



## **Management Discussion and Analysis**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

# **ASIABASEMETALS INC.**

## **Management Discussion and Analysis**

### **For the year ended on September 30, 2016**

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#### ***Introduction***

This Management Discussion and Analysis (“MD&A”) of AsiaBaseMetals Inc. (the “Company”) has been prepared by management as of December 20, 2016 and should be read in conjunction with the audited condensed financial statements and related notes thereto of the Company for the year ended on September 30, 2016, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Corporation are available on the Company’s website at [www.asiabasemetals.com](http://www.asiabasemetals.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***Forward-looking Statements***

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking information”). In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations or the negative of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By their very nature, forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. The Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

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#### **1. Executive Summary**

AsiaBaseMetals Inc. ("the Company") is a growth company focused on the exploration and development of zinc and base metals. The Company has projects in British Columbia and Ontario, Canada.

The Gnome zinc project has land claims that encompass 5,429 hectares and are located strategically in the heart of an area home to some of Canada's important zinc deposits and the focus of much past exploration. The Gnome project lies 70 km SE from the Cirque Zn-Pb-Ag deposit and 46 km SE along trend from the Akie Zn-Pb-Ag deposit, all of which are in the Kechika trough, a geological belt northeast of Williston Lake containing these and other sediment-hosted Zn-Pb-Ag prospects along trend. These deposits and prospects were discovered in the heyday of northern British Columbia Zn-Pb-Ag exploration during the late 1970's and early 1980's.

Work on the Gnome project to date includes mapping and sampling during the 1970's and recent work by the Company. The Company conducted an exploration program during fiscal 2012 and completed the program early fiscal 2013. The Company prepared an updated geological report and is evaluating and assessing the data obtained from the program to determine the next course of action.

On January 1, 2016, the Company forfeited 1 mineral claim related to the Gnome Property. The claim was subsequently re-staked on January 11, 2016.

The Jean Iron Ore Property ("Jean Property") is an iron ore exploration property located in the Thunder Bay Mining District of Northwestern Ontario, Canada. It is comprised of 17 claims totaling 1,824 hectares and is located approximately 65 kilometres to the southwest of Thunder Bay, approximately 2 kilometres north of the Whitefish Lake on Highway 588.

On November 12, 2015 the Company staked 1 additional claim consisting of 16 hectares. As at September 30, 2016, the Jean Property consisted of 18 mineral claims in 115 units covering 1,840 hectares' land. On November 16, 2016, the Company forfeited 4 mineral claims consisting of 17 units covering 272 hectares' land.

During the year ended September 30, 2016 the Company completed an exploration program for the Jean Property and completed an updated NI 43-101. The Ontario Ministry of Northern Development and Mines has accepted our work submission and all claims have been extended to November 2016 and 2017.

In addition to advancing the Gnome and the Jean projects, the Company is focused on identifying, acquiring and developing other business opportunities.

#### **2. Fiscal Year 2016 Highlights**

On April 13, 2016, the Company completed a non-brokered private placement of 5,000,000 units at a price of \$0.05 per unit, raising gross proceeds of \$250,000. The Company incurred share issuance costs of \$18,651 which consists of legal fees and transfer agent costs. Each unit consists of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.05 until April 13, 2021. The shares were subject to a four month hold period that expired on August 14, 2016.

On June 14, 2016, the Company issued 100,000 common shares with a fair value of \$24,500 at the time of issuance in satisfaction of \$24,500 of outstanding debt owing to an arm's length party. All shares are subject to a four month hold which expired on October 14, 2016.

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**2. Fiscal Year 2016 Highlights (continued)**

For the year ended September 30, 2016 ("FY2016"), the Company incurred a comprehensive loss of \$448,854 and had an accumulated deficit of \$2,467,670. 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.

The Company's cash position at September 30, 2016 was \$4,891.

**3. Selected Annual Information**

The Company's fiscal year end is September 30. Selected annual information presented as follows:

|                             | September 30, 2016 | September 30, 2015 | September 30, 2014 |
|-----------------------------|--------------------|--------------------|--------------------|
| Total revenues              | \$Nil              | \$Nil              | \$Nil              |
| Loss for the year           | \$(448,854)        | \$(217,372)        | \$(246,455)        |
| Loss per share              | \$(0.04)           | \$(0.02)           | \$(0.03)           |
| Total assets                | \$47,516           | \$105,626          | \$166,467          |
| Total long term liabilities | \$Nil              | \$Nil              | \$Nil              |

\* Loss per share for the fiscal years ending September 30 has been restated to take into consideration the stock consolidations that took place on May 13 and August 31, 2015 and March 4, 2016 (See Note 12).

