



**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2014 AND 2013**



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
AsiaBaseMetals Inc.

We have audited the accompanying financial statements of AsiaBaseMetals Inc. which comprise the statements of financial position as at September 30, 2014 and 2013, and the statements of comprehensive loss, changes in equity 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 audits 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, 2014 and 2013, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 1 and 2(c) 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 17, 2014

ASIABASEMETALS INC.**STATEMENTS OF FINANCIAL POSITION****AS AT SEPTEMBER 30, 2014 AND 2013**(Expressed in Canadian Dollars)

	2014	2013
ASSETS		
Current		
Cash	\$ 123,277	\$ 146,719
Amounts receivable	414	2,549
Prepaid expenses	13,500	16,850
	137,191	166,118
Exploration and evaluation assets (Note 6)	29,276	29,276
	\$ 166,467	\$ 195,394
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 32,239	\$ 20,311
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	1,637,092	1,431,492
Share-based payment reserves	298,580	298,580
Accumulated deficit	(1,801,444)	(1,554,989)
	134,228	175,083
	\$ 166,467	\$ 195,394

CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Note 1)
SUBSEQUENT EVENT (Note 14)

Approved by the Board on December 17, 2014:

"Raj Chowdhry"
Director

"Ken Collison"
Director

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

ASIABASEMETALS INC.**STATEMENTS OF COMPREHENSIVE LOSS****FOR YEARS ENDED SEPTEMBER 30, 2014 AND 2013**(Expressed in Canadian Dollars)

	2014	2013
EXPENSES		
Separation payment (Note 9)	\$ 60,000	\$ -
Office, administration, and miscellaneous (Note 13)	59,275	61,044
Management fees (Note 9)	53,233	120,000
Professional fees	30,563	28,448
Travel	28,302	895
Regulatory and transfer agent fees	13,560	16,323
Exploration, net	1,863	(3,458)
Interest and bank charges	120	(23)
Foreign exchange gain	(461)	(725)
LOSS FROM OPERATIONS	(246,455)	(222,504)
OTHER ITEMS		
Other income (Note 7(b)(i))	-	10,000
NET LOSS AND COMPREHENSIVE LOSS	\$ (246,455)	\$ (212,504)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	74,670,755	72,900,892

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

ASIABASEMETALS INC.**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**(Expressed in Canadian Dollars)

	Common Shares (Note 7)		Share-based Payment 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
Net loss and comprehensive loss	-	-	-	(212,504)	(212,504)
Balances at September 30, 2013	72,900,892	\$ 1,431,492	\$ 298,580	\$ (1,554,989)	\$ 175,083
Private Placement, net of issuance costs	4,250,000	205,600	-	-	205,600
Net loss and comprehensive loss	-	-	-	(246,455)	(246,455)
Balances at September 30, 2014	77,150,892	\$ 1,637,092	\$ 298,580	\$ (1,801,444)	\$ 134,228

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

ASIABASEMETALS INC.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**(Expressed in Canadian Dollars)

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (246,455)	\$ (212,504)
Item not involving cash:		
Flow-through share premium liability	-	(10,000)
	(246,455)	(222,504)
Change in non-cash working capital items		
Amounts receivable	2,135	10,514
Prepaid expenses	3,350	(107)
Accounts payable and accrued liabilities	11,928	(10,570)
Cash used in operating activities	(229,042)	(222,667)
INVESTING ACTIVITY		
Exploration and evaluation costs	-	(1,000)
Cash provided used in investing activity	-	(1,000)
FINANCING ACTIVITY		
Proceeds from private placement, net	205,600	-
Cash provided by financing activity	205,600	-
DECREASE IN CASH DURING THE YEAR	(23,442)	(223,667)
CASH, BEGINNING OF YEAR	146,719	370,386
CASH, END OF YEAR	\$ 123,277	\$ 146,719

Supplemental Cash Flow Information

Income taxes paid	\$	-	\$	-
Interest paid	\$	-	\$	-

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

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(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 is a growth company focused on the exploration and development of zinc and base metals. The address of the Company's corporate office and principal place of business is Suite 2560, 200 Granville Street, Vancouver, British Columbia, V6C 1S4, Canada.

