



**New Pacific Metals Corp.**

**TSX: NUX**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

September 30, 2014

(Expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2014**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the "Company") for the three months ended September 30, 2014 (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, 2014 which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are stated in terms of Canadian dollars and are prepared in accordance with International Financial Reporting Standards.

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Balance Sheets

(Expressed in Canadian dollars)

	Notes	September 30, 2014	June 30, 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	\$ 22,044,458	\$ 21,642,748
Short term investments	4	80,500	80,500
Deposit and other receivables	5	146,393	120,148
		<b>22,271,351</b>	<b>21,843,396</b>
<b>Non-current Assets</b>			
Reclamation deposits		15,075	15,075
Plant and equipment	6	129,409	137,408
Mineral property interests	7	7,317,271	6,743,281
<b>TOTAL ASSETS</b>		<b>\$ 29,733,106</b>	<b>\$ 28,739,160</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	\$ 956,806	\$ 988,798
Provisions	9	81,000	81,000
Due to related parties	10	-	111,978
<b>Total Liabilities</b>		<b>1,037,806</b>	<b>1,181,776</b>
<b>Equity</b>			
Share capital	11	57,149,481	57,149,481
Share-based payment reserve		17,404,139	17,324,178
Accumulated other comprehensive income		595,298	213,715
Deficit		(47,192,733)	(47,797,284)
<b>Equity attributable to the equity holders of the Company</b>		<b>27,956,185</b>	<b>26,890,090</b>
Non-controlling interest	12	739,115	667,294
<b>Total Equity</b>		<b>28,695,300</b>	<b>27,557,384</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 29,733,106</b>	<b>\$ 28,739,160</b>

Approved on behalf of the Board:

**(Signed) David Kong**

Director

**(Signed) Rui Feng**

Director

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Income (Loss)

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,	
		2014	2013
<b>Expenses</b>			
Audit and accounting		\$ 4,000	\$ -
Consulting		26,300	22,004
Depreciation		9,558	15,650
Filing and listing		3,723	4,427
Foreign exchange gain		(925,105)	468,914
General exploration		-	23,448
Investor relations		2,455	3,224
Legal and professional fees		19,117	24,435
Salaries and benefits		135,296	236,173
Office and administration		35,291	37,737
Rent		19,095	30,626
Share-based compensation		72,739	24,036
Travel and promotion		37,491	17,969
<b>(Income) loss before other income and expenses</b>		<b>(560,040)</b>	<b>908,643</b>
<b>Other expense (income)</b>			
Loss on disposal of plant and equipment		2,886	8,420
Finance expense		676	336
Finance income		(36,921)	(13,674)
Other expense		789	800
		<b>(32,570)</b>	<b>(4,118)</b>
<b>Net income (loss)</b>		<b>\$ 592,610</b>	<b>\$ (904,525)</b>
<b>Attributable to:</b>			
Equity holders of the Company		604,551	(890,410)
Non-controlling interests		(11,941)	(14,115)
		<b>\$ 592,610</b>	<b>\$ (904,525)</b>
<b>Basic and diluted earnings (loss) per share</b>		<b>\$ 0.01</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares - basic</b>		<b>66,938,229</b>	<b>66,880,565</b>
<b>Weighted average number of shares - diluted</b>		<b>66,938,229</b>	<b>66,880,565</b>

See accompanying notes to the unaudited condensed consolidated financial statements

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three months ended September 30,	
	2014	2013
<b>Net income (loss)</b>	\$ 592,610	\$ (904,525)
<b>Other comprehensive income</b>		
Items that may subsequently be reclassified to net income or loss:		
Currency translation adjustment	465,345	(101,686)
<b>Other comprehensive income</b>	<b>465,345</b>	<b>(101,686)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 1,057,955</b>	<b>\$ (1,006,211)</b>
<b>Attributable to:</b>		
Equity holders of the Company	\$ 986,134	\$ (973,793)
Non-controlling interest	71,821	(32,418)
	<b>\$ 1,057,955</b>	<b>\$ (1,006,211)</b>

See accompanying notes to the unaudited condensed consolidated financial statements

