New Pacific Metals Corp.

TSX-V: NUAG

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

(Expressed in Canadian Dollars)

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

Tel: 604-669-4466
Fax: 778-374-0496
www.deloitte.ca

Independent Auditor's Report

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 statements of financial position as at June 30, 2017 and June 30, 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of change in equity and consolidated statements of cash flows for the years then ended, 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, 2017 and June 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
September 20, 2017
Vancouver, British Columbia

New Pacific Metals Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes		June 30, 2017		June 30, 2016
ASSETS					
Current Assets					
Cash and cash equivalents	3	**$**	**3,810,360**	$	5,267,066
Bonds	4		**11,404,266**		17,201,630
Receivables			**149,568**		115,146
Deposits and prepayments	17		**4,886,926**		23,401
			20,251,120		22,607,243
Non-current Assets					
Reclamation deposits			**15,075**		15,075
Equity investments	5		**6,840,394**		3,700,345
Plant and equipment	6		**90,093**		60,454
Mineral property interests	7, 17		**4,785,844**		4,415,900
TOTAL ASSETS		**$**	**31,982,526**	$	30,799,017
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	8	**$**	**355,909**	$	701,228
Provisions	9		-		83,000
Due to related parties	10		**50,928**		6,112
Total Liabilities			**406,837**		790,340
Equity					
Share capital			**57,268,757**		57,149,481
Share-based payment reserve			**17,845,380**		17,642,249
Accumulated other comprehensive income			**1,134,788**		1,225,698
Deficit			**(44,803,659)**		(46,176,203)
Total equity attributable to the equity holders of the Company			**31,445,266**		29,841,225
Non-controlling interests	12		**130,423**		167,452
Total Equity			**31,575,689**		30,008,677
TOTAL LIABILITIES AND EQUITY		**$**	**31,982,526**	$	30,799,017
Subsequent Events	17				

Approved on behalf of the Board:

(Signed) David Kong
Director

(Signed) Rui Feng
Director

See accompanying notes to the consolidated financial statements

New Pacific Metals Corp.
Consolidated Statements of Income (Loss)
(Expressed in Canadian dollars)

	Notes		Years ended June 30, 2017		2016
Income from investments					
Gain on equity investments	5	$	**1,720,896**	$	2,473,528
Fair value change and interest earned on bonds	4		**1,256,349**		577,538
Dividend income	5		**52,762**		-
Interest income			**2,541**		47,556
			3,032,548		3,098,622
Operating expenses					
Consulting			**110,169**		3,690
Depreciation			**32,201**		40,511
Filing and listing			**100,190**		73,831
Investor relations			**119,993**		55,103
Professional fees			**455,978**		105,180
Salaries and benefits			**618,333**		366,284
Office and administration			**424,167**		255,397
Share-based compensation			**246,156**		129,726
Income before other income and expenses			**925,361**		2,068,900
Other income (expenses)					
Gain on disposal of plant and equipment			**-**		105,281
Impairment of mineral property interests			**-**		(3,850,343)
Foreign exchange (loss) gain			**(78,944)**		864,648
Other income	8		**508,110**		1,607
			429,166		(2,878,807)
Net income (loss)		**$**	**1,354,527**	$	(809,907)
Attributable to:					
Equity holders of the Company		**$**	**1,372,544**	$	(118,167)
Non-controlling interests	12		**(18,017)**		(691,740)
		$	**1,354,527**	$	(809,907)
Earnings (loss) per share attributable to the equity holders of the Company					
Basic earnings (loss) per share		**$**	**0.02**	$	(0.00)
Diluted earnings (loss) per share		**$**	**0.02**	$	(0.00)
Weighted average number of common shares - basic			**66,939,256**		66,938,229
Weighted average number of common shares - diluted			**67,394,851**		66,938,229

See accompanying notes to the consolidated financial statements

New Pacific Metals Corp.

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Notes		Years ended June 30, 2017		2016
Net income (loss)		**$**	**1,354,527**	$	(809,907)
Other comprehensive loss, net of taxes:					
Items that may subsequently be reclassified to net income or loss:					
Currency translation adjustment, net of tax of $nil			**(109,922)**		(51,438)
Other comprehensive loss, net of taxes		**$**	**(109,922)**	$	(51,438)
Attributable to:					
Equity holders of the Company		**$**	**(90,910)**	$	(42,179)
Non-controlling interests	12		**(19,012)**		(9,259)
		$	**(109,922)**	$	(51,438)
Total comprehensive income (loss), net of taxes		**$**	**1,244,605**	$	(861,345)
Attributable to:					
Equity holders of the Company		**$**	**1,281,634**	$	(160,346)
Non-controlling interests			**(37,029)**		(700,999)
		$	**1,244,605**	$	(861,345)

See accompanying notes to the consolidated financial statements

New Pacific Metals Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

		Years ended June 30,	
	Notes	**2017**	2016
Operating activities			
Net income (loss)		**$ 1,354,527**	$ (809,907)
Add (deduct) items not affecting cash:			
Gain on equity investments	5	**(1,720,896)**	(2,473,528)
Fair value change and interest earned on bonds	4	**(1,256,349)**	(577,538)
Interest income		**(2,541)**	(47,556)
Depreciation		**32,201**	40,511
Impairment on mineral property interest		**-**	3,850,343
Gain on disposal of plant and equipment		**-**	(105,281)
Share-based compensation		**246,156**	129,726
Unrealized foreign exchange loss (gain)		**78,944**	(864,648)
Coupon payments	4	**986,842**	604,950
Interest received		**2,541**	47,556
		(278,575)	(205,372)
Changes in non-cash operating working capital			
Receivables		**(13,745)**	(12,593)
Deposits and prepayments		**(20,621)**	-
Accounts payable and accrued liabilities		**(343,432)**	(598,720)
Provisions		**(83,000)**	-
Due to related parties		**44,816**	(63,520)
Net cash used in operating activities		**(694,557)**	(880,205)
Investing activities			
Mineral property interest			
Capital expenditures		**(467,829)**	(51,771)
Plant and equipment			
Additions		**(62,665)**	-
Proceeds on disposals		**-**	110,550
Bonds			
Acquisition	4	**-**	(15,750,827)
Proceeds on disposals	4	**6,226,770**	7,010,931
Equity investments			
Acquisition	5	**(4,367,120)**	(1,226,817)
Proceeds on disposals	5	**2,947,966**	-
Prepayment for acquisition of mineral property interest	17	**(4,866,375)**	-
Net cash used in investing activities		**(589,253)**	(9,907,934)
Financing activities			
Proceeds from issuance of common shares		**76,251**	-
Net cash provided by financing activities		**76,251**	-
Effect of exchange rate changes on cash and cash equivalents		**(249,147)**	1,203,377
Decrease in cash and cash equivalents		**(1,456,706)**	(9,584,762)
Cash and cash equivalents, beginning of the year		**5,267,066**	14,851,828
Cash and cash equivalents, end of the year	3	**$ 3,810,360**	$ 5,267,066

See accompanying notes to the consolidated financial statements

New Pacific Metals Corp.

