



**AsiaBaseMetals Inc.**

**INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED  
MARCH 31, 2020 and 2019**

(UNAUDITED – PREPARED BY MANAGEMENT)

# **ASIABASEMETALS INC.**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by an entity's auditors.

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION****AS AT MARCH 31, 2020 AND SEPTEMBER 30, 2019**(Unaudited - Expressed in Canadian Dollars)

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	<b>March 31, 2020</b>	<b>September 30, 2019</b>
<b>ASSETS</b>		
Current		
Cash	\$ 164,927	\$ 75,126
Amounts receivable	7,489	15,165
Prepaid expenses	40,109	17,920
	<hr/> 212,525	<hr/> 108,211
Reclamation deposit (Note 4)	10,000	10,000
Exploration and evaluation assets (Note 3)	23,204	23,204
	<hr/> \$ 245,729	<hr/> \$ 141,415
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 95,980	\$ 144,900
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<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 4)	3,689,141	3,336,905
Share-based payment reserves	1,129,028	980,258
Accumulated deficit	(4,668,420)	(4,320,648)
	<hr/> 149,749	<hr/> (3,485)
	<hr/> \$ 245,729	<hr/> \$ 141,415
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CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Note 1)  
SUBSEQUENT EVENTS (Note 10)

Approved by the Board on May 27, 2020:

"Raj Chowdhry"  
Director

"Ioannis Tsitos"  
Director

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

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS****FOR THREE AND SIX MONTHS ENDED MARCH 31, 2020 AND 2019**(Unaudited - Expressed in Canadian Dollars)

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	Three months ended March 31,		Six months ended March 31,	
	2020	2019	2020	2019
<b>EXPENSES</b>				
Exploration, net	\$ 5,432	\$ 427	\$ 5,864	\$ 19,745
Management fees	37,500	40,575	75,000	181,263
Professional fees	28,139	15,945	44,963	22,377
Regulatory and transfer agent fees	7,739	8,705	12,401	9,340
Travel	3,844	1,490	38,748	2,962
Office, administration and miscellaneous	18,271	21,394	29,793	32,631
Property investigation	-	1,284	572	1,916
Share-based payments (Note 5)	95,031	101,716	148,770	141,698
Interest and bank charges	110	289	262	398
Foreign exchange loss (gain)	(3,063)	62	(2,431)	29
<b>LOSS FROM OPERATIONS</b>	<b>(193,003)</b>	<b>(191,887)</b>	<b>(353,942)</b>	<b>(412,359)</b>
<b>OTHER ITEMS</b>				
Gain on debt settlement (Note 5)	-	-	6,170	-
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(193,003)</b>	<b>(191,887)</b>	<b>(347,772)</b>	<b>(412,359)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>42,994,490</b>	<b>37,180,856</b>	<b>41,001,908</b>	<b>38,072,013</b>

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

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**(Unaudited - Expressed in Canadian Dollars)

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	Common Shares (Note 4)		Share-based Payments Reserves	Accumulated Deficit	Total
	Number of Common Shares	Amount			
Balances at October 1, 2018	37,200,032	\$ 2,994,736	\$ 761,555	\$ (3,494,073)	\$ 262,218
Private placement, net of issuance costs	981,250	151,258	-	-	151,258
Share-based payments	-	-	141,698	-	141,698
Share subscription received	-	200,450	-	-	200,450
Loss and comprehensive loss	-	-	-	(412,359)	(412,359)
Balances at March 31, 2019	38,181,282	3,346,444	903,253	(3,906,432)	343,265
Balances at October 1, 2019	40,090,327	\$ 3,336,905	\$ 980,258	\$ (4,320,648)	\$ (3,485)
Share-based payments	-	-	148,770	-	148,770
Private placement, net of costs	1,945,000	340,410	-	-	340,410
Shares issued for debt settlement	51,418	11,826	-	-	11,826
Loss and comprehensive loss	-	-	-	(347,772)	(347,772)
Balances at March 31, 2020	42,086,745	3,689,141	1,128,028	(4,668,420)	149,749

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

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**ASIABASEMETALS INC.****INTERIM CONDENSED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**(Unaudited - Expressed in Canadian Dollars)