**4. Results of Operations**

The following is a summary of the total project costs to date for the Gnome zinc project:

|                                  | Acquisition Costs | Project Costs | Total   |
|----------------------------------|-------------------|---------------|---------|
| Balance as of September 30, 2015 | 29,276            | 383,185       | 412,461 |
| Year ended September 30, 2016    | 276               | 944           | 1,220   |
| Balance as of September 30, 2016 | 29,552            | 384,129       | 413,681 |

The following is a summary of the total project costs to date for the Jean ore project:

|                                  | Acquisition Costs | Project Costs | Total  |
|----------------------------------|-------------------|---------------|--------|
| Balance as of September 30, 2015 | 11,516            | 13,754        | 25,270 |
| Year ended September 30, 2016    | -                 | 55,056        | 55,056 |
| Balance as of September 30, 2016 | 11,516            | 68,810        | 80,326 |

During the year ended September 30, 2016:

- Exploration costs increased \$41,802 from \$15,012 during the year ended September 30, 2015 ("FY2015") to \$56,814 during FY2016 primarily due to NI 43-101 technical report update on the Jean project.
- Management fees increased \$88,528 from \$81,306 during FY2015 to \$169,834 during FY2016 primarily due to the CEO appointment on April 1, 2015 and CFO appointment on March 1, 2015. \$12,500 per month was paid to the new CEO from October 1, 2015 to September 30, 2016.

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**4. Results of Operations (continued)**

- Office, administration and miscellaneous costs decreased \$21,279 from \$42,836 during FY2015 to \$21,557 during FY2016 primarily due to reduction in accounting and administrative services fees paid to Tintina Resources Inc.
- Professional fees decreased \$18,460 from \$52,588 during FY2015 to \$34,128 during FY2016 due to lower legal fees incurred.
- Regulatory and transfer agent fees decreased \$2,591 from \$25,540 during FY2015 to \$22,949 during FY2016 primarily due costs associated with share consolidations completed in FY2015.
- Share-based payments of \$143,104 incurred during FY2016 (\$nil FY2015) relate to stock options granted on June 20, 2016.

**5. Summary of Quarterly Results**

The following is a summary of certain financial information concerning the Company for the last eight reported quarters:

| Quarter Ended      | Total Revenues | Comprehensive Loss for the Period | Basic and Diluted Loss Per Share |
|--------------------|----------------|-----------------------------------|----------------------------------|
| December 31, 2014  | \$Nil          | \$ (25,579)                       | \$(0.00)                         |
| March 31, 2015     | \$Nil          | \$ (19,153)                       | \$(0.00)                         |
| June 30, 2015      | \$Nil          | \$ (80,111)                       | \$(0.00)                         |
| September 30, 2015 | \$Nil          | \$ (92,529)                       | \$(0.00)                         |
| December 31, 2015  | \$Nil          | \$ (114,648)                      | \$(0.01)                         |
| March 31, 2016     | \$Nil          | \$ (75,399)                       | \$(0.00)                         |
| June 30, 2016      | \$Nil          | \$ (208,106)                      | \$(0.01)                         |
| September 30, 2016 | \$Nil          | \$ (50,701)                       | \$(0.00)                         |

**6. Liquidity and Capital Resources**

As at September 30, 2016, the Company reported negative working capital of \$121,515. Net decrease in cash during FY2016 was \$51,997 leaving cash on hand in the amount of \$4,891.

Current assets excluding cash at September 30, 2016 consist of amounts receivable of \$146 and prepaid expenses of \$1,411.

Current liabilities as at September 30, 2016 consist of accounts payable, accrued liabilities and a shareholder loan of \$127,963.

**7. Off-Balance Sheet Arrangements and Commitments**

At the date of this MD&A, the Company had no off-balance sheet obligation. Commitments to incur exploration and evaluation costs are detailed in Note 6 of the Audited Financial Statements for the year ended September 30, 2016.

During fiscal 2015, the Company entered into an agreement with Futura Capital Ltd. to provide Chief Executive Officer services at a rate of \$12,500 per month (\$150,000 per year) for an indefinite term. The agreement can be terminated without cause by the Company with a fourteen (14) month cash payment in the amount of \$175,000.