Consolidated Statements of Change in Equity

(Expressed in Canadian dollars, except for share figures)

	Notes	Share capital: Number of common shares issued	Share capital: Amount	Share-based payment reserve	Accumulated other comprehensive income	Deficit	Total equity attributable to the equity holders of the Company	Non-controlling interests	Total equity
Balance, July 1, 2015		66,938,229	$ 57,149,481	$ 17,512,523	$ 1,267,877	$ (46,058,036)	$ 29,871,845	$ 868,451	$ 30,740,296
Share-based compensation		-	-	129,726	-	-	129,726	-	129,726
Net loss						(118,167)	(118,167)	(691,740)	(809,907)
Currency translation adjustment		-	-	-	(42,179)	-	(42,179)	(9,259)	(51,438)
Balance, June 30, 2016		66,938,229	$ 57,149,481	$ 17,642,249	$ 1,225,698	$ (46,176,203)	$ 29,841,225	$ 167,452	$ 30,008,677
Options exercised		125,000	119,276	(43,025)	-	-	76,251	-	76,251
Share-based compensation	11(b)	-	-	246,156	-	-	246,156	-	246,156
Net income		-	-	-	-	1,372,544	1,372,544	(18,017)	1,354,527
Currency translation adjustment		-	-	-	(90,910)	-	(90,910)	(19,012)	(109,922)
Balance, June 30, 2017		**67,063,229**	**$ 57,268,757**	**$ 17,845,380**	**$ 1,134,788**	**$ (44,803,659)**	**$ 31,445,266**	**$ 130,423**	**$ 31,575,689**

See accompanying notes to the consolidated financial statements

1. CORPORATE INFORMATION

New Pacific Metals Corp. along with its subsidiaries (collectively the “Company” or “New Pacific”), is a Canadian mining issuer engaged in exploring and developing precious metal mining properties in Bolivia, Canada and China. The Company was previously an investment issuer engaged in investing in privately held and publicly traded corporations under the name of New Pacific Holdings Corp. The change of the Company’s business and name was approved by the Company’s shareholders at the Special Meeting held on June 30, 2017.

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.

The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “NUAG.V”. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The policies applied in these consolidated financial statements are based on IFRS in effect as of June 30, 2017.

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, 2017, the Company had a working capital position of $19,844,283 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.

Certain balances on the consolidated financial statements were reclassified for presentation purposes due to the Company’s change in business from an investment issuer to a mining issuer.

The consolidated financial statements of the Company as at and for the year ended June 30, 2017 were authorized for issue in accordance with a resolution of the Board of Directors dated on September 13, 2017.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly or partially owned subsidiaries.

Subsidiaries are consolidated from the date on which the Company obtains control up to the date of the disposition of control. Control is achieved when the Company has power over the subsidiary, is exposed or has rights to variable returns from its involvement with the subsidiary; and has the ability to use its power to affect its returns. For non-wholly-owned subsidiaries over which the Company has control, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated statements of financial position. Net income for the period that is attributable to the non-controlling interests is calculated based on the ownership of the non-controlling interest shareholders in the subsidiary.

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

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries: Tagish Lake Gold Corp. ("TLG"), New Pacific Offshore Inc., SKN Nickel & Platinum Ltd., Glory Metals Investment Corp. Limited, New Pacific Investment Corp. Limited, New Pacific Andes Corp. Limited, NPM Minerales S.A., and Fortress Mining Inc., as well as 82% owned subsidiary, Qinghai Found Mining Co. Ltd. ("Qinghai Found").

(c) Foreign Currency Translation

The functional currency for each subsidiary of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the head office, Canadian subsidiaries and all intermediate holding companies is the Canadian dollar ("CAD"). The functional currency of all Bolivian subsidiaries is the Bolivianos ("Bs."). The functional currency of all Chinese subsidiaries is the Chinese Renminbi ("RMB").

Foreign currency monetary assets and liabilities are translated into the functional currency using exchange rates prevailing at the balance sheet date. Foreign currency non-monetary assets are translated using exchange rates prevailing at the transaction date. Foreign exchange gains and losses are included in the determination of net income.

The consolidated financial statements are presented in CAD. The financial position and results of the Company's entities are translated from functional currencies to CAD 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 net investment. When a foreign entity is sold, the historical exchange differences plus the foreign exchange impact that arises on the transaction are recognized in the consolidated statement of income as part of the gain or loss on sale.

(d) 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.

(e) 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 straight-line method based on the nature and estimated useful lives as follows:

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

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 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.

(f) 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 rights and properties prior to demonstrable technical feasibility and commercial viability of extracting a mineral resource, are capitalized.

The Company determines that a property is in the development stage when it has completed a positive economic analysis of the mineral deposit. Subsequent development costs incurred prior to the commercial production stage are capitalized and included in the carrying amount of the related property in the period incurred. Proceeds from sales during this period, if any, are offset against costs capitalized.

(g) 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") or at the individual asset level, whichever 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.

For exploration and evaluation assets, indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditures in the specific area is neither budgeted nor planned, and exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources.

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.

(h) Share-based Payments

The Company recognizes share-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 for using estimates based on historical actual forfeiture data. Share-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 reserves are recorded as share capital.

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

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

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

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

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

(j) Earnings (loss) per Share

Earnings (loss) per share is computed by dividing net income (loss) attributable to equity holders of the Company 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. The impact of stock options was anti-dilutive for the years ended June 30, 2017 and 2016.

(k) Financial Instruments

The Company early adopted IFRS 9 (2014) Financial Instruments, effective July 1, 2015.

Initial recognition:
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 ("FVTPL"), in which case transaction costs are expensed as incurred.

Subsequent measurement of financial assets:
Subsequent measurement of financial assets depends on the classification of such assets.

I. Non-equity instruments:

IFRS 9 includes a single model that has only two classification categories for financial instruments other than equity instruments: amortized cost and fair value. To qualify for amortized cost accounting, the instrument must meet two criteria:

i. The objective of the business model is to hold the financial asset for the collection of the cash flows; and
ii. All contractual cash flows represent only principal and interest on that principal.

