



New Pacific Metals Corp.

TSX: NUX

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2013

(Expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements
For the three and nine months ended March 31, 2013**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the "Company") for the three and nine months ended March 31, 2013 (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, 2012 which are available on SEDAR at www.sedar.com. The Financial Statements are expressed in Canadian dollars unless otherwise stated and are prepared in accordance with International Financial Reporting Standards.

New Pacific Metals Corp.

Unaudited Consolidated Interim Balance Sheets

(Expressed in Canadian dollars)

| | Notes | March 31, 2013 | June 30, 2012 |
|--|-------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | \$ 11,478,834 | \$ 22,527,940 |
| Short term investments | 5 | 15,314,500 | 8,080,500 |
| Accounts receivable | 6 | 305,799 | 264,025 |
| | | 27,099,133 | 30,872,465 |
| Non-current Assets | | | |
| Reclamation deposits | | 15,075 | 15,075 |
| Plant and equipment | 7 | 1,869,463 | 1,978,201 |
| Mineral property interests | 8 | 40,325,043 | 37,084,565 |
| TOTAL ASSETS | | \$ 69,308,714 | \$ 69,950,306 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 9 | \$ 686,509 | \$ 661,813 |
| Provisions | 10 | 81,000 | 156,000 |
| Due to related parties | 11 | 28,118 | 56,968 |
| Total Liabilities | | 795,627 | 874,781 |
| Equity | | | |
| Share capital | 12 | 57,285,529 | 57,516,613 |
| Contributed surplus | | 17,022,754 | 16,726,035 |
| Accumulated other comprehensive income | | 375 | - |
| Deficit | | (6,615,436) | (5,167,123) |
| Equity attributable to the equity holders | | 67,693,222 | 69,075,525 |
| Non-controlling interest | 13 | 819,865 | - |
| Total Equity | | 68,513,087 | 69,075,525 |
| TOTAL LIABILITIES AND EQUITY | | \$ 69,308,714 | \$ 69,950,306 |

Approved on behalf of the Board:

(Signed) David Kong

Director

(Signed) Rui Feng

Director

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Income (Loss)

(Expressed in Canadian dollars)

| | Three months ended March 31, | | Nine months ended March 31, | |
|--|------------------------------|---------------------|-----------------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Expenses | | | | |
| Audit and accounting | \$ 15,440 | \$ 1,855 | \$ 43,834 | \$ 82,808 |
| Consulting | 46,520 | 24,500 | 108,520 | 60,500 |
| Depreciation | 8,924 | 13,260 | 23,455 | 28,639 |
| Filing and listing | 30,039 | 9,387 | 134,109 | 44,476 |
| Foreign exchange (gain) loss | (405,266) | 371,881 | 98,306 | (733,774) |
| General exploration | 11,858 | - | 121,031 | - |
| Investor relations | 15,885 | 62,004 | 31,028 | 387,172 |
| Legal and professional fees | 20,517 | 46,425 | 65,171 | 67,968 |
| Salaries and benefits | 122,141 | 175,265 | 444,700 | 423,851 |
| Office and administration | 38,913 | 66,953 | 94,938 | 259,565 |
| Rent | 33,647 | 54,386 | 130,674 | 158,324 |
| Stock-based compensation | 115,411 | 91,939 | 278,547 | 305,721 |
| Travel and promotion | 39,001 | 38,319 | 54,708 | 93,446 |
| Loss before other income and expenses | 93,030 | 956,174 | 1,629,021 | 1,178,696 |
| Other income and expenses | | | | |
| Loss on disposal of plant and equipment | - | - | - | (1,061) |
| Finance expense | (946) | (834) | (2,620) | (4,774) |
| Finance income | 42,302 | 34,838 | 123,605 | 110,413 |
| Other income | 50,850 | - | 50,850 | - |
| | 92,206 | 34,004 | 171,835 | 104,578 |
| Net loss for the period | \$ (824) | \$ (922,170) | \$ (1,457,186) | \$ (1,074,118) |
| Attributable to: | | | | |
| Equity holders of the Company | 8,049 | (922,170) | (1,448,313) | (1,074,118) |
| Non-controlling interests | (8,873) | - | (8,873) | - |
| | \$ (824) | \$ (922,170) | \$ (1,457,186) | \$ (1,074,118) |
| Basic earnings (loss) per share | \$ 0.000 | \$ (0.014) | \$ (0.022) | \$ (0.016) |
| Diluted earnings (loss) per share | \$ 0.000 | \$ (0.014) | \$ (0.022) | \$ (0.016) |
| Weighted average number of shares - basic | 67,128,433 | 67,346,703 | 67,269,782 | 67,337,539 |
| Weighted average number of shares - diluted | 67,128,433 | 67,346,703 | 67,269,782 | 67,337,539 |

