Pasinex Reports Strong Second Quarter Results from Pinargozu and Plans to Expedite its Cash Flow

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TORONTO, Aug. 23, 2018 - Pasinex Resources Ltd. (CSE: PSE) (FSE: PNX) (The “Company” or “Pasinex”) today reported net income for the second quarter (Q2) of 2018 of $0.9 million compared to $0.5 million in Q2 2017. The Q2 2018 results reflect an equity gain from Horzum AS (the 50% owned joint venture that holds the Pinargozu mine) that is double that of Q2 2017 due to higher sales volumes and higher zinc prices. The drilling program at the Spur Zinc Project in Nevada (formerly named the Gunman Zinc Project) started in June at a cost of $0.3 million and is expected to be completed by the end of August.

Highlights – Q2 2018 and 2017

(Canadian dollars)	Second Quarter			
	2018		2017	
Pasinex financial results:				
Equity gain from Horzum AS	$ 1,805,685		$ 931,355	
Dividend received from Horzum AS	$ 377,370		-	
Consolidated net income	$ 930,193		$ 450,463	
Basic net income per share	$ 0.01		$ -	
Horzum AS operational data (100% basis):				
Zinc produced (wet) tonnes	13,080		14,381	
Zinc sold (wet) tonnes	9,951		8,767	
Zinc grade	32	%	34	%
Gross margin	70	%	55	%
C$ cost per tonne mined	$ 173		$ 160	
US$ cash cost per pound of zinc produced	$ 0.20		$ 0.16	

Refer to Note 1

Steve Williams, CEO of Pasinex commented, “Production at Pinargozu has been challenged by difficult ground conditions in 2018, but because we plan on producing higher grade material through the remainder of the year we expect zinc pounds produced to be consistent to our original guidance. The average LME zinc price for Q2 2018 was US$1.41 per pound which was a large contributor to the strong financial results from the mine in the quarter. We focused our exploration efforts in the quarter on the Spur Zinc Project and we are excited about the discovery of zinc sulphides at this deposit.”

Pasinex Highlights

- Pasinex’s consolidated net income for Q2 2018 was $0.9 million, which included a $1.8 million equity gain from Horzum AS and $0.3 million in exploration spending at the Spur Zinc Project.
- The equity gain increased period over period mainly due to higher zinc prices and higher sales volumes (see Horzum AS Highlights below).
- An initial drilling program of four inclined diamond drill holes has been completed at the Spur Zinc Project for a total of 2,291 feet (698 metres) with assay results pending. The Company incurred $0.3 million in costs in Q2 2018 with respect to the program. Further details on progress at the Spur Zinc Project can be found in the Pasinex August 9, 2018 news release.

- In March 2018, Horzum AS declared a Turkish Lira (“TRY”) 40 million dividend payable to both of its 50% shareholders to be paid in instalments during 2018. As of the date of this news release, Pasinex received $0.8 million of this dividend ($0.4 million was received in Q2 2018).
- At June 30, 2018 the Company’s cash balance was $0.4 million with current payables of $0.9 million and as of the date of this news release awaits further receipt of dividends from Horzum AS. In order for the Company to meet its general working capital obligations and fund the Spur Zinc Project drilling program, in August it received $350,000 in funds from certain of its shareholders and directors and anticipates receiving up to an additional $50,000. These loans were put in place as a bridge until the Company is in receipt of the remaining dividend owing from Horzum AS. As a measure to ensure the delivery of cash to Pasinex from Horzum AS, the two joint venture partners (Pasinex and Akmetal AS) altered the sales arrangement and entered into an agreement whereby all direct ore sales would be contracted by Horzum AS, rather than sold through Akmetal’s trading company. As a result, cash received from sales will go directly to Horzum AS where Pasinex has shared control over cash disbursements.
- The value of the TRY has continued to show a steady decline through Q2 2018 and into August. From May 1, the TRY to Canadian dollar fell from a rate of 3.17 to 4.65 and the TRY to US dollar fell from a rate of 4.06 to 6.06 – both representing approximately a 47% devaluation in the TRY. The impact of the devaluation has a positive effect on Horzum AS profitability because revenues are US dollar based, over 80% of costs are TRY based and there is minimal TRY cash on hand. However, at August 22, a dividend of TRY 17.6 million remains outstanding to Pasinex, which is subject to foreign exchange risk. Since the start of the devaluation, the dividend in Canadian dollar terms, has decreased by $1.8 million.

