



New Pacific Metals Corp.

TSX: NUX

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2013

(Expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended September 30, 2013**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the "Company") for the three months ended September 30, 2013 (the "Financial Statements") have been prepared by management and have not been reviewed by the Company's independent auditors. The Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2013 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars and are prepared in accordance with International Financial Reporting Standards.

New Pacific Metals Corp.

Unaudited Consolidated Interim Balance Sheets

(Expressed in Canadian dollars)

	Notes	September 30, 2013	June 30, 2013
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$ 9,221,634	\$ 11,278,705
Short term investments	5	15,508,000	15,848,500
Deposit and other receivables	6	270,805	684,187
		25,000,439	27,811,392
Non-current Assets			
Reclamation deposits		15,075	15,075
Long-term prepaids	7	1,061,621	-
Plant and equipment	8	1,733,954	1,816,044
Mineral property interests	9	40,867,037	39,972,023
TOTAL ASSETS		\$ 68,678,126	\$ 69,614,534
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	\$ 793,793	\$ 760,952
Provisions	11	81,000	81,000
Due to related parties	12	60,132	58,886
Total Liabilities		934,925	900,838
Equity			
Share capital	13	57,077,713	57,084,157
Reserves		17,087,321	17,051,605
Accumulated other comprehensive income		87,566	170,949
Deficit		(7,192,046)	(6,308,080)
Equity attributable to the equity holders of the Company		67,060,554	67,998,631
Non-controlling interest	14	682,647	715,065
Total Equity		67,743,201	68,713,696
TOTAL LIABILITIES AND EQUITY		\$ 68,678,126	\$ 69,614,534

Approved on behalf of the Board:

(Signed) David Kong

Director

(Signed) Rui Feng

Director

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Loss

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,	
		2013	2012
Expenses			
Audit and accounting		\$ -	\$ 3,794
Consulting		22,004	54,010
Depreciation		15,650	7,300
Filing and listing		4,427	53,072
Foreign exchange loss		468,914	736,782
General exploration		23,448	-
Investor relations		3,224	3,631
Legal and professional fees		24,435	13,742
Salaries and benefits		236,173	166,560
Office and administration		37,737	28,206
Rent		30,626	59,167
Share-based compensation		24,036	55,739
Travel and promotion		17,969	11,454
Loss before other income and expenses		908,643	1,193,457
Other income and expenses			
Loss on disposal of plant and equipment		(8,420)	-
Finance expense		(336)	(1,248)
Finance income		13,674	35,412
Other income		(800)	-
		4,118	34,164
Net loss for the period		\$ (904,525)	\$ (1,159,293)
Attributable to:			
Equity holders of the Company		(890,410)	(1,159,293)
Non-controlling interests		(14,115)	-
		\$ (904,525)	\$ (1,159,293)
Basic and diluted loss per share		\$ (0.01)	\$ (0.02)
Weighted average number of shares - basic and diluted		66,880,565	67,369,203

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,	
		2013	2012
Net loss for the period		\$ (904,525)	\$ (1,159,293)
Other comprehensive income			
Items that may subsequently be reclassified to net income or loss:			
Currency translation adjustment		(101,686)	-
Other comprehensive income		(101,686)	-
Comprehensive loss for the period		\$ (1,006,211)	\$ (1,159,293)
Attributable to:			
Equity holders of the Company		\$ (973,793)	\$ (1,159,293)
Non-controlling interest		(32,418)	-
		\$ (1,006,211)	\$ (1,159,293)