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	<b>Six months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (347,772)	\$ (412,359)
Items not involving cash		
Share-based payments	148,770	141,698
Gain on debt settlement	(6,170)	-
Change in non-cash working capital items		
Amounts receivable	7,676	(9,667)
Prepaid expenses	(22,189)	6,233
Accounts payable and accrued liabilities	(30,924)	21,475
Cash used in operating activities	(250,609)	(252,620)
<b>FINANCING ACTIVITY</b>		
Share subscriptions received	-	200,450
Private placement, net of issuance costs	340,410	151,258
Cash provided by financing activities	340,410	351,708
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>89,801</b>	<b>99,088</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>75,126</b>	<b>233,589</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 164,927</b>	<b>\$ 332,677</b>

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

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**

(Unaudited - Expressed in Canadian Dollars)

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**1. CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS**

AsiaBaseMetals Inc. (the "Company") was incorporated on August 11, 2009 under the laws of British Columbia. The Company is a growth company focused on the exploration and development of zinc and base metals. In addition, the Company is exploring business opportunities in the cannabis sector and on June 5, 2019, the Company entered into a cooperation agreement (the "Agreement") with a city within the European Union (the "City"), pursuant to which the Company and the City will cooperate to explore opportunities to obtain a license to undertake activities for growing and selling cannabis for medical purposes. The address of the Company's corporate office and principal place of business is 6153 Glendalough Pl., Vancouver, British Columbia, V6N 1S5, Canada.

At March 31, 2020, 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 interim condensed 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.

During March 2020, the World Health Organization declared COVID-19 a global pandemic. The contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

**2. SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 – *Interim Financial Reporting*. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied in these interim condensed financial statements are consistent with those applied in the preparation of, and disclosed in, the Company's audited annual financial statements for the year ended September 30, 2019, except as discussed in Note 2(d).

**b) Basis of presentation**

The condensed interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**

(Unaudited - Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****c) Going Concern**

These interim 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, has working capital of \$116,545 and had an accumulated deficit of \$4,668,420 at March 31, 2020. Management has determined that the Company will be able to continue as a going concern for a reasonable period of time, and realize its assets and discharge its liabilities and commitments in the normal course of business.

**d) Changes in accounting standards**

New accounting standards adopted effective October 1, 2019:

**IFRS 16 – Leases**

IFRS 16 was issued in January 2016 and specifies how a company will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The company adopted IFRS 16 effective October 1, 2019 and has determined not to recognize right of use assets and lease liabilities as the Company currently does not hold any leases.

**IFRIC 23 – Uncertainty over Income Tax Treatments**

IFRIC 23, Uncertainty over Income Tax Treatments, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predicts of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainly based on the more likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Company adopted IFRIC 23 effective October 1, 2019 with no material impact to the Company's financial statements.

**3. EXPLORATION AND EVALUATION ASSETS****Gnome Zinc, B.C.**

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.

During the year ended September 30, 2018, 10 of the 11 mineral claims were forfeited and subsequently re-staked. As a result of the forfeited claims the Company recorded a write down of \$9,201 on the property during the year.



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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**(Unaudited - Expressed in Canadian Dollars)

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## 3. EXPLORATION AND EVALUATION ASSETS (continued)

**Gnome Zinc, B.C.**

As at September 30, 2019, the Gnome Zinc Property consists of 11 mineral claims covering 5,254 hectares of land.

Expenditure for the six months ended March 31, 2020 and the year ended September 30, 2019 is as follows:

	<b>October 1, 2019</b>	<b>Acquisition Costs</b>	<b>Impairment</b>	<b>March 31, 2020</b>
Gnome Zinc	\$ 11,688	\$ -	\$ -	\$ 11,688

  

	<b>October 1, 2018</b>	<b>Acquisition Costs</b>	<b>Impairment</b>	<b>September 30, 2019</b>
Gnome Zinc	\$ 11,688	\$ -	\$ -	\$ 11,688

**Jean Property, ON**

On April 24, 2015, the Company entered into a purchase agreement (the "Agreement") with Great Lakes Resources Ltd. ("Great Lakes") to acquire an undivided 100% right, title and interest in the Jean Iron Ore Project ("Jean Property") from Great Lakes for 37,500 common shares. The Jean Property is an iron ore exploration property consisting of 17 claims totalling 1,824 hectares located in the Thunder Bay Mining District of Ontario. The Agreement was approved by the TSX Venture Exchange ("TSX.V") on May 12, 2015 and 37,500 common shares were issued to Great Lakes to complete the purchase.

