



Management Discussion and Analysis

FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

ASIABASEMETALS INC.
Management Discussion and Analysis
For the three months ended on December 31, 2016

Introduction

This Management Discussion and Analysis (“MD&A”) of AsiaBaseMetals Inc. (the “Company”) has been prepared by management as of February 28, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes thereto of the Company for the three months ended December 31, 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including IAS 34 – *Interim Financial Reporting*, 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 SEDAR at www.sedar.com.

Forward-looking Statements

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

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

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1. Executive Summary

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

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

Work on the Gnome project to date includes mapping and sampling during the 1970's and recent work by the Company. The Company conducted an exploration program during fiscal 2012 and completed the program early fiscal 2013. The Company prepared an updated geological report and based on the market conditions is evaluating and assessing the next work program, to determine.

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

As at October 1, 2016, the Jean Property consisted of 18 mineral claims in 115 units covering 1,840 hectares' land. On November 16, 2016, the Company forfeited 4 mineral claims consisting of 17 units covering 272 hectares' land.

During the year ended September 30, 2016 the Company completed an exploration program for the Jean Property and completed a report on the property. The Ontario Ministry of Northern Development and Mines has accepted the work submission and all claims have been extended to November 2017.

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

2. First Quarter 2017 Highlights

On November 17, 2016, the company completed a private placement of 1,850,000 units ("Units") at a price of \$0.135 per Unit for gross proceeds of \$249,750. The Company incurred share issuance costs of \$5,870 which consist solely of legal fees. Each Unit consists of one common share of the company and one warrant to purchase an additional common share at a price of \$0.175 per share for a period of five years. All securities are subject to a four month hold period.

On December 6, 2016 the Company entered into a Debt Settlement Agreement ("the Agreement") with SolidusGold Inc. ("Solidus"), a related party, to settle \$24,547 of debt owed by the Company as at October 31, 2016 (\$22,955 as at September 30, 2016). The terms of the agreement state the Company will pay \$10,000 cash by December 20, 2016 and Solidus will write off the remaining balance of \$14,547 owed. Payment was made to Solidus on December 13, 2016 and having fulfilled the conditions of the Agreement, the debt is paid in full and the Company recorded a gain on debt settlement of \$14,547.

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2. First Quarter 2017 Highlights (continued)

On December 13, 2016 the Company issued 5,485,000 common shares on the exercise of warrants raising gross proceeds of \$434,875. Included in the common shares issued were 985,000 common shares that are not eligible to be traded until March 19, 2017.

On December 22, 2016 the Company issued 808,570 common shares on the exercise of warrants raising gross proceeds of \$79,000. Included in the common shares issued were 308,570 common shares that are not eligible to be traded until March 19, 2017.

On December 31, 2016 the Company forfeited 11 mineral claims related to the Gnome Property. On January 1, 2017, the company re-staked these 11 claims. See Note 14. (f) Subsequent Events for additional details.

For the three months ended December 31, 2017 ("Q1-17"), the Company incurred a comprehensive loss of \$55,684 and had an accumulated deficit of \$2,523,354. 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 December 31, 2016 was \$588,548.

3. Selected Annual Information

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

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

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

4. Results of Operations

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

	Acquisition Costs	Project Costs	Total
Balance as of September 30, 2016	29,552	384,444 ⁽¹⁾	413,996 ⁽¹⁾
Three months ended December 31, 2016	-	315	315
Balance as of December 31, 2016	29,552	384,759	414,311

⁽¹⁾September 30, 2016 Project costs have been restated to include an additional \$315 incurred during the fiscal year.

