



**New Pacific Metals Corp.**

TSX-V: NUAG

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements  
For the three and six months ended December 31, 2017**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the “Company”) for the three and six months ended December 31, 2017 (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, 2017 which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are stated in terms of Canadian dollars and are prepared in accordance with International Financial Reporting Standards.

# New Pacific Metals Corp.

## Unaudited Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2017	June 30, 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 28,482,218	\$ 3,810,360
Bonds	4	9,044,956	11,404,266
Receivables		328,203	149,568
Deposits and prepayments		73,735	4,886,926
		<b>37,929,112</b>	<b>20,251,120</b>
<b>Non-current Assets</b>			
Reclamation deposits		15,075	15,075
Equity investments	5	6,044,880	6,840,394
Plant and equipment	6	363,599	90,093
Mineral property interests	7	63,306,857	4,785,844
<b>TOTAL ASSETS</b>		<b>\$ 107,659,523</b>	<b>\$ 31,982,526</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 362,796	\$ 355,909
Due to a related party	8	35,031	50,928
		<b>397,827</b>	<b>406,837</b>
<b>Non-current liabilities</b>			
Contingent payment of property acquisition	3	6,240,000	-
<b>Total Liabilities</b>		<b>6,637,827</b>	<b>406,837</b>
<b>Equity</b>			
Share capital		123,856,302	57,268,757
Share-based payment reserve		23,108,177	17,845,380
Accumulated other comprehensive income		1,380,493	1,134,788
Deficit		(47,451,457)	(44,803,659)
<b>Total equity attributable to the equity holders of the Company</b>		<b>100,893,515</b>	<b>31,445,266</b>
Non-controlling interests	10	128,181	130,423
<b>Total Equity</b>		<b>101,021,696</b>	<b>31,575,689</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 107,659,523</b>	<b>\$ 31,982,526</b>

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 Condensed Consolidated Interim Statements of Income (Loss)

(Expressed in Canadian dollars)

	Notes	Three Months Ended December 31,		Six months ended December 31,	
		2017	2016	2017	2016
<b>Income (loss) from investments</b>					
Gain (loss) on equity investments	5	\$ (27,057)	\$ (2,542,886)	\$ (795,514)	\$ 677,826
Fair value change and interest earned on bonds	4	92,305	152,954	274,949	611,720
Dividend income		196	28,556	196	30,356
Interest income		3,089	180	11,958	1,330
		68,533	(2,361,196)	(508,411)	1,321,232
<b>Operating expenses</b>					
Consulting		30,974	-	33,899	-
Depreciation		5,889	9,433	12,714	19,249
Filing and listing		179,228	13,356	218,636	22,197
Investor relations		197,537	3,398	233,318	8,016
Professional fees		40,192	48,004	92,905	67,838
Salaries and benefits		274,860	145,604	480,066	257,895
Office and administration		121,191	119,855	219,988	194,903
Share-based compensation	9	380,876	59,244	446,671	82,156
<b>Income (loss) before other income and expenses</b>		<b>(1,162,214)</b>	<b>(2,760,090)</b>	<b>(2,246,608)</b>	<b>668,978</b>
<b>Other income (expenses)</b>					
Foreign exchange gain (loss)		59,635	449,762	(409,669)	598,828
Other income		197	78,509	197	78,752
		59,832	528,271	(409,472)	677,580
<b>Net (loss) income</b>		<b>\$ (1,102,382)</b>	<b>\$ (2,231,819)</b>	<b>\$ (2,656,080)</b>	<b>\$ 1,346,558</b>
<b>Attributable to:</b>					
Equity holders of the Company		\$ (1,096,699)	\$ (2,228,616)	\$ (2,647,798)	\$ 1,353,652
Non-controlling interests	10	(5,683)	(3,203)	(8,282)	(7,094)
		\$ (1,102,382)	\$ (2,231,819)	\$ (2,656,080)	\$ 1,346,558
<b>Earnings (loss) per share attributable to the equity holders of the Company</b>					
<b>Basic and diluted earnings (loss) per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ 0.02</b>
<b>Weighted average number of common shares - basic and diluted</b>		<b>120,486,870</b>	<b>66,938,229</b>	<b>112,236,864</b>	<b>66,938,229</b>

