

Pasinex Announces Year-End 2019 Financial Results

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TORONTO, June 10, 2020 - [Pasinex Resources Ltd.](#) (CSE: PSE) (FSE: PNx) (The Company or Pasinex) today reports the Company's financial and operating results for the three months and year ended December 31, 2019.

Steve Williams, President and CEO of Pasinex, commented, "Pasinex had a difficult year in 2019 due to problems associated with the failure to receive any significant payment against the loan receivable that our Turkish joint venture business, Horzum AS, has with our Turkish joint venture partners, Akmetal. The underlying operating business in Turkey showed a positive net operating income but the recording of an impairment on the loan receivable from Akmetal resulted in a net loss for the joint venture. Pasinex is not happy with these results. We continue to actively pursue the resolution of this problem with our partners in Turkey. We expect to see them start to return monies owed and to put Horzum AS and Pasinex back into a positive cash position."

Highlights - 2019 Year End

	Year Ended December 31	
	2019	2018
Financial:		
Equity gain (loss) from Horzum AS	\$ 672,139	\$ (4,098,639)
Adjusted equity gain from Horzum AS ⁽¹⁾	\$ 3,965,688	\$ 5,489,452
Dividend received from investment in Horzum AS	\$ 672,139	\$ 1,523,538
Consolidated net income (loss)	\$ (1,032,850)	\$ (8,429,326)
Adjusted consolidated net income ⁽¹⁾	\$ 2,260,699	\$ 2,845,365
Basic net income (loss) per share	\$ (0.01)	\$ (0.06)
Diluted net income (loss) per share	\$ (0.01)	\$ (0.06)
Cash used in operating activities	\$ 292,330	\$ 1,006,264
Weighted average shares outstanding	144,415,192	142,823,411
Horzum AS operational data (100% basis):		
Zinc product mined (wet) tonnes	17,812	45,757
Zinc product sold (wet) tonnes	27,239	46,154
Zinc product sold grade	32%	33%
Gross margin ⁽¹⁾	34%	57%
CAD cost per tonne mined ⁽¹⁾	\$ 436	\$ 229
USD cash cost per pound of zinc mined ⁽¹⁾	\$ 0.42	\$ 0.25

⁽¹⁾ Refer to Note 1

Financial and Operational

- For the year ended December 31, 2019 Pasinex incurred a net loss of approximately \$1.03 million, compared with a net loss of approximately \$8.4 million for 2018. The substantial decrease in net loss in 2019 is largely due to the significant impairment of Akmetal Madencilik Sanayi ve Ticaret A.S. (“Akmetal”) debt to Horzum Maden Arama ve Isletme Anonim Sirketi (“Horzum AS”), which was recorded in 2018, resulting in an equity loss of \$4.1 million, versus an equity gain of approximately \$0.67 million recorded in 2019. The equity gain in 2019 is equal to total of the cash dividends paid in 2019 by Horzum AS to Pasinex Arama ve Madencilik Anonim Sirketi (“Pasinex Arama”). In addition, the Company recorded an impairment to the Golcuk property in 2018. No similar impairment was recorded in 2019. Finally, exploration and general & administration costs are significantly lower in 2019 versus 2018.

- The adjusted consolidated net income and adjusted equity gain (see non-GAAP measures) were \$2.3 million and \$4.0 million, respectively, for 2019 compared with \$2.8 million and \$5.5 million, respectively, in the same period in 2018. These non-GAAP measures reflect what the results of the Company would be without the recording of the impairment charges in 2018 and 2019 (see Review of Annual Consolidated Financial Statements and Loan receivable – Akmetal).
- The operating income in Horzum AS decreased from \$14.8 million in 2018 to \$4.6 million in 2019. This decrease was primarily due to lower sales in 2019. The gross margin (see non-GAAP measures) for 2019 continued to be a healthy 34% although this represents a 23% reduction from 2018. The reduction is largely due to incurring similar fixed costs in both years, which were spread over fewer tonnes produced and sold in 2019 compared with 2018.
- During 2019, the Company received a net of \$365,000 from related parties of the Company. Subsequent to the end of the year the Company received an additional \$355,500 from those related parties.

