



**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2012 AND 2011**



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, 2012, September 30, 2011 and October 1, 2010 and the statements comprehensive loss, changes in equity and cash flows for the years ended September 30, 2012 and September 30, 2011, 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 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, 2012, September 30, 2011 and October 1, 2010, and its financial performance and cash flows for the years ended September 30, 2012 and September 30, 2011 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 Note 2 to these financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of AsiaBaseMetals Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

December 7, 2012

ASIABASEMETALS INC.**STATEMENTS OF FINANCIAL POSITION****AS AT SEPTEMBER 30, 2012, SEPTEMBER 30 2011 AND OCTOBER 1, 2010**(Expressed in Canadian Dollars)

	September 30, 2012	September 30, 2011	October 1, 2010
ASSETS		(Note 13)	(Note 13)
Current			
Cash	\$ 370,386	\$ 203,709	\$ 355,201
Amounts receivable	13,063	22,831	4,394
Prepaid expense	16,743	45,105	-
	400,192	271,645	359,595
Exploration and evaluation assets (Note 5)	28,276	28,276	21,824
Deposit on exploration and evaluation assets (Note 6)	-	200,000	-
	\$ 428,468	\$ 499,921	\$ 381,419
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	\$ 30,881	\$ 38,489	\$ 18,000
Amount due to related party	-	-	55,500
Flow-through share premium liability (Note 7)	10,000	-	-
	40,881	38,489	73,500
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	1,431,492	1,039,613	646,748
Share-based payment reserves	298,580	273,545	178,076
Accumulated deficit	(1,342,485)	(851,726)	(516,905)
	387,587	461,432	307,919
	\$ 428,468	\$ 499,921	\$ 381,419

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

Approved by the Board on December 7, 2012:

"Raj Chowdhry"
Director

"Gerald Booth"
Director

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

ASIABASEMETALS INC.**STATEMENTS OF COMPREHENSIVE LOSS****FOR YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

	2012	2011
		(Note 13)
EXPENSES		
Advertising and promotion	\$ 10,824	\$ 17,505
Exploration, net	103,435	12,639
Foreign exchange loss (gain)	2,902	(7,161)
Insurance	17,425	575
Interest and bank charges	298	677
Management fees (Note 9)	120,000	70,000
Office, administration, and miscellaneous (Note 9)	48,238	33,104
Professional fees	84,970	71,709
Regulatory and transfer agent fees	18,163	16,304
Rent (Note 9)	24,000	24,000
Share-based payments	25,035	95,469
Travel	35,469	-
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (490,759)	\$ (334,821)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.01)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	71,865,942	69,514,476

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

ASIABASEMETALS INC.**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

	Common Shares (Note 7)		Share-based Payment Reserves	Accumulated Deficit	Total
	Number of Common Shares	Amount			
Balances at October 1, 2010	68,692,558	\$ 646,748	\$ 178,076	\$ (516,905)	\$ 307,919
Share-based payments	-	-	95,469	-	95,469
Private placement, net	2,000,000	392,865	-	-	392,865
Loss and comprehensive loss	-	-	-	(334,821)	(334,821)
Balances at September 30, 2011	70,692,558	\$ 1,039,613	\$ 273,545	\$ (851,726)	\$ 461,432
Balances at October 1, 2011	70,692,558	\$ 1,039,613	\$ 273,545	\$ (851,726)	\$ 461,432
Share-based payments	-	-	25,035	-	25,035
Private placement, net	2,208,334	391,879	-	-	391,879
Loss and comprehensive loss	-	-	-	(490,759)	(490,759)
Balances at September 30, 2012	72,900,892	\$ 1,431,492	\$ 298,580	\$ (1,342,485)	\$ 387,587

