



New Pacific Metals Corp.

NUX: TSXV

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2011

(Unaudited, expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended September 30, 2011**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the “Company”) for the three months ended September 30, 2011 (the “Financial Statements”) have been prepared by management and have not been reviewed by the Company’s independent auditors. The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended June 30, 2011 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards.

New Pacific Metals Corp.

Condensed Consolidated Interim Balance Sheets

(Unaudited - expressed in Canadian dollars)

	Notes	September 30, 2011	June 30, 2011	July 1, 2010
ASSETS				
			(Note 14)	(Note 14)
Current				
Cash and cash equivalents		\$ 22,072,284	\$ 20,625,672	\$ 6,333,154
Short term investments		12,057,500	17,023,000	2,904,360
Trade and other receivables	5	1,585,964	1,444,810	85,623
Inventories		93,736	41,412	-
Assets held for sale	4	-	-	436,490
		35,809,484	39,134,894	9,759,627
Reclamation deposits		15,075	30,075	-
Long term investments		-	-	773,100
Plant and equipment	7	2,150,068	1,746,687	20,397
Mineral property interests	6	35,172,349	30,765,038	9,209
Assets held for sale	4	-	-	3,722,334
TOTAL ASSETS		\$ 73,146,976	\$ 71,676,694	\$ 14,284,667
LIABILITIES				
Current				
Trade and other payables	8	\$ 2,074,207	\$ 1,877,487	\$ 131,108
Due to related parties	10	126,973	24,539	98,272
Liabilities held for sale	4	-	-	565,566
Total Liabilities		2,201,180	1,902,026	794,946
EQUITY				
Share capital		56,407,430	56,377,380	16,708,543
Contributed surplus reserve		16,487,818	16,230,915	13,028,500
Accumulated other comprehensive income		-	-	46,862
Deficit		(1,949,452)	(2,833,627)	(16,294,184)
Total Equity		70,945,796	69,774,668	13,489,721
TOTAL LIABILITIES AND EQUITY		\$ 73,146,976	\$ 71,676,694	\$ 14,284,667

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statement of Income (Loss)

(Unaudited - expressed in Canadian dollars, except for share and per share figures)

	Notes	Three months ended September 30,	
		2011	2010
Expenses	10		
Audit and accounting		\$ 26,100	\$ 68,900
Consulting		18,000	49,500
Depreciation		7,705	1,021
Filing and listing		21,755	41,276
Foreign exchange (gain) loss		(1,556,985)	6,945
Investor relations		133,300	230,363
Legal and professional fees		960	570,120
Salaries and benefits		87,050	128,441
Office and administration		123,327	16,857
Rent		52,447	18,475
Stock-based compensation		174,991	176,305
Travel and promotion		32,740	3,926
(Income) loss before other income and expenses		(878,610)	1,312,129
Other income and expenses			
Finance expense		(2,580)	(1,125)
Finance income		8,145	14,991
Gain on revaluation of previously owned shares upon acquisition		-	1,120,529
		5,565	1,134,395
Income (loss) from continuing operations		884,175	(177,734)
Loss from discontinued operations	4	-	(130,082)
Income (loss) for the period		\$ 884,175	\$ (307,816)
Net income attributable to			
Equity shareholders of the Company		\$ 884,175	\$ (306,229)
Non-controlling interest		-	(1,587)
		\$ 884,175	\$ (307,816)
Basic earnings (loss) per share - continuing operations		\$ 0.013	\$ (0.005)
Diluted earnings (loss) per share - continuing operations		\$ 0.013	\$ (0.005)
Basic and diluted loss per share - discontinued operations		\$ -	\$ (0.004)
Basic earnings (loss) per share - total		\$ 0.013	\$ (0.009)
Diluted earnings (loss) per share - total		\$ 0.013	\$ (0.009)
Weighted average number of shares - basic		67,318,116	33,228,441
Weighted average number of shares - diluted		69,050,570	33,228,441

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statement of Comprehensive Income (Loss)

(Unaudited - expressed in Canadian dollars)

	Three months ended September 30,	
	2011	2010
Net income (loss)	\$ 884,175	\$ (307,816)
Other comprehensive income (loss), net of taxes:		
Unrealized loss on available for sale securities	-	(73,948)
Currency translation adjustment	-	(57,776)
Other comprehensive income (loss)	-	(131,724)
Comprehensive income (loss)	\$ 884,175	\$ (439,540)
Attributable to:		
Equity holders of the Company	\$ 884,175	(436,820)
Non-controlling interests	-	(2,720)
	\$ 884,175	\$ (439,540)

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - expressed in Canadian dollars)

	Notes	Three months ended September 30,	
		2011	2010
Cash (used in) provided by			
Operating activities			
Net income (loss) for the period from continuing operations		\$ 884,175	\$ (307,816)
Add (deduct) items not affecting cash :			
Depreciation		7,705	1,021
Gain on revaluation of previously owned shares upon acquisition		-	(1,120,529)
Stock-based compensation		174,991	176,305
Net loss from discontinued operations		-	130,082
Cash used in operating activities of discontinued operations		-	(236,388)
		1,066,871	(1,357,325)
Change in non-cash working capital			
Trade and other receivables		(126,153)	(367,553)
Trade and other payables		128,743	306,227
Inventory		(52,324)	-
Cash provided by (used in) operating activities		1,017,137	(1,418,651)
Investing activities			
Reclamation deposit paid		-	(15,000)
Expenditures on mineral property interests		(4,179,790)	(42,536)
Acquisition of plant and equipment		(476,544)	-
Acquisition of net assets of TLG (net of cash acquired)	3	-	(72,649)
Net redemption (purchase) of short term investments		4,965,500	(95,640)
Cash disposed as a result of disposition of a subsidiary	4	-	(200,295)
Cash provided by investing activities of discontinued operations		-	31,685
Cash provided by (used in) investing activities		309,166	(394,435)
Financing activities			
Amount due to related parties		102,434	(43,025)
Shares issued for cash upon exercise options		17,875	37,600
Cash provided by (used in) financing activities		120,309	(5,425)
Effect of exchange rate changes on cash and cash equivalents		-	(7,761)
Increase (decrease) in cash and cash equivalents		1,446,612	(1,826,272)
Cash and cash equivalents, beginning of period		20,625,672	6,745,913
Cash and cash equivalents, end of period		\$ 22,072,284	\$ 4,919,641
Non-cash investing activities:			
Shares issued for acquisition of TLG	3	\$ -	\$ 14,587,649
Shares to be issued for acquisition of TLG		\$ -	\$ 35,264

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - expressed in Canadian dollars, except for share figures)