Horzum AS Highlights (described on a 100% basis)

- In Q2 2018, Horzum AS produced 13,080 tonnes (wet weight) of direct shipping material with an average grade of 32% zinc, a decrease from Q2 2017 production of 14,381 tonnes (average grade of 34% zinc).
- Difficult ground conditions in the first half of 2018 resulted in lower production than planned and so the Company has modified its production guidance for the year to be between 47,300 tonnes and 53,500 tonnes as compared to the original targeted production of between 54,000 and 60,000 tonnes in 2018. However, higher grades are anticipated which should result in consistent production between the original and revised guidance, based on pounds produced.
- The increase in equity earnings between periods is a result of higher sales revenues.
- Sales revenue for Q2 2018 was $6.6 million from the sale of 9,951 wet tonnes of zinc oxide. This compares to $4.2 million of revenue in Q2 2017 from the sale of 7,445 wet tonnes of zinc oxide, 999 wet tonnes of zinc sulphide and 323 tonnes of lead.
- 2018 revenues also benefitted from higher zinc prices. The average London Metals Exchange (“LME”) zinc price for Q2 2018 was US$1.41 per pound compared to US$1.18 per pound in Q2 2017.
- Total costs per tonne mined in Q2 2018 were $173 per tonne, moderately higher than $160 per tonne mined in Q2 2017.
- Net income for Horzum AS for Q2 2018 was $3.6 million compared to $1.9 million in Q2 2017. 50% of these amounts are included as an equity gain in Horzum AS for the respective periods.
- Gross margin in Q2 2018 was 70% compared to 55% in Q2 2017, which reflects the higher sales prices for zinc with only slightly higher costs between periods.

Note 1
Please note that all dollar amounts in this news release are expressed in Canadian dollars unless otherwise indicated. Refer also to the interim unaudited condensed consolidated financial statements for the three and six months ended June 30, 2018 and the corresponding Management’s Discussion and Analysis (MD&A) found on SEDAR.com and Pasinex.com for more information. This news release includes non-GAAP measures, including gross margin, cost per tonne mined and US$ cash cost per pound of zinc produced. A reconciliation of these non-GAAP measures to the GAAP financial statements is included in the MD&A.

About Pasinex

Pasinex Resources Ltd. is a Toronto-based mining company which owns 50% of the producing Pinargozu high grade zinc mine and, under a Direct Shipping Program, sells to zinc smelter / refiners from its mine site in Turkey. The Company also holds an option to acquire 80% of the Spur (formerly named Gunman) high-grade zinc exploration project in Nevada. Pasinex has a strong technical management team with many years of experience in mineral exploration and mining project development. The mission of Pasinex is to build a mid-tier zinc company based on its mining and exploration projects in Turkey and Nevada.

The Pinargozu mine is held in a separate entity, Horzum Maden Arama ve Isletme A.S. (Horzum AS), which is a corporate joint venture held equally between Pasinex and Turkish mining house, Akmetal Madencilik San ve Tic. AS (Akmetal AS). Akmetal AS is one of Turkey’s largest family-owned conglomerates which also owns the nearby past-producing Horzum zinc mine.

Visit our web site at: www.pasinex.com

On Behalf of the Board of Directors
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All statements within, other than statements of historical fact, are to be considered forward looking. Although Pasinex believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing, exploration results, and general economic, market or business conditions. There can be no assurances that such statements will prove accurate and, therefore, readers are advised to rely on their own evaluation of such uncertainties. We do not assume any obligation to update any forward-looking statements.