See accompanying notes to the unaudited condensed consolidated interim financial statements

# New Pacific Metals Corp.

## Unaudited Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Notes	Three Months Ended December 31,		Six months ended December 31,	
		2017	2016	2017	2016
Net (loss) income		\$ (1,102,382)	\$ (2,231,819)	\$ (2,656,080)	\$ 1,346,558
Other comprehensive income (loss), net of taxes:					
Items that may subsequently be reclassified to net income or loss:					
Currency translation adjustment, net of tax of \$nil		650,911	(91,786)	251,745	(66,915)
Other comprehensive income (loss), net of taxes		\$ 650,911	\$ (91,786)	\$ 251,745	\$ (66,915)
Attributable to:					
Equity holders of the Company		\$ 628,146	\$ (75,264)	\$ 245,705	\$ (54,870)
Non-controlling interests	10	22,765	(16,522)	6,040	(12,045)
		\$ 650,911	\$ (91,786)	\$ 251,745	\$ (66,915)
<b>Total comprehensive income (loss), net of taxes</b>		\$ (451,471)	\$ (2,323,605)	\$ (2,404,335)	\$ 1,279,643
Attributable to:					
Equity holders of the Company		\$ (468,553)	\$ (2,303,880)	\$ (2,402,093)	\$ 1,298,782
Non-controlling interests		17,082	(19,725)	(2,242)	(19,139)
		\$ (451,471)	\$ (2,323,605)	\$ (2,404,335)	\$ 1,279,643

See accompanying notes to the unaudited condensed consolidated interim financial statements

# New Pacific Metals Corp.

## Unaudited Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Three months ended December 31,		Six months ended December 31,	
		2017	2016	2017	2016
<b>Operating activities</b>					
Net income (loss)		\$ (1,102,382)	\$ (2,231,819)	\$ (2,656,080)	\$ 1,346,558
Add (deduct) items not affecting cash:					
Loss (gain) on equity investments	5	27,057	2,542,886	795,514	(677,826)
Fair value change and interest earned on bonds	4	(92,305)	(152,954)	(274,949)	(611,720)
Interest income		(3,089)	(180)	(11,958)	(1,330)
Depreciation		5,889	9,433	12,714	19,249
Share-based compensation		380,876	59,244	446,671	82,156
Unrealized foreign exchange loss (gain)		(59,635)	(449,762)	409,669	(598,828)
Coupon payments	4	205,322	395,953	330,938	519,898
Interest received		3,089	180	11,958	1,330
		(635,178)	172,981	(935,523)	79,487
Changes in non-cash operating working capital					
Receivables		(165,074)	(5,113)	(178,110)	3,090
Deposits and prepayments		16,923	-	(53,314)	-
Accounts payable and accrued liabilities		3,598	(68,649)	6,534	(17,574)
Provisions		-	-	-	(83,000)
Due to related parties		(88,398)	2,518	(15,897)	48,800
<b>Net cash provided by (used in) operating activities</b>		<b>(868,129)</b>	<b>101,737</b>	<b>(1,176,310)</b>	<b>30,803</b>
<b>Investing activities</b>					
Mineral property interest					
Capital expenditures		(958,722)	-	(1,345,235)	-
Plant and equipment					
Additions		(217,042)	-	(295,834)	-
Bonds					
Proceeds on disposals	4	-	710,437	1,973,498	710,437
Equity investments					
Acquisition		-	(1,177,906)	-	(4,367,120)
Payment for Alcira acquisition	3	-	-	(45,858,200)	-
<b>Net cash used in investing activities</b>		<b>(1,175,764)</b>	<b>(467,469)</b>	<b>(45,525,771)</b>	<b>(3,656,683)</b>
<b>Financing activities</b>					
Proceeds from issuance of common shares		26,045,797	-	71,403,671	-
<b>Net cash provided by financing activities</b>		<b>26,045,797</b>	<b>-</b>	<b>71,403,671</b>	<b>-</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>29,589</b>	<b>28,508</b>	<b>(29,732)</b>	<b>31,838</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>24,031,493</b>	<b>(337,224)</b>	<b>24,671,858</b>	<b>(3,594,042)</b>
<b>Cash and cash equivalents, beginning of the period</b>		<b>4,450,725</b>	<b>2,010,248</b>	<b>3,810,360</b>	<b>5,267,066</b>
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 28,482,218</b>	<b>\$ 1,673,024</b>	<b>\$ 28,482,218</b>	<b>\$ 1,673,024</b>