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,	
		2014	2013
<b>Cash (used in) provided by</b>			
<b>Operating activities</b>			
Net income (loss)		\$ 592,610	\$ (904,525)
Add (deduct) items not affecting cash :			
Depreciation		9,558	15,650
Finance income		(36,921)	(13,674)
Provisions and other items		(30,000)	-
Loss on disposal of plant and equipment		2,886	8,420
Share-based compensation		72,739	24,036
Unrealized foreign exchange gain		(925,105)	468,914
Interest received		36,921	13,674
		(277,312)	(387,505)
Change in non-cash working capital			
Trade receivables		(20,891)	405,775
Trade and other payables		(48,698)	52,309
Due to related parties		(111,978)	(16,754)
<b>Cash (used in) provided by operating activities</b>		<b>(458,879)</b>	<b>53,825</b>
<b>Investing activities</b>			
Expenditures on mineral property interests		(124,057)	(1,923,546)
Acquisition of plant and equipment		-	(21,577)
<b>Cash used in investing activities</b>		<b>(124,057)</b>	<b>(1,945,123)</b>
<b>Financing activities</b>			
Shares issued for cash		-	-
<b>Cash provided by financing activities</b>		<b>-</b>	<b>-</b>
Effect of exchange rate changes on cash and cash equivalents		984,646	(165,773)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>401,710</b>	<b>(2,057,071)</b>
Cash and cash equivalents, beginning of the period		21,642,748	11,278,705
<b>Cash and cash equivalents, end of the period</b>	3	\$ <b>22,044,458</b>	\$ 9,221,634

See accompanying notes to the unaudited condensed consolidated financial statements

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except for share figures)

Notes	Share Capital			Share-based payment reserve	Accumulated other comprehensive income	Deficit	Equity attributable to equity holders of the Company	Non-controlling interest	Total equity
	Number of common shares issued	Number of shares held for cancellation	Amount						
<b>Balance, July 1, 2013</b>	<b>66,853,229</b>	<b>27,336</b>	<b>57,084,157</b>	<b>17,051,605</b>	<b>170,949</b>	<b>(6,308,080)</b>	<b>67,998,631</b>	<b>715,065</b>	<b>68,713,696</b>
Options exercised	85,000	-	71,768	(29,267)	-	-	42,501	-	42,501
Normal course issuer bid	-	(27,336)	(6,444)	-	-	6,444	-	-	-
Share-based compensation	-	-	-	301,840	-	-	301,840	-	301,840
Net loss	-	-	-	-	-	(41,495,648)	(41,495,648)	(57,159)	(41,552,807)
Currency translation adjustment	-	-	-	-	42,766	-	42,766	9,388	52,154
<b>Balance, June 30, 2014</b>	<b>66,938,229</b>	<b>-</b>	<b>57,149,481</b>	<b>17,324,178</b>	<b>213,715</b>	<b>(47,797,284)</b>	<b>26,890,090</b>	<b>667,294</b>	<b>27,557,384</b>
Options exercised	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	79,961	-	-	79,961	-	79,961
Net income	-	-	-	-	-	604,551	604,551	(11,941)	592,610
Currency translation adjustment	-	-	-	-	381,583	-	381,583	83,762	465,345
<b>Balance, September 30, 2014</b>	<b>66,938,229</b>	<b>-</b>	<b>\$ 57,149,481</b>	<b>\$ 17,404,139</b>	<b>\$ 595,298</b>	<b>\$ (47,192,733)</b>	<b>\$ 27,956,185</b>	<b>\$ 739,115</b>	<b>\$ 28,695,300</b>

See accompanying notes to the unaudited condensed consolidated financial statements

# **New Pacific Metals Corp.**

## **Notes to Unaudited Condensed Consolidated Interim Financial Statements**

### **For the three months ended September 30, 2014 and 2013**

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*(Expressed in Canadian dollars)*

#### **1. CORPORATE INFORMATION**

New Pacific Metals Corp. along with its subsidiaries (collectively the “Company” or “New Pacific”), is a Canadian-based mining company, engaged in the exploration and development of mineral properties in Yukon, Canada and Qinghai, China.

The Company’s common shares are listed on the Toronto Stock Exchange. 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 unaudited 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, 2014, the Company had a working capital position of \$21,233,545 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, 2014 were authorized for issue in accordance with a resolution of the Board of Directors dated on November 13, 2014.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### *(a) Statement of Compliance and Basis of Preparation*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2014. These unaudited condensed consolidated interim financial statements follow the same significant accounting policies set out in note 2 to the audited consolidated financial statements for the year ended June 30, 2014, and the policies set forth in note 2(b).