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

	Acquisition Costs	Project Costs	Total
Balance as of September 30, 2016	11,516	68,810	80,326
Three months ended December 31, 2016	-	-	-
Balance as of December 31, 2016	11,516	68,810	80,326

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4. Results of Operations (continued)

During the three months ended December 31, 2016:

- Exploration costs decreased \$51,656 from \$51,971 during the three month period ended December 31, 2015 (“Q1-16”) to \$315 during (“Q1-17”) primarily due to the exploration program and report on the Jean project during Q1-16.
- Management fees decreased \$1,995 from \$44,445 during Q1-16 to \$42,450 during Q1-17 primarily due to the CFO Fees incurred during the period.
- Professional fees increased \$2,982 from \$10,810 during Q1-16 to \$13,792 during Q1-17 due to higher legal fees incurred.
- Travel costs of \$5,231 incurred in Q1-17 are related to parking and transportation for the CEO.
- the Gain on debt settlement of \$14,547 during Q1-17 relates to an agreement to settle a debt owed by the Company. See Note 8 for further details.

5. Summary of Quarterly Results

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

Quarter Ended	Total Revenues	Comprehensive Loss for the Period	Basic and Diluted Loss Per Share
March 31, 2015	\$Nil	\$ (19,153)	\$(0.00)
June 30, 2015	\$Nil	\$ (80,111)	\$(0.00)
September 30, 2015	\$Nil	\$ (92,529)	\$(0.00)
December 31, 2015	\$Nil	\$ (114,648)	\$(0.01)
March 31, 2016	\$Nil	\$ (75,399)	\$(0.00)
June 30, 2016	\$Nil	\$ (208,106)	\$(0.01)
September 30, 2016	\$Nil	\$ (50,701)	\$(0.00)
December 31, 2016	\$Nil	\$ (55,684)	\$(0.00)

6. Liquidity and Capital Resources

As at December 31, 2016, the Company reported working capital of \$580,556. Net increase in cash during the three months ended December 31, 2016 was \$583,657 leaving cash on hand in the amount of \$588,548.

Current assets excluding cash at December 31, 2016 consist of amounts receivable of \$6,417 and prepaid expenses of \$10,221.

Current liabilities as at December 31, 2016 consist of accounts payable and accrued liabilities of \$24,630.

7. Off-Balance Sheet Arrangements

At the date of this MD&A, the Company had no off-balance sheet obligation. Commitments to incur exploration and evaluation costs are detailed in Note 3 of the Interim Condensed Financial Statements for the three months ended December 31, 2016.

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8. Transactions with Related Parties

During the periods ended December 31, 2016 and 2015, the following amounts were incurred or paid to officers and directors and/or their related companies:

- i) The Company incurred \$1,425 (2015 - \$6,945) for CFO fees to a company controlled by common directors.
- ii) The Company incurred \$3,525 (2015 - \$Nil) for Consulting Fees payable to the CFO.
- iii) The Company incurred \$37,500 (2015 - \$37,500) for management fees to a company controlled by an officer.

As at December 31, 2016 and 2015, the following balances were due to officers and directors and/or related companies:

- i) Included in accounts payable and accrued liabilities is \$3,525 owed to the CFO (2015 \$Nil), \$Nil (2015: \$19,445) due to a company controlled by common directors and \$Nil (2015: \$92,500) due to a company controlled by the CEO. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- ii) A loan of \$Nil (2015: \$47,000) was due to a director of the Company. This amount is unsecured, bears interest at a rate of 1% per annum and is due on demand.

On December 6, 2016 the Company entered into a Debt Settlement Agreement (“the Agreement”) with SolidusGold Inc. (“Solidus”), a related party, to settle \$24,547 of debt owed by the Company as at October 31, 2016. The terms of the agreement state the Company will pay \$10,000 cash by December 20, 2016 and Solidus will write off the remaining balance of \$14,547 owed. Payment was made to Solidus on December 13, 2016 and having fulfilled the conditions of the Agreement, the debt is paid in full and the Company recorded a gain on debt settlement of \$14,547.

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

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:

	Three months ended December 31,	
	2016	2015
Management fees	\$ 37,500	\$ 37,500
CFO Fees	4,950	6,945
Total remuneration	\$ 42,450	\$ 44,445

Key management personnel receive compensation in the form of short-term employee benefits and share-based payments. Short-term benefits include management fees paid to the CEO and the interim CFO of the Company for their services in their roles.

