



## **Management Discussion and Analysis**

**FOR THE SIX MONTHS ENDED MARCH 31, 2012**

# **ASIABASEMETALS INC.**

## **Management Discussion and Analysis**

### **For the six months ended on March 31, 2012**

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#### **1.1 General**

This Management Discussion and Analysis (“MD&A”) of AsiaBaseMetals Inc. (the “Company”) has been prepared by management as of May 23, 2012 and should be read in conjunction with the unaudited interim condensed financial statements and related notes thereto of the Company for the six months ended on March 31, 2012, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Corporation are available on the Company’s website at [www.asiabasemetals.com](http://www.asiabasemetals.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

#### **Description of Business**

The Company was incorporated on August 11, 2009 under the laws of British Columbia. The Company’s principal business activities include the acquisition, exploration and development of resource property. At March 31, 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, 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.

#### **1.2 Overall Performance**

For the six month period ending on March 31, 2012, the Company incurred a loss of \$372,153 and had an accumulated deficit of \$1,223,879. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The Company’s cash position at March 31, 2012 was \$308,094.

During the six month period ended March 31, 2012:

- Exploration costs increased \$103,660 from \$10,764 during the six months ended March 31, 2011 to \$114,424 during the six months ended March 31, 2012 primarily due to technical and legal due diligence work performed for new exploration opportunities.
- Professional fees increased \$39,683 from \$14,301 during the six months ended March 31, 2011 to \$53,984 during the six months ended March 31, 2012 primarily due to accounting, tax, and legal fees incurred with respect to new exploration opportunities.
- The Company incurred \$35,469 of travel expenses during the six months ended March 31, 2012 (2011 - \$nil) for due diligence work related to the Vientiane Potash Project.
- The Company paid \$60,000 of management fees to a company owned by the President of the Company during the six months ended March 31, 2012 (2011 - \$10,000).

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#### 1.2 Overall Performance (continued)

- Office, administration and miscellaneous costs increased \$19,583 from \$13,343 in the six months ended March 31, 2011 to \$32,926 in the six months ended March 31, 2012. This increase in costs is related to fees paid to Tintina Resources for accounting and administrative services.
- Share-based payments decreased \$44,822 from \$66,429 in the six months ended March 31, 2011 to \$21,607 in the six months ended March 31, 2012. The Company granted 1,790,000 stock options to directors, senior officers, employees, independent contractors and consultants of the Company on April 28, 2010. The options are exercisable for a period of five years, at a price of \$0.20 per share. As at March 31, 2012, 1,259,996 of the 1,786,666 outstanding are exercisable.

#### 1.3 Selected Annual Information

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

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	September 30, 2011	September 30, 2010 <sup>(1)</sup>
Total revenues	\$Nil	\$Nil
Loss for the year	\$(334,821)	\$(267,055)
Loss per share	\$0.00	\$0.00
Total assets	\$499,921	\$631,090
Total long term liabilities	\$Nil	\$Nil

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<sup>(1)</sup> Financial information for the year ended September 30, 2010 is presented in accordance with Canadian GAAP and has not been restated in accordance with IFRS.

#### 1.4 Results of Operations

AsiaBaseMetals Inc. is a growth company focused globally on exploration and development of zinc and base metals. The Company currently has one property, Gnome, located in British Columbia, Canada and a signed letter of intent ("LOI") to acquire a majority interest in a potash project located in Laos dated September 1, 2011.

The Company is primarily focused on advancing the Gnome property, and identifying, acquiring and developing copper and other base- and precious-metal properties in Asia, and North and South America.

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**1.4 Results of Operations (continued)**

**Gnome Zinc Project**

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

Work on the Gnome project to date includes mapping and sampling during the 1970's and recent work by the Company. The Company conducted an exploration program in fiscal 2010 comprised of an airborne EM and magnetic survey, soil and rock sampling, and detailed geologic mapping of anomaly areas. The Company is planning additional geologic work in fiscal 2012.

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

	Acquisition Costs	Project Costs	Total
Balance as of September 30, 2011	28,276	256,290	284,566
Six months ended March 31, 2012	-	181	181
Balance as of March 31, 2012	28,276	256,471	284,747

**Vientiane Potash Project**

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 upon completion of specific financing, resource and engineering studies, mine development and construction milestones.

Under the letter of intent, the Company agreed to advance \$200,000 as a deposit which was paid as at March 31, 2012. The vendor may 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 would be refundable.

On January 17, 2012, the Company signed a Purchase and Sale agreement to acquire the 90% interest in the Vientiane Potash Project. The Company is performing 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. The Promissory Note will terminate and be of no further force or effect on the date of closing, as defined in the Purchase and Sale agreement.

