



AsiaBaseMetals Inc.

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
March 31, 2014 and 2013**

(UNAUDITED – PREPARED BY MANAGEMENT)

ASIABASEMETALS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

ASIABASEMETALS INC.**INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION****AS AT MARCH 31, 2014 AND SEPTEMBER 30, 2013**(Unaudited - Expressed in Canadian Dollars)

	March 31, 2014	September 30, 2013
ASSETS		
Current		
Cash	\$ 9,018	\$ 146,719
Amounts receivable	2,918	2,549
Prepaid expense	8,425	16,850
	<hr/> 20,361	<hr/> 166,118
Exploration and evaluation assets (Note 6)	29,276	29,276
	<hr/> \$ 49,637	<hr/> \$ 195,394
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 73,279	\$ 20,311
Amount due to related party (Note 9)	5,860	-
	<hr/> 79,139	<hr/> 20,311
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	1,431,492	1,431,492
Share-based payment reserves	298,580	298,580
Accumulated deficit	(1,759,574)	(1,554,989)
	<hr/> (29,502)	<hr/> 175,083
	<hr/> \$ 49,637	<hr/> \$ 195,394

CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

Approved by the Board on April 29, 2014:

"Steven Khan"

Director

"Gerald Booth"

Director

(The accompanying notes are an integral part of these interim condensed financial statements.)

ASIABASEMETALS INC.**INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS****FOR THREE AND SIX MONTHS ENDED MARCH 31, 2014 AND 2013**(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
EXPENSES				
Exploration, net	\$ 315	\$ -	\$ 734	\$ 18,460
Foreign exchange loss (gain)	(291)	7,298	(535)	7,161
Interest and bank charges	41	20	58	91
Management fees	23,227	30,000	53,227	60,000
Office, administration and miscellaneous	11,892	5,079	33,671	28,791
Professional fees	14,542	15,860	20,462	22,568
Regulatory and transfer agent fees	6,332	6,188	8,666	6,908
Separation payment (Note 9)	60,000	-	60,000	-
Travel	-	-	28,302	-
LOSS FROM OPERATIONS	(116,058)	(64,445)	(204,585)	(143,979)
OTHER ITEM				
Other income (Note 7)	-	10,000	-	10,000
COMPREHENSIVE LOSS FOR THE PERIOD	(116,058)	(54,445)	(204,585)	(133,979)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	72,900,892	72,900,892	72,900,892	72,900,892

(The accompanying notes are an integral part of these interim condensed financial statements.)

ASIABASEMETALS INC.**INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY****FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013**(Unaudited - Expressed in Canadian Dollars)

	Common Shares (Note 7)		Share-based Payments Reserves	Accumulated Deficit	Total
	Number of Common Shares	Amount			
Balances at October 1, 2012	72,900,892	\$ 1,431,492	\$ 298,580	\$ (1,342,485)	\$ 387,587
Comprehensive loss for the period	-	-	-	(133,979)	(133,979)
Balances at March 31, 2013	72,900,892	\$ 1,431,492	\$ 298,580	\$ (1,476,464)	\$ 253,608
<hr/>					
Balances at October 1, 2013	72,900,892	\$ 1,431,492	\$ 298,580	\$ (1,554,989)	\$ 175,083
Loss and comprehensive loss for the period	-	-	-	(204,585)	(204,585)
Balances at March 31, 2014	72,900,892	\$ 1,431,492	\$ 298,580	\$ (1,759,574)	\$ (29,502)

(The accompanying notes are an integral part of these interim condensed financial statements.)