As part of the Agreement the Company and Great Lakes terminated the previous option agreement entered into on August 25, 2014 and approved by the TSX.V on November 12, 2014 under which Great Lakes had granted the Company an option to acquire the Jean Property. Consideration under the terminated option agreement was 9,375 common shares (issued on November 13, 2014) and a total exploration work permit of \$160,000 on or before September 30, 2016.

On March 14, 2017, the Company staked three additional claims covering 16 hectares of land. On April 9, 2018, the Ontario Ministry of Northern Development of Mines altered their numbering method and size of claims and thus the Company's 16 outstanding old mineral claims were converted to 108 new claims. During the year ended September 30, 2018, the Company forfeited 20 claims covering approximately 272 hectares of land.

As at March 31, 2020, the Jean Property consists of 78 mineral claims covering 1,584 hectares of land.

Expenditure for the six months ended March 31, 2020 and the year ended September 30, 2019 is as follows:

	<b>October 1, 2019</b>	<b>Acquisition Costs</b>	<b>March 31, 2020</b>
Jean Iron Ore	\$ 11,516	\$ -	\$ 11,516

  

	<b>October 1, 2018</b>	<b>Acquisition Costs</b>	<b>September 30, 2019</b>
Jean Iron Ore	\$ 11,516	\$ -	\$ 11,516

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**

(Unaudited - Expressed in Canadian Dollars)

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**4. RECLAMATION DEPOSIT**

On July 23, 2019, the Company paid \$10,000 for a reclamation bond to the Minister of Finance for the Province of British Columbia ("the Province") with respect to the exploration drilling on the Gnome Property. This amount was determined by the Province to be sufficient to meet all anticipated reclamation requirements.

**5. 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 March 31, 2020: 42,086,740 (March 31, 2019 – 38,181,282) common shares.
  - i. On January 11, 2019, the Company closed a non-brokered private placement of 625,000 flow-through common shares at a price of \$0.16 per share and 356,250 non-flow-through common shares at a price of \$0.16 per share, raising gross proceeds of \$157,000. The Company incurred share issuance costs of \$5,742. The shares were subject to a four month hold period which expired on May 12, 2019.
  - ii. On April 24, 2019, the Company closed a non-brokered private placement of 1,909,045 units at a price of \$0.105 per unit, raising gross proceeds of \$200,450. Each unit is comprised of one common share of the Company and one transferrable common share purchase warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of \$0.14 per share for a period of two years from the date of issuance. The Company incurred \$9,539 of share issuance costs. All securities issued under the private placement were subject to a four month hold period which expired on August 25, 2019.
  - iii. On November 6, 2019, the Company issued 51,418 units at a deemed price of \$0.35 per unit in settlement of outstanding debt of \$17,996. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.38 per share for a period of two years. The units were subject to a four month hold period which expired on March 7, 2020. The Company recorded a gain of \$6,170 on this transaction.
  - iv. On November 18, 2020, the Company closed a non-brokered private placement of 1,945,000 units at a price of \$0.18 per unit for gross proceeds of \$350,100. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.25 per share for a period of two years. The Company incurred \$9,690 of share issuance costs. The units are subject to a four month hold period which expired on March 19, 2020.

**6. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS**

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

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**

(Unaudited - Expressed in Canadian Dollars)

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**6. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)**

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 \$0.33, a discount of 20% for a closing price of \$0.34 to \$1.33, and a discount of 15% for a closing price above \$1.34, subject to a minimum of \$0.07).

On February 11, 2019, the Company granted to directors and advisory board members 1,312,500 stock options exercisable at a price of \$0.30 per share for a period of 2 years. The options are subject to vesting conditions with 50% of the options vesting on the grant date, 25% vesting on August 11, 2019 and the remaining 25% vesting on February 11, 2020.

