



## **Management Discussion and Analysis**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

---

***Introduction***

This Management Discussion and Analysis (“MD&A”) of AsiaBaseMetals Inc. (the “Company”) has been prepared by management as of December 20, 2017 and should be read in conjunction with the audited condensed financial statements and related notes thereto of the Company for the year ended on September 30, 2017, 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).

***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.

# **ASIABASEMETALS INC.**

## **Management Discussion and Analysis**

### **For the year ended on September 30, 2017**

---

#### **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 5,237 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 next course of action.

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. On March 14, 2017, the Company staked one additional claim consisting of 1 unit covering 16 hectares' land. As at September 30, 2017, the Jean Property consists of 15 mineral claims covering 1,584 hectares land consisting of 99 units.

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. As at December 20, 2017, the Company has initiated a work program and has filed a request to extend the filing deadline to January 2018.

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

#### **2. Fiscal Year 2017 Highlights**

On November 18 2016, the Company completed a non-brokered private placement of 1,850,000 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 consisted solely of legal fees. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.175 per share until November 18, 2021. The shares were subject to a four month hold period that expired on March 19, 2017.

On December 6, 2016, the Company entered into a Debt Settlement Agreement ("the Agreement") with SolidusGold Inc. ("Solidus"), a company controlled by common directors, to settle \$24,547 of debt owed by the Company to Solidus. Under the terms of the agreement the Company paid \$10,000 cash to settle the debt owed and recorded a gain on debt settlement of \$14,547. Payment was made to Solidus on December 13, 2016 and having fulfilled the conditions of the Agreement, the debt is paid in full.

**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

---

**2. Fiscal Year 2017 Highlights (continued)**

On December 13, 2016, the Company issued 5,485,000 common shares on the exercise of warrants for proceeds of \$434,875.

On December 22, 2016, the Company issued 808,570 common shares on the exercise of warrants for proceeds of \$79,000.

On December 31, 2016, the Company forfeited 11 mineral claims covering 5,271 hectares of land and on January 1, 2017, the Company re-staked 10 mineral claims covering 4,886 hectares of land.

On January 11, 2017, the Company forfeited one mineral claim covering 158 hectares of land and on February 27, 2017, the Company re-staked one mineral claim covering 351 hectares of land. As a result of the forfeited claims the Company recorded a write down of \$29,552 on the property during the year.

On January 17, 2017, the Company granted directors and advisory board members a total of 550,000 stock options exercisable at a price of \$0.30 per share for a period of 2 years. All options vested on the grant date.

On January 17, 2017, the Company issued 175,000 common shares on the exercise of warrants for proceeds of \$18,750.

On February 2, 2017, the Company issued 145,000 common shares on the exercise of warrants for proceeds of \$12,875.

On February 9, 2017, the Company issued 45,000 common shares on the exercise of warrants for proceeds of \$8,500.

On August 24, 2017, the Company issued 50,000 common shares on the exercise of warrants for proceeds of \$10,000.

On September 14, 2017, the Company issued 300,000 common shares on the exercise of warrants for proceeds of \$56,250.

For the year ended September 30, 2017 ("FY2017"), the Company incurred a comprehensive loss of \$584,647 and had an accumulated deficit of \$3,052,317. 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 September 30, 2017 was \$422,768.

**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

**3. Selected Annual Information**

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

	September 30, 2017	September 30, 2016	September 30, 2015
Total revenues	\$Nil	\$Nil	\$Nil
Loss for the year	\$(584,647)	\$(448,854)	\$(217,372)
Loss per share	\$(0.03)	\$(0.04)	\$(0.02)
Total assets	\$446,343	\$47,516	\$105,626
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 <sup>(1)</sup>	\$ 413,996 <sup>(1)</sup>
Year ended September 30, 2017	9,814	1,429	11,243
Impairment during the year	(29,552)	-	(29,552)
Balance as of September 30, 2017	\$ 9,814	\$ 385,873	\$ 395,687

<sup>(1)</sup>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 and September 30, 2017	\$ 11,516	\$ 68,810	\$ 80,326

During the year ended September 30, 2017:

- Exploration costs decreased \$55,385 from \$56,814 during the year ended September 30, 2016 ("FY2016") to \$1,429 during FY2017 primarily due to the exploration program and report on the Jean project during FY2016.
- Management fees of \$167,681 incurred in FY2017 were consistent with fees of \$169,834 incurred during FY2016.
- Regulatory and transfer agent fees of \$20,541 incurred in FY2017 were consistent with fees of \$22,949 incurred during FY2016.
- Professional fees increased \$11,143 from \$34,128 during FY2016 to \$45,271 during FY2017 due to higher legal fees incurred.
- Office and miscellaneous costs increased \$14,975 from \$21,557 during FY2016 to \$36,532 during FY2017 primarily due to increased meals and entertainment costs during the period.
- Travel costs of \$70,929 incurred in FY2017 are related to parking and travel for the CEO.