All other instruments are mandatorily measured at fair value.

II. Equity instruments:
At initial recognition, for equity instruments other than held for trading, the Company may make an irrevocable election to designate it as either FVTPL or fair value through other comprehensive income ("FVTOCI").

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income.

Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ("OCI"). Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

Impairment of financial assets carried at amortized cost:
The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

Subsequent measurement of financial liabilities:
Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss.

The Company classifies its financial instruments as follows:

- Financial assets classified as FVTPL: cash and cash equivalents, bonds and equity investments;
- Financial assets classified as amortized cost: receivables;
- Financial liabilities classified as amortized cost: trade and other payables, provisions and due to related parties.

Bonds:
The Company acquired bonds issued by other companies from various industries through the open market. These bonds are held to receive coupon interest payments as well as to realize potential gains. The bonds may also be disposed on demand through the open market should the Company require funds

for other operational or investment needs. Bonds are classified as FVTPL and are measured at fair value on initial recognition and subsequent measurement.

Equity investments:
Equity investments represent equity interests of other publicly-trading or privately-held companies that the Company has acquired through the open market or through private placements. These equity interests consist of common shares and warrants. Equity investments are classified as FVTPL and are measured at fair value on initial recognition and subsequent measurement. The fair value of warrants was determined using the Black-Scholes pricing model as at the acquisition date as well as at each period end.

Derecognition of financial assets and financial liabilities:
A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process.

Gains and losses on derecognition of equity investments designated as FVTOCI (including any related foreign exchange component) are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of financial instruments:
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

Fair value of financial instruments:
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

(l) 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 statement of financial position.

Areas of significant judgment include:
- Determination of functional currency.
- Determination of cash generating units.
- Accounting assessment and classification for equity investments and bonds.
- Determination of asset acquisition or business combination.

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.
- The assessments of impairment indicators.
- 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, discount rates, probabilities of expected cash flows from disposal and salvage value of plant and equipment.
- Valuation input and forfeiture rates used in calculation of share-based compensation.
- Valuation of securities that do not have a quoted market price.

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.

(m) Accounting Standards Issued But Not Yet Effective

IAS 7 - *Statement of Cash Flows* has been revised to incorporate amendments issued by the International Accounting Standards Board ("IASB") in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

IAS 12 - *Income Taxes* has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

IFRS 16 - *Leases* was issued by the IASB and will replace Leases ("IAS 17"). IFRS 16 requires most leases to be reported on a company's balance sheet as assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Company is currently assessing the impact of this new standard.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

		June 30, 2017		June 30, 2016
Cash in bank	**$**	**3,810,360**	$	5,267,066

Cash and cash equivalents includes US dollar denominated deposits of US$2,365,749 (June 30, 2016 – US$3,825,402) in premium rate savings accounts redeemable at any time with an average annual interest rate of 0.34% (June 30, 2016 – 0.39%) calculated daily and paid monthly. The remaining funds are held in Canadian dollars, Bolivianos and Chinese Renminbi.

4. BONDS

The bonds portfolio is summarized as follow:

					Fair value	
Issuer	**Coupon rate**	**Gain**	**Rate of return**	**Moody's or S&P rating**	**June 30, 2017**	June 30, 2016
Huarong Finance Co., Ltd.	3.00%	$ 25,813	1.35%	Baa1	**$ -**	$ 2,659,751
Grand China Air Hong Kong Co., Ltd.	5.50%	58,181	5.40%	N.R.	-	1,315,409
Shui On Development Holding Ltd.	8.70%	70,923	5.02%	N.R.	**1,336,826**	1,383,767
Central China Real Estate Ltd.	6.50%	88,989	6.63%	Ba3, B+	**1,314,582**	1,315,138
Evergrande Real Estate Group	8.75%	88,100	13.25%	B3, CCC+	**679,588**	651,805
CITIC Envirotech Limited	5.45%	61,953	4.52%	N.R.	**1,329,034**	1,342,471
eHi Car Services Ltd.	7.50%	110,829	8.04%	BB-	**1,358,508**	1,350,768
Zhiyuan Group (BVI) Co., Ltd.	6.20%	44,809	3.17%	BB	**1,347,500**	1,387,547
Blue Sky Fliers Co., Ltd.	6.90%	14,679	2.08%	N.R.	**658,610**	690,724
Credit Agricole S.A.	6.63%	252,118	20.88%	A1, A	**1,341,463**	1,183,778
Standard Chartered Bank	6.50%	239,061	19.47%	Ba1, BB-	**1,350,573**	1,204,086
Stats Chippac Ltd.	8.50%	123,254	12.56%	B3, B+	-	1,360,741
Unigroup International Holdings Ltd.	6.00%	77,640	17.70%	N.R.	**687,582**	1,355,645
Total or weighted average	6.86%	$ 1,256,349	9.95%		**$ 11,404,266**	$ 17,201,630

The continuity of bonds is summarized as follow:

	Amount
Balance, July 1, 2015	$ 8,826,997
Acquisition	15,750,827
Interest earned	659,876
Loss on fair value change	(82,338)
Coupon payment	(604,950)
Disposition	(7,010,931)
Foreign currency translation impact	(337,851)
Balance, June 30, 2016	$ 17,201,630
Interest earned	982,109
Gain on fair value change	274,240
Coupon payment	(986,842)
Disposition	(6,226,770)
Foreign currency translation impact	159,899
Balance, June 30, 2017	**$ 11,404,266**

Subsequent to year end on July 27, 2017, bond of Shui On Development Holding Ltd. was redeemed for proceeds of $1,278,788.

(Expressed in Canadian dollars, except for share figures)

5. EQUITY INVESTMENTS

The equity investments portfolio is summarized as follows:

			June 30, 2017	June 30, 2016
Common shares				
	Silvercorp Metals Inc.	(a)	**$ 3,519,200**	$ 3,375,120
	Cozystay Holdings Inc.	(b)	**428,669**	325,225
	Aton Resources Inc.	(c)	**441,000**	-
	Avesoro Resources Inc.	(d)	**260,000**	-
	Prophecy Development Corp.	(e)	**172,150**	-
	Treck Mining Inc.	(f)	**560,000**	-
	VanEck Vectors Junior Gold Miners	(g)	**866,345**	-
Warrants				
	Prophecy Development Corp.	(e)	**113,078**	-
	Treck Mining Inc.	(f)	**479,952**	-
			$ 6,840,394	$ 3,700,345

(a) Silvercorp Metals Inc.