See accompanying notes to the unaudited condensed consolidated interim financial statements

# New Pacific Metals Corp.

## Unaudited Condensed Consolidated Interim Statements of Change in Equity

(Expressed in Canadian dollars, except for share figures)

	Notes	Share capital		Share-based payment reserve	Accumulated other comprehensive income	Deficit	Total equity attributable to the equity holders of the Company	Non- controlling interests	Total equity
		Number of common shares issued	Amount						
<b>Balance, July 1, 2016</b>		66,938,229	\$ 57,149,481	\$ 17,642,249	\$ 1,225,698	\$ (46,176,203)	\$ 29,841,225	\$ 167,452	\$ 30,008,677
Share-based compensation		-	-	82,156	-	-	82,156	-	82,156
Net income (loss)						1,353,652	1,353,652	(7,094)	1,346,558
Currency translation adjustment		-	-	-	(54,870)	-	(54,870)	(12,045)	(66,915)
<b>Balance, December 31, 2016</b>		66,938,229	\$ 57,149,481	\$ 17,724,405	\$ 1,170,828	\$ (44,822,551)	\$ 31,222,163	\$ 148,313	\$ 31,370,476
Options exercised		125,000	119,276	(43,025)	-	-	76,251	-	76,251
Share-based compensation		-	-	164,000	-	-	164,000	-	164,000
Net income (loss)		-	-	-	-	18,892	18,892	(10,923)	7,969
Currency translation adjustment		-	-	-	(36,040)	-	(36,040)	(6,967)	(43,007)
<b>Balance, June 30, 2017</b>		<b>67,063,229</b>	<b>\$ 57,268,757</b>	<b>\$ 17,845,380</b>	<b>\$ 1,134,788</b>	<b>\$ (44,803,659)</b>	<b>\$ 31,445,266</b>	<b>\$ 130,423</b>	<b>\$ 31,575,689</b>
Options exercised	9	1,175,000	1,116,510	(397,160)	-	-	719,350	-	719,350
Share-based compensation		-	-	446,671	-	-	446,671	-	446,671
Common shares issued through private placement	9	63,771,250	65,471,035	5,213,286	-	-	70,684,321	-	70,684,321
Net loss		-	-	-	-	(2,647,798)	(2,647,798)	(8,282)	(2,656,080)
Currency translation adjustment		-	-	-	245,705	-	245,705	6,040	251,745
<b>Balance, December 31, 2017</b>		<b>132,009,479</b>	<b>\$ 123,856,302</b>	<b>\$ 23,108,177</b>	<b>\$ 1,380,493</b>	<b>\$ (47,451,457)</b>	<b>\$ 100,893,515</b>	<b>\$ 128,181</b>	<b>\$ 101,021,696</b>

See accompanying notes to the unaudited condensed consolidated interim financial statements

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

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

### 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 and basis of preparation*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2017. These unaudited condensed consolidated interim financial statements follow the same significant accounting policies set out in note 2 to the audited consolidated financial statements for the year ended June 30, 2017.

