



**SECOND QUARTER 2011
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
MARCH 31, 2011**

(UNAUDITED – PREPARED BY MANAGEMENT)

ASIABASEMETALS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM 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 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 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.

May 5, 2011

ASIABASEMETALS INC.**BALANCE SHEET****AS AT MARCH 31, 2011 AND SEPTEMBER 30, 2010**(Unaudited - Expressed in Canadian Dollars)

	March 31, 2011	September 30, 2010
ASSETS		
Current		
Cash	\$ 305,810	\$ 355,201
Amounts receivable	1,260	4,394
	<hr/> 307,070	<hr/> 359,595
Resource property (Note 4)	282,191	271,495
	<hr/> \$ 589,261	<hr/> \$ 631,090
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 19,356	\$ 18,000
Amounts due to related parties (Note 5)	83,250	55,500
	<hr/> 102,606	<hr/> 73,500
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	646,748	646,748
Contributed surplus (Note 7)	244,505	178,076
Deficit	(404,598)	(267,234)
	<hr/> 486,655	<hr/> 557,590
	<hr/> \$ 589,261	<hr/> \$ 631,090

NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

Approved by the Board:

"Raj Chowdhry"
Director

"Gerald Booth"
Director

ASIABASEMETALS INC.**STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT****FOR SIX MONTHS ENDED MARCH 31, 2011 AND 2010**

(Unaudited - Expressed in Canadian Dollars)

	Three months ended Mar 31,		Six months ended Mar 31,	
	2011	2010	2011	2010
EXPENSES				
Advertising and promotion	\$ —	\$ —	\$ 631	\$ 399
Consulting fees	—	5,250	—	5,250
Exploration	6,020	—	6,020	—
Interest and bank charges	88	45	146	226
Foreign exchange (gain)	(139)	(8)	—	(10)
Management fees	10,000	—	10,000	—
Office, administration and miscellaneous	6,443	13,890	13,343	13,890
Professional fees	7,208	3,476	14,301	7,476
Regulatory and transfer agent fees	11,306	2,382	14,494	6,657
Rent	6,000	12,000	12,000	12,000
Stock based compensation	33,216	—	66,429	—
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(80,142)	(37,035)	(137,364)	(45,888)
DEFICIT, BEGINNING OF PERIOD	(324,456)	(9,032)	(267,234)	(179)
DEFICIT, END OF PERIOD	\$ (404,598)	\$ (46,067)	\$ (404,598)	\$ (46,067)
BASIC AND DILUTED LOSS PER SHARE	\$ —	\$ —	\$ —	\$ —
WEIGHTED AVERAGE SHARES OUTSTANDING	68,692,558	69,715,805	68,692,558	69,715,805

ASIABASEMETALS INC.**STATEMENT OF CASH FLOWS****FOR THE SIX MONTHS ENDED MARCH 31, 2011 AND 2010**(Unaudited - Expressed in Canadian Dollars)

	Three months ended Mar 31,		Six months ended Mar 31,	
	2011	2010	2011	2010
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (80,142)	\$ (37,035)	\$ (137,364)	\$ (45,888)
Items not involving cash				
Stock based compensation	33,216	–	66,429	–
	(46,926)	(37,035)	(70,935)	(45,888)
Change in non-cash working capital items				
Amounts receivable	2,198	(1,690)	3,134	(1,893)
Accounts payable and accrued liabilities	10,356	28,340	1,356	32,340
Due to related parties	13,875	–	27,750	–
Cash used in operating activities	(20,497)	(10,385)	(38,695)	(15,441)
INVESTING ACTIVITY				
Resource property costs	(2,400)	–	(10,696)	(12,750)
Cash used in investing activity	(2,400)	–	(10,696)	(12,750)
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(22,897)	(10,385)	(49,391)	(28,191)
CASH, BEGINNING OF PERIOD	328,707	482,015	355,201	499,821
CASH, END OF PERIOD	\$ 305,810	\$ 471,630	\$ 305,810	\$ 471,630
NON-CASH INVESTING AND FINANCING ACTIVITY:				
Mineral properties acquired by issuance of shares	\$ –	\$ –	\$ –	\$ –
SUPPLEMENTAL DISCLOSURES				
Interest paid	\$ –	\$ –	\$ –	\$ –
Income taxes paid	\$ –	\$ –	\$ –	\$ –

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF CONTINUANCE OF OPERATIONS

AsiaBaseMetals Inc. (the "Company") was incorporated on August 11, 2009 under the laws of British Columbia. On June 22, 2009, TintinaGold Resources Inc. ("TintinaGold") announced a reorganization of its business by way of a plan of arrangement ("Arrangement") in which TintinaGold would incorporate a newly formed subsidiary named AsiaBaseMetals Inc. and transfer its Gnome Zinc project and \$500,000 in cash in exchange for 68,692,558 common shares of the Company. TintinaGold would then distribute its 68,692,558 common shares of the Company to its current shareholders. On September 30, 2009, the Arrangement was approved by the TintinaGold shareholders and granted final approval by the British Columbia Supreme Court. On October 8, 2009, the Company listed its shares on the TSX Venture Exchange under the symbol ABZ.

