AsiaBaseMetals Inc.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2011 AND 2010

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
AsiaBaseMetals Inc.

We have audited the accompanying financial statements of AsiaBaseMetals Inc. which comprise the balance sheets as at September 30, 2011 and 2010, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of AsiaBaseMetals Inc. as at September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of AsiaBaseMetals Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

December 12, 2011

ASIABASEMETALS INC.

BALANCE SHEETS

AS AT SEPTEMBER 30, 2011 AND 2010

(Expressed in Canadian Dollars)

		2011		2010
ASSETS				
Current				
Cash	$	203,709	$	355,201
Amounts receivable		22,831		4,394
Prepaid expenses		45,105		–
		271,645		359,595
Resource property (Note 4)		284,566		271,495
Deposit on resource property (Note 5)		200,000		–
	$	756,211	$	631,090
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	38,489	$	18,000
Amounts due to related parties (Note 9)		–		55,500
		38,489		73,500
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		1,039,613		646,748
Contributed surplus (Note 7)		273,545		178,076
Deficit		(595,436)		(267,234)
		717,722		557,590
	$	756,211	$	631,090

NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

Approved by the Board of Directors:

"Raj Chowdhry"
Director

"Gerald Booth"
Director

ASIABASEMETALS INC.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR YEARS ENDED SEPTEMBER 30, 2011 AND 2010

(Expressed in Canadian Dollars)

		2011		**2010**
EXPENSES				
Advertising and promotion	$	17,505	$	399
Consulting fees		–		5,000
Exploration		6,020		–
Insurance		575		–
Interest and bank charges		677		595
Foreign exchange loss (gain)		(7,161)		(72)
Management fees		70,000		–
Office, administration and miscellaneous		33,104		28,977
Professional fees		71,709		16,091
Regulatory and transfer agent fees		16,304		13,989
Rent		24,000		24,000
Stock based compensation		95,469		178,076
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(328,202)		(267,055)
DEFICIT, BEGINNING OF YEAR		(267,234)		(179)
DEFICIT, END OF YEAR	$	(595,436)	$	(267,234)
BASIC AND DILUTED LOSS PER SHARE	$	0.00	$	0.00
WEIGHTED AVERAGE SHARES OUTSTANDING		69,514,476		68,692,558

ASIABASEMETALS INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

(Expressed in Canadian Dollars)

	2011	**2010**
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	$ (328,202)	$ (267,055)
Item not involving cash		
Stock based compensation	95,469	178,076
	(232,733)	(88,979)
Change in non-cash working capital items		
Amounts receivable	(18,437)	(4,394)
Prepaid expenses	(45,105)	–
Accounts payable and accrued liabilities	20,489	18,000
Due to related parties	(55,500)	55,500
Cash used in operating activities	(331,286)	(19,873)
FINANCING ACTIVITY		
Proceeds from private placement, net	392,865	–
Cash provided by financing activity	392,865	–
INVESTING ACTIVITY		
Resource property costs	(13,071)	(124,747)
Deposit on resource property	(200,000)	–
Cash used in investing activities	(213,071)	(124,747)
CHANGE IN CASH DURING THE YEAR	(151,492)	(144,620)
CASH, BEGINNING OF YEAR	355,201	499,821
CASH, END OF YEAR	$ 203,709	$ 355,201
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –

1. 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. At September 30, 2011, the Company had not yet determined whether its property contains ore reserves that are economically recoverable. The recoverability of amounts shown for resource property 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 resource property.

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

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Stock-based compensation

Stock options are recorded at their fair value over their vesting period as a compensation expense. The Company recognizes stock-based compensation expenses in accordance with CICA Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*.

When stock or stock options are issued to employees, a 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.

e) 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.

f) 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 year ended on September 30, 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.

g) 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. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments

The Company's financial instruments consist of cash, 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.

Originally, held-to-maturity investments, loans and receivable, and other financial liabilities are amortized at 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) Accounts payable and amounts due to related parties are classified as other financial liabilities and measured at amortized cost.

i) 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.

(Expressed in Canadian Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS

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 Company will issue its first IFRS annual financial statements for the fiscal year ending September 30, 2012, with restatement of comparative balance sheets as at September 30, 2011 and October 1, 2010 and statement of operations for the year ended September 30, 2011.

During the year ending September 30, 2012, the Company will issue interim IFRS financial statements prepared in accordance with IAS 34 "Interim Financial Reporting" for the periods ended December 31, 2011, March 31, 2012 and June 30, 2012, with restatement of comparative balance sheet as at September 30, 2011 and October 1, 2010 and statements of operations for the comparative periods presented.

4. RESOURCE PROPERTY

Gnome Zinc

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 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 Tintina's carrying value of the Gnome Zinc project of $146,748 and an increase in cash of $500,000.