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

| | <u>Three months ended March 31,</u> | | <u>Nine months ended March 31,</u> | |
|-----------------------------------|-------------------------------------|--------------|------------------------------------|----------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Net income (loss) | \$ (824) | \$ (922,170) | \$ (1,457,186) | \$ (1,074,118) |
| Other comprehensive income (loss) | | | | |
| Currency translation adjustment | 458 | - | 458 | - |
| Other comprehensive income (loss) | 458 | - | 458 | - |
| Comprehensive income (loss) | \$ (366) | \$ (922,170) | \$ (1,456,728) | \$ (1,074,118) |
| Attributable to: | | | | |
| Equity holders of the Company | \$ 8,424 | (922,170) | \$ (1,447,938) | (1,074,118) |
| Non-controlling interest | (8,790) | - | (8,790) | - |
| | \$ (366) | \$ (922,170) | \$ (1,456,728) | \$ (1,074,118) |

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

| | Notes | Three months ended March 31, | | Nine months ended March 31, | |
|---|-------|------------------------------|----------------------|-----------------------------|----------------------|
| | | 2013 | 2012 | 2013 | 2012 |
| Cash provided by (used in) | | | | | |
| Operating activities | | | | | |
| Net income (loss) for the period | | \$ (824) | \$ (922,170) | \$ (1,457,186) | \$ (1,074,118) |
| Add (deduct) items not affecting cash : | | | | | |
| Depreciation | | 8,924 | 13,260 | 23,455 | 28,639 |
| Reversal of provision | | (75,000) | - | (75,000) | - |
| Loss on disposal of plant and equipment | | - | - | - | 1,061 |
| Stock-based compensation | | 115,411 | 91,939 | 278,547 | 305,721 |
| Unrealized foreign exchange loss (gain) | | (408,138) | 371,881 | 95,469 | (733,774) |
| | | (359,627) | (445,090) | (1,134,715) | (1,472,471) |
| Change in non-cash working capital | | | | | |
| Accounts receivable | | 41,101 | 136,719 | 188,867 | 1,091,479 |
| Accounts payable and accrued liabilities | | 10,341 | (279,626) | (24,267) | (1,100,844) |
| Inventory | | - | - | - | 41,412 |
| Provisions | | (24,150) | - | (24,150) | - |
| Cash used in operating activities | | (332,335) | (587,997) | (994,265) | (1,440,424) |
| Investing activities | | | | | |
| Expenditures on mineral property interests, net of non-cash items | | (144,991) | (374,333) | (429,691) | (5,680,219) |
| Acquisition of plant and equipment | | - | (30,179) | (10,302) | (563,352) |
| Net redemption (purchase) of short term investments | | (15,234,000) | - | (7,234,000) | 7,942,500 |
| Acquisition of FMI & QFM (net of cash acquired of \$1.53 million) | 3 | (2,017,474) | - | (2,017,474) | - |
| Cash provided by (used in) investing activities | | (17,396,465) | (404,512) | (9,691,467) | 1,698,929 |
| Financing activities | | | | | |
| Amount due to related parties | | (14,084) | 160,027 | (28,850) | 95,566 |
| Shares issued for cash | | - | 5,000 | 12,500 | 24,658 |
| Payments for share buy back | 12(c) | (108,608) | - | (252,084) | - |
| Cash provided by (used in) financing activities | | (122,692) | 165,027 | (268,434) | 120,224 |
| Effect of exchange rate changes on cash and cash equivalents | | 408,667 | (371,881) | (94,940) | 733,774 |
| Increase (decrease) in cash and cash equivalents | | (17,442,825) | (1,199,363) | (11,049,106) | 1,112,503 |
| Cash and cash equivalents, beginning of period | | 28,921,659 | 22,937,538 | 22,527,940 | 20,625,672 |
| Cash and cash equivalents, end of period | | \$ 11,478,834 | \$ 21,738,175 | \$ 11,478,834 | \$ 21,738,175 |
| Interest received | | \$ 42,302 | \$ 34,838 | \$ 123,605 | \$ 110,413 |