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 December 31, 2017, the Company had a working capital position of \$37,531,285 and sufficient cash resources to meet the Company’s investment needs, 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 six months ended December 31, 2017 were authorized for issue in accordance with a resolution of the Board of Directors dated on February 14, 2018.

#### *(b) Basis of Consolidation*

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



# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

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.

Details of the Company’s significant subsidiaries which are consolidated are as follows:

Name of subsidiaries	Principal activity	Place of incorporation	Proportion of ownership interest held		Mineral properties
			December 31, 2017	June 30, 2017	
New Pacific Offshore Inc.	Holding company	BVI (i)	100%	100%	
SKN Nickel & Platinum Ltd.	Holding company	BVI	100%	100%	
Glory Metals Investment Corp. Limited	Holding company	Hong Kong	100%	100%	
New Pacific Investment Corp. Limited	Holding company	Hong Kong	100%	100%	
New Pacific Andes Corp. Limited	Holding company	Hong Kong	100%	100%	
Fortress Mining Inc.	Holding company	BVI	100%	100%	
Minera Alcira S.A.	Mining company	Bolivia	100%	N/A	Silver Sand
NPM Minerales S.A.	Mining company	Bolivia	100%	100%	
Qinghai Found Mining Co., Ltd.	Mining company	China	82%	82%	RZY
Tagish Lake Gold Corp.	Mining company	Canada	100%	100%	TLG

(i) British Virgin Island (“BVI”)

### 3. ALCIRA ACQUISITION

On July 20, 2017, the Company has closed its previously announced acquisition of 100% interest in 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 \$57,070,675 (US\$45,000,000). During the six months ended December 31, 2017, total payments of \$45,858,200 (US\$36,250,000) were paid to the Vendors. Combined with the previous payment of \$4,866,375 (US\$3,750,000) made on April 6, 2017, total payments made to the Vendors as of December 31, 2017 were \$50,724,575 (US\$40,000,000). According to the agreement, the remaining balance of \$6,240,000 (US\$5,000,000) is 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. This amount was accrued under contingent payment of property acquisition as at December 31, 2017.

The transaction is entered into based on normal market conditions at the amount agreed on by the parties. The transaction did not meet the criterion of a business combination since Alcira lacks the

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

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.

### 4. BONDS

The Company acquired bonds issued by other companies from various industries through the open market. These bonds were 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 operational or investment needs. The Company accounts for the bonds at fair value at each reporting date.

The continuity of bonds is summarized as follow:

	<b>Amount</b>
Balance, July 1, 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
Interest earned	298,659
Loss on fair value change	(23,710)
Coupon payment	(330,938)
Disposition	(1,973,498)
Foreign currency translation impact	(329,823)
<b>Balance, December 31, 2017</b>	<b>\$ 9,044,956</b>

Subsequent to period end on January 8, 2018, the Company acquired additional bonds of \$3,781,243 from the open market.

### 5. 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.

The equity investments are summarized as follow:

	<b>December 31, 2017</b>	<b>June 30, 2017</b>
<b>Common shares</b>		
Public companies	\$ 5,137,112	\$ 5,818,695
Private companies	313,625	428,669
<b>Warrants</b>		
Public companies	594,143	593,030
	<b>\$ 6,044,880</b>	<b>\$ 6,840,394</b>

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

The continuity of equity investments is summarized as follow:

	Fair value	Accumulated mark-to-market gain included in net income
Balance, July 1, 2016	\$ 3,700,345	\$ 2,473,528
Acquisition	4,367,120	
Proceeds on disposal	(2,947,966)	
Change in fair value	1,720,895	1,720,895
Balance, June 30, 2017	\$ 6,840,394	\$ 4,194,423
Change in fair value	(795,514)	(795,514)
<b>Balance, December 31, 2017</b>	<b>\$ 6,044,880</b>	<b>\$ 3,398,909</b>

