



**New Pacific Metals Corp.**

**TSX: NUX**

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars)

Deloitte & Touche LLP  
2800 - 1055 Dunsmuir Street  
4 Bentall Centre  
P.O. Box 49279  
Vancouver BC V7X 1P4  
Canada

## **INDEPENDENT AUDITOR'S REPORT**

Tel: 604-669-4466  
Fax: 604-685-0395  
www.deloitte.ca

To the Shareholders of **New Pacific Metals Corp.**

We have audited the accompanying consolidated financial statements of New Pacific Metals Corp., which comprise the consolidated balance sheets as at June 30, 2012, June 30, 2011 and July 1, 2010, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended June 30, 2012 and June 30, 2011, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New Pacific Metals Corp. as at June 30, 2012, June 30, 2011 and July 1, 2010, and its financial performance and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

*(Signed) Deloitte & Touche LLP*

Chartered Accountants  
Vancouver, Canada  
September 19, 2012

# New Pacific Metals Corp.

## Consolidated Balance Sheets

(Expressed in Canadian dollars)

	Notes	June 30, 2012	June 30, 2011	July 1, 2010
<b>ASSETS</b>			(Note 19)	(Note 19)
<b>Current Assets</b>				
Cash and cash equivalents	4	\$ 22,527,940	\$ 20,625,672	\$ 6,333,154
Short term investments	5	8,080,500	17,023,000	2,904,360
Accounts receivable	6	264,025	1,444,810	85,623
Inventories		-	41,412	-
Assets held for sale	18	-	-	436,490
		<b>30,872,465</b>	<b>39,134,894</b>	<b>9,759,627</b>
<b>Non-current Assets</b>				
Reclamation deposits		15,075	30,075	-
Long-term investments		-	-	773,100
Plant and equipment	8	1,978,201	1,746,687	20,397
Mineral property interests	7	37,084,565	30,765,038	9,209
Assets held for sale	18	-	-	3,722,334
<b>TOTAL ASSETS</b>		<b>\$ 69,950,306</b>	<b>\$ 71,676,694</b>	<b>\$ 14,284,667</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	9	\$ 661,813	\$ 1,877,487	\$ 131,108
Provisions	17	156,000	-	-
Due to related parties	11	56,968	24,539	98,272
Liabilities held for sale	18	-	-	565,566
<b>Total Liabilities</b>		<b>874,781</b>	<b>1,902,026</b>	<b>794,946</b>
<b>Equity</b>				
Share capital	10	57,516,613	57,467,380	16,708,543
Contributed surplus		16,726,035	16,230,915	13,028,500
Accumulated other comprehensive income		-	-	46,862
Deficit		(5,167,123)	(3,923,627)	(16,294,184)
<b>Total Equity</b>		<b>69,075,525</b>	<b>69,774,668</b>	<b>13,489,721</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 69,950,306</b>	<b>\$ 71,676,694</b>	<b>\$ 14,284,667</b>

### APPROVED BY THE DIRECTORS

(Signed) David Kong

Director

(Signed) Rui Feng

Director

See accompanying notes to the consolidated financial statements

# New Pacific Metals Corp.

## Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Notes	Year ended June 30,	
		2012	2011
<b>Expenses</b>			
Audit and accounting		\$ 82,808	\$ 202,433
Consulting		78,500	180,250
Depreciation		39,017	21,395
Filing and listing		109,375	89,343
Foreign exchange (gain) loss		(1,149,804)	443,484
General explorations		-	1,560
Investor relations		411,942	379,303
Legal and professional fees		83,382	1,058,669
Salaries and benefits		532,029	793,256
Office and administration		258,961	105,580
Rent		220,568	102,995
Stock-based compensation		387,874	809,606
Travel and promotion		109,461	20,314
Impairment of mineral property interests		-	98,719
<b>Loss before other income and expenses</b>		<b>1,164,113</b>	<b>4,306,907</b>
<b>Other income and expenses</b>			
Loss on disposal of plant and equipment		(48,209)	-
Gain on disposal of long-term investments		-	62,117
Finance expense		(5,093)	(92,700)
Finance income		143,049	197,059
Gain on revaluation of previously owned shares upon acquisition		-	1,120,529
Other expense	17	(169,130)	-
		<b>(79,383)</b>	<b>1,287,005</b>
<b>Loss from continuing operations</b>		<b>(1,243,496)</b>	<b>(3,019,902)</b>
<b>Income from discontinued operations</b>	18	-	16,480,459
<b>Net (loss) income for the year</b>		<b>\$ (1,243,496)</b>	<b>\$ 13,460,557</b>
<b>Other comprehensive income (loss)</b>			
Reclassification of realized gain upon disposal of long-term investments		-	(46,862)
<b>Comprehensive income (loss)</b>		<b>\$ (1,243,496)</b>	<b>\$ 13,413,695</b>
<b>Basic and diluted loss per share - continuing operations</b>		<b>\$ (0.02)</b>	<b>\$ (0.06)</b>
<b>Basic earnings per share - discontinued operations</b>		<b>\$ -</b>	<b>\$ 0.31</b>
<b>Diluted earnings per share - discontinued operations</b>		<b>\$ -</b>	<b>\$ 0.30</b>
<b>Basic (loss) earnings per share - total</b>	16	<b>\$ (0.02)</b>	<b>\$ 0.25</b>
<b>Diluted (loss) earnings per share - total</b>	16	<b>\$ (0.02)</b>	<b>\$ 0.24</b>
<b>Weighted average number of shares - basic</b>	16	<b>67,344,763</b>	<b>53,432,047</b>
<b>Weighted average number of shares - diluted</b>	16	<b>67,344,763</b>	<b>54,812,140</b>