ASIABASEMETALS INC.**INTERIM CONDENSED STATEMENTS OF CASH FLOWS****FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2014 AND 2013**(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (116,058)	\$ (54,445)	\$ (204,585)	\$ (133,979)
Items not involving cash				
Change in non-cash working capital items				
Amounts receivable	(757)	(4,298)	(369)	4,478
Prepaid expenses	4,213	4,584	8,425	8,194
Accounts payable and accrued liabilities	57,258	(4,754)	52,968	(17,286)
Due to related party	(1,305)	1,035	5,860	20,535
Cash used in operating activities	(56,649)	(57,878)	(137,701)	(118,058)
INVESTING ACTIVITY				
Exploration and evaluation costs	-	-	-	(500)
Cash used in investing activity	-	-	-	(500)
FINANCING ACTIVITY				
Proceeds from private placement	-	-	-	-
Flow-through share premium liability	-	(10,000)	-	(10,000)
Cash provided by (used in) financing activity	-	(10,000)	-	(10,000)
INCREASE (DECREASE) IN CASH DURING THE PERIOD				
	(56,649)	(67,878)	(137,701)	(128,558)
CASH, BEGINNING OF PERIOD	65,667	309,706	146,719	370,386
CASH, END OF PERIOD	\$ 9,018	\$ 241,828	\$ 9,018	\$ 241,828

(The accompanying notes are an integral part of these interim condensed financial statements.)

ASIABASEMETALS INC.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013**

(Unaudited - Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS

AsiaBaseMetals Inc. (the "Company") was incorporated on August 11, 2009 under the laws of British Columbia. The Company's principal business activities include the acquisition, exploration and development of resource property. The address of the Company's corporate office and principal place of business is 2560-200 Granville Street, Vancouver, British Columbia, V6C 1S4, Canada.

At March 31, 2014, the Company had not yet determined whether its property contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES**a) Statement of compliance**

These interim condensed financial statements are unaudited and have been prepared in accordance with IAS 34 – *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied by the Company in these interim condensed financial statements are the same as those applied to the financial statements as at and for the year ended September 30, 2013.

b) Basis of presentation

The interim condensed financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, as explained in the accounting policies set out in Note 2. The comparative figures presented in these interim condensed financial statements are in accordance with IFRS and have not been audited.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim condensed financial statements do not include all of the information required for full annual financial statements.

c) Going Concern

These interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of \$1,759,574 at March 31, 2014. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of six months or less at the time of issuance to be cash equivalents.

e) Exploration and evaluation assets

Exploration expenditures are expensed as incurred and direct costs of exploration and evaluation assets, such as property acquisition costs and leases, are capitalized. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development expenditure and costs of the respective mineral property.

Development costs incurred on a mineral property are deferred once management has determined, based on a feasibility study, that, a property is capable of economical commercial production as a result of having established proven and probable reserves. Development costs are carried at cost less accumulated depletion and accumulated impairment charges. Exploration expenditures incurred prior to determining that a property has economically recoverable resources are expensed as incurred.

The Company reviews the carrying values of mineral properties and development costs regularly with a view to assessing whether there has been any impairment in value, or whenever events or changes in circumstances that indicate the carrying value may not be recoverable. In the event the estimated discounted cash flows expected from its use or eventual disposition is determined to be insufficient to recover the carrying value of the property, the carrying value is written down to the estimated recoverable amount.

Once a mine has achieved commercial production, mineral properties and development costs are depleted on a units-of-production basis over the life of the mine.

f) Share-based payment transactions

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share-based payment transactions (continued)

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

g) Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as flow-through share related liabilities which is reversed into the statement of loss within other income when the Company renounces the deductions.

h) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the balance sheet date are recognized in the income statement.

i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Provisions (continued)

At each financial position reporting date presented, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

k) Income taxes

i) Current income tax

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted on the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

ii) Deferred tax

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of goodwill, or assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's amounts receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At March 31, 2014, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

m) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and amount due to related party are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these interim condensed financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013**(Unaudited - Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include income taxes, share-based payments and assessment of impairment of exploration and evaluation assets.