### 6. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Total
Balance, July 1, 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
Additions	-	132,317	141,612	21,905	-	295,834
Foreign currency translation impact	-	(113)	(56)	188	2	21
<b>Balance, December 31, 2017</b>	<b>\$ 890,754</b>	<b>\$ 1,310,681</b>	<b>\$ 232,009</b>	<b>\$ 180,453</b>	<b>\$ 126,261</b>	<b>\$ 2,740,158</b>

#### Accumulated depreciation and amortization

Balance as at July 1, 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)
Depreciation and amortization	-	(3,367)	(5,424)	(12,105)	(984)	(21,880)
Foreign currency translation impact	-	(21)	(51)	(395)	(2)	(469)
<b>Balance, December 31, 2017</b>	<b>\$ (890,754)</b>	<b>\$ (1,123,466)</b>	<b>\$ (86,518)</b>	<b>\$ (149,891)</b>	<b>\$ (125,930)</b>	<b>\$ (2,376,559)</b>

#### Carrying amount

Balance, June 30, 2017	\$ -	\$ 58,399	\$ 9,410	\$ 20,969	\$ 1,315	\$ 90,093
<b>Balance, December 31, 2017</b>	<b>\$ -</b>	<b>\$ 187,215</b>	<b>\$ 145,491</b>	<b>\$ 30,562</b>	<b>\$ 331</b>	<b>\$ 363,599</b>

### 7. MINERAL PROPERTY INTERESTS

#### (a) Silver Sand Property

On July 20, 2017, the Company acquired the Silver Sand Property. 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. The property is one of the earliest silver discoveries in the district, having been made prior to the discovery of Cerro Rico in the mid-1500's. Small-scale, historic mining is evident from scattered shafts, pits, adits, declines and dumps. The property was explored previously by intermittent surface mapping and sampling, underground sampling and surface core drilling between 2012 and 2015.

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

The Company started the preparation work for the planned exploration program after the acquisition of the Silver Sand Property. In October 2017, the Company successfully received exploration permits required by the relevant Bolivian government authorities and immediately commenced a 30,000 meter exploration drilling program on the property. For the three and six months ended December 31, 2017, total expenditures of \$966,651 and \$1,354,399, respectively were capitalized under the property. These expenditures were mainly related to the drilling program, site and camp preparation, maintaining a regional office in La Paz, and building a competent management team and workforce for the property.

### (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.

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

<b>Cost</b>	<b>Silver Sand</b>	<b>Tagish Lake</b>	<b>RZY Project</b>	<b>Total</b>
Balance, July 1, 2016	\$ -	\$ -	\$ 4,415,900	\$ 4,415,900
<u>Capitalized exploration expenditures</u>				
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, 2016	\$ 466,972	\$ -	\$ 4,318,872	\$ 4,785,844
<u>Capitalized exploration expenditures</u>				
Reporting and assessment	12,555	-	-	12,555
Drilling and assaying	749,526	-	-	749,526
Project management and support	506,279	-	-	506,279
Site preparation	84,036	-	-	84,036
Pemitting	2,003	-	-	2,003
Acquisition premium	56,728,782	-	-	56,728,782
Foreign currency translation impact	406,241	-	31,591	437,832
<b>Balance, December 31, 2017</b>	<b>\$ 58,956,394</b>	<b>\$ -</b>	<b>\$ 4,350,463</b>	<b>\$ 63,306,857</b>

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

### 8. RELATED PARTY TRANSACTIONS

Related party transactions are made on terms agreed upon by the related parties. The balances with related parties are unsecured, non-interest bearing, and due on demand. Related party transactions not disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

<b>Due to related parties</b>	<b>December 31, 2017</b>		<b>June 30, 2017</b>
Silvercorp Metals Inc.	\$	<b>35,031</b>	\$ 50,928

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 three and six months ended December 31, 2017, the Company recorded total expenses of \$70,509 and \$239,615, respectively (three and six months ended December 31, 2016 - \$59,285 and \$127,148, respectively) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

### 9. SHARE CAPITAL

#### (a) Share Capital - authorized share capital

Unlimited number of common shares without par value.