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**8. Transactions with Related Parties**

During the years ended September 30, 2016 and 2015, the following amounts were incurred or paid to officers and directors and/or their related companies:

- i) The Company incurred \$19,834 (2015 - \$6,300) for CFO fees to a company controlled by common directors.
- ii) The Company incurred \$150,000 (2015 - \$75,006) for management fees to a company controlled by an officer.

As at September 30, 2016 and 2015, the following balance were due to officers and directors and/or related companies:

- i) Included in accounts payable and accrued liabilities is \$22,955 (2015: \$12,250) due to a company controlled by common directors and \$62,500 (2015: \$58,250) due to company controlled by the CEO. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. See Audited Financial Statements Subsequent Events Note 13. b) for further details.
- ii) During the year ended September 30, 2016 the Company received loans of \$250,000 (2015 - \$22,000) from directors of the Company or a company controlled by a director of the Company. During the year ended September 30, 2016 \$261,000 (2015 - \$nil) of the loans were repaid and as at September 30, 2016 a loan balance of \$11,000 (2015 - \$22,000) was due to directors or a company controlled by a director of the Company. These loans are unsecured, bear interest at a rate of 1~3% per annum and are due on demand.

**Key management personnel compensation:**

Key management personnel include the Chief Executive Officer (“CEO”), Chief Financial Officer, and directors of the Company. The remuneration of directors and officers of the Company is as follows:

|                           | <b>2016</b> |                | <b>2015</b> |               |
|---------------------------|-------------|----------------|-------------|---------------|
| Management fees           | \$          | 150,000        | \$          | 75,006        |
| CFO fees                  |             | 19,834         |             | 6,300         |
| Share-based payments      |             | 114,000        |             | -             |
| <b>Total remuneration</b> | <b>\$</b>   | <b>283,834</b> | <b>\$</b>   | <b>81,306</b> |

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.

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**9. Changes in Accounting Policies**

The preparation of financial statements in conformity with IFRS requires the Company to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses.

A detailed summary of the Company's significant accounting policies and adoption of new or amended accounting standards are included in Note 4 of the Audited Financial Statements for the year ended September 30, 2016.

**10. Financial Instruments and Other Instruments**

*Financial Instruments and Fair Value Measurements*

IFRS 13 – *Fair Value Measurement*, 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 statement of financial position as at September 30, 2016 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) |       |
| <b>Financial assets</b>   |   |   |   |       |
| Cash and cash equivalents | \$ 4,891  | \$ –  | \$ –                                      | 4,891 |

*Financial Risk*

(i) Credit Risk

Credit risk arises from 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 financial institutions.

As at September 30, 2016, the Company's maximum exposure to credit risk is the carrying value of cash of \$4,891.

(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 September 30, 2016, the Company had negative working capital of \$121,515. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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**10. Financial Instruments and Other Instruments (continued)**

*Financial Risk (continued)*

(ii) Liquidity Risk (continued)

As at September 30, 2016, the Company has negative working capital to discharge its existing financial obligations. Management intends to raise capital through the issuance of new shares; see Audited Financial Statements Subsequent Events Note 13. a) and c)

(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.

**11. Business Operations**

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 is 6153 Glendalough Pl., Vancouver, British Columbia, V6N 1S5, Canada.

At September 30, 2016, 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, 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.

**12. Outstanding Share Data**

Summary of Outstanding Share Data at December 20, 2016:

- i) Authorized:  
Unlimited common shares without par value  
  
Issued and outstanding:  
22,610,115 common shares
- ii) Stock options outstanding: 750,000
- iii) Warrants outstanding: 1,865,000 units

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**12. Outstanding Share Data (continued)**

On April 16, 2015, the Company's Board approved a consolidation of the Company's issued and outstanding share capital on a 2 old for 1 new basis. The stock consolidation was completed on May 13, 2015. On August 14, 2015 the Board approved a further consolidation on the Company's issued and outstanding share capital on a 2 old for 1 new basis. The stock consolidation was completed on August 31, 2015. Subsequently, on February 17, 2016 the Board approved a further consolidation of the issued and outstanding shares on a 2 old for 1 new basis. The stock consolidation was completed on March 4, 2016. All share capital and per share amounts in these financial statements have been adjusted to give retroactive effect to the share consolidation.

**13. Disclosure Controls**

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended September 30, 2016 in accordance with IFRS.

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at September 30, 2016. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these controls and procedures were effective.

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com). The shareholders will be kept informed of any material changes.