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,	
		2013	2012
Cash (used in) provided by			
Operating activities			
Net loss for the period		\$ (904,525)	\$ (1,159,293)
Add (deduct) items not affecting cash :			
Depreciation		15,650	7,300
Loss on disposal of plant and equipment		8,420	-
Share-based compensation		24,036	55,739
Unrealized foreign exchange gain		468,914	736,782
		(387,505)	(359,472)
Change in non-cash working capital			
Trade receivables		405,775	84,915
Trade and other payables		52,309	41,240
Due to related parties		(16,754)	32,231
Cash (used in) provided by operating activities		53,825	(201,086)
Investing activities			
Expenditures on mineral property interests		(1,923,546)	(135,046)
Acquisition of plant and equipment		(21,577)	-
Net redemption (purchase) of short term investments		-	8,000,000
Cash (used in) provided by investing activities		(1,945,123)	7,864,954
Financing activities			
Payments for share buy back	12(c)	-	(75,212)
Cash (used in) provided by financing activities		-	(75,212)
Effect of exchange rate changes on cash and cash equivalents		(165,773)	(736,782)
(Decrease) increase in cash and cash equivalents		(2,057,071)	6,851,874
Cash and cash equivalents, beginning of the period		11,278,705	22,527,940
Cash and cash equivalents, end of the period	4	\$ 9,221,634	\$ 29,379,814

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except for share figures)

Notes	Share Capital		Amount	Reserve	Accumulated other comprehensive income	Deficit	Equity attributable to equity holders of the Company	Non-controlling interest	Total equity
	Number of common shares issued	Number of shares held for cancellation							
	67,369,203	-	57,516,613	16,726,035	-	(5,167,123)	69,075,525	-	69,075,525
	25,000	-	\$ 21,000	\$ (8,500)	\$ -	\$ -	\$ 12,500	\$ -	\$ 12,500
	(540,974)	27,336	(450,751)	-	-	118,765	(331,986)	-	(331,986)
	-	-	(2,705)	-	-	-	(2,705)	-	(2,705)
	-	-	-	334,070	-	-	334,070	-	334,070
	-	-	-	-	-	-	-	740,411	740,411
	-	-	-	-	-	(1,259,722)	(1,259,722)	(62,871)	(1,322,593)
	-	-	-	-	170,949	-	170,949	37,525	208,474
	66,853,229	27,336	57,084,157	17,051,605	170,949	(6,308,080)	67,998,631	715,065	68,713,696
12(c)	-	(27,336)	(6,444)	-	-	6,444	-	-	-
	-	-	-	35,716	-	-	35,716	-	35,716
	-	-	-	-	-	(890,410)	(890,410)	(14,115)	(904,525)
	-	-	-	-	(83,383)	-	(83,383)	(18,303)	(101,686)
Balance, September 30, 2013	66,853,229	-	\$ 57,077,713	\$ 17,087,321	\$ 87,566	\$ (7,192,046)	\$ 67,060,554	\$ 682,647	\$ 67,743,201

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

1. CORPORATE INFORMATION

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

The Company’s common shares are listed on the Toronto Stock Exchange. The Company was continued into the Province of British Columbia under the Business Corporation Act in November 2004. The head office, registered address and records office of the Company are located at 200 Granville Street, Suite 1378, Vancouver, British Columbia, Canada, V6C 1S4.

The Company is in the business of exploring and developing its mineral properties and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, and future profitable production or proceeds from the disposition of the mineral property interests.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The Company has a history of losses and no operating revenues from its operations. As at September 30, 2013, the Company had a working capital position of \$24,065,514 and sufficient cash resources to meet the Company’s planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months. These financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The unaudited condensed consolidated interim financial statements of the Company as at and for the three months ended September 30, 2013 were authorized for issue in accordance with a resolution of the Board of Directors dated on November 12, 2013.

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 International Financial Reporting Standards (“IFRS”). 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, 2013. 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, 2013, and the policies set forth in note 2(b).

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

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

(b) Adoption of new accounting standards

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

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

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

IFRS 13 – *Fair Value Measurement* defines fair value and sets out a single framework for measuring fair value which is application to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires valuation technique used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

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

Effective July 1, 2013, the Company adopted all of the above standard. The adoption of these standards did not have a material impact on the unaudited condensed consolidated interim financial statements.

(c) Change in accounting estimate

Effective July 1, 2013, the Company changed its method of depreciation on plant and equipment from the declining balance method to the straight-line method for all plant and equipment. The significant classes of plant and equipment and their estimated useful lives are as follows:

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

The change was implemented to better reflect the pattern of usage realized from plant and equipment. There were no significant changes to the useful lives or salvage values of the plant and equipment. The change in depreciation method is applied on a prospective basis as a change in estimate.