Unlimited number of Class A preferred shares without par value.

#### (b) Stock Options

The continuity schedule of stock options, as at December 31, 2017, is as follows:

	Number of options	Weighted average exercise price
Balance, July 1, 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
Options granted	2,165,000	1.19
Options exercised	(1,175,000)	0.61
Options Cancelled	(75,000)	1.15
<b>Balance, December 31, 2017</b>	<b>4,600,000</b>	<b>0.85</b>

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.

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

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

	<b>Six Months ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Risk free interest rate	<b>1.33%</b>	0.58%
Expected volatility	<b>91.43%</b>	95.89%
Expected life of options in years	<b>2.75</b>	2.75
Expected dividend yield	-	-
Estimated forfeiture rate	<b>16.93%</b>	16.99%

During the six months ended December 31, 2017, 1,965,000 options at an exercise price of CAD\$1.15 per share and 200,000 options at an exercise price of CAD\$1.57 per share were granted to officers and employees. These options have a life of five years and are 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 three and six months ended December 31, 2017, a total of \$380,876 and \$446,671, respectively (three and six months ended December 31, 2016 - \$59,244 and \$82,156, respectively) were recorded as share-based compensation expense.

The following table summarizes information about stock options outstanding as at December 31, 2017:

	Exercise prices	Number of options outstanding as at 12/31/2017	Weighted average remaining contractual life (years)	Number of options exercisable as at 12/31/2017	Weighted average exercise price
\$	0.55	1,745,000	3.83	581,669	\$0.55
	0.57	410,000	0.73	410,000	\$0.57
	0.62	355,000	0.27	355,000	\$0.62
	1.15	1,890,000	4.58	-	-
	1.57	200,000	4.93	-	-
	0.55 - 1.57	4,600,000	3.64	1,346,669	\$0.57

### (c) Private Placements

To facilitate the funding of its acquisition and development of the Silver Sand property, the Company successfully completed three private placements during the six months ended December 31, 2017.

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 \$44,099,457. Total finder's fee for the transaction was \$554,632.

On July 28, 2017, the Company closed a 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 \$1,254,900.

On November 27, 2017, the Company closed its strategic private placement of units with Pan American Silver Corp. for 16,000,000 units and Silvercorp Metals Inc. for 3,000,000 units, at a price of \$1.42 per unit for gross proceeds of \$26,980,000. Each unit is comprised of one common share of the Company and one half of common share purchase warrant. Each whole warrant is exercisable into one common share for a period of 18 months at an exercise price of \$2.10 per common share.

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

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

Total share issuance costs for the above transactions were \$1,650,035.

### *(d) Warrants*

As at December 31, 2017, the Company has 9,500,000 outstanding warrants at an exercise price of \$2.10 per share. The warrants have an expiry date of May 26, 2019.

### **10. NON-CONTROLLING INTEREST**

		Qinghai Found
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
Share of net loss		(8,282)
Share of other comprehensive income		6,040
<b>Balance, December 31, 2017</b>	<b>\$</b>	<b>128,181</b>

As at December 31, 2017 and June 30, 2017, the non-controlling interest in the Company's subsidiary Qinghai Found was 18%.

### **11. 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.

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(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 December 31, 2017 and June 30, 2017 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.