The Company's principal business activities include the acquisition, exploration and development of mineral property. At March 31, 2011, the Company had not yet determined whether the property contains ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs 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 mineral property.

For the six months ended March 31, 2011, the Company incurred a loss of \$80,142 and had an accumulated deficit of \$404,598. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These 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) Basis of presentation**

The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles.

b) Cash and cash equivalents

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

c) Resource property

All costs related to the acquisition, exploration and development of resource property are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized to income using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing property and if management determines that the carrying values cannot be recovered or the carrying values are related to property that has lapsed, the unrecoverable amounts are expensed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Resource property (continued)

The recoverability of the carried amounts of resource property is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether its resource property contains economically recoverable reserves. Amounts capitalized as resource property represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on resource property or the property is sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

d) Long-lived asset

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the asset. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

e) Asset retirement obligations

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA"), Handbook Section 3110 *Asset Retirement Obligations*, which requires the estimated fair value of a liability for an asset retirement obligation be recognized when it can be reasonably estimated. This includes obligations related to future removal of property and equipment, and site restoration costs. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. As at March 31, 2011, the Company has not recognized any asset retirement obligations in respect of its resource properties.

f) Stock-based compensation

Stock options are recorded at their fair value over their vesting period as compensation expense. The Company recognizes stock-based compensation expense in accordance with CICA Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*. When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Foreign currency translation

Transactions and balances in currencies other than the Canadian dollar are translated using the temporal method. Accordingly revenue, expenses and non-monetary balances are translated at the rate of exchange prevailing at the transaction dates, and monetary balances are translated at the rate prevailing at the balance sheet date with resulting exchange gains and losses being included in the determination of income.

h) Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the year.

For the six month period ended on March 31, 2011, the existence of options affects the calculation of loss per share of a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

i) Income taxes

The Company uses the asset and liability method for recording income taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets using the tax rates anticipated to apply in the periods that temporary differences are expected to reverse.

j) Financial instruments

The Company's financial instruments consist of cash, amounts receivable, accounts payable, and amounts due to related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments and that their fair values approximate their carrying values, unless otherwise noted.

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its financial instruments as follows:

- i) Cash as held-for-trading and measured at fair value with changes in fair value recognized in net loss.
- ii) Amounts receivable as loans and receivables and measured at amortized cost.
- iii) Accounts payable and amounts due to related parties are classified as other financial liabilities and measured at amortized cost.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**k) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and 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 amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of estimates include impairment of the resource properties, stock-based compensation and future income tax benefits. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

3. RECENT ACCOUNTING PRONOUNCEMENTS**i) Business combinations**

In January 2009, the CICA issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

ii) Consolidation and non-controlling interests

In January 2009, the CICA issued Section 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on the financial statements.

In August 2009, the AcSB issued amendments to Section 1625, *Comprehensive Revaluation of Assets and Liabilities*, for consistency with the new Section 1582. The amendments require that, when push-down accounting is used following the acquisition of an enterprise, the assets and liabilities are to be measured at the values used in accounting for the purchase transaction or transactions in accordance with Section 1582. The amendments also require that, when a future income tax asset that arose prior to the date of a comprehensive revaluation and that was not recognized in the comprehensive revaluation, is subsequently recognized, the benefit should be recognized in accordance with Section 1582 and Section 3465, *Income Taxes*.

The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Early adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582.

In August 2009, the AcSB issued amendments to Section 3251, *Equity*, as a result of issuing Section 1602, *Non-controlling Interests*. The amendments require non-controlling interests to be recognized as a separate component of equity.

The amendments apply only to entities that have adopted Section 1602.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**(Unaudited - Expressed in Canadian Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

iii) International financial reporting standards

Under the pronouncement issued by the CICA Accounting Standards Board in February 2008, effective for its fiscal year commencing October 1, 2011, the Company will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") including restatement of amounts reported for comparative purposes. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal controls over financial reporting and disclosure controls and procedures. The transition will also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements.

The Company completed its IFRS diagnostic plan and is currently preparing its IFRS conversion plan which will outline the steps required to complete the transition to IFRS. As part of its transition process, the Company will continue to invest in training and resources to ensure a timely conversion.

4. RESOURCE PROPERTY

On September 30, 2009, TintinaGold transferred its interest in the Gnome Zinc project and \$500,000 in cash to the Company as part of its reorganization as described in Note 1. TintinaGold 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 Company recorded the transaction in accordance with Section 3840, *Related Party Transactions* of the CICA Handbook.

The transaction was recorded as a shareholder transfer at TintinaGold's carrying value of the Gnome Zinc project of \$146,748 and an increase in cash of \$500,000.