See accompanying notes to the unaudited condensed consolidated interim 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 | | Amount | Contributed surplus reserve | Accumulated other comprehensive income (loss) | Deficit | Non-controlling interest | Total equity |
|---------------------------------|-------|-------------------------|--|----------------------|-----------------------------|---|-----------------------|--------------------------|----------------------|
| | | Number of shares issued | Number of shares held for cancellation | | | | | | |
| Balance, June 30, 2011 | | 67,314,203 | - | \$ 57,467,380 | \$ 16,230,915 | \$ - | \$ (3,923,627) | \$ - | \$ 69,774,668 |
| Options exercised | | 42,500 | - | 38,450 | (15,575) | - | - | - | 22,875 |
| Share issuance costs | | - | - | 1,783 | - | - | - | - | 1,783 |
| Stock-based compensation | | - | - | - | 429,122 | - | - | - | 429,122 |
| Net loss for the period | | - | - | - | - | - | (1,074,118) | - | (1,074,118) |
| Balance, March 31, 2012 | | 67,356,703 | - | 57,507,613 | 16,644,462 | - | (4,997,745) | - | 69,154,330 |
| Options exercised | | 12,500 | - | 14,000 | (5,875) | - | - | - | 8,125 |
| Share issuance costs | | - | - | (5,000) | - | - | - | - | (5,000) |
| Stock-based compensation | | - | - | - | 87,448 | - | - | - | 87,448 |
| Net loss for the period | | - | - | - | - | - | (169,378) | - | (169,378) |
| Balance, June 30, 2012 | | 67,369,203 | - | 57,516,613 | 16,726,035 | - | (5,167,123) | - | 69,075,525 |
| Options exercised | | 25,000 | - | 21,000 | (8,500) | - | - | - | 12,500 |
| Normal course issuer bid | 12(c) | (403,212) | 65,090 | (250,068) | - | - | - | - | (250,068) |
| Transaction costs | 12(c) | - | - | (2,016) | - | - | - | - | (2,016) |
| Stock-based compensation | | - | - | - | 305,219 | - | - | - | 305,219 |
| Acquisition of FMI & QFM | | - | - | - | - | - | - | 828,655 | 828,655 |
| Net loss for the period | | - | - | - | - | - | (1,448,313) | (8,873) | (1,457,186) |
| Currency translation adjustment | | - | - | - | - | 375 | - | 83 | 458 |
| Balance, March 31, 2013 | | 66,990,991 | 65,090 | \$ 57,285,529 | \$ 17,022,754 | \$ 375 | \$ (6,615,436) | \$ 819,865 | \$ 68,513,087 |

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and nine months ended March 31, 2013 and 2012

(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 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 March 31, 2013, the Company had a working capital position of \$26,303,506 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 and nine months ended March 31, 2013 were authorized for issue in accordance with a resolution of the Board of Directors dated on May 10, 2013.

These unaudited condensed consolidated interim 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, Pacific Goldcorp Limited, and Fortress Mining Inc. as well as 82% owned subsidiary, Qinghai Found Mining Co. Ltd.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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, 2012. The 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, 2012.

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended March 31, 2013 and 2012

(Expressed in Canadian dollars)

(b) Changes in Accounting Standards

For annual periods beginning on or after January 1, 2013:

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.

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.

For annual periods beginning on or after 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.