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

ASIABASEMETALS INC.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

	2012	2011 (Note 13)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (490,759)	\$ (334,821)
Items not involving cash:		
Non-refundable exploration deposit	11,663	-
Share-based payments	25,035	95,469
	<u>(454,061)</u>	<u>(239,352)</u>
Change in non-cash working capital items		
Amounts receivable	9,768	(18,437)
Prepaid expenses	28,362	(45,105)
Accounts payable and accrued liabilities	(7,608)	20,489
Due to related party	-	(55,500)
	<u>(423,539)</u>	<u>(337,905)</u>
Cash used in operating activities	(423,539)	(337,905)
INVESTING ACTIVITY		
Exploration and evaluation costs	-	(6,452)
Refunded deposit on exploration and evaluation assets	188,337	(200,000)
	<u>188,337</u>	<u>(206,452)</u>
Cash provided by (used in) investing activity	188,337	(206,452)
FINANCING ACTIVITY		
Proceeds from issuance of common stock, net	401,879	392,865
	<u>401,879</u>	<u>392,865</u>
Cash provided by financing activity	401,879	392,865
INCREASE (DECREASE) IN CASH DURING THE YEAR	166,677	(151,492)
CASH, BEGINNING OF YEAR	203,709	355,201
CASH, END OF YEAR	\$ 370,386	\$ 203,709

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

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS

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

At September 30, 2012, 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 Accounting Standards 1, *Presentation of Financial Statements* ("IAS 1") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements are prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS1").

b) 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 \$1,342,485 at September 30, 2012. 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.

c) Cash Equivalents

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

d) Exploration and evaluation assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets (continued)

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.

e) Share-based payment transactions

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**f) 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.

g) Foreign Currency

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

h) 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.

i) 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.

j) 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 balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes (continued)

ii) Deferred tax

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

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

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

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 recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

k) Financial assets

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

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

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

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, 2012, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial liabilities

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

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these 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 income taxes, share-based payments, and assessment of impairment of exploration and evaluation assets.

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Impairment (continued)

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

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. As a result from the issuance of IFRS 9, there were amendments to IAS 32, *Financial Instruments – Presentation*, to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers.

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.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)*IFRS 13 – Fair Value Measurement*

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

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

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

IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

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

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

Expenditure for the year ended September 30, 2012 and the year ended September 30, 2011 is as follows:

	October 1, 2011	Acquisition Costs	September 30, 2012
Gnome Zinc	\$ 28,276	\$ -	\$ 28,276

	October 1, 2010	Acquisition Costs	September 30, 2011
Gnome Zinc	\$ 21,824	\$ 6,452	\$ 28,276

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

(Expressed in Canadian Dollars)

6. DEPOSIT ON EXPLORATION AND EVALUATION ASSETS

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 Huaxiang – 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 terms of the letter of intent, the Company agreed to advance \$200,000 as a deposit. The vendor was able to use the deposit to fund expenditures related to the transfer of the Vientiane Potash Project and if the definitive agreement is not completed, \$175,000 of the deposit will be refundable.

On January 17, 2012, the Company signed a Purchase and Sale agreement (the "Agreement") to acquire the 90% interest in the Vientiane Potash Project. The Company performed technical and legal due diligence on the project.

In addition, on February 8, 2012, the Company entered into an agreement whereby the vendor promises to pay, without set off, deduction or counterclaim of any kind or nature, \$100,000 to the Company on demand on or after July 15, 2012 to secure the preparation of a geological report.

The Promissory Note will terminate and be of no further force or effect on the date of closing, as defined in the Agreement.

On July 19, 2012, the Company terminated the Agreement, in accordance with its terms due to fundamental conditions to closing not having been fulfilled.

On August 13, 2012, the Company received payment totalling \$275,000 from the vendor as settlement of two promissory notes.

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, 2012: 72,900,892 (2011 – 70,692,558) common shares.
- c) On February 21, 2012, the Company closed a non-brokered private placement. The Company issued 1,875,000 common shares at a price of \$0.20 per share, raising gross proceeds of \$375,000. The Company paid finder's fees and share issue costs in the amount of \$18,406 in connection with the private placement.
- d) 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 expires 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.

