RH Main appears to be within a preferred horizon or sub-unit within the Ely Limestone package described as carbonaceous light to dark grey silty limestones laminated to massive and unfossiliferous[2].

Project Location and Brief Exploration History

The Gunman Project is located is in northeastern Nevada about a 90 minute-drive south of Elko and 25 air-miles north of the historical Eureka mining district. In 1990 Western Mining Corporation stumbled over a small high-grade pod of oxidised zinc mineralization during an exploration reconnaissance drilling traverse as they vectored westwards from a jasperoid occurrence out in the Huntington Valley. The ground was staked as the Gunman Project and the high-grade zinc mineralization named RH Main became the main exploration focus within the property and was intensely drilled over the following years but appeared to be sharply confined to a small footprint of about 100 metres north-south by 50 metres east-west.

The Gunman project is located on the eastern, lower slopes of the diamond range close to the regional north-south front range fault which substantially down drops to the east to form the Newark Basin. The Bald Mountain gold mine owned and operated by Kinross Gold Corporation lies about 20 kilometres northeast across the Newark Basin.

Qualified Person

The information in this MD&A, relating to the Gunman Project, was compiled by geologists at Ronacher McKenzie Geoscience Inc ("RMG"), Sudbury, Ontario. The drilling and collection of samples was supervised on site by Ms. Elizabeth Zbinden PhD, Senior Geologist with RMG. The information in this MD&A, relating to the Gunman Project, was reviewed and verified by John P. Barry, EurGeol, P.Geo, FSEG managing director of Irus Consulting Ltd and a qualified person as defined by National Instrument 43-101 with 35 years international experience including at least five years relevant experience on various types of zinc-rich deposits such as Irish-type/MVT, Sedex, CRDs and VHMS deposit types. Mr. Barry is an independent consultant. Mr. Barry has previously been on site and he is familiar with the geology, mineralization and terrain at Gunman.

[1] Hose, R.K. & Smith, R.M. 1976. Nevada Bureau of Mines and Geology, Bulletin 85, Geology and Mineral Resources of White Pine County, Nevada. McKay School of Mines, University of Nevada, Reno.
[2] Reynolds, N. and Bodnar,M. 2018 - CSA Global Interim Draft Report on the Gunman Zinc Project for Pasinex Resources Rpt No: R149-2018, July 2018

Quality Assurance/ Quality Control

Pasinex complies with a robust Quality Assurance and Quality Control ("QA/QC") program in relation to drill-chip and drill-core handling, security, photography, sampling, documentation and transportation of samples. RC samples are taken every five feet. Contractors are instructed to follow standard operating and quality assurance procedures designed to ensure that all sampling techniques and sample results meet international reporting standards. RC is done wet, for dust abatement reasons. The sample stream passes through a cyclone splitter, where a representative fraction is collected, and the balance is discharged into a sump. Bagged 5-foot samples are collected from site and delivered to the ALS preparation lab in Elko, Nevada by RMG personnel. Samples are then oven-dried and undergo a fine crush with 70% passing 2mm. The sample is then riffle split and a split up to 250g is pulverized to 85% passing 75 microns and sent to ALS analytical lab in Vancouver, Canada. In Vancouver, the sample is analyzed using their ME-ICP61a method. A 0.25gm split is digested using a near-total four-acid process and then analyzed for 33 elements including zinc by inductively coupled plasma atomic emission spectroscopy (ICP-AES). Samples over 10,000ppm Zn are re-analyzed using the same digestion and analytical method but with a recalibrated upper limit of 30% Zn. To ensure analytical precision, representativeness of sample and detection of any contamination, QA/QC samples are inserted into the sample-train by RMG as follows: every tenth drill-sample is followed by either a blank or standard (equal numbers of blanks and standards). The certified standard is commercially prepared (OREAS 135b, 2.73% Zn). The standard is also certified for 28 other elements. The blanks are coarse dolomitic marble chips. Every twenty-fifth drill-sample is collected at the drill-site in duplicate for analyses.

Financial Condition

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At December 31, 2022, the Company has a net equity deficit of $10,302,322 (December 31, 2021 – net equity deficit of $12,049,182) and has a working capital deficiency position of $2,413,755 (December 31, 2021 – $2,956,668). The Company had a net income of $2,043,173 for the year ended December 31, 2022 (2021 – net loss of $129,678) and positive cash flows from operations of $1,838,461 for the year ended December 31, 2022 (2021 – negative cash flows from operations of $480,034) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

Subsequent to December 31, 2022, Pasinex Arama received approximately TRY 17.5 million ($1.2 million using the exchange rates on the dates of the various transfers) from Horzum AS in advance dividend payments. Of this amount approximately TRY 15.5 million ($1.1 million using the exchange rates on the dates the various transfers) was transferred from Pasinex Arama to Pasinex Canada.