At September 30, 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The significant accounting policies used in the preparation of these financial statements are described below.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Certain figures presented in the Statements of Comprehensive Loss for comparative purposes have been reclassified to conform to current year's presentation. The comparative amounts have been reclassified to better reflect the nature of the expenses. See Note 13 for the items and amounts reclassified.

c) Going Concern

These 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 \$1,801,444 at September 30, 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 Equivalents**

Cash in the statements of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

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 at the end of each reporting period and 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 share-based payment 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 expense or credit in statement of loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in share-based payments expense.

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.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**f) Share-based payment transactions (continued)**

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. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on the share issuance price and the market price at the time of closing. A liability is recognized for the premium on the flow-through shares and is subsequently reversed and recorded as other income as the Company incurs qualifying Canadian exploration expenses.

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 statement of financial position date are recognized in the statement of comprehensive loss.

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.

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.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 at the statement of financial position 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 statement of financial position 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.

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

In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a deferred income tax recovery in operations in the period of renunciation.

Deferred tax items are recognized 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.

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.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**l) Financial assets (continued)**

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost.

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 September 30, 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 method. The effective interest 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 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. At September 30, 2014, the Company has not classified any financial liabilities as FVTPL.

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 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.

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 deferred income taxes, assessment of decommissioning provision and assessment of impairment of exploration and evaluation assets.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**(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.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective or assessments with a significant risk of material adjustment in the next year.

(ii) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 2(c).

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 7 – Financial Instruments: Disclosures

Amendment to IFRS 7 requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's financial statements.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS (continued)*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 financial statements. Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture were issued in September 2014 (Note 5).

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 financial statements as the Company does not have any joint arrangements. An amendment to IFRS 11 was issued in May 2014 regarding the accounting for acquisitions of an interest in a joint operation (Note 5).

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 financial statements as the Company does not currently have any interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements to improve consistency and to reduce complexity by providing a precise definition of fair value and disclosure requirements. The full disclosure requirement of IFRS 13 is incorporated in Note 12.

IAS 1 – Presentation of Financial Statements

Amendment to IAS 1 requires entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled to net income in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately including prior year comparatives. The adoption of this IFRS did not impact the Company's financial statements.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS (continued)*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 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.

New accounting standards effective for annual periods on or after October 1, 2014:

IAS 32 – Financial Instruments: Presentation

In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

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.

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.

IFRIC 21 – Levies

IFRIC 21 provides guidance on when to recognize 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.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New accounting standards effective for annual periods on or after October 1, 2016:

IFRS 10 – Consolidated Financial Statements

In September 2014, amendments to IFRS 10 were issued to provide guidance on recognising gains and losses from the loss in control of a subsidiary in the parent's profit or loss.

IFRS 11 – Joint Arrangements

In May 2014, an amendment to IFRS 11 was issued addressing guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment now specifies the appropriate accounting treatment for such acquisitions and requires applying the principles in IFRS 3 – *Business Combinations*, when acquiring an interest in a joint operation that constitutes a business.

New accounting standards effective for annual periods on or after October 1, 2018:

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

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.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Gnome Zinc, BC (continued)

Expenditures for the years ended September 30, 2014 and 2013 are as follows:

	October 1, 2013	Acquisition Costs	September 30, 2014
Gnome Zinc	\$ 29,276	\$ -	\$ 29,276
	October 1, 2012	Acquisition Costs	September 30, 2013
Gnome Zinc	\$ 28,276	\$ 1,000	\$ 29,276

Jean Property

On August 25, 2014, the Company entered into an option agreement to acquire a 100% interest in the Jean Iron Ore Project ("Jean Property") from Great Lakes Resources Ltd. ("Great Lakes"). The Jean Property is an iron ore exploration property consisting of 17 claims totalling 1,824 hectares located in the Thunder Bay Mining District of Ontario. The transaction was approved by the TSX Venture Exchange ("TSX-V") subsequent to the year ended September 30, 2014 (Note 14).