(i) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

On October 1, 2013, the Company adopted the following new accounting standards that were previously issued by the IASB:

IFRS 10 - Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 provides definition of control, focusing on the need to have power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The Company applied IFRS 10 at October 1, 2013, and did not have an impact on the condensed interim financial statements

IFRS 11 – Joint Arrangements

The amendments of IFRS 11 reduce the types of joint arrangements to either joint ventures or joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing choice of proportionate consolidation for jointly controlled entities. Joint operations are arrangements where the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The Company applied IFRS 11 at October 1, 2013, and did not have an impact on the condensed interim financial statements as the Company does not have any joint arrangements.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS (continued)*IFRS 12 – Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company applied IFRS 12 at October 1, 2013, and did not have an impact on the condensed interim financial statements as the Company does not currently have any interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The Company applied IFRS 13 at October 1, 2013, and did not have an impact on the condensed interim financial statements. The disclosure requirements of IFRS 13 will be incorporated in the Company's annual financial statements for the year ended September 30, 2014.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset. The Company applied IFRIC 20 at October 1, 2013, and did not have an impact on the condensed interim financial statements as the Company is not yet in production phase.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 36 – Impairment of Assets

In May 2013, the IASB, as a consequential amendment to IFRS 13 *Fair Value Measurement*, modified some of the disclosure requirements in IAS 36 regarding measurement of the recoverable amount of impaired assets. The amendments resulted from the IASB's decision in December 2010 to require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. This standard is effective for annual periods beginning on or after January 1, 2014.

ASIABASEMETALS INC.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013**(Unaudited - Expressed in Canadian Dollars)

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)*IAS 39 – Financial Instruments: Recognition and Measurement*

In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met. This standard is effective for annual periods beginning on or after January 1, 2014.

IFRIC 21 – Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. This standard is effective for annual periods beginning on or after January 1, 2014.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2017. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. As a result from the issuance of IFRS 9, there were amendments to IAS 32, *Financial Instruments – Presentation*, to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

6. EXPLORATION AND EVALUATION ASSETS**Gnome Zinc, BC**

On September 30, 2009, Tintina Resources Inc. ("Tintina") transferred its interest in the Gnome Zinc project and \$500,000 in cash to the Company as part of its reorganization. Tintina also transferred its right, title and interest in the Gnome Zinc project to purchase a 1% NSR royalty for \$2,000,000 up to the period ending on March 11, 2020. The transaction was recorded as a shareholder transfer at Tintina's carrying value of the Gnome Zinc project of \$146,748 and an increase in cash of \$500,000.

Expenditure for the six months ended March 31, 2014 and the year ended September 30, 2013 is as follows:

	October 1, 2013	Acquisition Costs	March 31, 2014
Gnome Zinc	\$ 29,276	\$ -	\$ 29,276

	October 1, 2012	Acquisition Costs	September 30, 2013
Gnome Zinc	\$ 28,276	\$ 1,000	\$ 29,276

ASIABASEMETALS INC.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013**

(Unaudited - Expressed in Canadian Dollars)

7. SHARE CAPITAL

- a) Authorized: The Company is authorized to issue an unlimited number of common shares without par value.
- b) Issued and outstanding as at March 31, 2014: 72,900,892 (2013 – 72,900,892) common shares.
- c) On July 13, 2012, the Company completed a non-brokered private placement of 333,334 flow-through shares at a price of \$0.15 per share, raising gross proceeds of \$50,000. The shares were subject to a four month hold period that expired on November 12, 2012. In connection with the issuance, the Company recorded a \$10,000 flow-through share premium liability calculated as the difference between the share issuance price and the market price at the time of closing. The flow-through share premium liability was reversed into the statement of loss within other income when the Company renounced the deductions.

See Interim Condensed Statements of Changes in Equity for details.

8. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS

On September 25, 2009, the Company adopted a rolling stock option plan (the “Plan”) to grant options to directors, senior officers, employees, independent contractors and consultants of the Company. The Plan reserves for issuance up to 10% of the issued and outstanding share capital of the Company from time to time, and provides that it is solely within the discretion of the Board or, if the Board so elects, by a committee consisting of not less than two of its members appointed by the Board, to determine who should receive options and in what amounts.