See accompanying notes to the consolidated financial statements

# New Pacific Metals Corp.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Year ended June 30,	
		2012	2011
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Net loss for the year		\$ (1,243,496)	\$ 13,460,557
Add (deduct) items not affecting cash :			
Depreciation		39,017	21,395
Gain on disposal of long-term investments		-	(62,117)
Gain on revaluation of previously owned shares upon acquisition		-	(1,120,529)
Loss on disposal of plant and equipment		48,209	-
Stock-based compensation		387,874	809,606
Unrealized foreign exchange loss (gain)		(1,161,727)	-
Impairment of mineral property interests		-	98,719
Net income from discontinued operations	18	-	(16,480,459)
		<b>(1,930,123)</b>	<b>(3,272,828)</b>
Change in non-cash working capital			
Accounts receivable		1,195,785	(345,059)
Inventory		41,412	(41,412)
Accounts payable and accrued liabilities		(1,215,673)	(6,622,564)
Provisions	17	156,000	-
Cash used in continuing operations		<b>(1,752,599)</b>	<b>(10,281,863)</b>
Cash used in discontinued operations	18	-	(627,373)
<b>Cash used in operating activities</b>		<b>(1,752,599)</b>	<b>(10,909,236)</b>
<b>Investing activities</b>			
Reclamation deposit paid		-	(15,000)
Expenditures on mineral property interests		(5,948,062)	(2,374,114)
Acquisition of plant and equipment		(570,645)	(1,637,444)
Proceeds from disposition of plant and equipment		9,135	-
Acquisition of net assets of TLG (net of cash acquired)	3	-	(1,399,274)
Net redemption (purchase) of short term investments		8,942,500	(14,118,640)
Proceeds from disposal of long-term investments		-	192,883
Cash provided by (used in) continuing operations		<b>2,432,928</b>	<b>(19,351,589)</b>
Cash provided by discontinued operations	18	-	19,235,048
<b>Cash provided by (used in) investing activities</b>		<b>2,432,928</b>	<b>(116,541)</b>
<b>Financing activities</b>			
Amount due to related parties		32,429	(73,733)
Shares issued for cash		27,783	24,681,985
Cash provided by continued operations		60,212	24,608,252
Cash provided by discontinued operations	18	-	305,860
<b>Cash provided by financing activities</b>		<b>60,212</b>	<b>24,914,112</b>
Effect of exchange rate changes on cash and cash equivalents		1,161,727	(8,576)
<b>Increase in cash and cash equivalents</b>		<b>1,902,268</b>	<b>13,879,759</b>
Cash and cash equivalents, beginning of year		20,625,672	6,745,913 <sup>1</sup>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 22,527,940</b>	<b>\$ 20,625,672</b>
Interest received		\$ 143,049	\$ 197,059
Interest and taxes paid		-	1,647,989
Shares issued for acquisition of TLG		-	18,264,434

<sup>1</sup> Includes cash and cash equivalents of \$412,759 classified as assets held for sale.