See Statements of Changes in Equity for details.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

8. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS

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

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

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

During the year ended September 30, 2012, 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 2011	1,790,000	\$ 0.20
Cancelled	(110,000)	\$ 0.20
Balance at September 30, 2012	1,680,000	\$ 0.20

The following table summarizes stock options outstanding and exercisable at September 30, 2012:

Exercise Price \$	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$
0.20	1,680,000	2.58	0.20	1,680,000	0.20

Stock options outstanding at September 30, 2012 will expire on April 28, 2015.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

	2012		2011
Rent	\$ 24,000	\$	24,000
Administration fees	41,806		31,026
Geological services fees	-		5,625
Other	3,734		-
	<u>\$ 69,540</u>	<u>\$</u>	<u>60,651</u>

Rent, administration fees, geological services fees, and other fees of \$69,540 were payable to Tintina for services received during the year ended September 30, 2012 (2011 - \$60,651). Tintina is a related party having three directors and a major shareholder in common with the Company.

Key management personnel compensation:

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

	2012		2011
Management fees	\$ 120,000	\$	70,000
Share-based payments	23,097		86,161
Total remuneration	<u>\$ 143,097</u>	<u>\$</u>	<u>156,161</u>

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Short-term benefits include management fees paid to the President of the Company for his services in his role. No post-employment benefits were paid to key management personnel during the year ended September 30, 2012.

10. INCOME TAXES

The Company has losses carried forward of approximately \$690,588 available to reduce income taxes in future years. The losses expire between 2029 and 2032.

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:

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

	2012	2011
Canadian statutory income tax rate	25.38%	27.00%
Income tax recovery at statutory rate	\$ 124,555	\$ 90,402
Effect of income taxes of:		
Permanent differences	(776)	(25,777)
Change in tax rates and other	(1,855)	(866)
Tax benefits not recognized	(121,924)	(63,759)
Deferred income tax recoverable	\$ -	\$ -

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at September 30, 2012 and 2011 are presented below:

	2012	2011
Non-capital loss carry-forwards	\$ 172,647	\$ 80,848
Share issuance costs	5,694	1,427
Resource properties	89,931	64,073
Unrecognized deferred tax assets	(268,272)	(146,348)
	\$ -	\$ -

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, 2012, the Company had capital resources consisting of cash and amounts receivable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

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

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

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

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

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

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

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

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

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2012 as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash	\$ 370,386	\$ -	\$ -	370,386

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 high credit quality financial institutions. However, as at September 30, 2012 cash substantially exceeded the amounts covered under federal deposit insurance.

As at September 30, 2012, the Company's maximum exposure to credit risk is the carrying value of cash of \$370,386.

(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, 2012, the Company had working capital of \$359,311. 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, 2012, 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.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(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. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these financial statements are for the period covered by the Company's first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the financial statements for the years ended September 30, 2012 and 2011, and the opening IFRS statement of financial position on October 1, 2010 (the "Transition Date") and September 30, 2011.

In accordance with IFRS 1, estimates cannot be created or revised using hindsight. The estimates made by the company under Pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy. In preparing the opening IFRS statement of financial position and the interim condensed financial statements for the year ended September 30, 2011, the Company has reviewed the amounts reported previously in financial statements that were prepared in accordance with Pre-changeover GAAP. An explanation of how the transition from Pre-changeover GAAP to IFRS has affected the Company's financial statements is set out in the following tables below.

The guidance for the first time adoption of IFRS is set out in IFRS 1 which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to utilize the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 2 – *Share-Based Payment*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

Upon transition to IFRS, the Company as permitted by the IASB framework chooses to expense Exploration and Evaluation Assets; previously capitalized under Canadian GAAP. The change of accounting policy has been applied retroactively. It is management's view that this policy results in information that is more relevant and reliable to users of the financial statements. The Company continues to capitalize direct costs and leases.