See Going Concern above for additional discussion related to the financial condition of the Company.

See "Risks and Uncertainties" below and "Cautionary Note Regarding Forward-Looking Statements" above.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

Commitments and Contingencies

As of the date of this MD&A, the Company has no commitments and contingencies other than those owed in accordance with the Gunman Project Agreement (*see Liquidity and Financial Position – Commitments – Gunman Project*). The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are constantly changing and generally more restrictive. The Company does not believe that there are currently any decommissioning liabilities at its sites, nor subject to known additional environmental liabilities or mitigation measures.

Share Capital

As of the date of this MD&A, the Company has 144,554,371 issued and outstanding common shares and an aggregate of 10.55 million stock options outstanding.

Transactions with Related Parties

Related Party Balances and Transactions

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

A summary of the related party transactions are as follows:

	Years Ended December 31,	
	2022	**2021**
Management fees and salaries	**$ 231,300**	$ 132,250
Consulting fees	**208,338**	154,100
Director fees	**226,000**	24,000
Share-based payments	**57,000**	323,000
Interest expense on shareholder loans	**147,147**	135,560
	$ 869,785	$ 768,910

Amounts payable to related parties were as follows:

	Due to Related Parties		Shareholder Loans	
	As at December 31,		As at December 31,	
	2022	2021	2022	2021
Larry Seeley [1]	**$ -**	$ 129,354	**$ -**	$ -
Joachim Rainer [1]	**-**	2,000	**-**	-
Jonathan Challis [1]	**-**	17,772	**-**	-
Victor Wells [1]	**-**	86,000	**-**	-
1514341 Ontario Inc. [2]	**-**	17,961	**1,968,357**	2,038,186
Soner Koldas [3]	**-**	97,303	**-**	-
Seeley Holdings Ltd. [4]	**-**	-	**351,093**	640,882
Rainer Beteiligungsgesellschaft [5]	**-**	-	**83,697**	95,038
2192640 Ontario Inc. [6]	**44,236**	32,284	**-**	-
Horzum AS	**362,000**	-	**-**	-
	$ 406,236	$ 382,674	**$ 2,403,147**	$ 2,774,106

(1) Larry Seeley, Joachim Rainer, Jonathan Challis and Victor Wells were directors of the Company at December 31, 2022 and 2021.
(2) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.
(3) Soner Koldas is the General Manager of Pasinex AS and Managing Director of Horzum AS.
(4) Seeley Holdings Ltd. Is a company controlled by a family member of Larry Seeley, a director of the Company.
(5) Rainer Beteiligungsgesellschaft is owned by Joachim Rainer a director of the Company.
(6) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO of the Company.

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

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

To the knowledge of the directors and officers of the Company, as at December 31, 2022, 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	**30,000,591**	**20.75%**

Review of Quarterly Consolidated Financial Statements

Three Months Ended December 31, 2022 and 2021

The following is a summary income statement for Pasinex:

	Three Months Ended December 31, 2022	2021
Equity gain from Horzum AS	**$ 856,728**	$ 167,830
Recovery of amounts due from Horzum AS	**-**	919,011
Exploration costs expense	**(328,744)**	(13,196)
General and administration costs	**(535,264)**	(158,132)
Share-based payments	**-**	-
Other income	**3,136**	3,809
Interest expense	**(36,084)**	(39,065)
Foreign exchange loss	**(34,955)**	(855)
Loss on net monetary position	**(82,652)**	-
Net (loss) income	**$ (157,835)**	$ 879,402

Equity gain from Horzum AS

In 2022, the equity gain from Horzum AS in the fourth quarter, includes the increase in equity in the fourth quarter of 2022. No amounts attributable to declared dividends were received in the fourth quarter of 2022.

Pasinex Arama received $167,830 (TRY 1,863,065) in dividends from Horzum AS in the fourth quarter of 2021 and recorded an equity gain for that amount.

Recovery of amounts due from Horzum AS

Pasinex Arama recorded a recovery of amounts due from Horzum AS of $919,011 in the fourth quarter of 2021. All remaining outstanding dividends and other receivables were collected in the first quarter of 2022. Since the Company had previously written off uncollected dividends and other receivables, the excess is recorded as a recovery of those amounts. No recovery was recorded in 2022 since the recovery was recognized into income in the fourth quarter of 2021.

Exploration costs

Exploration costs for Pasinex incurred in the fourth quarter of 2022 were for the exploration program being carried out at the Gunman Project, (see *Liquidity and Financial Position – Commitments – Gunman Project*). In 2021, costs were for consulting fees for the Gunman Project.