The Company will be required to make the following cash and share payments to Great Lakes on or before the following dates:

	Cash	Common shares
Within two business days of TSX-V acceptance ; (issued subsequent to year end – see Note 14)	-	50,000
On or before November 30, 2015;	-	50,000
On or before the later of: (a) the date of completion of a second NI 43-101 compliant technical report ; or (b) March 31, 2017	\$100,000	500,000
On or before the commencement of a drilling program of over \$100,000 on the Project (the "Drilling Date"); and	\$100,000	500,000
On or before the completion of a NI 43-101 compliant technical report on the Property containing a resources estimate of over 100,000,000 tonnes.	\$100,000	500,000
	\$300,000	1,600,000

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)**Jean Property (continued)**

Further, the Company is required to incur total exploration expenditures of \$160,000 on or before September 30, 2016 as follows:

Expenditures		
\$	10,000	On or before March 31, 2015
\$	50,000	On or before September 30, 2015
\$	100,000	On or before September 30, 2016
<hr/>		
\$	160,000	
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The Company agreed to pay Great Lakes 2% of Net Smelter Returns on the Property. The Company also has an exclusive option to purchase 1% of the Net Smelter Royalty at a purchase price of \$2,000,000 at any time starting on the date that the Property is put into commercial production.

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 September 30, 2014: 77,150,892 (2013 – 72,900,892) common shares.
 - i. 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 are 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. During the year ended September 30, 2013, the flow-through share premium liability was reversed and recorded as other income on the statement of comprehensive loss when the Company renounced the exploration expenditures.
 - ii. On May 2, 2014, the Company completed a non-brokered private placement of 4,250,000 common shares at a price of \$0.05 per share, raising gross proceeds of \$212,500. The Company incurred share issuance costs of \$6,900 in connection with the private placement. All shares are subject to a four month hold period that expired on September 3, 2014.

See Statements of Changes in Equity for details.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**(Expressed in Canadian Dollars)

8. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS

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).

During the year ended September 30, 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	1,680,000	\$ 0.20
Balance at September 30, 2013	1,680,000	\$ 0.20
Forfeited	(135,000)	\$ 0.20
Balance at September 30, 2014	1,545,000	\$ 0.20

The following table summarizes stock options outstanding and exercisable at September 30, 2014:

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	1,545,000	0.58	0.20	1,545,000	0.20

Stock options outstanding at September 30, 2014 will expire on April 28, 2015.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

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:

	2014		2013	
Management fees	\$	53,233	\$	120,000
Separation payment		60,000		-
Total remuneration	\$	113,233	\$	120,000

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.

During the year ended September 30, 2014, the Company paid \$40,000 of the separation payment to the former CEO of the Company. As at September 30, 2014, \$20,000 of the separation payment remains in accounts payable and accrued liabilities. No post-employment benefits were paid to key management personnel.

10. INCOME TAXES

The Company has losses carried forward of approximately \$1,172,000 available to reduce income taxes in future years. The losses expire between 2029 and 2034.

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 deferred income tax assets. 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.

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

	2014		2013	
<u>Canadian statutory income tax rate</u>		<u>26.00%</u>		<u>25.50%</u>
Income tax recovery at statutory rate	\$	64,079	\$	54,186
Effect of income taxes of:				
Permanent differences		935		2,022
Change in tax rates and other		(7,749)		(866)
Tax benefits not recognized		(57,265)		(55,342)
<u>Deferred income tax recoverable</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at September 30, 2014 and 2013 are presented below:

	2014	2013
Non-capital loss carry-forwards	\$ 304,657	\$ 239,636
Share issuance costs	4,211	4,349
Resource properties	72,011	79,629
Unrecognized deferred tax assets	(380,879)	(323,614)
	<u>\$ -</u>	<u>\$ -</u>

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 to.

As at September 30, 2014, the Company had capital resources consisting of cash. 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.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

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).

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(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2014 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)	
Financial assets				
Cash	\$ 123,277	\$ –	\$ –	\$ 123,277

*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, 2014, the Company's maximum exposure to credit risk is the carrying value of cash of \$123,277.

(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, 2014, the Company had working capital of \$104,952. 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, 2014, 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.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)**(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 AMOUNTS

The following comparative amounts have been reclassified to office, administration, and miscellaneous fees on the Statement of Comprehensive Loss to conform to the current year's presentation.

For the year ended September 30, 2013

Advertising and promotion	\$	8,732
Insurance		16,850
Office, administration, and miscellaneous		24,962
Rent		10,500
Total office, administration, and miscellaneous	\$	61,044

14. SUBSEQUENT EVENT

On November 12, 2014, the Company received the acceptance of the Jean Property option agreement from the TSX-V. Pursuant to the option agreement, the Company issued 50,000 common shares to Great Lakes Resources Ltd. on November 13, 2014 (see Note 6).