	Note	Share Capital				Contributed surplus reserve	Accumulated other comprehensive income (loss)	Deficit	Non-controlling interests	Total equity
		Number of shares issued	Share capital issued	Number of shares to be issued	Share capital to be issued					
Balance, June 30, 2010		31,907,988	\$ 16,708,543	-	\$ -	\$ 13,028,500	\$ 46,862	\$ (16,294,184)	\$ -	\$ 13,489,721
Options exercised		69,800	66,732	-	-	(29,132)	-	-	-	37,600
Shares issued for acquisition of TLG	3	13,261,499	14,587,649	-	-	-	-	-	3,850,298	18,437,947
Shares to be issued for acquisition of TLG		-	-	32,058	35,264	-	-	-	-	35,264
Stock-based compensation		-	-	-	-	176,305	-	-	-	176,305
Unrealized loss on available for sale securities		-	-	-	-	-	(73,948)	-	-	(73,948)
Income (loss) for the period		-	-	-	-	-	1,133	(306,229)	(2,720)	(307,816)
Currency translation adjustment		-	-	-	-	-	(57,776)	-	-	(57,776)
Balance, September 30, 2010		45,239,287	31,362,924	32,058	35,264	13,175,673	(83,729)	(16,600,413)	3,847,578	31,737,297
Options exercised		1,723,293	2,811,887	-	-	(1,362,356)	-	-	-	1,449,531
Shares issued for acquisition of TLG		2,351,623	2,586,785	-	-	99,690	-	-	(3,850,298)	(1,163,823)
Shares to be issued for acquisition of TLG		-	-	(32,058)	(35,264)	-	-	-	-	(35,264)
Shares and warrants issued on financing		18,000,000	20,720,930	-	-	3,579,070	-	-	-	24,300,000
Share issuance costs		-	(1,105,146)	-	-	-	-	-	-	(1,105,146)
Stock-based compensation		-	-	-	-	738,839	-	-	-	738,839
Unrealized loss on available for sale securities		-	-	-	-	-	27,086	-	-	27,086
Income (loss) for the period		-	-	-	-	-	(1,133)	13,766,786	2,720	13,768,373
Currency translation adjustment		-	-	-	-	-	57,776	-	-	57,776
Balance, June 30, 2011		67,314,203	56,377,380	-	-	16,230,916	-	(2,833,627)	-	69,774,669
Options exercised		32,500	30,050	-	-	(12,175)	-	-	-	17,875
Stock-based compensation		-	-	-	-	269,077	-	-	-	269,077
Income for the period		-	-	-	-	-	-	884,175	-	884,175
Balance, September 30, 2011		67,346,703	\$56,407,430	\$ -	\$ -	\$ 16,487,818	\$ -	(1,949,452)	\$ -	\$ 70,945,796

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

1. CORPORATE INFORMATION

New Pacific Metals Corp. along with its subsidiaries (collectively the “Company” or “NUX”), is a Canadian-based near-term gold and silver production company, engaged in the exploration and development of mineral properties in Yukon, Canada.

The Company’s common shares are listed on the TSX Venture. The Company was continued into the Province of British Columbia under the Business Corporation Act in November 2004. The head office, registered address and records office of the Company are located at 200 Granville Street, Suite 1378, Vancouver, British Columbia, Canada, V6C 1S4.

The Company is in the business of exploring and developing its mineral properties and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, and future profitable production or proceeds from the disposition of the mineral property interests.

These condensed consolidated interim financial statements have been prepared on a going concern basis. The Company has a history of losses and no operating revenues from its operations. As at September 30, 2011, the Company had a working capital position of \$33,608,304 and sufficient cash resources to meet the Company’s planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months. These financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The unaudited condensed consolidated interim financial statements of the Company as at and for the three months ended September 30, 2011 were authorized for issue in accordance with a resolution of the Board of Directors dated on November 17, 2011. Operating results for the three months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ended June 30, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

International Financial Reporting Standards (“IFRS”) require companies that adopt IFRS to make an explicit and unreserved statement in their first annual IFRS financial statements of compliance with IFRS. The Company will make this statement when it issues its financial statements for the year ending June 30, 2012.

Prior to the adoption of IFRS, the Company’s financial statements were prepared in accordance to Canadian generally accepted accounting principles (“Canadian GAAP”). These unaudited condensed consolidated interim financial statements represent the Company’s initial presentation of its results and financial position under IFRS and as such were prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”) and IFRS 1, First-time Adoption of IFRS (“IFRS 1”).

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The disclosures of the elected transition exemptions, reconciliation and explanation of accounting policy compared to Canadian GAAP have been provided in Note 14 to these financial statements. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as at the date the Board of Directors approved the financial statements for issue. Any subsequent changes to IFRS could result in a restatement of these financial statements, including the transition adjustment recognized on conversion to IFRS.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2011, which were prepared in accordance with Canadian GAAP, and in consideration of the IFRS disclosures included in Note 14.

(b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries: Tagish Lake Gold Corp. ("TLG"), Mount Skukum Gold Mining Corporation, New Pacific Offshore Inc., SKN Nickel & Platinum Ltd. ("SNP"), Lachlan Gold Ltd., 0876044 B.C. Ltd., and Glory Metals Investment Corp. Limited.

Subsidiaries are fully consolidated from the date on which the Company obtains control. Control is achieved when the Company has the power to govern the financial and operation policies of the entity. Control is normally achieved through ownership, directly or indirectly, of more than 50% of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors or through the exercise of de facto control. For non-wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated balance sheets. Loss for the period that is attributable to the non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation.

(c) Business Combinations

The acquisition method of accounting is used to account for the acquisition of a business. The cost of acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Acquisition costs incurred are expensed and included the consolidated statements of income.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

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Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

(d) Discontinued Operations and Assets and Liabilities Held for Sale

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes, and is expected to be recovered primarily through sale rather than continuous use. The assets and liabilities are presented as held for sale when the relevant criteria are met. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Plant and equipment once classified as held for sale are not depreciated or amortized. Results of operations and any gain or loss from disposal are excluded from income of operations and are reported separately as income from discontinued operations.

(e) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency monetary assets and liabilities are translated into the functional currency using exchange rates prevailing at the balance sheet date. Foreign currency non-monetary assets are translated using exchange rates prevailing at the transaction date. Foreign exchange gains and losses are included in the determination of net income.

The consolidated financial statements are presented in Canadian dollars (“CAD”). The financial position and results of the Company’s entities that have a functional currency different from Canadian dollars are translated as follows:

- assets and liabilities are translated using exchange rates prevailing at the balance sheet date;
- income and expenses are translated using average exchange rates prevailing during the period; and
- all resulting exchange gains and losses are included in other comprehensive income

The Company treats inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its investments. When a foreign entity is disposed and exchange differences arise, such differences are recognized through profit and loss.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash, and short-term money market instruments that are readily convertible to cash with original terms of three months or less.

(g) Short Term Investments

Short term investments consist of certificates of deposit and money market instruments with original terms of three months or more, but less than one year.

(h) Inventories

Inventories include materials and supplies which are valued at the lower of cost, determined on a weighted average cost basis, and net realizable value.

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(Unaudited - expressed in Canadian dollars)

(i) Plant and Equipment

Plant and equipment are initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Plant and equipment are subsequently measured at cost less accumulated depreciation and applicable impairment losses. Depreciation is computed using the declining balance method at the following rates based on the nature and useful lives of the asset.

- Buildings	5%
- Machinery	20%
- Motor vehicles	20%
- Office equipment and furniture	20%
- Computer software	20%

Subsequent costs that meet the asset recognition criteria are capitalized while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period. The Company conducts an annual assessment of the residual balances, useful lives, and depreciation methods being used for plant and equipment and any changes are applied prospectively.

Assets under construction are capitalized as construction-in-progress. The cost of construction-in-progress comprises of its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress assets are not depreciated until it is completed and available for use.

(j) Mineral Property Interests

The cost of acquiring mineral rights and properties either as an individual asset purchase or as part of a business combination is capitalized and represents the property's fair value at the date of acquisition. Fair value is determined by estimating the value of the property's reserves, resources and exploration potential.