Silvercorp Metals Inc. ("SVM") is a publicly traded mining company based in Canada. The Company acquired a total of 1,148,000 shares of SVM through the open market at a weighted average cost of $0.764 per share. During the year ended June 30, 2017, the Company sold a total of 300,000 SVM's shares through the open market at a weighted average price of $5.223 per share for total proceeds of $1,566,989. During the year ended June 30, 2017, the Company received dividend income of $22,406 from SVM. The Company's total investment in SVM represented 0.5% of SVM's total outstanding shares as at June 30, 2017. SVM was traded at $4.15 per share as at June 30, 2017. SVM is a related party to the Company (see note 10), the acquiring and disposing of SVM's shares were completed as arms-length transactions on the open market.

SVM's fair value movements were summarized as follows:

Common share	**Fair value**	**Accumulated mark-to-market gain included in net income**
Balance, July 1, 2015	$ -	$ -
Purchase from open market	876,667	-
Change in fair value	2,498,453	2,498,453
Balance, June 30, 2016	$ 3,375,120	$ 2,498,453
Proceeds on disposal	(1,566,989)	-
Change in fair value	1,711,069	1,711,069
Balance, June 30, 2017	**$ 3,519,200**	**$ 4,209,522**

(b) Cozystay Holdings Inc.

Cozystay Holdings Inc. ("Cozystay") is a private Canadian company. The Company acquired a total of 750,750 shares of Cozystay through a private placement at a cost of $0.466 (USD $0.333) per share. The Company's total investment in Cozystay represented 7% of Cozystay's total outstanding shares as at June 30, 2017.

(Expressed in Canadian dollars, except for share figures)

Cozystay's fair value movements were summarized as follows:

Common share		**Fair value**		**Accumulated mark-to-market loss included in net income**
Balance, July 1, 2015	$	-	$	-
Purchase through private placement		350,150		-
Change in fair value		(24,925)		(24,925)
Balance, June 30, 2016	$	325,225	$	(24,925)
Change in fair value		103,444		103,444
Balance, June 30, 2017	**$**	**428,669**	**$**	**78,519**

(c) Aton Resources Inc.

Aton Resources Inc. ("AAN") is a publicly traded mining company based in Canada. The Company acquired a total of 14,000,000 shares of AAN through a private placement at a cost of $0.05 per share for a total consideration of $700,000. During the year ended June 30, 2017, the Company sold a total of 1,400,000 AAN's shares through the open market at a weighted average price of $0.0678 per share for total proceeds of $95,000. The Company's total investment in AAN represented 6.9% of AAN's total outstanding shares as at June 30, 2017. AAN was traded at $0.035 per share as at June 30, 2017.

AAN's fair value movements were summarized as follows:

Common share		**Fair value**		**Accumulated mark-to-market loss included in net income**
Balance, July 1, 2016	$	-	$	-
Purchase through private placement		700,000		-
Proceeds on disposal		(95,000)		
Change in fair value		(164,000)		(164,000)
Balance, June 30, 2017	**$**	**441,000**	**$**	**(164,000)**

(d) Avesoro Resources Inc. (Formerly "Aureus Mining Inc.")

Avesoro Resources Inc. ("ASO") is a publicly traded mining company based in Canada. The Company acquired a total of 6,500,000 shares of ASO through the open market at a weighted average cost of $0.0564 per share for a total consideration of $366,860. The Company's total investment in ASO represented 0.12% of ASO's total outstanding shares as at June 30, 2017. ASO was traded at $0.04 per share as at June 30, 2017.

ASO's fair value movements were summarized as follows:

Common share		**Fair value**		**Accumulated mark-to-market loss included in net income**
Balance, July 1, 2016	$	-	$	-
Purchase from open market		366,860		-
Change in fair value		(106,860)		(106,860)
Balance, June 30, 2017	**$**	**260,000**	**$**	**(106,860)**

(Expressed in Canadian dollars, except for share figures)

(e) Prophecy Development Corp.

Prophecy Development Corp. ("PCY") is a publicly traded mining company based in Canada. The Company acquired a total of 90,000 units (each unit contains one common share and half warrant) of PCY through a private placement at a cost of $3.80 per unit for a total consideration of $342,000. The consideration was allocated to common share and warrants based on their relative fair value at the acquisition date. The 90,000 common shares were valued at $238,521 ($2.65 per share) and the 45,000 warrants were valued at $103,479 ($2.3 per warrant). The warrants have an exercise price of $4.40 per share and expire on August 15, 2021. During the year ended June 30, 2017, the Company sold a total of 35,000 PCY's shares through the open market at a weighted average price of $5.423 per share for total proceeds of $189,805. The Company's total investment in PCY represented 1.0% of PCY's total outstanding shares as at June 30, 2017. PCY was traded at $3.13 per share as at June 30, 2017.

PCY's fair value movements were summarized as follows:

Common share	**Fair value**	**Accumulated mark-to-market gain included in net income**
Balance, July 1, 2016	$ -	$ -
Purchase through private placement	238,521	-
Proceeds on disposal	(189,805)	-
Change in fair value	123,434	123,434
Balance, June 30, 2017	**$ 172,150**	**$ 123,434**

Warrants	**Fair value**	**Accumulated mark-to-market gain included in net income**
Balance, July 1, 2016	$ -	$ -
Purchase through private placement	103,479	-
Change in fair value	9,599	9,599
Balance, June 30, 2017	**$ 113,078**	**$ 9,599**

(f) Trek Mining Inc.

Trek Mining Inc. ("Trek"), is a publicly traded mining company based in Canada. The Company acquired a total of 500,000 units (each unit contains 6.45 common shares and one warrant) of Trek through a private placement at a cost of $2.00 per unit for a total consideration of $1,000,000. The consideration was allocated to common share and warrants based on their relative fair value at the acquisition date. The 3,225,000 common shares were valued at $535,837 ($0.1662 per share) and the 500,000 warrants were valued at $464,163 ($0.93 per warrant). The warrants have an exercise price of $3.00 for 6.45 common shares and expire on September 11, 2021. The Company's total investment in Trek represented 0.28% of Trek's total outstanding shares as at June 30, 2017. Trek was traded at $1.12 per share as at June 30, 2017.