See accompanying notes to the consolidated financial statements

**New Pacific Metals Corp.**  
**Consolidated Statements of Changes in Equity**

*(Expressed in Canadian dollars, except for share figures)*

	Share Capital			Accumulated other comprehensive income (loss)	Deficit	Total equity
	Number of shares issued	Share capital issued	Contributed surplus reserve			
Balance, June 30, 2010	31,907,988	\$ 16,708,543	\$ 13,028,500	\$ 46,862	\$ (16,294,184)	\$ 13,489,721
Options exercised	1,793,093	2,878,619	(1,391,488)	-	-	1,487,131
Shares issued for acquisition of TLG	15,613,122	18,264,434	99,689	-	(1,090,000)	17,274,123
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	-	-	915,144	-	-	915,144
Reclassification of realized gain upon disposal of long-term investments	-	-	-	(46,862)	-	(46,862)
Net (loss) income for the year	-	-	-	-	13,460,557	13,460,557
Balance, June 30, 2011	67,314,203	57,467,380	16,230,915	-	(3,923,627)	69,774,668
Options exercised	55,000	52,450	(21,450)	-	-	31,000
Share issuance costs	-	(3,217)	-	-	-	(3,217)
Stock-based compensation	-	-	516,570	-	-	516,570
Net (loss) income for the year	-	-	-	-	(1,243,496)	(1,243,496)
<b>Balance, June 30, 2012</b>	<b>67,369,203</b>	<b>\$ 57,516,613</b>	<b>\$ 16,726,035</b>	<b>\$ -</b>	<b>\$ (5,167,123)</b>	<b>\$ 69,075,525</b>

See accompanying notes to the consolidated financial statements

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(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 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 consolidated 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 June 30, 2012, the Company had a working capital position of \$29,997,684 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 consolidated financial statements of the Company as at and for the year ended June 30, 2012 were authorized for issue in accordance with a resolution of the Board of Directors dated on September 19, 2012.

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

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

These consolidated financial statements represent the Company’s first annual consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The 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.

The Company adopted IFRS in accordance with IFRS 1 – First-time Adoption of International Financial Standards (“IFRS 1”) with a transition date of July 1, 2010. Prior to the adoption of IFRS, the Company’s financial statements were prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The Company’s accounting policies under IFRS have been consistently applied to these annual consolidated financial statements for the year ended June 30, 2012, the comparative

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

information for the year ended June 30, 2011 and the transition date opening balance sheet as at July 1, 2010. The disclosures of the elected transition exemptions, reconciliations and explanation of accounting policies compared to Canadian GAAP have been provided in Note 19 to these financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as at June 30, 2012. Any subsequent changes to IFRS could result in a restatement of these financial statements, including transition adjustments recognized on conversion to IFRS.

#### *(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., Lachlan Gold Ltd., 0876044 B.C. Ltd., Glory Metals Investment Corp. Limited, and Pacific Goldcorp 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, transactions, income and expenses 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 consideration of acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration 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 comprehensive income (loss).

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.

#### *(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.



# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

---

*(Expressed in Canadian dollars)*

*(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 date of the transaction and remeasured at each 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 CAD. The financial position and financial performance of the Company's entities that have a functional currency different from CAD 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.

*(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 repair and maintenance, which are accounted for as an expense recognized during the period. The Company conducts an annual assessment of the

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

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 inflows 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 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 inflows 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 non-employees 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

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

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 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 June 30, 2012 and June 30, 2011.

#### *(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

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

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.

*(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 or 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.

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

#### *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.

The Company classifies its financial instruments as follows:

- Financial assets classified as at FVTPL: cash and cash equivalents, 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: accounts receivables.
- Financial liabilities: accounts payable and accrued liabilities, amount due to related parties.

#### *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.

#### *(q) Significant Judgments and Estimation Uncertainties*

Many amounts included in the consolidated financial statements 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.
- Determination of functional currency.
- Recognition of a provision for environmental rehabilitation costs.

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.
- Estimation of environmental rehabilitation costs.
- 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.
- The accounting and recognition of income taxes and composition of deferred income tax asset and liabilities.

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.

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

(r) *Accounting Standards issued but not yet effective*

#### **Accounting standards effective January 1, 2012:**

IFRS 7 – *Financial Instruments: Disclosures* amendment issued by the IASB in October 2010 improves the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

IAS 12 – *Income Taxes* amendment issued by the IASB in December 2010 provides a solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

#### **Accounting standards effective January 1, 2013:**

IAS 1 – *Presentation of Financial Statements* amendment issued by the IASB in June 2011 provides improved consistency and clarity of the presentation of items of other comprehensive income. The main change was a requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. This amendment is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

Amendment to IFRS 7 - *Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* - the standard amends the disclosure requirements in IFRS 7 - *Financial Instruments: Disclosure* to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendments need to be provided retrospectively to all comparative periods. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

IFRS 10 – *Consolidated Financial Statements* supersedes SIC 12 – *Consolidation – Special Purpose Entities* and the requirements relating to consolidated financial statements in IAS 27 – *Consolidated and Separate Financial Statements*. IFRS 10 establishes the principle and application of control as the basis for an investor to identify whether an investor controls an investee and thereby requiring consolidation.