Exploration and evaluation costs, incurred associated with specific mineral properties prior to demonstrable technical feasibility and commercial viability of extracting a mineral resource, are capitalized. Upon determination that a mineral property can be economically developed, which occurs at the earlier of: completion of positive economic analysis of the mineral deposit by establishing proven and probable reserves; or obtaining a mining permit, the subsequent development costs incurred such as to further delineate the ore body and costs incurred during production to increase output by providing access to additional sources of mineral resources, are also capitalized.

(k) Impairment of Long-lived Assets

Long-lived assets, including mineral property interests, plant and equipment are reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units ("CGU"), which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of a CGU over its

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recoverable amount, which is the greater of its fair value less costs to sell and value in use. For mineral properties and processing facilities, the recoverable amount is estimated as the discounted future net cash flows expected to be derived from expected future production, metal prices, and net proceeds from the disposition of assets on retirement, less operating and capital costs. Impairment losses are recognized in the period they are incurred.

Impairment losses are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired as a result. This reversal is recognized in net income in the period the reversal occurs limited by the carrying value that would have been determined, net of any depreciation, had no impairment charge been recognized in prior years.

(l) Share-based Payments

The Company recognizes stock-based compensation expense for all stock options awarded to employees, officers, and directors based on the fair values of the stock options at the date of grant. The fair values of the stock options at the date of grant are expensed over the vesting periods of the stock options with a corresponding increase to equity. The fair value of stock options granted to employees, officers, and directors is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. The fair value of stock options granted to consultants is measured at the fair value of the services delivered unless fair value cannot be estimated reliably, in which case, fair value is determined using the Black-Scholes option pricing model. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Forfeitures are accounted for using estimates based on historical actual forfeiture data. Stock-based compensation expense related to exploration is capitalized in mineral properties interests.

Upon the exercise of the stock option, consideration received and the related amount transferred from contributed surplus are recorded as share capital.

(m) Rehabilitation Provision

Rehabilitation provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. The nature of these rehabilitation activities may include dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

Upon initial recognition of the rehabilitation provision liability, the present value of the estimated costs is capitalized to the carrying value of the related mining asset. The estimated costs are subsequently amortized to earnings based on the same method of amortization of the underlying asset. The liability is also accreted to full value over time through periodic unwinding of the discount charged to finance expenses in the statement of income.

Management has determined that there is no rehabilitation provision at September 30, 2011 and June 30, 2011.

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(Unaudited - expressed in Canadian dollars)

(n) Income Taxes

Current tax for each taxable entity is based on the local taxable income at the local substantively enacted statutory tax rate at the balance sheet date and includes adjustments to taxes payable or recoverable in respect to previous periods.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized in other comprehensive income or directly in equity.

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

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(o) Earnings (loss) per Share

Earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. For stock options, the number of additional shares for inclusion in diluted earnings per share calculations is determined when the exercise price is less than the average market price of the Company's common shares; the stock options are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

(p) Financial Instruments

On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as fair value through profit and loss, of which transactions costs are expensed as incurred.

Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

Classified as fair value through profit or loss ("FVTPL"):

Financial assets and liabilities classified as at FVTPL are measured at fair value with changes in fair values recognized in net income. Financial assets and liabilities are classified as at FVTPL when: (i) they are acquired or incurred principally for short-term profit taking and/or meet the definition of a derivative (held-for-trading); or (ii) they meet the criteria for being designated as at FVTPL and have been designated as such on initial recognition.

Classified as available-for-sale:

A financial asset is classified as available-for-sale when: (i) it is not classified as a loan and receivable, a held-to-maturity investment or as at FVTPL; or (ii) it is designated as available-for-sale on initial recognition. A financial asset classified as available-for-sale is measured at fair value with mark-to-market gains and losses recognized in other comprehensive income and accumulated in accumulated other comprehensive income within equity until the financial asset is derecognized or there is objective evidence that the asset is impaired.

Loans and receivables and other financial liabilities:

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest method.

Impairment:

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in net income in the period it occurs.

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The Company classifies its financial instruments as follows:

- Financial assets classified as at FVTPL: short term investments.
- Financial assets classified as available-for-sale: long term investments in marketable securities that have quoted market prices in active markets.
- Loans and receivables: trade and other receivables.
- Financial liabilities: trade and other payables, amount due to related parties.

(q) Significant Judgments and Estimation Uncertainties

Many amounts included in the consolidated balance sheet require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated balance sheet.

Areas of significant judgment include:

- Capitalization of expenditures respect to exploration, evaluation and development costs to be included in mineral property interests.

Areas of significant estimates include:

- Estimates of the quantities of proven and probable mineral reserves and the portion of resources considered to be probable of economic extraction.
- Forecast prices of commodities, exchange rates, production costs, and recovery rates.
- The future economic benefit of exploration and evaluation costs.
- The estimated fair values of cash generating units for impairment tests, including estimates of future costs to produce proven and probable reserves, future commodity prices, and discount rates.
- The estimated useful lives and residual values of tangible and long-lived assets and the measurement of depreciation expense.
- Recognition of a provision for environmental rehabilitation including the estimation of rehabilitation costs and environmental and regulatory requirements.
- The fair value of acquired assets and liabilities.
- Valuation input and forfeiture rates used in calculation of stock-based compensation.
- Evaluation and assessment of contingent liabilities.
- Valuation allowance for deferred income tax assets.

The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the National Instrument 43-101.

(r) Accounting Standards issued but not yet effective

The IASB and IFRIC have issued certain new standards, interpretations, amendments and improvements to existing standards, mandatory for future accounting periods. The most significant of these are as follows, and are all effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted, unless otherwise specified:

IFRS 9 – Financial Instruments will be the new standard for financial reporting of financial instruments that is set to replace the existing IAS 39. IFRS 9 is principles-based and is aimed to be less complex than IAS 39.

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IFRS 11 – Joint Arrangements provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 and SIC-13.

IFRS 12 – Disclosures of Interests in Other Entities will be the new standard for disclosure requirements for subsidiaries, joint-ventures, associates and unconsolidated structured entities. As previous disclosure requirements segregated in different standards – IAS 27, IAS 28, and IAS 31 – had overlaps in numerous areas, the new combined disclosure standard will present a uniformed requirement that is easier to understand and apply.

IFRS 10 – Consolidated Financial Statements will be the new standard replaces the consolidation guidance in IAS 27 and SIC-12, by establishing a consistent application of the concept of control as the basis for determining which entities are consolidated in the consolidated financial statements.

IFRS 13 – Fair Value Measurement will be the new standard that replaces the guidance on fair value measurement in existing IFRS. It defines and provides guidance on measuring fair value and requires disclosures about fair value measurements in a single standard.

The Company is currently evaluating the impact of the future accounting standards on the consolidated financial statements.

3. BUSINESS COMBINATION

During fiscal year 2011, the Company acquired all the outstanding common shares of TLG, a Canadian publicly traded company involved in the exploration and development of gold-silver mineral deposits in the Yukon Territory. The acquisition was made on the basis of the following offers (the “Offer”) to the TLG shareholders for each TLG share they held:

- \$0.10 in cash;
- 0.137 of a common share of NUX; or
- A combination of 50% in cash and 50% in NUX shares.

The acquisition was completed in three significant steps. On September 15, 2010, the Company completed the acquisition of 53.2% of outstanding TLG shares and extended the Offer to September 27, 2010 at which time the Company had taken up a total of 79.8% of outstanding shares of TLG. Through a court-approved plan of arrangement, on December 20, 2010 the Company acquired the remaining shares of TLG and achieved 100% ownership. The acquisition of TLG has been accounted for as a business combination.