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis using historical costs except for certain items such as cash and cash equivalents and short term investments, which are measured at fair value. The consolidated financial statements are presented in Canadian dollars (“CAD”), which is the Company’s functional and presentation currency, except where otherwise noted.



# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

### For the three months ended September 30, 2014 and 2013

(Expressed in Canadian dollars)

#### (b) Changes in Accounting Standards

##### For annual periods beginning on or after July 1, 2014:

Amendments to IAS 32 - *Financial Instruments* - this amends IAS 32 - *Financial Instruments: Presentation* to provide clarifications on the application of the offsetting rules. The Company does not anticipate the application of this amendment to have a significant impact on the consolidated financial statements.

IFRIC 21 – *Levies*, an interpretation of IAS 37 was issued by the IASB in May 2013 and provides interpretation on when to recognize a liability for a levi imposed by a government and clarifies the criteria for the recognition of a liability. The Company is still in the process of assessing the impact of the application of IFRIC 21 on the consolidated financial statements.

##### For annual periods beginning on or after July 1, 2015:

IFRS 9 – *Financial Instruments* is intended to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principle-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTP, financial guarantees and certain other exceptions. The IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013 to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company is currently evaluating the impact the final standard is expected to have on the consolidated financial statements.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	September 30, 2014	June 30, 2014
Cash in bank	\$ 22,044,458	\$ 21,642,748

Cash and cash equivalents includes US dollar denominated deposits of US\$18,260,678 (June 30, 2014 – US\$18,312,866) in premium rate savings accounts redeemable at any time with an average annual interest rate of 0.47% (June 30, 2014 – 0.47%) calculated daily and paid monthly. The remaining funds are held in Canadian dollars and Chinese Renminbi.

### 4. SHORT TERM INVESTMENTS

Short term investments consist of:

	September 30, 2014	June 30, 2014
Guaranteed Investment Certificates	\$ 80,500	\$ 80,500

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

### For the three months ended September 30, 2014 and 2013

(Expressed in Canadian dollars)

#### 5. DEPOSIT AND OTHER RECEIVABLES

Deposit and other receivables consist of:

	September 30, 2014		June 30, 2014	
GST/HST receivable	\$	11,834	\$	6,882
Interest receivable		-		8,000
Deposits and prepaid expenses		134,559		105,266
	\$	146,393	\$	120,148

#### 6. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office		Computer software	Total
				equipment and furniture			
Balance, July 1, 2013	\$ 890,754	\$ 1,123,462	\$ 115,726	\$ 128,594	\$ 155,982	\$ 2,414,518	
Additions	-	-	-	26,610	-	26,610	
Reclassification	-	-	-	(2,523)	(29,758)	(32,281)	
Foreign currency translation impact	-	30	196	(178)	1	49	
Balance, June 30, 2014	\$ 890,754	\$ 1,123,492	\$ 115,922	\$ 152,503	\$ 126,225	\$ 2,408,896	
Disposals	-	-	-	(8,104)	-	(8,104)	
Foreign currency translation impact	-	393	2,570	3,146	18	6,127	
<b>Balance, September 30, 2014</b>	<b>\$ 890,754</b>	<b>\$ 1,123,885</b>	<b>\$ 118,492</b>	<b>\$ 147,545</b>	<b>\$ 126,243</b>	<b>\$ 2,406,919</b>	

#### Accumulated depreciation and amortization

Balance as at July 1, 2013	\$ (87,951)	\$ (367,366)	\$ (27,174)	\$ (41,005)	\$ (74,977)	\$ (598,473)
Depreciation and amortization	(44,732)	(245,255)	(22,419)	(31,753)	(27,645)	(371,804)
Disposals	-	-	-	2,066	21,795	23,861
Impairment of TLG Project (see Note 9)	(758,071)	(505,926)	(35,521)	(25,730)	-	(1,325,248)
Foreign currency translation impact	-	6	59	113	(2)	176
Balance, June 30, 2014	\$ (890,754)	\$ (1,118,540)	\$ (85,055)	\$ (96,309)	\$ (80,829)	\$ (2,271,488)
Depreciation and amortization	-	(106)	(1,545)	(3,655)	(4,253)	(9,558)
Disposals	-	-	-	5,216	-	5,216
Foreign currency translation impact	-	(92)	(705)	(867)	(16)	(1,680)
<b>Balance, September 30, 2014</b>	<b>\$ (890,754)</b>	<b>\$ (1,118,738)</b>	<b>\$ (87,305)</b>	<b>\$ (95,615)</b>	<b>\$ (85,098)</b>	<b>\$ (2,277,510)</b>