On May 21, 2019, the Company granted an advisory board member 150,000 stock options exercisable at a price of \$0.30 per share for a period of 2 years. The options are subject to vesting conditions with 50% of the options vesting on the grant date, 25% vesting on November 21, 2019 and the remaining 25% vesting on May 21, 2020.

On July 16, 2019, the Company granted a director 225,000 stock options exercisable at a price of \$0.55 per share for a period of 2 years. The options are subject to vesting conditions with 50% of the options vesting on the grant date, 25% vesting on January 16, 2020 and the remaining 25% vesting on July 16, 2020.

On October 25, 2019, the Company granted a director, 225,000 stock options exercisable at a price of \$0.40 per share for a period of 2 years. The options are subject to vesting conditions with 50% of the options vesting on the grant date, 25% vesting on April 25, 2020 and the remaining 25% vesting on October 25, 2020.

On November 1, 2019, the Company cancelled the 225,000 stock options granted on July 16, 2019.

On February 6, 2020, the Company granted a director and advisory board member 375,000 stock options exercisable at a price of \$0.40 per share for a period of 2 years. The options are subject to vesting conditions with 50% of the options vesting on the grant date, 25% vesting on August 6, 2020 and the remaining 25% vesting on February 6, 2021.

On February 20, 2020, the Company granted a consultant 20,000 stock options exercisable at a price of \$0.40 per share for a period of 2 years. The options are subject to vesting conditions with 50% of the options vesting on the grant date, 25% vesting on August 20, 2020 and the remaining 25% vesting on February 20, 2021.

On March 23, 2020, the Company granted advisory board members 300,000 stock options exercisable at a price of \$0.40 per share for a period of 2 years. The options are subject to vesting conditions with 50% of the options vesting on the grant date, 25% vesting on September 23, 2020 and the remaining 25% vesting on March 23, 2021.

The Company uses the Black-Scholes option valuation model to value stock options. The Black-Scholes model estimates the fair value of stock options that have no vesting restrictions and are fully transferable. For purposes of the calculations, the following weighted average assumptions were used under the Black-Scholes model:

	<u>2020</u>	<u>2019</u>
Exercise price	\$ 0.40	\$ 0.30
Share price at grant date	\$ 0.25 – 0.40	\$ 0.235
Risk free interest rate	0.66% - 1.59%	1.81%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%
Expected stock price volatility	147% - 167%	93%
Expected life of options	2 years	2 years

**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**

(Unaudited - Expressed in Canadian Dollars)

**6. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)**

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at September 30, 2019	3,025,000	\$ 0.28
Issued	920,000	\$ 0.40
Expired	(150,000)	\$ 0.24
Cancelled	(225,000)	\$ 0.55
Balance at March 31, 2020	3,570,000	\$ 0.33

The following table summarizes stock options outstanding and exercisable at March 31, 2020:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.30	1,037,500	0.31	0.30	1,037,500	0.30
0.39	150,000	0.45	0.39	150,000	0.39
0.30	1,312,500	0.87	0.30	1,312,500	0.30
0.30	150,000	1.14	0.30	112,500	0.30
0.40	225,000	1.57	0.40	112,500	0.40
0.40	375,000	1.85	0.40	187,500	0.40
0.40	20,000	1.89	0.40	10,000	0.40
0.40	300,000	1.98	0.40	150,000	0.40
	3,570,000	1.26	0.33	3,072,500	0.32

The stock options outstanding at March 31, 2020 will expire on July 23, 2020, September 10, 2020, February 11, 2021, May 21, 2021, October 25, 2021, February 6, 2022, February 20, 2022 and March 23, 2022.