The purchase price of the transactions totaled \$20,466,409 comprised of approximately 15,613,122 NUX common shares, 82,200 replacement options, \$1,476,286 cash, 14.3 million common shares of TLG held by NUX prior to the Offer and considered disposed of into the transactions at fair value of \$1,716,000 as at acquisition date.

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NUX shares issued as consideration had a value of \$17,174,434 or \$1.10 per share, which was determined with reference to the closing share price of the Company's common shares as at the acquisition date.

NUX exchanged and replaced part of TLG outstanding options at an exchange ratio of 0.137 and at an exercise price equivalent to the original exercise price divided by 0.137. These replacement options of 82,200 were granted at an exercise price of \$1.26, vested immediately and will expire in December 2015. The grant date fair value of those options was \$1.21 per option, totaling \$99,689, valued with the Black-Scholes option pricing model at the following assumptions:

Risk free interest rate	2.38%
Expected volatility	115%
Expected life	3 years
Dividend yield	0%

The acquisition of TLG has been accounted for using the acquisition method. The allocation of the purchase price to the assets acquired and liabilities assumed is based upon estimated fair value at the time of acquisition.

Purchase Price

Fair value of NUX shares issued	\$ 17,174,434
Fair value of NUX replacement options granted	99,689
Fair value of TLG shares owned prior to the business combination	1,716,000
Cash paid to acquire TLG shares per take-over bid	1,476,286
	<u>\$ 20,466,409</u>

Fair Value of Assets Acquired and Liabilities Assumed

Cash	\$ 204,549
Other current assets	258,203
Reclamation deposits	15,000
Plant and equipment	149,513
Mineral property interests	28,153,670
Accounts payable and accrued liabilities	(8,314,526)
	<u>\$ 20,466,409</u>

4. DISPOSITION AND DISCONTINUED OPERATIONS

In March 2011, the Company completed the disposal of a subsidiary, Yunnan Jin Chang Mining Co. Ltd. ("JCJM") for gross proceeds of \$22.5 million (CNY¥130.5 million). JCJM's main assets were the XSK and HNK gold-polymetallic projects located in Guangdong, China.

In June 2011, the Company completed the disposal of a subsidiary, Sichuan Huaxi Mining Co. Ltd. ("HXM") for \$0.8 million (CNY¥5 million) and a gain of \$0.7 million was recorded a gain

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of \$0.7 million. HXM's main assets were the Sichuan Project and Kang Dian Project, located in Sichuan, China.

The assets and liabilities of JCJM and HXM have been presented as held for sale and their results of operations have been presented as discontinued operations as follows:

Assets and liabilities held for sale

	September 30, 2011	June 30, 2011	July 1, 2010
Cash and cash equivalents	\$ -	\$ -	412,759
Trade and other receivables	-	-	23,731
Assets held for sale - current	-	-	436,490
Reclamation deposit	-	-	46,920
Mineral property interests	-	-	3,471,667
Plant and equipment	-	-	203,747
Assets held for sale - long term	-	-	3,722,334
Total assets held for sale	\$ -	\$ -	4,158,824
Trade and other payables	-	-	226,178
Deposit received	-	-	261,188
Due to a related party	-	-	78,200
Liabilities held for sale	-	-	565,566
Net assets held for sale	\$ -	\$ -	3,593,258

Loss from discontinued operations

	Three months ended September 30,	
	2011	2010
Operating expenses	\$ -	\$ 103,226
Other income and expenses	-	26,856
Loss from discontinued operations	\$ -	\$ 130,082

Cash flow from discontinued operations

	Three months ended September 30,	
	2011	2010
Cash used in operating activities	\$ -	\$ (236,388)
Cash provided by investing activities	-	31,685
Effect of exchange rate on cash and cash equivalents	-	(7,761)
Cash used in discontinued operations	\$ -	\$ (212,464)

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5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following:

	September 30, 2011		June 30, 2011		July 1, 2010
Amount receivable	\$ 814,000	\$	746,000	\$	-
GST/HST receivable	499,128		250,418		10,080
Interest receivable	121,714		159,287		1,345
Deposit and prepaid expenses	151,122		289,105		74,198
	\$ 1,585,964	\$	1,444,810	\$	85,623

Amount receivable of \$814,000 (CNY¥5 million) from disposition of HXM has been received on November 9, 2011.

6. MINERAL PROPERTY INTERESTS

The continuity schedule of mineral property acquisition costs and deferred exploration and development costs is summarized as follows:

Cost	Tagish Lake	Eva Lake	Total
Balance, July 1, 2010	\$ -	\$ 9,209	\$ 9,209
Acquisition of mineral property interest(Note 3)	28,153,670	-	28,153,670
<u>Capitalized exploration expenditures</u>			
First nation consultation	10,000	-	10,000
Reporting and assessment	399,387	-	399,387
Staking and mapping	192,406	-	192,406
Drilling and assay	73,972	1,474	75,446
Geophysical and geochemical surveys	-	85,795	85,795
Camp services	887,030	2,241	889,271
Site preparation	588,371	-	588,371
Permitting	77,824	-	77,824
Environmental Study	84,402	-	84,402
Other	297,976	-	297,976
Impairment	-	(98,719)	(98,719)
Balance, June 30, 2011	30,765,038	-	30,765,038
<u>Capitalized exploration expenditures</u>			
Reporting and assessment	123,662	-	123,662
Staking and mapping	31,085	-	31,085
Drilling and assay	2,151,307	-	2,151,307
Camp services	921,055	-	921,055
Site preparation	845,192	-	845,192
Permitting	63,403	-	63,403
Environmental Study	59,454	-	59,454
Other	212,153	-	212,153
Balance, September 30, 2011	\$ 35,172,349	\$ -	\$ 35,172,349

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(a) Tagish Lake Gold Project

The Tagish Lake Gold Project, covering an area of 270 square kilometers, is located in Yukon Territory, Canada, and consists of 1,546 mining claims with three identified gold and gold-silver mineral deposits: Skukum Creek, Goddell Gully and Mount Skukum.

During the three months ended September 30, 2011, the Company incurred a total of \$4,407,311 exploration expenditures mainly for surface and underground drilling, camp services and site preparation as well as reporting and assessment (three months ended September 30, 2010 – \$nil).

(b) Eva Lake Project

The Eva Lake Project originally consisted of 65 contiguous claims, covering an area of 260 square kilometers. With the acquisition of TLG, the Company shifted its focus on the Tagish Lake Gold Property, and allowed the claims on the Eva Lake Project to expire in May 2011. As a result, previously capitalized expenditures relating to the Eva Lake Project of \$98,719 were recorded as an impairment loss for the year ended June 30, 2011.

During the three months ended September 30, 2011, the Company did not incur any exploration expenditures related to the Eva Lake Project (three months ended September 30, 2010 - \$42,536).