During the year ended September 30, 2011 and 2010, the Company incurred the following acquisition and exploration costs on its Gnome Zinc property:

	October 1, 2010	**Acquisition Costs**	**Deferred Exploration Costs**	**September 30, 2011**
Gnome Zinc	$ 271,495	$ 6,452	$ 6,619	$ 284,566

	October 1, 2009	**Acquisition Costs**	**Deferred Exploration Costs**	**September 30, 2010**
Gnome Zinc	$ 146,748	$ 9,873	$ 114,874	$ 271,495

(Expressed in Canadian Dollars)

5. DEPOSIT ON RESOURCE PROPERTY

On September 1, 2011, the Company signed a letter of intent to purchase an interest in a potash exploration property (the "Vientiane Potash Project") located in the Huaxieng – Xaithany area of Vientiane province, Laos.

The consideration payable by the Company to acquire the 90% interest in the Vientiane Potash Project will be up to an aggregate of $4,000,000 in cash payments and the issuance of up to an aggregate of 22,000,000 common shares, payable in stages on completion of specific financing, resource and engineering studies, mine development and construction milestones.

Under the letter of intent, the Company agreed to advance $200,000 as a deposit which was paid as at September 30, 2011. The vendor may use the deposit to fund expenditures related to the transfer of the Vientiane Potash Project and if the definitive agreement did not complete, $175,000 of the deposit would be refundable.

As at December 12, 2011, the definitive agreement had not been completed and the Company has negotiated an extension for entering into a definitive agreement and seeking regulatory approval.

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	68,692,558		646,748
Private placement	2,000,000		400,000
Share issuance costs	–		(7,135)
Balance at September 30, 2011	**70,692,558**	**$**	**1,039,613**

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

(Expressed in Canadian Dollars)

7. CONTRIBUTED SURPLUS

		2011		**2010**
Balance, beginning of period	$	178,076	$	–
Add: Stock-based compensation (Note 8)		95,469		178,076
Balance at September 30, 2011	$	273,545	$	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 year ended September 30, 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 September 30, 2011	1,790,000	$ 0.20

The following table summarizes stock options outstanding and exercisable at September 30, 2011:

	Options Outstanding			Options Exercisable	
Exercise Price $	Number of Shares	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
0.20	1,790,000	3.58	0.20	1,259,996	0.20

Stock options outstanding at September 30, 2011 will expire on April 28, 2015.

(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 granted during the year ended September 30, 2010 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:

	2010
Risk free interest rate	2.59%
Expected dividend yield	0%
Expected stock price volatility	161%
Expected life of options	5 years

The weighted average per share fair value of options granted during the year ended September 30, 2010 was $0.17 per option.

9. 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 on terms and conditions similar to non-related entities:

		2011		**2010**
Management fees	$	70,000	$	–
Rent fees		24,000		24,000
Administration fees		31,026		24,000
Geological services fees		5,625		7,500
	$	130,651	$	55,500

Management fees of $70,000 were paid to a company owned by the President of the Company for his services in his role.

Rent, administration and geological fees were paid to Tintina for services received during the year. Geological fees of $5,625 (2010: $7,500) were capitalized as exploration costs.

As at September 30, 2010, the Company owed $55,500 to Tintina. The amount was non-interest bearing, unsecured and is due upon demand.

(Expressed in Canadian Dollars)

10. INCOME TAXES

The Company has losses carried forward of approximately $323,390 available to reduce income taxes in future years. The losses expire between 2029 and 2031.

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:

	2011	2010
Canadian statutory income tax rate	27.00%	28.88%
Income tax recovery at statutory rate	$ 88,628	$ 74,810
Effect of income taxes of:		
Permanent differences	(25,777)	(51,425)
Change in tax rates and other	(866)	(3,149)
Valuation allowance	(61,985)	(20,236)
Future income tax recoverable	$ –	$ –

The tax effects of temporary differences that give rise to significant portions of the future tax assets at September 30, 2011 and 2010 are presented below:

	2011	2010
Non-capital loss carry-forwards	$ 80,848	$ 20,290
Share issuance costs	1,427	–
Valuation allowance	(82,275)	(20,290)
	$ –	$ –

11. 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.

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.

(Expressed in Canadian Dollars)

11. MANAGEMENT OF CAPITAL (continued)

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.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

a) Financial Instruments

As at September 30, 2011, the Company's financial instruments include cash and accounts payable. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

	Classification		**2011**
Cash and cash equivalents	Held-for-trading	$	203,709
Accounts payable	Other financial liabilities	$	38,489

b) Fair Value Measurements

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of September 30, 2011 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	203,709	–	–	203,709

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. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions.

As at September 30, 2011, the Company's maximum exposure to credit risk is the carrying value of cash of $203,209.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

c) Financial Risks (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 September 30, 2011, the Company had working capital of $233,156. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at September 30, 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.

13. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results.