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended March 31, 2013 and 2012

(Expressed in Canadian dollars)

For annual periods beginning on or after 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.

3. ASSET ACQUISITION

On March 28, 2013, the Company acquired 80% of Fortress Mining Inc.'s ("FMI") interest in the RZY Silver-Lead-Zinc project ("RZY Project") through the purchase of all the outstanding common shares of FMI for cash consideration of US\$3,489,918 (CAD\$3,544,361). The RZY Project is held through FMI's 82% owned subsidiary, Qinghai Found Mining Co. Ltd. ("QFM"). QFM has a 67% interest in the RZY Project.

The RZY Project exploration permit is held by Qinghai Geological Survey Institute ("QGS"), the minority shareholder of QFM. The exploration permit will be transferred to QFM when QFM completes funding of RMB30 million (US\$4.8 million) on RZY Project exploration or capital expenditures; or the RZY Project matures to a development stage project. Once the exploration permit is transferred; QFM will have a 100% interest in the RZY project, giving FMI an 82% interest in the project.

As part of the agreement, the Company has an option to purchase the remaining 20% of FMI's interest within two years for an additional payment of US\$5 million.

The TSX has approved the RZY transaction subject to the approval by the disinterested shareholders of the Company.

The transaction has been accounted for as an acquisition of assets and related liabilities by the Company. The purchase consideration has been allocated to the assets acquired and liabilities assumed as follows:

| | |
|---|--------------|
| <u>Purchase Price</u> | |
| Cash consideration | \$ 3,544,361 |
| <u>Fair Value of Assets Acquired and Liabilities Assumed</u> | |
| Cash | \$ 1,526,887 |
| Other current assets | 230,492 |
| Plant and equipment | 69,876 |
| Mineral property interests | 2,618,838 |
| Accounts payable and accrued liabilities | (73,077) |
| Non-controlling interests | (828,655) |
| | \$ 3,544,361 |

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and nine months ended March 31, 2013 and 2012

(Expressed in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | March 31, 2013 | | June 30, 2012 | |
|------------------|----------------|------------|---------------|------------|
| Cash in bank | \$ | 11,478,834 | \$ | 2,207,572 |
| Cash equivalents | | - | | 20,320,368 |
| | \$ | 11,478,834 | \$ | 22,527,940 |

Cash in bank includes US dollar denominated deposits of US\$5,821,931 in premium rate savings accounts redeemable at any time with an average annual interest rate of 0.48% calculated daily and paid monthly.

5. SHORT TERM INVESTMENTS

Short term investments consist of:

| | March 31, 2013 | | June 30, 2012 | |
|------------------------------------|----------------|------------|---------------|-----------|
| Guaranteed Investment Certificates | \$ | 80,500 | \$ | 8,080,500 |
| Term Deposits | \$ | 15,234,000 | \$ | - |
| | \$ | 15,314,500 | \$ | 8,080,500 |

Term deposit balance consists of a one year non-redeemable term deposit of US\$15,000,000 with a fixed interest rate of 0.8% per annum.

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

| | March 31, 2013 | | June 30, 2012 | |
|-------------------------------|----------------|---------|---------------|---------|
| GST/HST receivable | | 30,613 | | 57,558 |
| Interest receivable | | - | | 48,604 |
| Deposits and prepaid expenses | | 275,186 | | 157,863 |
| | \$ | 305,799 | \$ | 264,025 |

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended March 31, 2013 and 2012

(Expressed in Canadian dollars)

7. PLANT AND EQUIPMENT

| Cost | Buildings | Machinery | Motor vehicles | Office equipment and furniture | Computer software | Total |
|-------------------------------------|-------------------|---------------------|-------------------|--------------------------------|-------------------|---------------------|
| Balance as at June 30, 2012 | \$ 890,754 | \$ 1,118,084 | \$ 62,488 | \$ 94,181 | \$ 155,684 | \$ 2,321,191 |
| Acquisition of FMI & QFM | - | 4,581 | 40,002 | 25,009 | 284 | 69,876 |
| Additions | - | - | 10,302 | - | - | 10,302 |
| Reclassification | - | (1,000) | 1,000 | - | - | - |
| Foreign currency translation impact | - | - | - | - | - | - |
| Balance as at March 31, 2013 | \$ 890,754 | \$ 1,121,665 | \$ 113,792 | \$ 119,190 | \$ 155,968 | \$ 2,401,368 |