General and administration costs

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

	Three Months Ended December 31,	
	2022	2021
General and administration costs		
Consulting fees	**$ 172,960**	$ 67,334
Investor relations	**12,558**	4,687
Management fees and salaries	**77,680**	30,216
Director fees	**154,000**	6,000
Office and general	**(16,736)**	5,353
Professional fees	**93,424**	32,395
Transfer agent and regulatory fees	**3,636**	3,833
Travel and meals	**36,327**	7,421
Other	**1,415**	893
	$ 535,264	$ 158,132

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

- Consulting fees increased in 2022 due to price increases for its consultants and the engagement of consultants to help with the collection of dividends from Horzum AS and the negotiations with MAPEG. Consulting fees include amounts paid to the Company's general manager and exploration manager located in Türkiye;
- Management fees increased in 2022 compared with 2021 due to price increases and increased activity for its management consultant;
- The Company also began to incur director fees for all of its directors in 2022, including year-end bonuses paid in the fourth quarter;
- Professional fees increased during 2022 compared with 2021 due to price increases for its audit and legal providers and increased activity;
- Travel and meals increased as the Company's management was able to visit Türkiye on a regular basis with the lifting of travel restrictions that had been caused by the COVID-19 pandemic; and
- In total, general and administrative costs increased by over $377,000 or 238% year over year.

Share-based payments

There were no share-based payments in the fourth quarters of 2022 and 2021.

Loss on net monetary position

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

Below are the statements of income for Horzum AS for the fourth quarter of 2022 and 2021 with a reconciliation of the equity gain from Horzum AS.

(100% basis Canadian dollars)	Three Months Ended December 31,	
	2022	2021
Revenue	**$ 2,226,580**	$ 2,755,059
Cost of sales	**(803,045)**	(952,794)
Selling, marketing and other distribution	**(60,581)**	(13,381)
Operating income	**1,362,954**	1,788,884
Impairment of Akmetal receivable (note 6(a))	**(405,987)**	(19,193,038)
General and administrative expenses	**134,924**	(327,670)
Foreign exchange gain	**484,006**	19,399,243
Finance expense	**(124,584)**	(197,534)
Gain on net monetary position	**294,953**	-
Other	**7,388**	(42,431)
Net income for the year - before income tax expense	**1,753,654**	1,427,454
Deferred tax income	**72,458**	-
Current income tax expense	**(124,090)**	495,303
Net income for the year - after income tax expense	**$ 1,702,022**	$ 1,922,757
Pasinex ownership interest	**50%**	50%
Share of net income	**851,010**	961,379
Recognition of prior years equity losses	**-**	(961,379)
Hyperinflationary adjustments to share capital	**5,716**	-
Dividend	**-**	167,830
Equity gain from Horzum AS	**$ 856,726**	$ 167,830

Revenue

(100% basis Canadian dollars)	**Three Months Ended December 31, 2021**			**Three Months Ended December 31, 2020**		
	Wet Tonnes		**CAD**	**Wet Tonnes**		**CAD**
Zinc oxide product sales	**-**	**$**	**-**	394	$	241,952
Zinc sulphide product sales	**2,008**		**2,226,580**	1,568		2,509,126
Other sales	**-**		**-**	-		3,981
Total revenue	**2,008**	**$**	**2,226,580**	1,962	$	2,755,059

The Joint Venture sold approximately the same number of tonnes in both the fourth quarter of 2022 and 2021. Sales included only high-grade zinc sulphide product in the fourth quarter of 2022 compared with a mix of high-grade zinc sulphide product and oxide zinc product in the fourth quarter of 2021. The Joint Venture had started to mine high-grade zinc sulphide product in the fourth quarter of 2021 from the Fourth Adit. The average grade of tonnes sold was 52.9% for the high-grade zinc sulphide product sold in the fourth quarter of 2022 versus 48.2% for the high-grade zinc sulphide product sold in the fourth quarter of 2021. Although the above factors were improved in 2022 versus 2021, the average sales price of for the high-grade zinc sulphide product sold in 2022 was approximately US$813 per tonne versus US$1,270 per tonne in 2021. This represents a 36% decrease in sales price and is responsible for the year-over-year decline in total sales.

Cost of sales

The cost of sales at Horzum AS remained consistent year-over-year.

Operating income

The operating income in the fourth quarter of 2021 was higher due to the higher revenue generated from the sale of high-grade zinc sulphide product at higher prices than in the fourth quarter of 2022.