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**1.5 Summary of Quarterly Results**

The Company started operations on August 11, 2009. The following is a summary of certain financial information concerning the Company for the last eight reported quarters:

Quarter Ended	Total Revenues	Net Loss	Basic and Diluted Loss Per share
June 30, 2010 <sup>(1)</sup>	Nil	(164,902)	(0.00)
September 30, 2010 <sup>(1)</sup>	Nil	(56,265)	(0.00)
December 31, 2010	Nil	(59,566)	(0.00)
March 31, 2011	Nil	(82,542)	(0.00)
June 30, 2011	Nil	(84,038)	(0.00)
September 30, 2011	Nil	(108,675)	(0.00)
December 31, 2011	Nil	(172,102)	(0.00)
March 31, 2012	Nil	(200,051)	(0.00)

<sup>(1)</sup> Financial information for the second, third and fourth quarter of fiscal year 2010 is presented in accordance with Canadian GAAP and has not been restated in accordance with IFRS.

**1.6/1.7 Liquidity and Capital Resources**

As at March 31, 2012, the Company reported working capital of \$229,966. Net increase in cash for the six months ended March 31, 2012 was \$104,385 leaving cash on hand in the amount of \$308,094.

**Exercise of Warrants & Issuance of Common Shares**

There were no outstanding warrants as of March 31, 2012.

**1.8 Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**1.9 Transactions with Related Parties**

During the six month period ended March 31, 2012, the Company incurred expenses payable to Tintina Resources Inc. ("Tintina") for services rendered: (i) \$12,000 of rent charges, (ii) \$30,990 for administration fees and (iii) \$2,096 of other expenses. Tintina is a related party having three directors and a major shareholder in common with the Company. These transactions were in the normal course of business and were measured at the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities. The Company also paid short-term benefits as management fees of \$60,000 to a company owned by the President of the Company for his services in his role.

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**1.9 Transactions with Related Parties**

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

		<b>Six months ended March 31,</b>	
		<b>2012</b>	<b>2011</b>
Management fees	\$	60,000	\$ 10,000
Share-based payments		19,984	59,953
<b>Total remuneration</b>	<b>\$</b>	<b>79,984</b>	<b>\$ 69,953</b>

**1.10 Second Quarter**

For the three month period ending on March 31, 2012, the Company incurred a loss of \$200,051 and had an accumulated deficit of \$1,223,879.

**1.11 Subsequent Events and Proposed Transactions**

There were no subsequent events after March 31, 2012.

**1.12 Critical Accounting Estimates**

Not applicable to the Company.

**1.13 Change in Accounting Policies Including Initial Adoption**

- a) In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

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. 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.

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**1.13 Change in Accounting Policies Including Initial Adoption (continued)**

*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.

*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.

Each of the new standards, IFRS 10 to 13 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 condensed interim consolidated financial statements or whether to early adopt any of the new requirements.

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**1.13 Change in Accounting Policies Including Initial Adoption (continued)**

b) Transition to international financial reporting standards

As previously discussed in the Company's MD&A for the year ended September 30, 2011, the Company implemented its conversion from Canadian GAAP to IFRS through the conversion plan.

The Company has prepared its March 31, 2012 interim condensed financial statements in accordance with IFRS, with an effective transition date of October 1, 2010, including IFRS 1, "First-time Adoption of International Financial Reporting Standards" and IAS 34, "Interim Financial Reporting".

The Company's IFRS accounting policies are detailed in Note 2 of the interim condensed financial statements. Reconciliation between the Company's financial statements as previously reported under Canadian GAAP and under IFRS is disclosed in Note 13 to the interim condensed financial statements.

The following is an overview of the impacts to the Company's financial results due to the transition to IFRS.

In accordance with IFRS 6, the Company has elected to expense all exploration costs incurred prior to the determination of the commercial viability of its exploration and evaluation projects. These amounts were previously capitalized under Canadian GAAP and have been re-classified to deficit in the periods presented. The total amount of exploration costs re-classified was \$249,671 at the Transition Date (March 31, 2011 – \$254,415 and September 30, 2011 - \$256,290).

**1.14 Financial Instruments and Other Instruments**

*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 balance sheet as of March 31, 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 and cash equivalents	\$ 308,094	\$ -	\$ -	\$ 308,094



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**1.14 Financial Instruments and Other Instruments (continued)**

*Financial Risk*

(i) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is primarily attributable to its cash. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions.

As at March 31, 2012, the Company's maximum exposure to credit risk is the carrying value of cash of \$308,094.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at March 31, 2012, the Company had working capital of \$229,966. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at March 31, 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.

(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.

**1.15 Other Requirements**

a) Disclosure Controls

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the three and six months ended on March 31, 2012, in accordance with IFRS.

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**1.15 Other Requirements (continued)**

a) Disclosure Controls (continued)

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at March 31, 2012. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these controls and procedures were effective.

b) Summary of Outstanding Share Data at May 23, 2012:

- i) Authorized:  
Unlimited common shares without par value

Issued and outstanding:  
72,567,558 common shares

- ii) Stock options outstanding: 1,786,666

- iii) Warrants outstanding: Nil

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