Recurring measurements	Fair value as at December 31, 2017			Total
	Level 1	Level 2	Level 3	
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 28,482,218	\$ -	\$ -	\$ 28,482,218
Bonds	9,044,956	-	-	9,044,956
Common shares <sup>(1)</sup>	5,137,112	-	313,625	5,450,737
Warrants	-	594,143	-	594,143

<sup>(1)</sup> Common shares in private companies are Level 3 financial instruments

Recurring measurements	Fair value as at June 30, 2017			Total
	Level 1	Level 2	Level 3	
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 3,810,360	\$ -	\$ -	\$ 3,810,360
Bonds	11,404,266	-	-	11,404,266
Common shares <sup>(1)</sup>	5,818,745	-	428,669	6,247,414
Warrants	-	592,980	-	592,980

<sup>(1)</sup> Common shares in private companies are Level 3 financial instruments

Fair value of other financial instruments excluded from the table above approximates their carrying amount as of December 31, 2017 and June 30, 2017, respectively.

There were no transfers into or out of level 3 during the periods.

### (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 December 31, 2017, the Company had a working capital position of \$37,531,285 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 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:

	December 31, 2017		June 30, 2017	
		Due within a year		
Trade and other payables	\$	362,796	\$	355,909
Due to a related party		35,031		50,928
	\$	397,827	\$	406,837



# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

### (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	December 31, 2017		June 30, 2017	
United States dollars	\$	12,731,791	\$	15,666,583
Bolivianos		211,525		41,826
Chinese RMB		173,966		149,171
Financial assets in foreign currency	\$	13,117,282	\$	15,857,580
<hr/>				
United States dollars	\$	6,240,000	\$	-
Bolivianos		113,651		3,545
Chinese RMB		79,739		79,160
Financial liabilities in foreign currency	\$	6,433,390	\$	82,705

As at December 31, 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 \$65,000.

As at December 31, 2017, with other variables unchanged, a 1% strengthening (weakening) of the Bolivianos against the CAD would have increased (decreased) net income by approximately \$1,000.

As at December 31, 2017, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$1,000.

### (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 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 December 31, 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 meet 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.

# **New Pacific Metals Corp.**

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016**

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

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 December 31, 2017, the Company had a receivables balance of \$328,203 (June 30, 2017 - \$149,568).

### *(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 December 31, 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 \$600,000.

## **12. CAPITAL MANAGEMENT**

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal exploration 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 December 31, 2017.

## **13. SEGMENTED INFORMATION**

The Company operates in two reportable operating segments, one being the mining segment focused on safeguarding the value of its exploration and development mineral properties; the other being the investment segment focused on investing in privately-held and publicly-traded corporations. 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.

# New Pacific Metals Corp.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended December 31, 2017 and 2016

(Expressed in Canadian dollars, except for share figures)

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

	December 31, 2017					Total
	Investment	Mining			Total	
	Canada and BVI	Bolivia	Canada	China		
Cash and cash equivalents	\$ 28,190,309	\$ 28,231	\$ 3,073	\$ 260,605	\$ 28,482,218	
Bonds	9,044,956	-	-	-	9,044,956	
Equity investments	6,044,880	-	-	-	6,044,880	
Plant and equipment	51,083	293,077	-	19,439	363,599	
Mineral property interests	812,905	58,143,489	-	4,350,463	63,306,857	
Other assets	100,525	183,294	15,506	117,688	417,013	
<b>Total Assets</b>	<b>\$ 44,244,658</b>	<b>\$ 58,648,091</b>	<b>\$ 18,579</b>	<b>\$ 4,748,195</b>	<b>\$ 107,659,523</b>	
<b>Total Liabilities</b>	<b>\$ (6,334,257)</b>	<b>\$ (113,651)</b>	<b>\$ (110,180)</b>	<b>\$ (79,739)</b>	<b>\$ (6,637,827)</b>	

  

	June 30, 2017					Total
	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	
<b>Total Assets</b>	<b>\$ 26,670,617</b>	<b>\$ 528,315</b>	<b>\$ 23,521</b>	<b>\$ 4,760,073</b>	<b>\$ 31,982,526</b>	
<b>Total Liabilities</b>	<b>\$ (210,187)</b>	<b>\$ (3,545)</b>	<b>\$ (113,945)</b>	<b>\$ (79,160)</b>	<b>\$ (406,837)</b>	