Accumulated depreciation and amortization

| | | | | | | |
|-------------------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| Balance as at June 30, 2012 | \$ (46,702) | \$ (207,063) | \$ (11,044) | \$ (23,691) | \$ (54,490) | \$ (342,990) |
| Depreciation and amortization | (31,130) | (122,822) | (9,564) | (10,738) | (15,236) | (189,490) |
| Disposals | - | - | 559 | - | - | 559 |
| Reclassification | - | 81 | (81) | - | - | - |
| Foreign currency translation impact | - | 2 | 7 | 6 | 1 | 16 |
| Balance as at March 31, 2013 | \$ (77,832) | \$ (329,802) | \$ (20,122) | \$ (34,423) | \$ (69,725) | \$ (531,905) |

Carrying amount

| | | | | | | |
|-------------------------------------|-------------------|-------------------|------------------|------------------|------------------|---------------------|
| Balance as at June 30, 2012 | \$ 844,052 | \$ 911,021 | \$ 51,444 | \$ 70,490 | \$ 101,194 | \$ 1,978,201 |
| Balance as at March 31, 2013 | \$ 812,922 | \$ 791,863 | \$ 93,669 | \$ 84,767 | \$ 86,242 | \$ 1,869,463 |

8. MINERAL PROPERTY INTERESTS

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

| Cost | Tagish Lake | RZY Project | Total |
|---|----------------------|---------------------|----------------------|
| Balance, June 30, 2012 | 37,084,565 | - | 37,084,565 |
| Acquisition of mineral property interest (Note 3) | - | 2,618,838 | 2,618,838 |
| <u>Capitalized exploration expenditures</u> | | | |
| Reporting and assessment | 42,429 | - | 42,429 |
| Drilling and assaying | - | 22,818 | 22,818 |
| Staking and mapping | 39,485 | - | 39,485 |
| Geophysical and geochemical surveys | - | - | - |
| Camp services | - | - | - |
| Site preparation | - | - | - |
| Permitting | 1,335 | - | 1,335 |
| Environmental study | 16,035 | - | 16,035 |
| Care and maintenance | 338,724 | - | 338,724 |
| Other | 161,013 | - | 161,013 |
| Foreign currency translation impact | - | (199) | (199) |
| Balance, March 31, 2013 | \$ 37,683,586 | \$ 2,641,457 | \$ 40,325,043 |

(a) Tagish Lake Gold Project

The Tagish Lake Gold Project, 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.

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and nine months ended March 31, 2013 and 2012

(Expressed in Canadian dollars)

(b) RZY Project

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised of:

| | March 31, 2013 | | June 30, 2012 | |
|--------------------------|----------------|---------|---------------|---------|
| Accounts payable | \$ | 92,802 | \$ | 37,708 |
| Acquisition cost payable | | 441,903 | | 441,903 |
| Accrued liabilities | | 151,804 | | 182,202 |
| | \$ | 686,509 | \$ | 661,813 |

10. PROVISIONS

The Company is involved in legal action associated with the normal course of operations. As at March 31, 2013, the Company has a provision for certain legal matters of \$81,000 (June 30, 2012 - \$156,000). The legal provision is based on management's best estimate of the amount and timing of the potential settlement.

During the current period, certain legal matters were settled for \$24,150. As such, the related provisions of \$75,000 to these legal matters were reversed in the year.