Cash flows

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

	Three Months Ended December 31, 2022	2021
Cash used in operating activities		
Net income (loss) for the year	**$ (15,827)**	$ 879,402
Net equity gain from Horzum AS	**(998,736)**	167,830
Dividend received	**-**	-
Adjustments for items not involving cash:	**97,032**	(762,512)
Changes in working capital	**183,030**	(206,102)
	(734,501)	78,618
Cash used in investing activities	**(547)**	(26,987)
Cash received from financing activities	**(199,597)**	50,000
Effect of foreign currencies	**44,174**	(108,084)
Net change in cash	**(890,471)**	(6,453)
Opening cash balance	**1,746,039**	106,484
Closing cash balance	**$ 855,567**	$ 100,031

Selected Consolidated Quarterly Financial Data

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

	Three Months Ended Dec 2022	Sept 2022	June 2022	Mar 2022	Dec 2021	Sept 2021	Jun 2021	Mar 2021
Financial:								
Equity gain from Horzum AS	$ 856,728	$ 948,698	$ 1,976,852	$ 146,446	$ 167,830	$ -	$ -	$ 32,232
Consolidated net income (loss)	$ (157,835)	$ 550,035	$ 1,831,658	$ (180,685)	$ 879,402	$ (203,818)	$ (595,616)	$ (209,646)
Basic and diluted net loss per share	$ 0.00	$ 0.00	$ 0.01	$ 0.00	$ 0.01	$ 0.00	$ (0.01)	$ 0.00

The investment in the joint venture is accounted for using the equity method. In 2018, the net loss of the joint venture was so large after the impairment of the Akmetal receivable was recorded that the equity loss was capped so the investment would not be below zero. In 2021, the equity gains represent dividends received from Horzum AS. Equity gains reduce the remaining equity loss that was recorded in 2018 and net losses increase the unrecorded equity loss. In 2022, the equity gains include dividends received and the equity pickup from Horzum AS.

Quarterly consolidated net income or loss has varied primarily due to the variability of the equity gain or loss recorded from the joint venture. The consolidated net income recorded in the second quarter of 2022 was higher as a result of having received a higher amount of dividends from Horzum AS in that period. The consolidated net income recorded in the fourth quarter of 2021 was primarily due to the recovery of the dividend and other receivables that was recorded in that period.

Financial Instruments and Capital Disclosures

In accordance with IFRS, the Company shall disclose the comparison of carrying amounts and fair values of the Company's financial instruments that are carried in the consolidated financial statements. As of December 31, 2022 and 2021, the fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments, except for cash which is measured at fair value based on price quotations at the reporting date.

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

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

As at December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 855,567**	**$** -	$ -	**$ 855,567**

As at December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 100,031	$ **-**	$ **-**	$ 100,031

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

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

a) Credit Risk

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

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at December 31, 2022, the Company had a cash balance of $855,567 (2021 - $100,031) and current liabilities of $3,564,963 (2021 -$3,993,880). All of the Company's accounts payable and accrued liabilities and due to related parties have contractual maturities of less than 60 days and are subject to normal trade terms. Shareholder loans are due on demand from the shareholders but because of the related party nature and the ownership interests of these shareholders, it is unlikely the shareholders would call the loan until ample funds are available in the Company. The Company may manage its short-term liquidity shortfall by obtaining additional loans from directors or by equity financing. See also the discussion on going concern.

c) Market Risk

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

i) Currency risk - foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company received dividends from its investment in Horzum AS. Dividends are declared in TRY and paid to the Company in increments as excess cash is available and therefore subject to foreign currency risk arising from the fluctuation in currency exchange between the Canadian dollar and TRY. In addition, during the year ended December 31, 2022, the translation of the assets and liabilities of Pasinex Arama and Pasinex Nevada resulted in foreign currency translation adjustments of negative $229,734 (2021 - positive $24,987) recorded in other comprehensive loss. For the year ended December 31, 2022, if the TRY to Canadian dollar exchange rate increased/decreased by 5% with all other variables held constant, other comprehensive loss would have been approximately $246,000 higher/lower.

ii) Interest rate risk - interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is currently not exposed to interest rate risk as the Company does not have any debt with variable interest rate.
(iii) Price risk - the Company is exposed to price risk with respect to commodity prices, particularly the price of zinc. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to zinc prices, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's future profitability and viability depend upon the world market price of zinc. Zinc prices have fluctuated widely in recent years. Sales in Horzum AS are subject to fluctuations in zinc price. The Company uses the equity method to account for its investment in Horzum and therefore any change in Horzum AS's income statement is shown as an equity gain (loss) on the Company's income statement.