7. PLANT AND EQUIPMENT

Cost	Building	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Construction in progress	Total
Balance as at July 1, 2010	\$ -	\$ -	\$ -	\$ 3,725	\$ 32,112	\$ -	\$ 35,837
Additions upon acquisition of TLG	99,608	39,550	10,355	-	-	-	149,513
Additions	404,032	683,607	95,687	67,884	106,689	279,373	1,637,272
Balance as at June 30, 2011	503,640	723,157	106,042	71,609	138,801	279,373	1,822,622
Additions	4,452	351,327	26,895	8,132	-	85,639	476,445
Reclassification from construction in progress	365,012	-	-	-	-	(365,012)	-
Balance as at September 30, 2011	\$ 873,104	\$ 1,074,484	\$ 132,937	\$ 79,741	\$ 138,801	\$ -	\$ 2,299,067

Accumulated depreciation and amortization

Balance as at July 1, 2010	\$ -	\$ -	\$ -	\$ (1,177)	\$ (14,263)	\$ -	\$ (15,440)
Depreciation and amortization	(5,513)	(32,050)	(4,753)	(4,755)	(13,424)	-	(60,495)
Balance as at June 30, 2011	(5,513)	(32,050)	(4,753)	(5,932)	(27,687)	-	(75,935)
Depreciation and amortization	(8,868)	(48,784)	(6,303)	(3,552)	(5,557)	-	(73,064)
Balance as at September 30, 2011	\$ (14,381)	\$ (80,834)	\$ (11,056)	\$ (9,484)	\$ (33,244)	\$ -	\$ (148,999)

Carrying amount

Balance as at July 1, 2010	\$ -	\$ -	\$ -	\$ 2,548	\$ 17,849	\$ -	\$ 20,397
Balance as at June 30, 2011	\$ 498,127	\$ 691,107	\$ 101,289	\$ 65,677	\$ 111,114	\$ 279,373	\$ 1,746,687
Balance as at September 30, 2011	\$ 858,723	\$ 993,650	\$ 121,881	\$ 70,257	\$ 105,557	\$ -	\$ 2,150,068

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8. TRADE AND OTHER PAYABLES

As at September 30, 2011, trade and other payables comprised of:

	September 30, 2011	June 30, 2011	July 1, 2010
Accounts payable	\$ 1,217,180	\$ 892,303	\$ 33,896
Acquisition cost payable	481,624	481,624	-
Accrued liabilities	375,403	503,560	97,212
	\$ 2,074,207	\$ 1,877,487	\$ 131,108

9. SHARE CAPITAL

(a) *Share Capital - authorized share capital*

Unlimited number of common shares without par value.
 Unlimited number of Class A preferred shares without par value.

(b) *Stock Options*

The continuity schedule of stock options, as at September 30, 2011, is as follows:

	Number of options	Weighted average exercise price
Balance, July 1, 2010	4,361,715	\$ 0.92
Options granted	2,137,200	1.57
Options exercised	(1,793,093)	0.83
Options cancelled	(200,000)	3.05
Options forfeited	(580,072)	1.47
Options expired	(200,000)	1.85
Balance, June 30, 2011	3,725,750	1.08
Options granted	140,000	1.33
Options exercised	(32,500)	0.55
Options forfeited	(22,500)	1.16
Balance, September 30, 2011	3,810,750	\$ 1.10

During the three months ended September 30, 2011, a total of 140,000 options were granted to an officer at exercise price of \$1.33 for a term of five years subject to a vesting period of 48 months with 12.5% of the options vesting every six months.

No options were granted to the employees, officers and consultants by the Company during the three months ended September 30, 2010.

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The fair value of the options granted during the three months ended September 30, 2011 was estimated using the Black-Scholes options pricing model with the following assumptions:

	Three months ended September 30, 2011
Risk free interest rate	1.41%
Expected volatility	109%
Expected life of options in years	4.2
Expected dividend yield	0%
Estimated forfeiture rate	9%

The weighted average grant date fair value for the options granted during the period was \$0.99.

For the three months ended September 30, 2011, a total of \$174,991 (three months ended September 30, 2010 - \$176,305) was recorded as stock-based compensation expense, and a total of \$94,086 (three months ended September 30, 2010 - \$nil) was capitalized as mineral property interest.

The following table summarizes information about stock options outstanding as at September 30, 2011:

Exercise prices	Number of options outstanding as at September 30, 2011	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at September 30, 2011	Weighted average exercise price
1.25	23,000	0.17	1.25	23,000	1.25
1.55	214,000	0.79	1.55	214,000	1.55
1.55	40,000	1.34	1.55	40,000	1.55
0.50	525,000	2.30	0.50	525,000	0.50
0.65	1,330,000	3.70	0.65	498,750	0.65
1.44	250,000	4.09	1.44	31,250	1.44
1.60	510,000	4.16	1.60	63,750	1.60
1.65	218,750	4.22	1.65	26,250	1.65
2.04	10,000	4.24	2.04	1,250	2.04
2.02	150,000	4.50	2.02	18,750	2.02
1.42	200,000	4.71	1.42	-	-
1.51	200,000	4.73	1.51	-	-
1.33	140,000	4.96	1.33	-	-
\$0.50-2.04	3,810,750	3.60	\$ 1.10	1,442,000	\$ 0.86

10. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the financial statements are as follows:

Transactions with related parties	Three months ended September 30,	
	2011	2010
Silvercorp Metals Inc. (a)	\$ 182,592	\$ 96,144
R. Feng Consulting Ltd. (b)	18,000	18,000
	\$ 200,592	\$ 114,144

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As at September 30, 2011, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	September 30, 2011		July 30, 2011		July 1, 2010	
Silvercorp Metals Inc. (a)	\$	106,813	\$	24,539	\$	79,372
R. Feng Consulting Ltd. (b)		20,160		-		18,900
	\$	126,973	\$	24,539	\$	98,272

(a) Silvercorp Metals Inc. (“SVM”) has a director and officers in common with the Company and shares office space and provides various general and administrative services to the Company. During the three months ended September 30, 2011, the Company recorded total expenses of \$182,592 (three months ended September 30, 2010 - \$96,144) for services rendered and expenses incurred by SVM on behalf of NUX.

(b) During the three months ended September 30, 2011, the Company incurred \$18,000 (three months ended September 30, 2010 - \$18,000) in consulting fees for consulting services rendered by R. Feng Consulting Ltd., a company controlled by a director and an officer of the Company.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months ended September 30, 2011 and 2010 are as follows:

	Three months ended September 30,	
	2011	2010
Directors' fee	\$ 7,500	\$ 7,500
Salaries/consulting fees for key management personnel	137,083	44,250
Stock-based compensation	138,103	-
	\$ 282,686	\$ 51,750

Salaries/consulting fees for key management personnel include consulting fees disclosed in note 10 (b). Stock-based compensation expenses were measured at grant date fair value.

11. FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk and credit risk in accordance with its risk management framework. The Company’s Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework and reviews the Company’s policies on an ongoing basis.

(a) Fair Value

The following table sets forth the Company’s financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at September 30, 2011, those financial

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assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 22,072,284	\$ -	\$ -	\$ 22,072,284
Short term investments	12,057,500	-	-	12,057,500

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. As of September 30, 2011, the Company has sufficient funds to meet its short-term financial liabilities.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities:

	September 30, 2011	June 30, 2011	July 1, 2010
	Due within a year		
Trade and other payables	\$ 2,074,207	\$ 1,877,487	\$ 131,108
Due to related parties	126,973	24,539	98,272
Liabilities held for sale	-	-	565,566
	\$ 2,201,180	\$ 1,902,026	\$ 794,946

(c) Exchange Rate Risk

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates.