Summary of Pasinex Situation in Turkey

- Akmetal is a private Turkish company, which is controlled by the Kurlmel family. The Kurlmel family has a conglomerate of companies (the “Kurlmel Group”) that includes Akmetal, a carpet company, an agricultural business, real estate assets and other minor businesses.
- Several of the companies in the Kurlmel Group have gone through financial distress during the last three years. This has led to the growth of a large payable amount owed to Horzum AS by Akmetal and one of its subsidiaries.
- In November 2018, one division of the Kurlmel Group together with certain family members of the Kurlmel family, entered into a Turkish court-controlled process called Concordat. The purpose of this process is to allow a company with liquidity problems, but with assets greater than its debt, time to sell some or all of its assets in order to reorganize and pay its debts. This process was completed on February 21, 2020 and the division and those family members came out of the Concordat process. Concurrent with the ending of this process the Kurlmel Group arranged for a loan with a Turkish bank.
- In May 2019, the Company entered into a Debt Agreement with Akmetal to resolve the collectability of the trade receivable owing to Horzum AS. The terms of the Debt Agreement include a minimum amount of repayments on a monthly basis plus the chance for additional repayments from proceeds Akmetal would receive from the sale of its other assets (see *Loan receivable – Akmetal*). Akmetal has not honoured the terms of the Debt Agreement and has not been able to complete the sale of its other assets as it had planned. As a result, the financial position of Horzum AS and the Company has weakened further.
- The value of the loan receivable from Akmetal and one of its subsidiaries, to Horzum AS as at December 31, 2019, is \$35.1 million. The portion of the receivable owed by the subsidiary is guaranteed by its parent, Akmetal. As at December 31, 2019, Horzum AS owes Pasinex Arama \$2.4 million that arose upon the declaration of a dividend in 2018.
- Management has been in constant contact with senior executives of the Kurlmel Group during and subsequent to 2019, while the Kurlmel Group have been working through the Concordat process. Pasinex is expecting to receive the payment of the remaining dividend and other amounts owing to Pasinex Arama following a payment of a portion of the Akmetal receivable, as a result of the financial restructuring the Kurlmel Group has undergone in the past few months. In addition, the Company has been discussing the necessary management and structural changes at the Horzum AS joint venture.

Other Highlights

- In January 2019, the Company filed an amended National Instrument 43-101 technical report for the Pinargozu mine. The report was filed to comply with National Instrument 43-101 and did not contain any changes to the mineral resource estimate.
- During the third quarter of 2019, the local tax office in Turkey sent a legal demand to the Turkish based directors and officers of Horzum AS for late payment of taxes due. The Turkish tax department has taken no further action against Horzum AS or the individuals associated with the Company, as Horzum AS is waiting to continue negotiations with the Turkish tax department to achieve a payment plan for its outstanding taxes due.
- In September 2019, the underground workers at the Pinargozu mine in Turkey, commenced a strike action for late payment of their wages. This action was resolved during the month of October. Ore production at the Pinargozu mine resumed upon the workers return to work during October 2019.
- On September 11, 2019, the Company announced that it had changed the payment date on an option payment due on the Spur Option Agreement. The payment was originally scheduled to be made on September 11, 2019 and was changed to December 11, 2019. In addition, the remaining 2019 exploration obligations were deferred to 2020.

- Personnel changes during the year included the appointed of a new Chief Financial Officer and the resignation of the Company's Vice President of Exploration.

Note 1

Please note that all dollar amounts in this news release are expressed in Canadian dollars unless otherwise indicated. Refer also to the year-end 2019 Management's Discussion and Analysis (MD&A) and Audited Financial Statements found on SEDAR.com for more information. This news release includes non-GAAP measures, including adjusted equity gain from Horzum AS, adjusted consolidated net income, gross margin, cost per tonne mined and US\$ cash cost per pound of zinc mined. 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 smelters / refiners from its mine site in Turkey. The Company also holds an option to acquire 80% of the Spur 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.

Visit our web site at: www.pasinex.com

On Behalf of the Board of Directors

[Pasinex Resources Ltd.](#)

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