During the six month period ended March 31, 2011 and the year ended September 30, 2010, the Company incurred the following exploration costs on its Gnome Zinc property:

	October 1, 2010	Deferred Exploration Costs	March 31, 2011
Gnome Zinc	\$ 271,495	\$ 10,696	\$ 282,191

	October 1, 2009	Deferred Exploration Costs	September 30, 2010
Gnome Zinc	\$ 146,748	\$ 124,747	\$ 271,495

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**(Unaudited - Expressed in Canadian Dollars)

5. RELATED PARTY BALANCES AND TRANSACTIONS

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, 2011	Year ended September 30, 2010
Rent fees	\$ 12,000	\$ 24,000
Administration fees	12,000	24,000
Management fees	10,000	-
Geological services fees	3,750	7,500
	<u>37,750</u>	<u>55,500</u>

Rent, administration and geological fees were payable to TintinaGold for services received during the six month period ended March 31, 2011. As at March 31, 2011, the geological fees of \$3,750 (September 30, 2010: \$7,500) were capitalized as exploration costs.

Management fees of \$10,000 were paid to a company owned by the President of the Company.

These transactions occur in the normal course of operations and are measured at the exchange, which is the amount of consideration established and agreed to by the parties.

As at March 31, 2011, amounts due to related party consists of \$83,250 (September 30, 2010: \$55,500) owing to TintinaGold for services noted above. These amounts are non-interest bearing, unsecured and are due upon demand. As described in Note 1, the Company and TintinaGold entered into an arrangement.

6. SHARE CAPITAL

Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

Issued and fully paid shares:	Number of Shares	Amount
Shares issued for resource property and cash	68,692,558	\$ 646,748
Balance at September 30, 2010 and March 31, 2011	68,692,558	\$ 646,748

The Company reported 86,154,315 shares issued and outstanding in its prior year financial statements. The figure has been amended to reflect the actual number of shares issued in accordance with the Arrangement described in Note 1.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**

(Unaudited - Expressed in Canadian Dollars)

7. CONTRIBUTED SURPLUS

	March 31, 2011	September 30, 2010
Balance, beginning of period	\$ 178,076	\$ 178,076
Add: Stock-based compensation (Note 8)	66,429	-
Less: Exercise of stock options	-	-
Balance at March 31, 2011	\$ 244,505	\$ 178,076

8. STOCK OPTION PLAN AND STOCK BASED COMPENSATION

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, 2011, 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, 2010 and March 31, 2011	1,790,000	\$ 0.20

The following table summarizes stock options outstanding and exercisable at March 31, 2011:

Exercise Price \$	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$
0.20	1,790,000	4.08	0.20	729,995	0.20

Stock options outstanding at March 31, 2011 will expire on April 28, 2015.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**(Unaudited - Expressed in Canadian Dollars)

8. STOCK OPTION PLAN AND STOCK BASED COMPENSATION (continued)

The Company uses the Black-Scholes option valuation model to value stock options. The Black Scholes model estimates the fair value of stock options that have no vesting restrictions and are fully transferable.

The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

The fair value of stock options outstanding during the six month period ended March 31, 2011 have been estimated using the Black Scholes model and have been recorded as an expense and included in contributed surplus. For purposes of the calculation, the following weighted average assumptions were used under the Black Scholes option pricing model:

	March 31, 2011
Risk free interest rate	2.59%
Expected dividend yield	0%
Expected stock price volatility	161%
Expected life of options	4.08 years

The weighted average per share fair value of options at March 31, 2011 was \$0.17 per option.

9. INCOME TAXES

The Company has losses carried forward of approximately \$81,200 to reduce income taxes in future years. The losses expire between 2029 and 2030.

The Company also has certain allowances in respect of resource development and exploration costs, which, subject to certain restrictions, are available to be offset against future taxable income.

The Company has not recognized any future income tax assets. The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely than not that sufficient taxable income will not be realized during the carryforward periods to utilize all future tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2010	2009
Canadian statutory income tax rate	28.88%	30.25%
Income tax recovery at statutory rate	\$ 74,810	\$ 54
Effect of income taxes of:		
Other permanent differences	(51,425)	-
Change in tax rates	(3,149)	-
Valuation allowance	(20,236)	(54)
Future income tax recoverable	\$ -	\$ -

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**(Unaudited - Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to significant portions of the future tax assets at September 30, 2010 and 2009 are presented below:

Non-capital loss carry-forwards	\$	20,290	\$	54
Valuation allowance		(20,290)		(54)
	\$	–	\$	–

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.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. 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 continuing 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

a) Financial Instruments

As at March 31, 2011, the Company's financial instruments include cash, accounts payable and amounts due to related parties. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

b) Fair Value Measurements

CICA 3862, *Financial Instruments – Disclosures*, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**(Unaudited - Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

b) Fair Value Measurements (continued)

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2011 as follows:

	Fair Value Measurements Using			Total \$
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	
Cash	305,810	—	—	305,810

c) Financial Risks

(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 and amounts receivable. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions. The Company manages credit risk for receivables through established credit monitoring activities. As at March 31, 2011, the Company's maximum exposure to credit risk is the carrying value of cash and amounts receivable of \$307,070.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2011**

(Unaudited - Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)**(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, 2011, the Company had working capital of \$204,464. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at March 31, 2011, the Company has adequate working capital to discharge its existing financial obligations.

(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 EVENTS

On May 3, 2011, the Company closed a non-brokered private placement. The Company sold 2,000,000 common shares at a price of \$0.20 per share, for gross proceeds of \$400,000.