The Company does not hedge its foreign currency risk, and the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

The amounts are expressed in CAD equivalents	September 30, 2011	June 30, 2011	July 1, 2010
United States dollar	\$ 20,820,024	\$ 19,268,762	\$ 562,157
Chinese yuan	814,000	746,000	408,903
Total financial assets	\$ 21,634,024	\$ 20,014,762	\$ 971,060
Chinese yuan	-	-	565,566
Total financial liabilities	\$ -	\$ -	\$ 565,566

As at September 30, 2011, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately \$200,000.

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As at September 30, 2011 with other variables unchanged, a 1% strengthening (weakening) of the Chinese Yuan (“CNY”) against the CAD would have increased (decreased) net income by approximately \$8,000.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company’s cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of September 30, 2011.

(e) Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated with cash and cash equivalents, short term investments, trade and other receivable. The carrying amount of financial assets included on the balance sheet represents the maximum credit exposure.

The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Company’s Board of Directors. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents, short term investments are with major financial institutions in Canada.

12. CAPITAL MANAGEMENT

The Company’s objectives of capital management are intended to safeguard the entity’s ability to support the Company’s normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans.

The capital of the Company consists of the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management. 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.

The Company’s overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirement as at September 30, 2011.

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13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, which is the acquisition, exploration and development of mineral property interests, which financial information is evaluated regularly by the Company's Chief Executive Officer, the chief operating decision maker. The Company's geographical segments are determined by the location of its assets and operations.

(a) Summary of certain long-term assets of each geographic segment:

Balance sheet items	September 30, 2011		
	China	Canada	Total
Mineral property interests	\$ -	\$ 35,172,349	\$ 35,172,349
Plant and equipment	-	2,150,068	2,150,068
Assets held for sale	-	-	-

	June 30, 2011		
	China	Canada	Total
Mineral property interests	\$ -	\$ 30,765,038	\$ 30,765,038
Plant and equipment	-	1,746,687	1,746,687
Assets held for sale	-	-	-

	July 1, 2010		
	China	Canada	Total
Mineral property interests	\$ -	\$ 9,209	\$ 9,209
Plant and equipment	-	20,397	20,397
Assets held for sale	3,722,334	-	3,722,334

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(b) Summary of operating results of each geographic segment:

Statement of Income (Loss)	Three months ended September 30, 2011		
	China	Canada	Total
Income before other income & expenses	\$ -	\$ 878,610	\$ 878,610
Other income and expenses	-	5,565	5,565
Income from continuing operations	-	884,175	884,175
Loss from discontinued operations	-	-	-
Income for the period	\$ -	\$ 884,175	\$ 884,175
Attributable to:			
Equity holders of the Company	-	884,175	884,175
Non controlling interest	-	-	-
	\$ -	\$ 884,175	\$ 884,175

Statement of Income (Loss)	Three months ended September 30, 2010		
	China	Canada	Total
Loss before other income & expenses	\$ -	\$ (1,312,129)	\$ (1,312,129)
Other income and expenses	-	1,134,395	1,134,395
Loss from continuing operations	-	(177,734)	(177,734)
Loss from discontinued operations	(130,082)	-	(130,082)
Loss for the period	\$ (130,082)	\$ (177,734)	\$ (307,816)
Attributable to:			
Equity holders of the Company	-	(306,229)	(306,229)
Non controlling interest	(1,587)	-	(1,587)
	\$ (1,587)	\$ (306,229)	\$ (307,816)

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14. TRANSITION TO IFRS

The Company adopted IFRS effective July 1, 2011 with a transition date as of July 1, 2010. This note explains the principal adjustments made by the Company in restating its previous Canadian GAAP consolidated balance sheet as at July 1, 2010 and its previously published Canadian GAAP consolidated financial statements for the three months ended September 30, 2010 and for the year ended June 30, 2011.

(a) First-time adoption exemptions applied

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

- (i) Business combinations – the Company has elected the business combinations exemption in IFRS 1 to not apply IFRS 3, Business Combinations retrospectively to past business combinations. Accordingly, the company has not restated business combinations that took place prior to the transition date.
- (ii) Cumulative translation differences – the Company has elected to set the previously accumulated cumulative translation account, which was included in accumulated other comprehensive income (“AOCI”), to zero as at the transition date, and reclassified the balance to retained earnings.
- (iii) Non-controlling interests – the Company has elected to apply the requirements related to non-controlling interests in IAS 27, Consolidation and Separate Financial Statements, prospectively from the transition date. Therefore, non-controlling interests that may have a deficit balance prior to the transition date will not be restated.
- (iv) Share-based payment – the Company has elected to not apply IFRS 2, Share-based Payment to equity instruments granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS.

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(b) Reconciliation of equity

The following is a reconciliation of the Company's equity reported in accordance to Canadian GAAP to its equity under IFRS as at the transition date July 1, 2010:

	Canadian GAAP	Transitional Adjustments			IFRS
		(i)	(ii)	(iii)	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 6,333,154	\$ -	\$ -	\$ -	\$ 6,333,154
Short term investments	2,904,360	-	-	-	2,904,360
Trade and other receivables	85,623	-	-	-	85,623
Asset held for sale - current	436,490	-	-	-	436,490
	9,759,627	-	-	-	9,759,627
Non-current Assets					
Long term investments	773,100	-	-	-	773,100
Plant and equipment	20,397	-	-	-	20,397
Mineral property interests	9,209	-	-	-	9,209
Asset held for sale - long term	3,948,875	(226,541)	-	-	3,722,334
TOTAL ASSETS	\$ 14,511,208	\$ (226,541)	\$ -	\$ -	\$ 14,284,667
LIABILITIES					
Current Liabilities					
Trade and other payables	\$ 131,108	\$ -	\$ -	\$ -	\$ 131,108
Due to related parties	98,272	-	-	-	98,272
Liabilities held for sale	565,566	-	-	-	565,566
Total Liabilities	794,946	-	-	-	794,946
EQUITY					
Share capital	16,708,543	-	-	-	16,708,543
Contributed surplus reserve	13,048,690	-	-	(20,190)	13,028,500
Accumulated other comprehensive income	46,862	(226,541)	226,541	-	46,862
Deficit	(16,087,833)	-	(226,541)	20,190	(16,294,184)
Total Equity Attributable to Equity Holders of the Company	13,716,262	(226,541)	-	-	13,489,721
Non-controlling interests	-	-	-	-	-
Total Equity	13,716,262	(226,541)	-	-	13,489,721
TOTAL LIABILITIES AND EQUITY	\$ 14,511,208	\$ (226,541)	\$ -	\$ -	\$ 14,284,667

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

The following is a reconciliation of the Company's equity reported in accordance to Canadian GAAP to its equity under IFRS as at September 30, 2010:

	Canadian	Transitional Adjustments					IFRS
	GAAP	(i)	(ii)	(iii)	(iv)	(v)	
ASSETS							
Current							
Cash and cash equivalents	\$ 4,919,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,919,641
Cash held in trust	3,078,000	-	-	-	-	-	3,078,000
Short term investments	3,000,000	-	-	-	-	-	3,000,000
Trade and other receivables	380,610	-	-	-	-	-	380,610
Assets held for sale - current portion	259,773	-	-	-	-	-	259,773
	11,638,024	-	-	-	-	-	11,638,024
Reclamation deposits	30,000	-	-	-	-	-	30,000
Long term investments	103,680	-	-	-	-	-	103,680
Mineral property interests	23,951,704	-	-	-	4,253,711	-	28,205,415
Property, plant and equipment	168,889	-	-	-	-	-	168,889
Assets held for sale	3,546,681	(6,577)	(226,541)	-	-	-	3,313,563
TOTAL ASSETS	\$39,438,978	\$ (6,577)	\$ (226,541)	\$ -	\$ 4,253,711	\$ -	\$43,459,571
LIABILITIES							
Current							
Trade and other payables	\$ 8,421,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,421,093
Deposits received	3,078,000	-	-	-	-	-	3,078,000
Due to related parties	55,247	-	-	-	-	-	55,247
Liabilities held for sale	167,934	-	-	-	-	-	167,934
Total Liabilities	11,722,274	-	-	-	-	-	11,722,274
EQUITY							
Share capital	31,230,311	-	-	-	132,613	-	31,362,924
Shares to be issued	34,942	-	-	-	322	-	35,264
Contributed surplus reserve	13,215,665	-	-	(39,992)	-	-	13,175,673
Accumulated other comprehensive (loss) income	(27,086)	(57,776)	-	-	-	1,133	(83,729)
Deficit	(16,737,128)	51,199	(226,541)	39,992	270,478	1,587	(16,600,413)
Total Equity Attributable to Equity Holders of the Company	27,716,704	(6,577)	(226,541)	-	403,413	2,720	27,889,719
Non-controlling interest	-	-	-	-	3,850,298	(2,720)	3,847,578
Total Equity	27,716,704	(6,577)	(226,541)	-	4,253,711	-	31,737,297
TOTAL LIABILITIES AND EQUITY	\$39,438,978	\$ (6,577)	\$ (226,541)	\$ -	\$ 4,253,711	\$ -	\$43,459,571

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

The following is a reconciliation of the Company's equity reported in accordance to Canadian GAAP to its equity under IFRS as at June 30, 2011:

	Canadian GAAP	Transitional Adjustments				IFRS
		(i)	(ii)	(iii)	(iv)	
ASSETS						
Current						
Cash and cash equivalents	\$ 20,625,672	\$ -	\$ -	\$ -	\$ -	\$ 20,625,672
Short term investments	17,023,000	-	-	-	-	17,023,000
Trade and other receivables	1,444,810	-	-	-	-	1,444,810
Inventories	41,412	-	-	-	-	41,412
	39,134,894	-	-	-	-	39,134,894
Reclamation deposits	30,075	-	-	-	-	30,075
Plant and equipment	1,746,687	-	-	-	-	1,746,687
Mineral property interest	30,701,558	-	-	(10,520)	74,000	30,765,038
TOTAL ASSETS	\$ 71,613,214	\$ -	\$ -	(10,520)	\$ 74,000	\$ 71,676,694
LIABILITIES						
Current						
Trade and other payables	\$ 1,877,487	\$ -	\$ -	\$ -	\$ -	\$ 1,877,487
Due to related parties	24,539	-	-	-	-	24,539
Total Liabilities	1,902,026	-	-	-	-	1,902,026
EQUITY						
Share capital	56,221,249	-	-	-	156,131	56,377,380
Contributed surplus reserve	16,317,934	-	-	(87,019)	-	16,230,915
Deficit	(2,827,995)	-	-	76,499	(82,131)	(2,833,627)
Total Equity Contributed to the Equity Holders of the Company	69,711,188	-	-	(10,520)	74,000	69,774,668
Non-controlling interest	-	-	-	-	-	-
Total Equity	69,711,188	-	-	(10,520)	74,000	69,774,668
TOTAL LIABILITIES AND EQUITY	\$ 71,613,214	\$ -	\$ -	(10,520)	\$ 74,000	\$ 71,676,694

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

(c) Reconciliation of comprehensive income (loss)

The following is a reconciliation of the Company's comprehensive income (loss) reported in accordance with Canadian GAAP to its comprehensive income (loss) reported under IFRS for the quarter ended September 30, 2010:

	Canadian	Transitional Adjustments					IFRS
	GAAP	(i)	(ii)	(iii)	(iv)	(v)	
Expenses							
Audit and accounting	\$ -	\$ -	\$ -	\$ -	\$ 68,900	\$ -	\$ 68,900
Consulting	49,500	-	-	-	-	-	49,500
Depreciation	1,021	-	-	-	-	-	1,021
Filing and listing	41,276	-	-	-	-	-	41,276
Foreign exchange loss	6,945	-	-	-	-	-	6,945
Investor relations	16,682	-	-	-	213,681	-	230,363
Professional fees	2,651	-	-	-	567,469	-	570,120
Salaries and benefits	128,441	-	-	-	-	-	128,441
Office and administration	16,857	-	-	-	-	-	16,857
Rent	18,475	-	-	-	-	-	18,475
Stock-based compensation	196,107	-	-	(19,802)	-	-	176,305
Travel and promotion	3,926	-	-	-	-	-	3,926
Loss before other income and expenses	481,881	-	-	(19,802)	850,050	-	1,312,129
Other income and expenses							
Gain on re-evaluate previously owned shares upon acquisition	-	-	-	-	1,120,529	-	1,120,529
Finance expense	(1,125)	-	-	-	-	-	(1,125)
Finance income	14,991	-	-	-	-	-	14,991
	13,866	-	-	-	1,120,529	-	1,134,395
Loss from continuing operations	(468,015)	-	-	19,802	270,479	-	(177,734)
Loss from discontinued operations	(181,281)	51,199	-	-	-	-	(130,082)
Net loss for the period	\$ (649,296)	\$ 51,199	\$ -	\$ 19,802	\$ 270,479	\$ -	\$ (307,816)
Net loss attributable to							
Equity shareholders of the Company	\$ (649,296)	\$ 51,199	\$ -	\$ 19,802	\$ 270,479	\$ 1,587	\$ (306,229)
Non-controlling interest	-	-	-	-	-	(1,587)	(1,587)
	\$ (649,296)	\$ 51,199	\$ -	\$ 19,802	\$ 270,479	\$ -	\$ (307,816)
Other comprehensive loss							
Unrealized loss on available for sale securities	\$ (73,948)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (73,948)
Currency translation adjustment	-	(57,776)	-	-	-	-	(57,776)
Other comprehensive loss	(73,948)	(57,776)	-	-	-	-	(131,724)
Comprehensive loss	\$ (723,244)	\$ (6,577)	\$ -	\$ 19,802	\$ 270,479	\$ -	\$ (439,540)

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

The following is reconciliation of the Company's comprehensive income (loss) reported in accordance with Canadian GAAP to its comprehensive income (loss) under IFRS for the year ended June 30, 2011:

	Canadian GAAP	Transitional Adjustments					IFRS
		(i)	(ii)	(iii)	(iv)	(v)	
Expenses							-
Audit and accounting	\$ 133,533	\$ -	\$ -	\$ -	\$ 68,900	\$ -	\$ 202,433
Consulting	180,250	-	-	-	-	-	180,250
Depreciation	21,395	-	-	-	-	-	21,395
Filing and listing	89,343	-	-	-	-	-	89,343
Foreign exchange loss	443,484	-	-	-	-	-	443,484
General explorations	1,560	-	-	-	-	-	1,560
Investor relations	120,129	-	-	-	259,174	-	379,303
Legal & professional fees	184,084	-	-	-	874,585	-	1,058,669
Salaries and benefits	793,256	-	-	-	-	-	793,256
Office and administration	105,580	-	-	-	-	-	105,580
Rent	102,995	-	-	-	-	-	102,995
Stock-based compensation	865,913	-	-	(56,307)	-	-	809,606
Travel and promotion	20,314	-	-	-	-	-	20,314
Impairment loss of mineral property interest	98,719	-	-	-	-	-	98,719
Loss before other income and expenses	3,160,555	-	-	(56,307)	1,202,659	-	4,306,907
Other income and expenses							
Gain on disposal of marketable securities	62,117	-	-	-	-	-	62,117
Gain on re-evaluate previously owned shares upon acquisition	-	-	-	-	1,120,529	-	1,120,529
Finance expense	(92,700)	-	-	-	-	-	(92,700)
Finance income	197,058	-	-	-	-	-	197,058
	166,475	-	-	-	1,120,529	-	1,287,004
Loss from continuing operations	(2,994,080)	-	-	56,307	(82,130)	-	(3,019,903)
Income from discontinued operations	16,253,918	-	226,541	-	-	-	16,480,459
Net income for the period	\$13,259,838	\$ -	\$ 226,541	\$ 56,307	\$ (82,130)	\$ -	\$13,460,556
Attributable to							
Equity shareholders of the Company	\$13,259,838	\$ -	\$ 226,541	\$ 56,307	\$ (82,130)	\$ 47,157	\$13,507,713
Non-controlling interest	-	-	-	-	-	(47,157)	(47,157)
	\$13,259,838	\$ -	\$ 226,541	\$ 56,307	\$ (82,130)	\$ -	\$13,460,556
Other comprehensive loss							
Reversal of unrealized gain upon disposal of marketable securities	\$ (46,862)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (46,862)
Other comprehensive loss	(46,862)	-	-	-	-	-	(46,862)
Comprehensive income for the year	\$13,212,976	\$ -	\$ 226,541	\$ 56,307	\$ (82,130)	\$ -	\$13,413,694
Attributable to							
Equity shareholders of the Company	\$13,212,976	\$ -	\$ 226,541	\$ 56,307	\$ (82,130)	\$ 47,157	\$13,460,851
Non-controlling interest	-	-	-	-	-	(47,157)	(47,157)
	\$13,212,976	\$ -	\$ 226,541	\$ 56,307	\$ (82,130)	\$ -	\$13,413,694

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

(d) Reconciliation of cash flows

The adoption of IFRS has not impacted net cash flow used or provided during the reporting periods. However, certain items were reclassified for presentation purposes.

According to IFRS, transaction costs incurred during the TLG acquisition were expensed in the consolidated statement of income. Therefore, the related cash used for acquisition costs was reclassified from cash flow from investing activities to cash flow from operating activities.

For the three months ended September 30, 2010:

- Cash used in operating activities increased by \$714,428 from \$467,836 to \$1,182,264;
- Cash used in investing activities decreased by \$714,428 from \$1,140,547 to \$426,119.

For the year ended June 30, 2011:

- Cash used in operating activities increased by \$1,075,122 from \$9,834,115 to \$10,909,237;
- Cash used in investing activities decreased by \$1,075,122 from 1,191,663 to \$116,541.

(e) Notes to the reconciliations

Transitional adjustments are made according to the following notes:

(i) Foreign exchange impact on translation

Upon adoption of IFRS, the functional currency of the Company's discontinued Chinese subsidiaries was changed from CAD to CNY. CAD no longer serves as the functional currency for all entities in the group as it did under Canadian GAAP. Such change results in a foreign exchange difference between the two accounting standards on certain financial items. Under Canadian GAAP, these items were translated from CNY to CAD by using historical rates under Canadian GAAP. However under IFRS, they are translated from CNY to CAD directly using the exchange rate prevailing as at the period end.

July 1, 2010: Foreign exchange differences of \$226,541 were adjusted to the respective non-current assets and AOCI.

September 30, 2010: Foreign exchange differences of \$6,577 were adjusted to respective non-current assets, \$57,776 to AOCI with an exchange gain of \$51,199 recognized in net income in the period.

June 30, 2011: Foreign exchange differences of \$51,923 recognized in net income was offset by the same amount recognized as part of the gain from disposition of the discontinued Chinese subsidiaries. As a result, a net effect of \$nil was included on the consolidated statement of income for year ended June 30, 2011.

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

(ii) Cumulative translation difference

The Company has elected to eliminate its cumulative translation difference for its discontinued Chinese subsidiaries that existed at the date of transition to IFRS. A total of \$226,541 cumulated translation difference was reclassified from AOCI to deficit as at July 1, 2010. The same adjustment was carried forward to the subsequent periods' balance sheets up to the period of disposition.

As the \$226,541 cumulated translation difference reduced the carrying amount of the related non-current assets, it resulted in an increase of the same amount for gain recognized from disposition of the discontinued Chinese subsidiaries for the year ended June 30, 2011.

(iii) Stock-based compensation

Under the Canadian GAAP, forfeitures of grants were recognized as they occur. Under IFRS, forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

July 1, 2010: Stock-based compensation was reduced by \$20,190 with respective adjustments made to contributed surplus and deficit.

September 30, 2010: Stock-based compensation was reduced by \$19,802 with the respective adjustments made to contributed surplus and stock-based compensation expenses.

June 30, 2011: Stock-based compensation was reduced by \$56,307 with the respective adjustments made to contributed surplus and stock-based compensation expenses.

(iv) Acquisition of Tagish Lake Gold Corp.

During the fiscal year ended June 30, 2011, the Company acquired TLG, a Canadian publicly traded company involved in exploration and development of gold-silver mineral deposits in Yukon, Canada. This transaction was accounted for as a business combination using the purchase method under Canadian GAAP. Under IFRS, this transaction is accounted for as a business combination using the acquisition method.

Under Canadian GAAP, the consideration was determined by the fair value of the shares based on their market price over a reasonable period before and after the date the terms of the business combination are agreed to and announced. The cost of the purchase included the transaction costs of business combination.

Under IFRS, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and any resulting gain or loss is recognized in net income. Also, the cost of purchase shall be measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interest issued by the acquirer. All acquisition related costs are accounted for as expenses, except the costs to issue equity securities, in which case, the related costs is to reduce the carrying amount of equity securities. A comparison of total cost of purchase is as the follows:

New Pacific Metals Corp.

Notes to Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

	Canadian GAAP	IFRS
14.3 million TLG held prior to take-over bid offer	\$ 595,472	\$ 595,472
Revaluation of TLG shares owned prior to acquisition		1,120,528
15,613,122 New Pacific common shares issued:		
- Under Canadian GAAP, at \$1.09 per share, equal to average closing share prices from September 13 to September 17, 2010		
- Under IFRS, at \$1.10 per share, equal to closing share price on September 15, 2010	17,018,303	17,174,434
Cash consideration	1,476,286	1,476,286
Replacement options	99,689	99,689
Transaction costs	1,202,659	-
Total cost of purchase	\$ 20,392,409	\$ 20,466,409

(v) *Non-controlling interest*

Canadian GAAP does not allow debit balance of non-controlling interest on the balance sheet, while IFRS requires picking up the non-controlling interests' share of changes in equity since the date of combination, even if the resulting non-controlling interest balance becomes debit.

As a result, there was a minor adjustment to total equity as at September 30, 2010. There was no adjustment to total equity as at June 30, 2011 as the related subsidiary had been disposed. This adjustment did not impact total comprehensive income for the three months ended September 30, 2010 and the year ended June 30, 2011.