IFRS 12 – *Disclosure of Interests in Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

The Company does not anticipate the application of IFRS 10 and IFRS 12 to have a significant impact on the consolidated financial statements.

IFRS 11 – *Joint Arrangements* establishes the principle a joint arrangement are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangement, rather than its legal form.

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

IAS 28 – *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method for investments in associates and joint ventures.

The Company does not anticipate the application of IFRS 11 and IAS 28 to have a significant impact on the consolidated financial statements.

IFRS 13 – *Fair Value Measurement* defines fair value and sets out a single framework for measuring fair value which is application to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires valuation technique used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability. The Company does not anticipate the application of this standard to have a significant impact on the consolidated financial statements.

Amendments to IFRS 10, IFRS 11, IFRS 12 provides additional transitional relief in applying the respective standards by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The Company does not anticipate the application of this amendment to have a significant impact on the consolidated financial statements.

#### **Accounting standards effective January 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.

#### **Accounting standards effective January 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.

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

---

*(Expressed in Canadian dollars)*

#### 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. Upon acquisition of the remaining 20.2%, the difference between the non-controlling interest of \$3.8 million was eliminated and the consideration of \$4.9 million resulted in a charge to deficit. The acquisition of TLG has been accounted for as a business combination.

The purchase price of the transactions totaled \$21,556,409 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.

NUX shares issued as consideration had a value of \$18,264,434, which was determined with reference to the closing share price of the Company's common shares as at the acquisition dates.

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 final allocation of the purchase price to the assets acquired and liabilities assumed is based upon estimated fair value at the time of acquisition. Acquisition related costs were expensed in the period.



**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(Expressed in Canadian dollars)*

**Purchase Price**

Fair value of NUX shares issued	\$	18,264,434
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		<u>1,476,286</u>
Total Consideration		21,556,409
Additional consideration paid for the acquisition of non-controlling interest		<u>(1,090,000)</u>
	\$	<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		<u>(8,314,526)</u>
	\$	<u>20,466,409</u>

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

	June 30, 2012	June 30, 2011	July 1, 2010
Cash in bank	\$ 2,207,572	\$ 1,426,822	\$ 4,833,154
Cash equivalents	<u>20,320,368</u>	19,198,850	1,500,000
	\$ <u>22,527,940</u>	\$ 20,625,672	\$ 6,333,154

Cash equivalents of \$20,320,368 (US\$19,939,523) consisted of USD deposits in business premium rate savings accounts redeemable at any time with an annual interest rate of 0.35% calculated daily and paid monthly.

**5. SHORT TERM INVESTMENTS**

As at June 30, 2012, short term investments of \$8,080,500 primarily consisted of Guaranteed Investment Certificates ("GIC") with a variable interest rate of prime minus 1.8% per annum with a maturity date of December 19, 2012.

As at June 30, 2011, short term investments of \$17,023,000 primarily consisted of GICs with a variable interest rate of prime minus 1.8% per annum with a maturity date of December 21, 2011.

As at July 1, 2010, short term investments of \$2,904,360 primarily consisted of GICs yielding 0.65% per annum with a maturity date of June 6, 2011.

**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(Expressed in Canadian dollars)*

**6. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

	June 30, 2012	June 30, 2011	July 1, 2010
Amount receivable	\$ -	\$ 746,000	\$ -
GST/HST receivable	57,558	250,418	10,080
Interest receivable	48,604	159,287	1,345
Deposits and prepaid expenses	157,863	289,105	74,198
	<b>\$ 264,025</b>	<b>\$ 1,444,810</b>	<b>\$ 85,623</b>

**7. 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 assaying	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	569,146	-	569,146
Drilling and assaying	2,377,772	-	2,377,772
Camp services	974,260	-	974,260
Site preparation	877,914	-	877,914
Permitting	240,326	-	240,326
Environmental study	131,193	-	131,193
Care and maintenance	628,507	-	628,507
Other	520,408	-	520,408
<b>Balance, June 30, 2012</b>	<b>\$ 37,084,565</b>	<b>\$ -</b>	<b>\$ 37,084,565</b>

*(a) Tagish Lake Gold Project*

The Tagish Lake Gold Project, covering an area of 254 square kilometers, is located in Yukon Territory, Canada, and consists of 1,512 mining claims with three identified gold and gold-silver mineral deposits: Skukum Creek, Goddell Gully and Mount Skukum. The project was acquired in fiscal year 2011, refer to Note 3 and Note 19 (iv).

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

(Expressed in Canadian dollars)

#### (b) Eva Lake Project

With the acquisition of TLG, the Company shifted its focus to 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.