d) Capital Structure

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

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

Non-GAAP measures

The Company has included certain non-GAAP performance measures throughout this document. These performance measures are employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Cost per tonne mined

The following table provides a reconciliation of cost per tonne mined to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	**2022**	2021
Reconciliation of cost per tonne mined				
Cost of sales per Horzum AS income statement	**$ 803,045**	$ 952,794	**$ 4,666,025**	$ 3,534,799
FX Differences	**(21,667)**	-	**(246,428)**	-
Inventory change	**300,692**	219,795	**811,220**	522,726
	$ 1,082,070	$ 1,172,589	**$ 5,230,817**	$ 4,057,525
Tonnes mined	**2,961**	2,864	**13,766**	10,608
CAD Cost per tonne mined	**$ 365**	$ 409	**$ 380**	$ 383

USD cash cost per pound of zinc produced

The following table provides a reconciliation of USD cash cost per pound of zinc produced to cost of sales (the nearest GAAP measure) per the Horzum AS Statements of Operations.

		Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Year Ended December 31, 2022	Year Ended December 31, 2021
Reconciliation of US$ cash cost per pound of zinc product mined					
Cost of sales per Horzum AS income statement adjusted for foreign exchange and inventory change		**$ 1,082,070**	$ 1,172,589	**$ 5,230,817**	$ 4,057,525
Less - sales of lead product		**-**	-	**(69,255)**	-
		1,082,070	1,172,589	**5,161,562**	4,057,525
Translate to US$	A	**$ 796,812**	$ 930,626	**$ 3,976,938**	$ 3,236,440
Zinc product tonnes mined (wet)		**2,961**	2,864	**13,766**	10,608
Zinc product grade mined		**49%**	52%	**48%**	40%
Moisture loss		**2%**	3%	**2%**	5%
Pounds of zinc product mined	B	**3,127,308**	1,706,946	**14,230,456**	8,943,280
US$ cash cost per pound of zinc product mined	A/B	**$ 0.25**	$ 0.44	**$ 0.28**	$ 0.36

Treatment and refining costs are not included in the USD cash cost per pound.

Gross margin

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

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Year Ended December 31, 2022	Year Ended December 31, 2021
Reconciliation of gross margin				
Operating income (loss) per Horzum AS income statement	**$ 1,362,954**	$ 1,788,884	**$ 12,913,868**	$ 3,664,150
Deduct other sales	**$ (13,435)**	$ (3,981)	**$ (23,788)**	$ (16,228)
Adjust for final price adjustments for revenue and cost of goods sold related to other periods	**-**	-	**-**	(5,656)
Gross margin	**$ 1,349,519**	$ 1,784,903	**$ 12,890,080**	$ 3,642,266
Revenue (excluding price adjustments related to other periods and other sales)	**$ 2,213,145**	$ 2,751,078	**$ 18,014,071**	$ 7,299,322
Gross margin (gross margin / revenue)	**61%**	65%	**72%**	50%

Qualified Person

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

Risks and Uncertainties

The Company's business contains significant risk due to the nature of mining, exploration and development activities. In addition to the usual risks associated with an investment in a junior resource company, management and the directors of the Company believe that, in particular, the following risk factors should be considered by prospective investors. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors below that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Risks to Profitability

The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in the United States and Türkiye. The Company's properties have no established mineral reserves and there is no assurance that any of the Company's projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors.

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

Moreover, the ability of the Pinargozu mine to generate positive cash flow for the Company largely depends on the ability for Horzum AS to collect receivables from Akmetal, the Company's distribution partner. If any of the loan receivables owing to the Company from Akmetal are deemed unrecoverable, the Company's business, results of operations and financial condition may experience a material adverse impact.

Reliability of Mineral Resource Estimates

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

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

Exploration Risk

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

Commodity Markets

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

Market Fluctuation and Commercial Quantities

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

Option and Joint Venture Agreements

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

Property Titles

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

Financing Risks

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

Mining Risks and Insurance

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

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

Risks Related to Operations in a Foreign Jurisdiction

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

Government Regulations, Permitting and Taxation

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

Health, Safety and Community Relations

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

Environmental Protection

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

Reliance on Key Personnel

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

Competitive Industry Environment

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

Global Financial Conditions

Recent global financial conditions have been characterized by increased volatility and access to public financing, particularly for junior mining companies. These conditions may affect the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company or at all. If such conditions continue, the Company's operations could be negatively impacted. See discussion related to COVID-19 and the ongoing Ukraine conflict in the Cautionary Note Regarding Forward-Looking Statements.

Infrastructure

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

Use of Accounting Judgements and Estimates

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

Disclosure of Internal Controls

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

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

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

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

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

Additional Information

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