(Expressed in Canadian dollars, except for share figures)

Trek's fair value movements were summarized as follows:

Common share		**Fair value**		**Accumulated mark-to-market gain included in net income**
Balance, July 1, 2016	$	-	$	-
Purchase through private placement		535,634		-
Change in fair value		24,366		24,366
Balance, June 30, 2017	**$**	**560,000**	**$**	**24,366**

Warrants		**Fair value**		**Accumulated mark-to-market gain included in net income**
Balance, July 1, 2016	$	-	$	-
Purchase through private placement		464,366		-
Change in fair value		15,586		15,586
Balance, June 30, 2017	**$**	**479,952**	**$**	**15,586**

(g) VanEck Vectors Junior Miners ETF

VanEck Vectors Junior Miners ETF ("GDXJ") tracks a market-cap-weighted index of global gold and silver mining firms, focusing on small caps. The Company acquired a total of 20,000 shares of GDXJ through the open market at a weighted average cost of $50.04 per share for a total consideration of $1,000,768. During the year ended June 30, 2017, the Company received dividend income of $30,356 from GDXJ. GDXJ was traded at $43.32 per share as at June 30, 2017.

GDXJ's fair value movements were summarized as follows:

Common share		**Fair value**		**Accumulated mark-to-market loss included in net income**
Balance, July 1, 2016	$	-	$	-
Purchase from open market		1,000,768		-
Change in fair value		(134,423)		(134,423)
Balance, June 30, 2017	**$**	**866,345**	**$**	**(134,423)**

(h) Dalradian Resources Inc.

Dalradian Resources Inc. ("DNA") is a publicly traded mining company based in Canada. The Company acquired a total of 300,000 shares of DNA through the open market at a cost of $1.03 per share for a total consideration of $309,000. During the year ended June 30, 2017, the Company sold a total of 300,000 DNA's shares through the open market at a weighted average price of $1.3753 per share for total proceeds of $412,600.

(Expressed in Canadian dollars, except for share figures)

DNA's fair value movements were summarized as follows:

Common share	Fair value	Accumulated mark-to-market gain included in net income
Balance, July 1, 2016	$ -	$ -
Purchase from open market	309,000	-
Proceeds on disposal	(412,600)	-
Change in fair value	103,600	103,600
Balance, June 30, 2017	**$ -**	**$ 103,600**

(i) Centerra Gold Inc.

Centerra Gold Inc. ("CG") is a publicly traded mining company based in Canada. The Company acquired a total of 60,000 shares of CG through the open market at a cost of $7.8559 per share for a total consideration of $471,354. During the year ended June 30, 2017, the Company sold a total of 60,000 CG's shares through the open market at a weighted average price of $6.8022 per share for total proceeds of $408,132.

CG's fair value movements were summarized as follows:

Common share	Fair value	Accumulated mark-to-market loss included in net income
Balance, July 1, 2016	$ -	$ -
Purchase from open market	471,354	-
Proceeds on disposal	(408,132)	-
Change in fair value	(63,222)	(63,222)
Balance, June 30, 2017	**$ -**	**$ (63,222)**

(j) Goldquest Mining Corp.

Goldquest Mining Corp. ("GQC") is a publicly traded mining company based in Canada. The Company acquired a total of 500,000 shares of GQC through the open market at a weighted average cost of $0.3543 per share for a total consideration of $177,138. During the year ended June 30, 2017, the Company sold a total of 500,000 GQC's shares through the open market at a weighted average price of $0.5509 per share for total proceeds of $275,440.

GQC's fair value movements were summarized as follows:

Common share	Fair value	Accumulated mark-to-market gain included in net income
Balance, July 1, 2016	$ -	$ -
Purchase from open market	177,138	-
Proceeds on disposal	(275,440)	-
Change in fair value	98,302	98,302
Balance, June 30, 2017	**$ -**	**$ 98,302**

(Expressed in Canadian dollars, except for share figures)

6. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Total
Balance, July 1, 2015	$ 890,754	$ 1,124,576	$ 123,045	$ 153,118	$ 126,276	$ 2,417,769
Disposals	-	-	(32,465)	-	-	(32,465)
Foreign currency translation impact	-	(205)	247	(1,647)	(10)	(1,615)
Balance, June 30, 2016	$ 890,754	$ 1,124,371	$ 90,827	$ 151,471	$ 126,266	$ 2,383,689
Additions	-	54,266	-	8,399	-	62,665
Foreign currency translation impact	-	(160)	(374)	(1,510)	(7)	(2,051)
Balance, June 30, 2017	**$ 890,754**	**$ 1,178,477**	**$ 90,453**	**$ 158,360**	**$ 126,259**	**$ 2,444,303**
Accumulated depreciation and amortization						
Balance as at July 1, 2015	$ (890,754)	$(1,119,269)	$ (93,902)	$ (109,101)	$ (97,883)	$ (2,310,909)
Depreciation and amortization	-	(492)	(7,197)	(15,850)	(16,972)	(40,511)
Disposals	-	-	27,196	-	-	27,196
Foreign currency translation impact	-	84	(447)	1,344	8	989
Balance, June 30, 2016	$ (890,754)	$(1,119,677)	$ (74,350)	$ (123,607)	$ (114,847)	$ (2,323,235)
Depreciation and amortization	-	(466)	(6,812)	(14,820)	(10,103)	(32,201)
Foreign currency translation impact	-	65	119	1,036	6	1,226
Balance, June 30, 2017	**$ (890,754)**	**$(1,120,078)**	**$ (81,043)**	**$ (137,391)**	**$ (124,944)**	**$ (2,354,210)**
Carrying amount						
Balance, June 30, 2016	$ -	$ 4,694	$ 16,477	$ 27,864	$ 11,419	$ 60,454
Balance, June 30, 2017	**$ -**	**$ 58,399**	**$ 9,410**	**$ 20,969**	**$ 1,315**	**$ 90,093**

During the year ended June 30, 2017, no plant and equipment was disposed.

During the year ended June 30, 2016, certain plant and equipment were disposed for proceeds of $110,550 and a gain of $105,281 was recognized in the consolidated statement of loss.

7. MINERAL PROPERTY INTERESTS

(a) Silver Sand Property

Subsequent to year-end on July 20, 2017, the Company acquired the Silver Sand Property (also see note 17). The Silver Sand Property is located in the Potosi Department, Bolivia. The property consists of 17 contiguous concessions totalling 3.15 square kilometers in size. During the year ended June 30, 2017, the Company incurred expenditures of $42,591 in preparing a NI43-101 report, $392,726 in drilling and assaying and $31,655 in other relevant expenditures on the Silver Sand Property as part of the acquisition process.

(b) Tagish Lake Gold Property

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

(c) RZY Project

The RZY Project, located in Qinghai, China is an early stage silver-lead-zinc exploration project, situated on a high plateau with an average elevation of 5,000 metres above sea level. The RZY Project is located approximately 237 kilometres via paved and gravel roads from the capital city of Yushu Tibetan Autonomous Prefecture, or 820 kilometres via paved highway from Qinghai Province's capital city of Xining. In 2016, the Qinghai Government issued a moratorium which temporarily suspends exploration for twenty six mining projects including the Company's RZY project. RZY's exploration permit expired on November 19, 2016. The application for the renewal of the exploration permit is in the final stage and subject to the Government's approval.