#### 8. PLANT AND EQUIPMENT

Cost	Buildings	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	3,000	396,455	26,895	22,572	16,883	104,741	570,546
Disposals	-	(1,528)	(70,449)	-	-	-	(71,977)
Reclassification from construction in progress	384,114	-	-	-	-	(384,114)	-
<b>Balance as at June 30, 2012</b>	<b>\$ 890,754</b>	<b>\$ 1,118,084</b>	<b>\$ 62,488</b>	<b>\$ 94,181</b>	<b>\$ 155,684</b>	<b>\$ -</b>	<b>\$ 2,321,191</b>

#### 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	(41,189)	(175,479)	(20,458)	(17,759)	(26,803)	-	(281,688)
Disposals	-	466	14,167	-	-	-	14,633
<b>Balance as at June 30, 2012</b>	<b>\$ (46,702)</b>	<b>\$ (207,063)</b>	<b>\$ (11,044)</b>	<b>\$ (23,691)</b>	<b>\$ (54,490)</b>	<b>\$ -</b>	<b>\$ (342,990)</b>

#### 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
<b>Balance as at June 30, 2012</b>	<b>\$ 844,052</b>	<b>\$ 911,021</b>	<b>\$ 51,444</b>	<b>\$ 70,490</b>	<b>\$ 101,194</b>	<b>\$ -</b>	<b>\$ 1,978,201</b>

During the year ended June 30, 2012, certain plant and equipment were disposed of with proceeds of \$9,135 (for the year ended June 30, 2011 - \$nil). A loss of \$48,209 was incurred on these dispositions (for the year ended June 30, 2011 - \$nil).

#### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised of:

	June 30, 2012	June 30, 2011	July 1, 2010
Accounts payable	\$ 37,708	\$ 892,303	\$ 33,896
Acquisition cost payable	441,903	481,624	-
Accrued liabilities	182,202	503,560	97,212
	<b>\$ 661,813</b>	<b>\$ 1,877,487</b>	<b>\$ 131,108</b>

#### 10. 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.

**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(Expressed in Canadian dollars)*

*(b) Stock Options*

The continuity schedule of stock options, as at June 30, 2012, 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	(55,000)	0.56
Options forfeited	(737,500)	1.61
Options expired	(23,000)	1.25
<b>Balance, June 30, 2012</b>	<b>3,050,250</b>	<b>\$ 0.98</b>

During the year ended June 30, 2012, 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 24 months with 25% of the options vesting every six months.

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. 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:

	Year ended June 30,	
	2012	2011
Risk free interest rate	1.41%	1.89%
Expected volatility	109%	108%
Expected life of options in years	4.2	3.2
Expected dividend yield	0%	0%
Estimated forfeiture rate	9%	7%

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

For the year ended June 30, 2012, a total of \$387,874 (year ended June 30, 2011 - \$809,606) was recorded as stock-based compensation expense. For the year ended June 30, 2012, a total of \$128,696 (year ended June 30, 2011 - \$105,538) was capitalized to mineral property interests.

**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(Expressed in Canadian dollars)*

The following table summarizes information about stock options outstanding as at June 30, 2012:

Exercise prices	Number of options outstanding as at June 30, 2012	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at June 30, 2012	Weighted average exercise price
\$ 1.55	214,000	0.04	\$ 1.55	214,000	\$ 1.55
1.55	40,000	0.59	1.55	40,000	1.55
0.50	515,000	1.55	0.50	515,000	0.50
0.65	1,317,500	2.95	0.65	652,500	0.65
1.44	250,000	3.34	1.44	93,750	1.44
1.60	360,000	3.41	1.60	135,000	1.60
1.65	168,750	3.47	1.65	62,500	1.65
2.04	10,000	3.49	2.04	3,750	2.04
1.42	35,000	3.96	1.42	8,750	1.42
1.33	140,000	4.21	1.33	35,000	1.33
\$0.5 - \$2.04	3,050,250	2.67	\$ 0.98	1,760,250	\$ 0.91

*(c) Normal Course Issuer Bid*

On June 25, 2012, the Company announced a normal course issuer bid ("NCIB") which allows it to acquire up to 5 million of its own common shares. As at June 30, 2012, the Company did not acquire any shares under the NCIB.

**11. RELATED PARTY TRANSACTIONS**

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

Transactions with related parties	Year ended June 30,	
	2012	2011
Silvercorp Metals Inc. (a)	\$ 555,463	\$ 514,609
R. Feng Consulting Ltd. (b)	72,000	72,000
0799952 BC Ltd. (c)	-	97,500
	\$ 627,463	\$ 684,109

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at June 30, 2012, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to (from) related parties	June 30, 2012	June 30, 2011	July 1, 2010
Silvercorp Metals Inc. (a)	\$ 36,808	\$ 24,539	\$ 79,372
R. Feng Consulting Ltd. (b)	20,160	-	18,900
	\$ 56,968	\$ 24,539	\$ 98,272

(a) Silvercorp Metals Inc. ("SVM") 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 year ended June 30, 2012, the Company recorded total expenses of \$555,463 (year ended June 30, 2011 - \$514,609) for services rendered and expenses incurred by SVM on behalf of NUX.