#### Carrying amount

Balance, June 30, 2014	\$ -	\$ 4,952	\$ 30,866	\$ 56,194	\$ 45,396	\$ 137,408
<b>Balance, September 30, 2014</b>	<b>\$ -</b>	<b>\$ 5,147</b>	<b>\$ 31,187</b>	<b>\$ 51,930</b>	<b>\$ 41,145</b>	<b>\$ 129,409</b>

#### 7. MINERAL PROPERTY INTERESTS

##### (a) Tagish Lake Gold Property

The Tagish Lake Gold Property, covering an area of 254 square kilometres, is located in Yukon Territory, Canada, and consists of 1,510 mining claims with three identified gold and gold-silver mineral deposits: Skukum Creek, Goddell Gully and Mount Skukum.

##### (b) RZY Project

The RZY Project, located in Qinghai, China is an early stage silver-lead-zinc exploration project, situated on a high plateau with an average elevation of 5,000 metres above sea level. The RZY Project is located approximately 237 kilometres via paved and gravel roads from the capital city of Yushu Tibetan

**New Pacific Metals Corp.**  
**Notes to Unaudited Condensed Consolidated Interim Financial Statements**  
**For the three months ended September 30, 2014 and 2013**

*(Expressed in Canadian dollars)*

Autonomous Prefecture, or 820 kilometres via paved highway from Qinghai Province's capital city of Xining.

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

<b>Cost</b>	<b>Tagish Lake</b>		<b>RZY Project</b>		<b>Total</b>
Balance, July 1, 2013	\$	37,854,357	\$	2,117,666	\$ 39,972,023
<u>Capitalized exploration expenditures</u>					
Reporting and assessment		10,073		-	10,073
Drilling and assaying		-		1,870,033	1,870,033
Surveying		-		727,858	727,858
Camp services		425,830		484,581	910,411
Site preparation		-		453,750	453,750
Permitting		131		1,083,565	1,083,696
Environmental study		6,053		-	6,053
Other		345,139		57,624	402,763
Impairment of TLG Project		(38,641,583)		-	(38,641,583)
Foreign currency translation impact		-		(51,796)	(51,796)
Balance, June 30, 2014	\$	-	\$	6,743,281	\$ 6,743,281
<u>Capitalized exploration expenditures</u>					
Reporting and assessment		1,560		-	1,560
Camp services		113,168		38,836	152,004
Permitting		252		-	252
Other		7,463		-	7,463
Foreign currency translation impact		-		412,711	412,711
<b>Balance, September 30, 2014</b>	<b>\$</b>	<b>122,443</b>	<b>\$</b>	<b>7,194,828</b>	<b>\$ 7,317,271</b>

**8. TRADE AND OTHER PAYABLES**

Trade and other payables consist of:

	<b>September 30, 2014</b>		<b>June 30, 2014</b>	
Trade payable	\$	322,958	\$	287,210
Acquisition cost payable		441,903		441,903
Accrued liabilities		191,945		259,685
	<b>\$</b>	<b>956,806</b>	<b>\$</b>	<b>988,798</b>

Acquisition cost payable represents estimated consideration and legal costs payable to settle untendered shares as a result of the TLG acquisition. The liability for the settlement of untendered shares is on demand and is effective until October 28, 2016, which is the expiry date of the plan of arrangement.

**9. PROVISIONS**

The Company is involved in legal action associated with the normal course of operations. As at September 30, 2014, the Company has a provision for certain legal matters of \$81,000 (June 30, 2014 - \$81,000). The legal provision is based on management's best estimate of the amount and timing of the potential settlements.