(Expressed in Canadian dollars, except for share figures)

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

Cost	Silver Sand	Tagish Lake	RZY Project	Total
Balance,July 1, 2015	$ -	$ -	$ 8,253,673	$ 8,253,673
Capitalized exploration expenditures				
Camp services	-	-	43,132	43,132
Permitting	-	-	8,639	8,639
Impairment of RZY Project	-	-	(3,850,343)	(3,850,343)
Foreign currency translation impact	-	-	(39,201)	(39,201)
Balance, June 30, 2016	$ -	$ -	$ 4,415,900	$ 4,415,900
Reporting and assessment	42,591	-	-	42,591
Drilling and assaying	392,726	-	-	392,726
Other	31,655	-	-	31,655
Foreign currency translation impact	-	-	(97,028)	(97,028)
Balance, June 30, 2017	**$ 466,972**	**$ -**	**$ 4,318,872**	**$ 4,785,844**

8. TRADE AND OTHER PAYABLES

Trade and other payables consist of:

	June 30, 2017	June 30, 2016
Trade payable	**$ 167,711**	$ 83,544
Acquisition cost payable	**-**	441,904
Accrued liabilities	**188,198**	175,780
	$ 355,909	$ 701,228

Acquisition cost payable represents estimated consideration and legal costs payable to settle untendered shares as a result of the TLG acquisition. The liability for the settlement of untendered shares had expired on October 28, 2016 and was reversed during the year through other income.

9. PROVISIONS

The Company is involved in legal action associated with the normal course of operations. The Company had a provision of $83,000 for the labour dispute case related to Paul Whelan Mining Contractors ("Whelan Mining") from prior years. On August 8, 2016, the Company reached an agreement with Whelan Mining to settle the case with an all-inclusive sum of $83,000. On August 18, 2016, the Supreme Court of Yukon issued a consent order to dismiss the case after the Company made the settlement payment. As at June 30, 2017, the Company had no provision (June 30, 2016 - $83,000).

(Expressed in Canadian dollars, except for share figures)

10. RELATED PARTY TRANSACTIONS

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

	Years ended June 30,			
Transactions with related parties		**2017**		2016
Silvercorp Metals Inc. (a)	**$**	**380,523**	$	253,799

Related party transactions are entered at the amounts agreed on by the parties. As at June 30, 2017 and 2016, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties		**June 30, 2017**		June 30, 2016
Silvercorp Metals Inc. (a)	**$**	**50,928**	$	6,112

(a) Silvercorp has two common directors and one officer with the Company and shares office space and provides various general and administrative services to the Company. During the year ended June 30, 2017, the Company recorded total expenses of $380,523 (year ended June 30, 2016 - $253,799) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended June 30, 2017 and 2016 are as follows:

	Year ended June 30,			
		2017		2016
Directors' compensation	**$**	**225,491**	$	70,000
Key management compensation		**364,138**		162,000
	$	**589,629**	$	232,000

11. SHARE CAPITAL

(a) Share Capital - authorized share capital

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

(Expressed in Canadian dollars, except for share figures)

(b) Stock Options

The continuity schedule of stock options, as at June 30, 2017 and 2016, is as follows:

	Number of options	Weighted average exercise price
Balance, July 1, 2015	2,950,000	0.74
Options cancelled	(125,000)	0.60
Options expired	(420,000)	1.56
Balance, June 30, 2016	2,405,000	0.61
Options granted	2,010,000	0.55
Options exercised	(125,000)	0.61
Options cancelled	(605,000)	0.58
Balance, June 30, 2017	**3,685,000**	**0.58**

Option pricing model requires the input of 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:

	Years ended June 30,	
	2017	2016
Risk free interest rate	**0.58%**	-
Expected volatility	**95.89%**	-
Expected life of options in years	**2.75**	-
Expected dividend yield	**-**	-
Estimated forfeiture rate	**16.99%**	-

During the year ended June 30, 2017, a total of 2,010,000 options with a life of five years were granted to officers and employees at an exercise price of CAD$0.55 per share subject to a vesting schedule over a three-year term with 1/6 of the options vesting every six months from the date of grant.

For the year ended June 30, 2017, a total of $246,156 (year ended June 30, 2016 - $129,726) was recorded as share-based compensation expense.

The following table summarizes information about stock options outstanding as at June 30, 2017:

	Exercise prices	Number of options outstanding as at 6/30/2017	Weighted average remaining contractual life (years)	Number of options exercisable as at 6/30/2017	Weighted average exercise price
$	0.55	1,745,000	4.34	290,831	0.55
	0.57	410,000	1.23	358,750	0.57
	0.61	915,000	0.23	915,000	0.61
	0.62	615,000	0.77	615,000	0.62
	0.55-0.62	3,685,000	2.38	2,179,581	$0.60

(Expressed in Canadian dollars, except for share figures)

Subsequent to year end on August 1, 2017, a total of 1,965,000 options with a life of five years were granted to officers and employees at an exercise price of CAD$1.15 per share subject to a vesting schedule over a three-year term with 1/6 of the options vesting every six months from the date of grant.

Subsequent to year end during July to September 2017, a total of 915,000 options with exercise price of $0.61 were exercised for proceeds of $558,150.

12. NON-CONTROLLING INTEREST

		Qinghai Found
Balance, July 1, 2015	$	868,451
Share of net income		1,322
Share of impairment loss on RZY Project		(693,062)
Share of other comprehensive loss		(9,259)
Balance, June 30, 2016	$	167,452
Share of net loss		(18,017)
Share of other comprehensive loss		(19,012)
Balance, June 30, 2017	**$**	**130,423**

As at June 30, 2017 and 2016, the non-controlling interest in the Company's subsidiary Qinghai Found was 18%.

13. FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and equity price 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.

(Expressed in Canadian dollars, except for share figures)

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 at June 30, 2017 and June 30, 2016 that are not otherwise disclosed. As required by IFRS 7, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair value as at June 30 , 2017			
Recurring measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Cash and cash equivalents	$ 3,810,360	$ -	$ -	$ 3,810,360
Bonds	11,404,266	-	-	11,404,266
Common shares[1]	5,818,745	-	428,669	6,247,414
Warrants	-	592,980	-	592,980

[1] Investment in Cozystay is a Level 3 financial instrument

	Fair value as at June 30, 2016			
Recurring measurements	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	$ 5,267,066	$ -	$ -	$ 5,267,066
Bonds	17,201,630	-	-	17,201,630
Common shares[1]	3,375,120	-	325,225	3,700,345

[1] Investment in Cozystay is a Level 3 financial instrument

Fair value of other financial instruments excluded from the table above approximates their carrying amount as of June 30, 2017 and June 30, 2016, respectively.