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

*(Expressed in Canadian dollars)*

(b) During the year ended June 30, 2012, the Company incurred \$72,000 (year ended June 30, 2011 - \$72,000) 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) During the year ended June 30, 2012, the Company paid \$nil (year ended June 30, 2011 - \$97,500) in consulting fees to 0799952 BC Ltd., a company controlled by a former director and officer of the Company.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended June 30, 2012 and 2011 are as follows:

	Year ended June 30,	
	2012	2011
Directors' fees	\$ 30,000	\$ 30,000
Salaries/consulting fees for key management personnel	748,755	715,167
Stock-based compensation	138,103	1,578,703
	<b>\$ 916,858</b>	<b>\$ 2,323,870</b>

Salaries/consulting fees for key management personnel include consulting fees disclosed in note 11 (b) and (c). Stock-based compensation expenses were measured at grant date fair value.

## 12. 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 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.

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

*(Expressed in Canadian dollars)*

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 June 30, 2012, 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	\$ 22,527,940	\$ -	\$ -	\$ 22,527,940
Short term investments	8,080,500	-	-	8,080,500

#### *(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 planning and budgeting processes to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. As of June 30, 2012, 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:

	June 30, 2012	June 30, 2011	July 1, 2010
	<b>Due within a year</b>		
Accounts payable and accrued liabilities	\$ 661,813	\$ 1,877,487	\$ 131,108
Due to related parties	56,968	24,539	98,272
Liabilities held for sale	-	-	565,566
	<b>\$ 718,781</b>	<b>\$ 1,902,026</b>	<b>\$ 794,946</b>

#### *(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	June 30, 2012	June 30, 2011	July 1, 2010
United States dollars	\$ 21,209,196	\$ 19,268,762	\$ 562,157
Chinese yuan	-	746,000	408,903
Total financial assets	<b>\$ 21,209,196</b>	<b>\$ 20,014,762</b>	<b>\$ 971,060</b>
Chinese yuan	-	-	565,566
Total financial liabilities	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 565,566</b>

As at June 30, 2012, 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.

# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

#### *(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 June 30, 2012.

#### *(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, accounts 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. As at June 30, 2012, the Company has an accounts receivable balance of \$264,025 (June 30, 2011 - \$1,444,810, July 1, 2010 - \$85,623).

### **13. 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 June 30, 2012.

### **14. 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.



**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(Expressed in Canadian dollars)*

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

As at June 30, 2012 and 2011, all assets held by the Company are located in Canada. As at July 1, 2010, the Company held certain assets in both Canada and China, the most significant of which are as follows:

	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

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

	Year ended June 30, 2012		
	China	Canada	Total
Loss before other income and expenses	\$ -	\$ (1,164,113)	\$ (1,164,113)
Other income and expenses	-	76,617	76,617
Net loss for the year	-	(1,087,496)	(1,087,496)

	Year ended June 30, 2011		
	China	Canada	Total
Loss before other income and expenses	\$ -	\$ (4,306,907)	\$ (4,306,907)
Other income and expenses	-	1,287,005	1,287,005
Loss from continuing operations	-	(3,019,902)	(3,019,902)
Income from discontinued operations	16,480,459	-	16,480,459
Net income (loss) for the year	\$ 16,480,459	\$ (3,019,902)	\$ 13,460,557

**15. INCOME TAXES**

The provision for income taxes differs from the amount computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income tax provision due to the following:

	Years ended June 30,	
	2012	2011
Canadian statutory tax rate	<b>28.64%</b>	28.12%
Loss from continuing operations before income taxes	\$ (1,087,494)	\$ (3,019,902)
Income tax expense computed at Canadian statutory rates	(311,451)	(849,186)
Foreign tax rates different from statutory rate	(676,591)	120,163
Rate differences related to origination and reversal of temporary differences	3,606	519,699
Permanent items and other	832,666	265,587
Investment tax credits	(432,295)	-
Temporary income tax differences not recognized	1,122,402	(579,316)
Adjustments in respect of prior years	(550,495)	-
Other	12,158	523,053
	\$ -	\$ -