**10. RELATED PARTY TRANSACTIONS**

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

### For the three months ended September 30, 2014 and 2013

*(Expressed in Canadian dollars)*

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

<b>Transactions with related parties</b>	<b>Three months ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
Silvercorp Metals Inc. (a)	\$ 51,380	\$ 75,012
Parkside Management Ltd. (b)	-	18,000
	<b>\$ 51,380</b>	<b>\$ 93,012</b>

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at September 30, 2014, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

<b>Due to related parties</b>	<b>September 30, 2014</b>	<b>June 30, 2014</b>
Silvercorp Metals Inc. (a)	\$ -	\$ 21,978
Parkside Management Ltd. (b)	-	90,000
	<b>\$ -</b>	<b>\$ 111,978</b>

(a) Silvercorp has two common directors and officers with the Company and shares office space and provides various general and administrative services to the Company. During the three months ended September 30, 2014, the Company recorded total expenses of \$51,380 (three ended September 30, 2013 - \$75,012) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) During the three months ended September 30, 2014, the Company incurred \$nil (three months ended September 30, 2013 - \$18,000) in consulting fees for consulting services rendered by Parkside Management Ltd., a company controlled by a director and an officer of the Company.

#### 11. 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, 2014, is as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance, July 1, 2014	4,695,000	0.73
Options granted	-	-
Options exercised	-	-
Options forfeited	-	-
Options expired	-	-
<b>Balance, September 30, 2014</b>	<b>4,695,000</b>	<b>0.73</b>

Option pricing model requires the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options.

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

### For the three months ended September 30, 2014 and 2013

*(Expressed in Canadian dollars)*

The Company's expected volatility is based on the historical volatility of the Company's share price on the Toronto Stock Exchange.

The fair value of the options granted were estimated using the Black-Scholes options pricing model with the following assumptions:

	Three months ended September 30,	
	2014	2013
Risk free interest rate	-	1.50%
Expected volatility	-	67%
Expected life of options in years	-	3.25
Expected dividend yield	-	0%
Estimated forfeiture rate	-	19%

The weighted average grant date fair value for the options granted during the period was \$nil (year ended June 30, 2014 – \$0.26).

For the three months ended September 30, 2014, a total of \$79,961 (three months ended September 30, 2013 - \$24,036) was recorded as share-based compensation expense. For the three months ended September 30, 2014, \$7,222 (three months ended September 30, 2013 – \$11,680) was capitalized to mineral property interests.

The following table summarizes information about stock options outstanding as at September 30, 2014:

Exercise prices	Number of options outstanding as at September 30, 2014	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at September 30, 2014	Weighted average exercise price
\$ 0.57	675,000	3.98	\$ 0.57	168,750	\$ 0.57
0.61	1,475,000	2.98	0.61	737,500	0.61
0.62	815,000	3.52	0.62	203,750	0.62
0.65	1,125,000	0.70	0.65	1,125,000	0.65
1.42	25,000	1.71	1.42	18,750	1.42
1.44	250,000	1.09	1.44	218,750	1.44
1.60	320,000	1.16	1.60	280,000	1.60
1.65	10,000	1.22	1.65	8,750	1.65
0.57 - 1.65	4,695,000	2.44	\$ 0.73	2,761,250	\$ 0.80

#### 12. NON-CONTROLLING INTEREST

	Qinghai Found
Balance, July 1, 2013	\$ 715,065
Share of net loss	(57,159)
Share of other comprehensive income	9,388
Balance, June 30, 2014	\$ 667,294
Share of net loss	(11,941)
Share of other comprehensive income	83,762
<b>Balance, September 30, 2014</b>	<b>\$ 739,115</b>

As at September 30, 2014, non-controlling interests in Qinghai Found Mining Co. Ltd. was 18%.

#### 13. FINANCIAL INSTRUMENTS

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three months ended September 30, 2014 and 2013

*(Expressed in Canadian dollars)*

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 Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 – Financial Instruments: Disclosures ("IFRS 7").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

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, 2014, those financial 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
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 22,044,458	\$ -	\$ -	\$ 22,044,458
Short term investments	80,500	-	-	80,500

### *(b) Liquidity Risk*

The Company has a history of losses and no operating revenues from its operations. Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. As at September 30, 2014, the Company had a working capital position of \$21,233,545 and sufficient cash resources to meet the Company's short term financial liabilities and its planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months.