**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

---

**4. Results of Operations (continued)**

- Property investigation incurred of \$3,047 relates to cost associated with the investigation of potential projects for the Company.
- Write-off of mineral property costs of \$29,552 relates to the forfeited claims at December 31, 2016 with respect to the Gnome property.
- Gain on debt settlement of \$14,547 during FY2017 relates to an agreement to settle a debt owed by the Company. See Note 8 for further details.
- Share-based payments of \$223,207 relates to the Stock Options issued to Directors and Advisory Board members during FY2017.

**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
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)
March 31, 2017	\$Nil	\$ (273,771)	\$(0.02)
June 30, 2017	\$Nil	\$ (182,609)	\$(0.01)
September 30, 2017	\$Nil	\$ (72,583)	\$(0.00)

**6. Liquidity and Capital Resources**

As at September 30, 2017, the Company reported working capital of \$400,913. Net increase in cash during the year ended September 30, 2017 was \$417,877 leaving cash on hand in the amount of \$422,768.

Current assets excluding cash at September 30, 2017 consist of amounts receivable of \$2,092 and prepaid expenses of \$153.

Current liabilities as at September 30, 2017 consist of accounts payable and accrued liabilities of \$24,100.

**7. Off-Balance Sheet Arrangements and Commitments**

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 6 of the Audited Financial Statements for the year ended September 30, 2017.

On April 1, 2015 the Company entered into an agreement with a contractor 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.

**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

---

**8. Transactions with Related Parties**

During the years ended September 30, 2017 and 2016, the following amounts were incurred or paid to officers and directors and/or their related companies:

- i) The Company incurred \$1,425 (2016 - \$19,834) for CFO fees to a company controlled by common directors.
- ii) The Company incurred \$16,256 (2016 - \$Nil) for Consulting Fees payable to the CFO.
- iii) The Company incurred \$150,000 (2016 - \$150,000) for management fees to a company controlled by an officer.

As at September 30, 2017 and 2016, the following balances were due to officers and directors and/or related companies:

- i) Included in accounts payable is \$Nil (2016 - \$22,955) due to a company controlled by common directors, \$Nil (2016 - \$62,500) due to a company controlled by the Chief Executive Officer (“CEO”), \$2,449 (2016 - \$Nil) due to the CFO and \$1,952 (2016 – \$16,292) due to the CEO of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- ii) During the year ended September 30, 2017 the Company received loans of \$Nil (2016 - \$250,000) from directors of the Company or a company controlled by a director of the Company. During the year ended September 30, 2017 \$11,000 (2016 - \$261,000) of the loans were repaid. The loan balance as at September 30, 2017 is \$Nil (2016 - \$11,000). These loans were unsecured, bore interest at rates of 1% - 3% per annum and were due on demand.

On December 6, 2016, the Company entered into a Debt Settlement Agreement (“the Agreement”) with SolidusGold Inc. (“Solidus”), a company controlled by common directors, to settle \$24,547 of debt owed by the Company to Solidus. Under the terms of the agreement the Company paid \$10,000 cash to settle the debt owed and recorded a gain on debt settlement of \$14,547. Payment was made to Solidus on December 13, 2016 and having fulfilled the conditions of the Agreement, the debt is paid in full.

**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:

	<b>Year ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
Management fees	\$ 150,000	\$ 150,000
CFO Fees	17,681	19,834
Share-based payments	69,528	114,000
<b>Total remuneration</b>	<b>\$ 237,209</b>	<b>\$ 283,834</b>

**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

---

**8. Transactions with Related Parties (continued)**

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.

**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 4 of the Audited Financial Statements for the year ended September 30, 2017.

**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 September 30, 2017 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)	
<b>Financial assets</b>				
Cash and cash equivalents	\$ 422,768	\$ –	\$ –	\$ 422,768

*Financial Risk*

(i) Credit Risk

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

As at September 30, 2017, the Company's maximum exposure to credit risk is the carrying value of cash of \$422,768.



**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

---

**10. Financial Instruments and Other Instruments (continued)**

*Financial Risk (continued)*

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at September 30, 2017, the Company had working capital of \$400,913. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(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 September 30, 2017, 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 September 30, 2017, 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.

**ASIABASEMETALS INC.**  
**Management Discussion and Analysis**  
**For the year ended on September 30, 2017**

---

**12. Outstanding Share Data**

Summary of Outstanding Share Data at December 20, 2017:

- i) Authorized:  
Unlimited common shares without par value  
  
Issued and outstanding:  
24,198,685 common shares
- ii) Stock options outstanding: 1,700,000
- iii) Warrants outstanding: 341,430 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, 2017 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 September 30, 2017. 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 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.