**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(Expressed in Canadian dollars)*

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2012	2011
Deferred tax assets:		
Non-capital loss carry forward	2,034,694	2,153,916
	<b>2,034,694</b>	<b>2,153,916</b>
Deferred tax liabilities:		
Mineral Property Interests	2,034,694	2,153,916
	<b>2,034,694</b>	<b>2,153,916</b>

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profit is probable. The ability to realize the tax benefits is dependent upon numerous factors, including the future profitability of operations in the jurisdiction in which the tax benefit arise. Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2012	2011
Non-capital loss carry forward	4,670,409	4,913,277
Plant and equipment	808,698	546,482
Mineral property interests	315,056	339,329
Share issuance costs	663,088	920,609
Investment tax credit	1,649,443	1,170,433
	<b>\$ 8,106,694</b>	<b>\$ 7,890,130</b>

As at June 30, 2012, the Company has the following net operating losses, expiring various years to 2032 and available to offset future taxable income in Canada:

	Total
2014	635,661
2025	369,409
2026	878,500
2027	2,338,259
2028	1,641,372
2029	1,449,913
2030	2,233,613
2031	1,856,703
2032	717,641
	<b>\$ 12,121,071</b>

As at June 30, 2012, the Company had tax credits of \$1.6 million that have not been recognized, expiring between 2026 to 2032.

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

*(Expressed in Canadian dollars)*

#### 16. LOSS PER SHARE

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents such as outstanding stock options in the weighted average number of common shares outstanding during the year, if dilutive. The impact of stock options and warrants were anti-dilutive for the periods presented, except for with respect to the calculation of the diluted earnings per share – total and the diluted earnings per share from discontinued operations for the year ended June 30, 2011 which takes into account the effect of the dilutive items below:

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Net Income (Loss)	\$ (1,243,496)	\$ 13,460,557
<u>Weighted average number of shares outstanding</u>		
<b>Basic</b>	<b>67,344,763</b>	53,432,047
Effect of diluted securities		
Stock options	-	1,380,093
<b>Diluted</b>	<b>67,344,763</b>	54,812,140
<b>Basic EPS</b>	<b>\$ (0.02)</b>	\$ 0.25
<b>Diluted EPS</b>	<b>\$ (0.02)</b>	\$ 0.24

#### 17. PROVISIONS

The Company is involved in legal action associated with the normal course of operations. As at June 30, 2012, the Company had recognized a provision for certain legal matters of \$156,000 (June 30, 2011 - \$nil, July 1, 2010 - \$nil). The legal provision is based on management's best estimate of the amount and timing of the potential settlement.

#### 18. DISPOSITION AND DISCONTINUED OPERATIONS

In March 2011, the Company completed the disposal of a subsidiary, Yunnan Jin Chang Mining Co. Ltd. ("JCJM") for \$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). 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:

**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(Expressed in Canadian dollars)*

**Assets and liabilities held for sale**

	July 1, 2010
Cash and cash equivalents	\$ 412,759
Accounts receivable	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
<b>Total assets held for sale</b>	<b>\$ 4,158,824</b>
Accounts payable and accrued liabilities	226,178
Deposit received	261,188
Due to related parties	78,200
Liabilities held for sale	565,566
<b>Net assets held for sale</b>	<b>\$ 3,593,258</b>

**Income from discontinued operations**

	Year ended June 30,	
	2012	2011
Operating expenses	\$ -	\$ (438,488)
Gain on disposal of subsidiaries	-	\$ 16,945,399
Other expenses	-	(26,452)
<b>Income from discontinued operations</b>	<b>\$ -</b>	<b>\$ 16,480,459</b>

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

---

*(Expressed in Canadian dollars)*

#### 19. 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 as at 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.
- (v) IFRS 1 also outlines specific requirements to which a first-time adopter must adhere. The Company has applied the following to its opening balance sheet dated July 1, 2010:

Estimates – in accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company’s IFRS estimates as at July 1, 2010 are consistent with its previous estimates under GAAP for the same date.

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

(Expressed in Canadian dollars)

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

**New Pacific Metals Corp.**  
**Notes to Consolidated Financial Statements**  
**For the years ended June 30, 2012 and 2011**