11. RELATED PARTY TRANSACTIONS

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

| Transactions with related parties | Three months ended March 31, | | Nine months ended March 31, | |
|-----------------------------------|------------------------------|------------|-----------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Silvercorp Metals Inc. (a) | \$ 69,666 | \$ 124,881 | \$ 315,286 | \$ 433,126 |
| R. Feng Consulting Ltd. (b) | - | 18,000 | 36,000 | 54,000 |
| Parkside Management Ltd. (c) | 18,000 | - | 18,000 | - |
| | \$ 87,666 | \$ 142,881 | \$ 369,286 | \$ 487,126 |

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at March 31, 2013, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

| Due to (from) related parties | March 31, 2013 | | June 30, 2012 | |
|-------------------------------|----------------|--------|---------------|--------|
| Silvercorp Metals Inc. (a) | \$ | 10,118 | \$ | 36,808 |
| R. Feng Consulting Ltd. (b) | | - | | 20,160 |
| Parkside Management Ltd. (c) | | 18,000 | | - |
| | \$ | 28,118 | \$ | 56,968 |

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(a) Silvercorp Metals Inc. 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 and nine months ended March 31, 2013, the Company recorded total expenses of \$69,666 and \$315,286 (three and nine months ended March 31, 2012 - \$124,881 and \$433,126) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) During the three and nine months ended March 31, 2013, the Company incurred \$nil and \$36,000 (three and nine months ended March 31, 2012 - \$18,000 and \$54,000) 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 three and nine months ended March 31, 2013, the Company incurred \$18,000 and \$18,000 (three and nine months ended March 31, 2012 - \$nil and \$nil) in consulting fees for consulting services rendered by Parkside Management Ltd., a company controlled by a director and an officer of the Company.

12. 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 March 31, 2013, is as follows:

| | Number of options | Weighted average exercise price |
|--------------------------------|-------------------|---------------------------------------|
| Balance, July 1, 2012 | 3,050,250 | \$ 0.98 |
| Options granted | 1,795,000 | 0.61 |
| Options exercised | (25,000) | 0.50 |
| Options forfeited | (391,250) | 1.11 |
| Options expired | (219,000) | 1.55 |
| Balance, March 31, 2013 | 4,210,000 | \$ 0.78 |

During the nine months ended March 31, 2013, a total of 1,795,000 options were granted to employees and directors of the Company at an exercise price of \$0.61 for a term of five years subject to a vesting period of 48 months with 12.5% 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.

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

| | Nine months ended March 31, | |
|-----------------------------------|------------------------------------|-------------|
| | 2013 | 2012 |
| Risk free interest rate | 1.22% | 1.41% |
| Expected volatility | 87% | 109% |
| Expected life of options in years | 3.25 | 4.2 |
| Expected dividend yield | 0% | 0% |
| Estimated forfeiture rate | 9% | 9% |

The weighted average grant date fair value for the options granted during the period was \$0.34.

For the three and nine months ended March 31, 2013, a total of \$115,411 and \$278,547 (three and nine months ended March 31, 2012 - \$91,939 and \$305,721) were recorded as stock-based compensation expense. For the three and nine months ended March 31, 2013, \$15,764 and \$26,672 (three and nine months ended March 31, 2012 - \$7,593 and \$123,401) were capitalized to mineral property interests.

The following table summarizes information about stock options outstanding as at March 31, 2013:

| Exercise prices | Number of options outstanding as at March 31, 2013 | Weighted average remaining contractual life (years) | Weighted average exercise price | Number of options exercisable as at March 31, 2013 | Weighted average exercise price |
|-----------------------|--|---|---------------------------------|--|---------------------------------|
| \$ 0.50 | 475,000 | 0.80 | \$ 0.50 | 475,000 | \$ 0.50 |
| 0.65 | 1,175,000 | 2.20 | 0.65 | 881,250 | 0.65 |
| 1.44 | 250,000 | 2.59 | 1.44 | 125,000 | 1.44 |
| 1.60 | 320,000 | 2.66 | 1.60 | 160,000 | 1.60 |
| 1.65 | 160,000 | 2.72 | 1.65 | 80,000 | 1.65 |
| 2.04 | 10,000 | 2.74 | 2.04 | 5,000 | 2.04 |
| 1.42 | 25,000 | 3.21 | 1.42 | 9,375 | 1.42 |
| 0.61 | 1,795,000 | 4.48 | 0.61 | 224,375 | 0.61 |
| \$0.5 - \$2.04 | 4,210,000 | 3.10 | \$ 0.78 | 1,960,000 | \$ 0.79 |

(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 March 31, 2013, the Company purchased 403,212 common shares at an average cost \$0.62 per share. Transaction costs related to the common share acquisitions were \$2,016. As at March 31, 2013, of the total common shares repurchased under the NCIB, 338,122 common shares have been cancelled and returned to treasury. The remaining 65,090 common shares are held for cancellation.