There were no transfers into or out of level 3 during 2017 and 2016.

(b) Liquidity Risk

The Company has a history of losses and no operating revenues from its operations. Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. As at June 30, 2017, the Company had a working capital position of $19,844,283 and sufficient cash resources to meet the Company's short-term financial liabilities and its planned exploration expenditures on the Silver Sand property in Bolivia (see note 17) for the foreseeable future, for, but not limited to, the next 12 months.

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

	June 30, 2017	June 30, 2016
	Due within a year	
Trade and other payables	**$ 355,909**	$ 701,228
Due to related parties	**50,928**	6,112
	$ 406,837	$ 707,340

(c) Foreign Exchange Risk

The Company is exposed to foreign exchange risk when it undertakes transactions and holds assets and liabilities denominated in foreign currencies other than its functional currencies. The Company currently does not engage in foreign exchange currency hedging. The Company's exposure to foreign exchange risk is summarized as follows:

The amounts are expressed in CAD equivalents		**June 30, 2017**		June 30, 2016
United States dollars	**$**	**15,666,583**	$	22,505,852
Bolivianos		**41,826**		-
Chinese RMB		**149,171**		243,484
Financial assets in foreign currency	**$**	**15,857,580**	$	22,749,336
Bolivianos	**$**	**3,545**	$	-
Chinese RMB		**79,160**		82,494
Financial liabilities in foreign currency	**$**	**82,705**	$	82,494

As at June 30, 2017, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately $157,000.

As at June 30, 2017, with other variables unchanged, a 1% strengthening (weakening) of the Bolivianos against the CAD would have increased (decreased) net income by approximately $400.

As at June 30, 2017, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately $700.

(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 and cash equivalents 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, 2017. The Company also owns bonds that earn coupon payments at fixed rates to maturity. Fluctuation in market interest rates usually will have an impact on bond's fair value. An increase in market interest rates will generally reduce bond's fair value while a decrease in market interest rates will generally increase it. The Company monitors market interest rate fluctuations closely and adjusts the investment portfolio accordingly.

(e) Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meets its contractual obligations. The Company is exposed to credit risk primarily associated with cash and cash equivalents, bonds, and receivables. The carrying amount of financial assets included on the statement of financial position 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 are held with major financial institutions. Bonds by nature are exposed to more credit risk than cash. The Company manages its risk associated with bonds by only investing in large globally recognized corporations from diversified industries. As at June 30, 2017, the Company has a receivables balance of $149,568 (June 30, 2016 - $115,146).

(Expressed in Canadian dollars, except for share figures)

(f) Equity Price Risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on global financial markets. As the Company's marketable securities holding are mainly in mining companies, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at June 30, 2017, a 10% increase (decrease) in the market price of the securities held, ignoring any foreign exchange effects would have resulted in an increase (decrease) to net income of approximately $680,000.

14. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal investing and operating requirement on an ongoing basis, continue the investment in high quality assets along with safeguarding the value of its development and exploration 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, 2017.

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,	
	2017	2016
Canadian statutory tax rate	**26.00%**	26.00%
Income (loss) before income taxes	**$ 1,354,527**	$ (809,907)
Income tax expense (recovery) computed at Canadian statutory rates	**352,176**	(210,576)
Foreign tax rates different from statutory rate	**(333,235)**	73,877
Permanent items and other	**146,961**	(150,434)
Change in unrecognized deferred tax assets	**(172,194)**	245,485
Adjustments in respect of prior years	**(18,467)**	28,378
Other	**24,759**	13,270
	$ -	$ -

(Expressed in Canadian dollars, except for share figures)

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:

	2017	2016
Non-capital loss carry forward	**$ 10,953,075**	$ 12,831,293
Plant and equipment	**3,078,825**	3,065,415
Mineral property interests	**33,969,508**	34,151,680
Provisions	**-**	83,000
Investment tax credit	**1,536,586**	1,536,586
	$ 49,537,994	$ 51,667,974

As of June 30, 2017, the Company has the following net operating losses, expiring various years to 2037 and available to offset future taxable income in Canada, Bolivia and China, respectively:

	Canada	Bolivia	China
2017	-	-	190,690
2018	-	-	373,266
2019	-	-	185,160
2020	-	-	47,636
2030	1,235,777	-	-
2031	1,031,233	-	-
2032	1,321,934	-	-
2033	1,173,305	-	-
2034	1,337,753	-	-
2035	1,339,406	-	-
2036	2,690,750	-	-
2037	-	26,165	-
	$ 10,130,158	$ 26,165	$ 796,752

As at June 30, 2017, the Company had tax credits of $1.6 million (June 30, 2016 -$1.6 million) that have not been recognized, expiring between 2028 and 2035.

(Expressed in Canadian dollars, except for share figures)

16. SEGMENTED INFORMATION

The Company operates in two reportable operating segments, one being the investment segment focused on investing in other privately-held and publicly-traded corporations; the other being the mining segment focused on safeguarding the value of its exploration and development mineral properties. These reporting segments are components of the Company where separate financial information is available that is evaluated regularly by the Company's Chief Executive Officer, the chief operating decision maker.

(a) Segment information for assets and liabilities are as follow:

June 30, 2017	Investment	Mining			Total
	Canada and BVI	Bolivia	Canada	China	
Cash and cash equivalents	**$ 3,453,329**	**$ 41,826**	**$ 8,150**	**$ 307,055**	**$ 3,810,360**
Bonds	**11,404,266**	**-**	**-**	**-**	**11,404,266**
Equity investments	**6,840,394**	**-**	**-**	**-**	**6,840,394**
Plant and equipment	**58,897**	**8,178**	**-**	**23,018**	**90,093**
Mineral property interests	**-**	**466,972**	**-**	**4,318,872**	**4,785,844**
Other assets	**4,913,731**	**11,339**	**15,371**	**111,128**	**5,051,569**
Total Assets	**$ 26,670,617**	**$ 528,315**	**$ 23,521**	**$ 4,760,073**	**$ 31,982,526**
Total Liabilities	**$ (210,187)**	**$ (3,545)**	**$ (113,945)**	**$ (79,160)**	**$ (406,837)**