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, 2014	June 30, 2014
	<b>Due within a year</b>	
Trade and other payables	\$ 956,806	\$ 988,798
Due to related parties	-	111,978
	<b>\$ 956,806</b>	<b>\$ 1,100,776</b>

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

### For the three months ended September 30, 2014 and 2013

*(Expressed in Canadian dollars)*

#### *(c) Currency 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	<b>September 30, 2014</b>		June 30, 2014
United States dollars	\$	<b>20,466,567</b>	\$ 19,550,815
Chinese RMB		<b>32,732</b>	27,538
Financial assets in foreign currency	\$	<b>20,499,299</b>	\$ 19,578,353
Chinese RMB		<b>288,783</b>	275,953
Financial liabilities in foreign currency	\$	<b>288,783</b>	\$ 275,953

As at September 30, 2014, 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.

As at September 30, 2014, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$2,500.

#### *(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, 2014.

#### *(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, deposit and other receivables. 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. As at September 30, 2014, the Company has a deposit and other receivables balance of \$146,393 (June 30, 2014 - \$120,148).

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements

### For the three months ended September 30, 2014 and 2013

*(Expressed in Canadian dollars)*

#### 14. 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, 2014.

#### 15. 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 format for segment reporting is based on major project segments segregated by geographic locations.

(a) Geographic information for certain long-term assets are as follows:

	<b>September 30, 2014</b>		
	China	Canada	Total
Mineral property interests	\$ 7,194,829	\$ 122,443	\$ 7,317,271
Plant and equipment	75,366	54,043	129,409
Reclamation deposits	-	15,075	15,075
<b>Total Assets</b>	<b>\$ 8,351,316</b>	<b>\$ 21,381,791</b>	<b>\$ 29,733,106</b>
<b>Total Liabilities</b>	<b>(288,783)</b>	<b>(749,023)</b>	<b>(1,037,806)</b>

  

	<b>June 30, 2014</b>		
	China	Canada	Total
Mineral property interests	\$ 6,743,281	-	\$ 6,743,281
Plant and equipment	75,230	62,178	137,408
Reclamation deposits	-	15,075	15,075
<b>Total Assets</b>	<b>\$ 7,939,478</b>	<b>\$ 20,799,682</b>	<b>\$ 28,739,160</b>
<b>Total Liabilities</b>	<b>(275,953)</b>	<b>(905,823)</b>	<b>(1,181,776)</b>



**New Pacific Metals Corp.**  
**Notes to Unaudited Condensed Consolidated Interim Financial Statements**  
**For the three months ended September 30, 2014 and 2013**

*(Expressed in Canadian dollars)*

(b) Geographic information for operating results are as follows:

	<b>Three months ended September 30, 2014</b>		
	China	Canada	Total
Salaries and benefits	\$ 15,785	\$ 119,511	\$ 135,296
Share-based compensation	-	72,739	72,739
Foreign exchange gain	(106)	(924,999)	(925,105)
Other operating expenses	49,868	107,162	157,030
<b>Loss before other expense (income)</b>	<b>\$ 65,547</b>	<b>\$ (625,587)</b>	<b>\$ (560,040)</b>
(Gain) loss on disposal of plant and equipment	-	2,886	2,886
Finance income	-	(36,921)	(36,921)
Other income (expense)	789	676	1,465
<b>Net loss</b>	<b>\$ (66,336)</b>	<b>\$ 658,946</b>	<b>\$ 592,610</b>
Attributed to:			
Equity holders of the Company	(54,395)	658,946	604,551
Non-controlling interests	(11,941)	-	(11,941)
	<b>\$ (66,336)</b>	<b>\$ 658,946</b>	<b>\$ 592,610</b>

	<b>Three months ended September 30, 2013</b>		
	China	Canada	Total
Salaries and benefits	\$ 18,376	\$ 217,797	\$ 236,173
Share-based compensation	-	24,036	24,036
Foreign exchange loss	21,490	447,424	468,914
Other operating expenses	38,217	141,303	179,520
<b>Loss before other expense (income)</b>	<b>\$ 78,083</b>	<b>\$ 830,560</b>	<b>\$ 908,643</b>
Loss on disposal of equipment	-	8,420	8,420
Finance income	(470)	(12,868)	(13,338)
Other expense	800	-	800
<b>Net loss</b>	<b>\$ (78,413)</b>	<b>\$ (826,112)</b>	<b>\$ (904,525)</b>
Attributed to:			
Equity holders of the Company	(64,298)	(826,112)	(890,410)
Non-controlling interests	(14,115)	-	(14,115)
	<b>\$ (78,413)</b>	<b>\$ (826,112)</b>	<b>\$ (904,525)</b>