*(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
		(ii)	(iii)	(iv)	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 20,625,672	\$ -	\$ -	\$ -	\$ 20,625,672
Short term investments	17,023,000	-	-	-	17,023,000
Accounts receivable	1,444,810	-	-	-	1,444,810
Inventories	41,412	-	-	-	41,412
	39,134,894	-	-	-	39,134,894
<b>Non-current Assets</b>					
Reclamation deposits	30,075	-	-	-	30,075
Plant and equipment	1,746,687	-	-	-	1,746,687
Mineral property interests	30,701,558	-	(10,520)	74,000	30,765,038
<b>TOTAL ASSETS</b>	<b>\$ 71,613,214</b>	<b>\$ -</b>	<b>\$ (10,520)</b>	<b>\$ 74,000</b>	<b>\$ 71,676,694</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	\$ 1,877,487	\$ -	\$ -	\$ -	\$ 1,877,487
Due to related parties	24,539	-	-	-	24,539
<b>Total Liabilities</b>	<b>1,902,026</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,902,026</b>
<b>Equity</b>					
Share capital	56,221,249	-	-	1,246,131	57,467,380
Contributed surplus	16,317,934	-	(87,019)	-	16,230,915
Accumulated other comprehensive income (loss)	-	-	-	-	-
Deficit	(2,827,995)	-	76,499	(1,172,131)	(3,923,627)
<b>Total Equity</b>	<b>69,711,188</b>	<b>-</b>	<b>(10,520)</b>	<b>74,000</b>	<b>69,774,668</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 71,613,214</b>	<b>\$ -</b>	<b>\$ (10,520)</b>	<b>\$ 74,000</b>	<b>\$ 71,676,694</b>

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

(Expressed in Canadian dollars)

#### (c) Reconciliation of comprehensive income (loss)

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	Transitional Adjustments			IFRS
	GAAP	(ii)	(iii)	(iv)	
<b>Expenses</b>					-
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 and 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
<b>Loss before other income and expenses</b>	<b>3,160,555</b>	<b>-</b>	<b>(56,307)</b>	<b>1,202,659</b>	<b>4,306,907</b>
<b>Other income and expenses</b>					
Gain on disposal of long-term investments	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	197,059	-	-	-	197,059
	166,476	-	-	1,120,529	1,287,005
<b>Loss from continuing operations</b>	<b>(2,994,079)</b>	<b>-</b>	<b>56,307</b>	<b>(82,130)</b>	<b>(3,019,902)</b>
<b>Income from discontinued operations</b>	<b>16,253,918</b>	<b>226,541</b>	<b>-</b>	<b>-</b>	<b>16,480,459</b>
<b>Net income for the year</b>	<b>\$ 13,259,839</b>	<b>\$ 226,541</b>	<b>\$ 56,307</b>	<b>\$ (82,130)</b>	<b>\$13,460,557</b>
<b>Other comprehensive loss</b>					
Reclassification of realized gain upon disposal of long-term investments	\$ (46,862)	\$ -	\$ -	\$ -	\$ (46,862)
<b>Other comprehensive loss</b>	<b>(46,862)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46,862)</b>
<b>Comprehensive income</b>	<b>\$ 13,212,977</b>	<b>\$ 226,541</b>	<b>\$ 56,307</b>	<b>\$ (82,130)</b>	<b>\$13,413,695</b>

#### (d) Reconciliation of cash flows

The adoption of IFRS has not impacted net cash flows 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 flows from operating activities.

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.



# **New Pacific Metals Corp.**

## **Notes to Consolidated Financial Statements**

### **For the years ended June 30, 2012 and 2011**

---

*(Expressed in Canadian dollars)*

(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 determined to be Chinese Yuan ("CNY"). CAD was the functional currency for all entities in the group under Canadian GAAP. As a result, there is a foreign exchange difference between the two accounting standards on the translation of non-monetary assets. Under Canadian GAAP, these items were translated from CNY to CAD at the rates on the date of the transaction. Under IFRS, both monetary and non-monetary items are translated from CNY to CAD using the exchange rate at the end of each reporting period.

July 1, 2010: Foreign exchange differences of \$226,541 were adjusted to the respective non-current assets and AOCI, which was then eliminated at the transition date.

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.

(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 options granted were recognized as they occur. Under IFRS, forfeiture estimates are recognized in the period they are granted, 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.

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

# New Pacific Metals Corp.

## Notes to Consolidated Financial Statements

### For the years ended June 30, 2012 and 2011

(Expressed in Canadian dollars)

(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 (see Note 3). 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 during the period. Also, the cost of purchase shall be measured at fair value on the date of closing, 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, and the change in total consideration resulted in an increase in mineral property interests:

	Canadian GAAP	IFRS
14.3 million TLG shares 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	17,018,303	
- Under IFRS, at \$1.10 per share, equal to closing share price on September 15, 2010; and additional share consideration, at \$1.57 per share, equal to closing share price on December 14, 2012 for acquisition of non-controlling interest		18,264,434
Cash consideration	1,476,286	1,476,286
Replacement options	99,689	99,689
Transaction costs	1,202,659	-
<b>Total cost of purchase</b>	<b>\$ 20,392,409</b>	<b>\$ 21,556,409</b>