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9. Changes in Accounting Policies

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

A detailed summary of the Company's significant accounting policies and adoption of new or amended accounting standards are included in Note 2 of the Interim Condensed Financial Statements for the three months ended December 31, 2016.

10. Financial Instruments and Other Instruments

Financial Instruments and Fair Value Measurements

IFRS 13 – *Fair Value Measurement*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2016 as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets				
Cash and cash equivalents	\$ 588,548	\$ –	\$ –	\$ 588,548

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 December 31, 2016, 2016, the Company's maximum exposure to credit risk is the carrying value of cash of \$588,548.

(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 December 31, 2016, the Company had working capital of \$580,556. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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10. Financial Instruments and Other Instruments (continued)

Financial Risk (continued)

(ii) Liquidity Risk (continued)

As at December 31, 2016, the Company has negative working capital to discharge its existing financial obligations. Management intends to raise capital through the issuance of new shares; see Unaudited Interim Condensed Financial Statements Subsequent Events Note 9. a), d) and e)

(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.

As at December 31, 2016, a change of 10%+/- in US dollar would not result in a significant impact to the statements of loss and comprehensive loss.

(v) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.

11. Business Operations

The Company was incorporated on August 11, 2009 under the laws of British Columbia. The Company's principal business activities include the acquisition, exploration and development of resource property. The address of the Company's corporate office is 6153 Glendalough Pl., Vancouver, British Columbia, V6N 1S5, Canada.

At December 31, 2016, the Company had not yet determined whether its property contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property.

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12. Outstanding Share Data

Summary of Outstanding Share Data at February 28, 2017:

- i) Authorized:
Unlimited common shares without par value

Issued and outstanding:
23,783,685 common shares
- ii) Stock options outstanding: 1,450,000
- iii) Warrants outstanding: 691,430 units

On April 16, 2015, the Company's Board approved a consolidation of the Company's issued and outstanding share capital on a 2 old for 1 new basis. The stock consolidation was completed on May 13, 2015. On August 12, 2015 the Company's Board approved a further consolidation on a 2 old for 1 new basis. The stock consolidation was completed on August 31, 2015.

On February 17, 2016 the Board approved a further consolidation of the issued and outstanding shares on a 2 old for 1 new basis. The stock consolidation was completed on March 4, 2016. All share capital and per share amounts in these financial statements have been adjusted to give retroactive effect to the share consolidation.

13. Disclosure Controls

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

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at December 31, 2016. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these controls and procedures were effective.

Additional information pertaining to the Company, including the management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com. The shareholders will be kept informed of any material changes.

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14. Subsequent Events

- a) On January 17, 2017 the Company issued 175,000 common shares on the exercise of warrants raising gross proceeds of \$18,750. Included in the common shares issued were 50,000 common shares that are not eligible to be traded until March 19, 2017.
- b) On January 17, 2016 the Company issued 550,000 stock options to Directors and consultants including members of the Advisory Board. The options are exercisable at a price of \$0.30 for a period of two years from the date of granting. The stock option grant is subject to regulatory approval.
- c) On January 23, 2016 the Company issued 150,000 stock options to Directors and members of the Advisory Board. The options are exercisable at a price of \$0.35 for a period of two years from the date of granting. The stock option grant is subject to regulatory approval.
- d) On February 2, 2017 the Company issued 145,000 common shares on the exercise of warrants raising gross proceeds of \$12,875. Included in the common shares issued were 45,000 common shares that are not eligible to be traded until March 19, 2017.
- e) On February 9, 2017 the Company issued 45,000 common shares on the exercise of warrants raising gross proceeds of \$8,500. Included in the common shares issued were 20,000 common shares that are not eligible to be traded until March 19, 2017.
- f) On January 1, 2017 the Company re-staked the 11 claims that were forfeited on December 31, 2016. In addition, the Company re-staked 1 claim on February 27, 2017 that was forfeited on January 11, 2017. This resulted in all 12 claims originally held being re-staked.