Options granted under the Plan for a term not to exceed 10 years from the date of their grant and are exercisable at a price not less than the discounted market price (which is the market price less a discount of 25% for a closing price of up to \$0.50, a discount of 20% for a closing price of \$0.51 to \$2.00, and a discount of 15% for a closing price above \$2.00, subject to a minimum of \$0.10).

On April 28, 2010, the Company granted 1,790,000 stock options to directors, senior officers, employees, independent contractors and consultants of the Company under the Plan. The options are exercisable for a period of five years, at a price of \$0.20 per share. Of the stock options granted, 200,000 fully vested on the grant date, and the remaining 1,590,000 stock options vest at a rate of one-third upon grant date; one-third one year after the grant date; and one-third two years after the grant date until the options are fully vested.

During the six months ended March 31, 2014, the Company did not grant any stock options.

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at September 30, 2012 and March 31, 2013	1,680,000	\$ 0.20
Balance at September 30, 2013	1,680,000	\$ 0.20
Expired	(35,000)	\$ 0.20
Balance at March 31, 2014	1,645,000	\$ 0.20

ASIABASEMETALS INC.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013**

(Unaudited - Expressed in Canadian Dollars)

8. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)

The following table summarizes stock options outstanding and exercisable at March 31, 2014:

Exercise Price \$	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$
0.20	1,645,000	1.08	0.20	1,645,000	0.20

Stock options outstanding at March 31, 2014 will expire on April 28, 2015.

9. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company had the following related party transactions which were measured at the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities:

	Six months ended March 31,	
	2014	2013
Rent fees	\$ 3,000	\$ 7,500
Administration fees	10,025	13,035
	\$ 13,025	\$ 20,535

Rent and administration fees of \$13,025 were payable to Tintina for services received during the six months ended March 31, 2014 (2013 - \$20,535). Tintina is a related party having three directors and a major shareholder in common with the Company. These transactions were in the normal course of business and were measured at the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

As at March 31, 2014, the Company owed \$5,860 to Tintina (September 30, 2013 - \$nil). The amount was non-interest bearing, unsecured and is due upon demand.

Key management personnel compensation:

The remuneration of directors and other members of key management is as follows:

	Six months ended March 31,	
	2014	2013
Management fees	\$ 53,227	\$ 60,000
Separation payment	60,000	-
Total remuneration	\$ 113,227	\$ 60,000

ASIABASEMETALS INC.**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013**

(Unaudited - Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, separation payment, and post-employment benefits. Short-term benefits include management fees paid to the former CEO and the new interim CEO of the Company for their services in their roles.

As at March 31, 2014, the Company owed \$60,000 separation payment to the former CEO of the Company, and no post-employment benefits were paid to key management personnel.

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject to.

As at March 31, 2014, the Company had capital resources consisting of cash and amounts receivable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating year.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK*Financial Instruments and Fair Value Measurements*

IFRS 7 – *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2014 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 9,018	\$ –	\$ –	\$ 9,018

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Financial Risk

(i) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is primarily attributable to its cash. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions.

As at March 31, 2014, the Company's maximum exposure to credit risk is the carrying value of cash of \$9,018.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at March 31, 2014, the Company had negative working capital of \$58,778. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

After March 31, 2014, the Company announced a non-brokered private placement (Note 12) and will have adequate working capital to discharge its existing financial obligations by the end of the third quarter.

(iii) Interest Rate Risk

In management's opinion, the Company's interest rate risk is minimal as the Company does not have any bank indebtedness or loans payable that bear interest at fixed or variable rates.

(iv) Foreign Currency Risk

The Company is exposed to currency fluctuations in the acquisition of foreign currencies. The Company holds balance in cash in foreign currencies (US dollars) and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

(v) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.

12. SUBSEQUENT EVENT

On April 3, 2014, the Company announced that it intends to raise up to \$212,500 through a non-brokered private placement of up to 4,250,000 common shares at a price of \$0.05 per share. The Company expects to close the financing during the next fiscal quarter.