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance at September 30, 2019	2,271,190	\$ 0.13
Issued	1,996,418	\$ 0.26
Balance at March 31, 2020	4,267,608	\$ 0.19

The warrants issued during the year ended September 30, 2016 expire on April 13, 2021 and have an exercise price of \$0.03. The warrants issued during the year ended September 30, 2017 expire on November 18, 2021 and have an exercise price of \$0.12. No warrants were issued during the year ended September 30, 2018. The warrants issued on November 6, 2019 will expire on November 6, 2021 and have an exercise price of \$0.38 and the warrants issued on November 18, 2019 will expire on November 18, 2021 and have an exercise price of \$0.25. The balance of unexercised warrants as at March 31, 2020 is composed of 75,000 warrants at \$0.03 that expire on April 13, 2021, 287,145 warrants with an exercise price of \$0.12 that expire on November 18, 2021, 51,418 warrants with an exercise price of \$0.38 that expire on November 6, 2021 and 1,945,000 warrants with an exercise price of \$0.25 that expire on November 18, 2021.

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**

(Unaudited - Expressed in Canadian Dollars)

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**7. RELATED PARTY BALANCES AND TRANSACTIONS**

During the periods ended March 31, 2020 and 2019, the following amounts were incurred or paid to officers and directors and/or their related companies:

- i) The Company incurred \$Nil (2019 - \$6,263) for consulting fees payable to the former Chief Financial Officer (“CFO”).
- ii) The Company incurred \$75,000 (2019 - \$175,000) for management fees and bonus (2019) to a company controlled by the Chief Executive Officer (“CEO”).

As at March 31, 2020 and 2019, the following balances were due to officers and directors and/or related companies:

- i) Included in accounts payable and accrued liabilities is \$Nil owed to the former CFO (2019 \$3,075) and \$10,918 (2019: \$Nil) due to the CEO or a company controlled by the CEO. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

On April 1, 2015 the Company entered into an agreement with a contractor to provide CEO 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:

	<b>Six months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Management fees	\$ 75,000	\$ 175,000
CFO Fees	-	6,263
Share-based payments	-	62,700
<b>Total remuneration</b>	<b>\$ 75,000</b>	<b>\$ 243,963</b>

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.

A bonus was paid to the CEO during the period ended December 31, 2018. The bonus was paid to reflect current and past efforts of the director and CEO. In order to determine the bonus, the directors reviewed the past performance and also noted that there had not been any increase in the fees since inception of the agreement. The services provided by the director and CEO included, assisting the Company to identify business opportunities, maintain and advance current assets, together with financing projects, especially under recent economic and financial market environments; as the Company continued the execution of its envisioned business plan to continue to build and enhance shareholder value.

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**ASIABASEMETALS INC.****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED MARCH 31, 2020 AND 2019**

(Unaudited - Expressed in Canadian Dollars)

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**8. 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.

The Company considers the aggregate of its equity as capital. As at March 31, 2020, 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.

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

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

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

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

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

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2020 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash	\$ 164,927	\$ –	\$ –	\$ 164,927

*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, 2020, the Company's maximum exposure to credit risk is the carrying value of cash of \$ 164,927.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (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 March 31, 2020, the Company had working capital of \$116,545. 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 March 31, 2020 and 2019, 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.

10. SUBSEQUENT EVENTS

On April 16, 2020, the Company announced it has entered into an agreement with a director of the Company (the "Optionor"), pursuant to which the Company will have an option (the "Option") to acquire an underlying agreement (the "Agreement") with the owner of real estate in Rogoznica-Lozica, Croatia (the "Property") to develop the Property. The Property is being considered for development into hotels, villas and /or other entertainment structures.

Pursuant to the terms of the agreement, the Option may be exercised within a three year period by paying to the Optionor (i) EUR€30,000 upon execution of the Agreement (paid), and (ii) the aggregate amount already paid by the Optionor to the vendor under the underlying agreement at the time of Option exercise. The exercise of the Option is in the Company's sole discretion and the Company has no further payment obligations over the three year option term, unless and until the Option is exercised.

The Company intends to exercise the Option, if at all, through a newly incorporated subsidiary ("NewCo") in which the Company's shareholders would receive shares through a "spin-out" transaction, and NewCo would seek a separate stock exchange listing, to create a new company focused on the real estate sector in Croatia. Any exercise of the Option and any such spin-out transaction would be subject to all required approvals, including the approval of the TSX Venture Exchange and, if applicable, shareholder approval. The Agreement, the transactions contemplated by the Agreement and any spin-out transaction is subject to the approval of the TSX Venture Exchange. There can be no assurance that required approvals will be received or that the Option will be exercised.