June 30, 2016	Investment	Mining			Total
	Canada and BVI	Bolivia	Canada	China	
Cash and cash equivalents	$ 4,849,953	$ -	$ 18,231	$ 398,882	$ 5,267,066
Bonds	17,201,630	-	-	-	17,201,630
Equity investments	3,700,345	-	-	-	3,700,345
Plant and equipment	18,041	-	-	42,413	60,454
Mineral property interests	-	-	-	4,415,900	4,415,900
Other assets	26,023	-	15,672	111,927	153,622
Total Assets	$ 25,795,992	$ -	$ 33,903	$ 4,969,122	$ 30,799,017
Total Liabilities	$ (596,637)	$ -	$ (111,209)	$ (82,494)	$ (790,340)

(Expressed in Canadian dollars, except for share figures)

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

	Year ended June 30, 2017				
	Investment	Mining			Total
	Canada and BVI	Bolivia	Canada	China	
Gain on equity investments	**$ 1,720,896**	**$ -**	**$ -**	**$ -**	**$1,720,896**
Fair value change and interest earned on bonds	**1,256,349**	**-**	**-**	**-**	**1,256,349**
Dividend income	**52,762**	**-**	**-**	**-**	**52,762**
Interest income	**2,007**	**-**	**-**	**534**	**2,541**
	3,032,014	**-**	**-**	**534**	**3,032,548**
Salaries and benefits	**577,644**	**-**	**-**	**40,689**	**618,333**
Share-based compensation	**246,156**	**-**	**-**	**-**	**246,156**
Other operating expenses	**1,085,445**	**26,869**	**63,119**	**67,265**	**1,242,698**
Income (loss) before other income and expense	**1,122,769**	**(26,869)**	**(63,119)**	**(107,420)**	**925,361**
Foreign exchange (loss) gain	**(86,462)**	**(4)**	**-**	**7,522**	**(78,944)**
Other income	**126,401**	**-**	**381,904**	**(195)**	**508,110**
Net income (loss)	**$ 1,162,708**	**$ (26,873)**	**$ 318,785**	**$ (100,093)**	**$1,354,527**
Attributed to:					
Equity holders of the Company	**$ 1,162,708**	**$ (26,873)**	**$ 318,785**	**$ (82,076)**	**$1,372,544**
Non-controlling interests	**-**	**-**	**-**	**(18,017)**	**(18,017)**
Net income (loss)	**$ 1,162,708**	**$ (26,873)**	**$ 318,785**	**$ (100,093)**	**$1,354,527**

	Year ended June 30, 2016				
	Investment	Mining			Total
	Canada	Bolivia	Canada	China	
Gain on equity investments	$ 2,473,528	$ -	$ -	$ -	$2,473,528
Fair value change and interest earned on bonds	577,538	-	-	-	577,538
Interest income	47,556	-	-	-	47,556
	3,098,622	-	-	-	3,098,622
Salaries and benefits	351,086	-	(6,349)	21,547	366,284
Share-based compensation	129,726	-	-	-	129,726
Other operating expenses	395,610	-	69,447	68,655	533,712
Income (loss) before other income and expense	2,222,200	-	(63,098)	(90,202)	2,068,900
Gain on disposal of plant and equipment	-	-	53,605	51,676	105,281
Impairment of mineral property interests	-	-	-	(3,850,343)	(3,850,343)
Foreign exchange gain	819,164	-	-	45,484	864,648
Other income	1,219	-	-	388	1,607
Net income (loss)	$ 3,042,583	$ -	$ (9,493)	$ (3,842,997)	$ (809,907)
Attributed to:					
Equity holders of the Company	$ 3,042,583	$ -	$ (9,493)	$ (3,151,257)	$ (118,167)
Non-controlling interests	-	-	-	(691,740)	(691,740)
Net income (loss)	$ 3,042,583	$ -	$ (9,493)	$ (3,842,997)	$ (809,907)

17. SUBSEQUENT EVENTS

(a) Alcira Acquisition

Subsequent to year end on July 20, 2017, the Company has closed its previously announced acquisition of 100% interest in Empresa Minera Alcira S.A. ("Alcira"), a private Bolivian incorporated mining company from its three shareholders (the "Vendors") pursuant to the terms of a share purchase agreement (the "Agreement") dated March 28, 2017. Alcira has seven silver-polymetallic mineral properties or ATEs (Temporary Special Authorization) in Bolivia. The most significant property is the Silver Sand Property (the "Property"), located in the Potosi Department, which has been subjected to some small-scale, historic mining and was drilled during the period 2012 through 2015 by Alcira. The other six are early-stage exploration projects, which have either been subject to limited small-scale mining or historical drilling.

The Company acquired Alcira for total cash consideration of $56,632,500 (US$45,000,000). Payment terms and schedules are summarized as follow:

- $4,866,375 (US$3,750,000) was paid to the Vendors on April 6, 2017 and was included in deposits and prepayments as at June 30, 2017;
- $40,586,625 (US$32,250,000) was paid to the Vendors on July 20, 2017;
- $2,517,000 (US$2,000,000) was paid to Alcira on August 14, 2017 ahead of the scheduled October 18, 2017 payment date;
- $2,517,000 (US$2,000,000) to be paid on or before October 18, 2017; and
- $6,145,500 (US$5,000,000) to be paid to the Vendors once the Company has received certain specified permits and licenses from the authorities of Bolivia necessary for mining and milling operations, or once Alcira has commenced commercial production.

The transaction is entered into based on normal market conditions at the amount agreed on by the parties. The transaction did not meet the criterial of a business combination since Alcira lacks the necessary inputs, process, and outputs of being a business; therefore it has been accounted for as an acquisition of assets by the Company. The purchase consideration was allocated to the assets acquired based on their fair values at the date of the acquisition net of any associated liabilities. The only material asset acquired was the mineral property interest of the Silver Sand Property.

During the year ended June 30, 2017, cost associated with the Alcira acquisition for evaluation, investigation, due diligence, and confirmation drilling in the amount of $466,972 were capitalized under the Silver Sand Property.

(b) Private Placement

To facilitate the funding of its acquisition of Alcira, the Company successfully completed two private placements subsequent to the year end.

On July 17, 2017, the Company closed a private placement to issue a total of 43,521,250 common shares at a price of $1.01 (US$0.80) per share for gross proceeds of $44,109,657 (US$34,817,000). Total finder's fee for the transaction was $554,632.

On July 28, 2017, the Company closed another private placement to issue a total of 1,250,000 common shares at a price of $1.00 (US$0.80) per share for gross proceeds of $1,244,700 (US$1,000,000).