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The October 1, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

**Statement of Financial Position
As at October 1, 2010**

	Canadian GAAP	Transition Adjustments	IFRS
ASSETS			
Current			
Cash	\$ 355,201	\$ -	\$ 355,201
Amounts receivable	4,394	-	4,394
	359,595	-	359,595
Non-current			
Exploration and evaluation assets	271,495	(249,671)	21,824
	\$ 631,090	\$ (249,671)	\$ 381,419
LIABILITIES			
Accounts payable and accrued liabilities	\$ 18,000	\$ -	\$ 18,000
Amounts due to related party	55,500	-	55,500
	73,500	-	73,500
SHAREHOLDERS' EQUITY			
Share capital	646,748	-	646,748
Share-based payment reserves	178,076	-	178,076
Accumulated deficit	(267,234)	(249,671)	(516,905)
	557,590	(249,671)	307,919
	\$ 631,090	\$ (249,671)	\$ 381,419

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The September 30, 2011 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

Statement of Financial Position**As at September 30, 2011**

	Canadian GAAP		Transition Adjustments		IFRS
ASSETS					
Current					
Cash	\$ 203,709	\$	-	\$	203,709
Amounts receivable	22,831		-		22,831
Prepaid expenses and other assets	45,105		-		45,105
	271,645		-		271,645
Non-current					
Exploration and evaluation assets	284,566		(256,290)		28,276
Deposit on exploration and evaluation assets	200,000		-		200,000
	\$ 756,211	\$	(256,290)	\$	499,921
LIABILITIES					
Accounts payable and accrued liabilities	\$ 38,489	\$	-	\$	38,489
SHAREHOLDERS' EQUITY					
Share capital	1,039,613		-		1,039,613
Share-based payment reserves	273,545		-		273,545
Accumulated deficit	(595,436)		(256,290)		(851,726)
	717,722		(256,290)		461,432
	\$ 756,211	\$	(256,290)	\$	499,921

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Canadian GAAP statement of comprehensive loss for the year ended September 30, 2011 has been reconciled to IFRS as follows:

**Statement of Operations and Comprehensive Loss
Year Ended September 30, 2011**

	Canadian GAAP		Transition Adjustments		IFRS
EXPENSES					
Advertising and promotion	\$ 17,505	\$	-	\$	17,505
Exploration	6,020		6,619		12,639
Foreign exchange loss (gain)	(7,161)		-		(7,161)
Insurance	575		-		575
Interest and bank charges	677		-		677
Management fees	70,000		-		70,000
Office, administration and miscellaneous	33,104		-		33,104
Professional fees	71,709		-		71,709
Regulatory and transfer agent fees	16,304		-		16,304
Rent	24,000		-		24,000
Share-based payments	95,469		-		95,469
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (328,202)	\$	(6,619)	\$	(334,821)

ASIABASEMETALS INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**(Expressed in Canadian Dollars)

13. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Canadian GAAP statement of cash flows for the year ended September 30, 2011 has been reconciled to IFRS as follows:

Statement of Cash Flows**Year Ended September 30, 2011**

	Canadian GAAP	Transition Adjustment	IFRS
OPERATING ACTIVITIES			
Loss for the period	\$ (328,202)	\$ (6,619)	\$ (334,821)
Items not involving cash			
Share-based payments	95,469	-	95,469
	(232,733)	(6,619)	(239,352)
Change in non-cash working capital items:			
Amounts receivable	(18,437)	-	(18,437)
Prepaid expenses and other assets	(45,105)	-	(45,105)
Accounts payable and accrued liabilities	20,489	-	20,489
Due to related party	(55,500)	-	(55,500)
Cash used in operating activities	(331,286)	(6,619)	(337,905)
FINANCING ACTIVITIES			
Proceeds from issuance of shares, net	392,865	-	392,865
Cash provided by financing activities	392,865	-	392,865
INVESTING ACTIVITIES			
Exploration and evaluation costs	(13,071)	6,619	(6,452)
Deposit on exploration and evaluation assets	(200,000)	-	(200,000)
Cash (used in) from investing activities	(213,071)	6,619	(206,452)
CHANGE IN CASH DURING THE YEAR	(151,492)	-	(151,492)
CASH, BEGINNING OF YEAR	355,201	-	355,201
CASH, END OF YEAR	\$ 203,709	\$ -	\$ 203,709