13. NON-CONTROLLING INTEREST

| | Qinghai Found |
|--|-------------------|
| Balance, July 1, 2012 | \$ - |
| Share of net income (loss) | (8,873) |
| Share of other comprehensive income (loss) | 83 |
| Acquisition of FMI & QFM | 828,655 |
| Balance, March 31, 2013 | \$ 819,865 |

As at March 31, 2013, non-controlling interests in Qinghai Found Mining Co. Ltd. was 18%.

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14. 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.

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 March 31, 2013, 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 |
|---------------------------|---------------|---------|---------|---------------|
| Financial Assets | | | | |
| Cash and cash equivalents | \$ 11,478,834 | \$ - | \$ - | \$ 11,478,834 |
| Short term investments | 15,314,500 | - | - | 15,314,500 |

(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 March 31, 2013, 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:

| | March 31, 2013 | June 30, 2012 |
|--|--------------------------|-------------------|
| | Due within a year | |
| Accounts payable and accrued liabilities | \$ 686,509 | \$ 661,813 |
| Due to related parties | 28,118 | 56,968 |
| | \$ 714,627 | \$ 718,781 |

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(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 | March 31, 2013 | | June 30, 2012 |
|--|-----------------------|-------------------|---------------|
| United States dollars | \$ | 21,146,753 | \$ 21,209,196 |
| Chinese RMB | | 1,467,227 | - |
| Financial assets in foreign currency | \$ | 22,613,980 | \$ 21,209,196 |
| United States dollars | | - | - |
| Chinese RMB | | 69,103 | - |
| Financial liabilities in foreign currency | \$ | 69,103 | \$ - |
| USD financial instruments in CAD (net) | \$ | 21,146,753 | \$ 21,209,196 |
| RMB financial instruments in CAD (net) | | 1,398,124 | - |

As at March 31, 2013, 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 March 31, 2013, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$14,000.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of March 31, 2013.

(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

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Canada. As at March 31, 2013, the Company has an accounts receivable balance of \$305,799 (June 30, 2012 - \$264,025).

15. 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 March 31, 2013.

16. 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. For the three and nine months ended March 31, 2012, the Company only operated in one geographic location (Canada).

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

| | March 31, 2013 | | |
|----------------------------|----------------|---------------|---------------|
| | China | Canada | Total |
| Mineral property interests | \$ 2,641,457 | \$ 37,683,586 | \$ 40,325,043 |
| Plant and equipment | 68,152 | 1,801,311 | 1,869,463 |

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

| | Three Months Ended March 31, 2013 | | | Nine Months Ended March 31, 2013 | | |
|--|-----------------------------------|-------------|-------------|----------------------------------|----------------|----------------|
| | China | Canada | Total | China | Canada | Total |
| Income (loss) before other income and expenses | \$ (49,321) | \$ (43,709) | \$ (93,030) | \$ (49,321) | \$ (1,579,700) | \$ (1,629,021) |
| Other income and expenses | 27 | 92,179 | 92,206 | 27 | 171,808 | 171,835 |
| Net income (loss) | \$ (49,294) | \$ 48,470 | \$ (824) | \$ (49,294) | \$ (1,407,892) | \$ (1,457,186) |
| Attributed to: | | | | | | |
| Equity holders of the Company | (40,421) | 48,470 | 8,049 | (40,421) | (1,407,892) | (1,448,313) |
| Non-controlling interests | (8,873) | - | (8,873) | (8,873) | - | (8,873) |
| Net income (loss) | \$ (49,294) | \$ 48,470 | \$ (824) | \$ (49,294) | \$ (1,407,892) | \$ (1,457,186) |