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

(d) Changes in Accounting Standards

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

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

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

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

3. ASSET ACQUISITION

On March 28, 2013, the Company acquired 80% of Fortress Mining Inc.'s ("FMI") interest in the RZY Silver-Lead-Zinc Project ("RZY Project") through the purchase of all the outstanding common shares of FMI from Silvercorp Metals Inc. ("Silvercorp"), a related party of the Company, for cash consideration of US\$3.5 million. The RZY Project is held through FMI's 82% owned subsidiary, Qinghai Found Mining Co. Ltd. ("QFM"). The RZY Project exploration permit has been transferred from Qinghai Geological Survey Institute ("QGS"), the minority shareholder of QFM, to QFM as of September 3, 2013.

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

The TSX has approved the RZY transaction subject to the approval by the disinterested shareholders of the Company. The Company expects to obtain the approval by the disinterested shareholders at the annual general meeting in December 2, 2013.

The transaction is entered into based on normal market conditions at the amounts agreed on by the parties and has been accounted for as an acquisition of assets and related liabilities by the Company. The purchase consideration has been allocated to the assets acquired and liabilities assumed as follows:

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

Purchase Price

Cash consideration	\$	3,544,361
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Fair Value of Assets Acquired and Liabilities Assumed

Cash	\$	1,526,887
Other current assets		833,095
Plant and equipment		69,876
Mineral property interests		1,927,991
Accounts payable and accrued liabilities		(73,077)
Non-controlling interests		(740,411)
	\$	3,544,361

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	September 30, 2013		June 30, 2013	
Cash in bank	\$	9,221,634	\$	11,278,705

Cash and cash equivalents includes US dollar denominated deposits of US\$5,736,598 (June 30, 2013 – US\$7,082,887) in premium rate savings accounts redeemable at any time with an average annual interest rate of 0.35% (June 30, 2013 – 0.35%) calculated daily and paid monthly. The remaining funds are held in Canadian dollars and Chinese Renminbi.

5. SHORT TERM INVESTMENTS

Short term investments consist of:

	September 30, 2013		June 30, 2013	
Guaranteed Investment Certificates	\$	80,500	\$	80,500
Term Deposits		15,427,500		15,768,000
	\$	15,508,000	\$	15,848,500

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

6. DEPOSIT AND OTHER RECEIVABLES

Deposit and other receivables consisted of the following:

	September 30, 2013		June 30, 2013	
GST/HST receivable	\$	16,126	\$	7,210
Interest receivable		40,000		40,000
Deposits and prepaid expenses		214,679		636,977
	\$	270,805	\$	684,187

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

7. LONG-TERM PREPAIDS

Long-term prepaids consist of prepayments made to contractors and vendors related to exploration and drilling services for the RZY project.

8. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Total
Balance as at July 1, 2012	\$ 890,754	\$ 1,118,084	\$ 62,488	\$ 94,181	\$ 155,684	\$ 2,321,191
Acquisition of FMI & QFM	-	4,581	40,002	25,009	284	69,876
Additions	-	1,526	10,302	8,132	-	19,960
Reclassification	-	(1,000)	1,000	-	-	-
Foreign currency translation impact	-	271	1,934	1,272	14	3,491
Balance as at June 30, 2013	\$ 890,754	\$ 1,123,462	\$ 115,726	\$ 128,594	\$ 155,982	\$ 2,414,518
Additions	-	-	-	21,577	-	21,577
Disposals	-	-	-	(1,610)	(29,758)	(31,368)
Foreign currency translation impact	-	(123)	(808)	(720)	(6)	(1,656)
Balance as at September 30, 2013	\$ 890,754	\$ 1,123,339	\$ 114,918	\$ 147,841	\$ 126,218	\$ 2,403,071

Accumulated depreciation and amortization

Balance as at July 1, 2012	\$ (46,702)	\$ (207,063)	\$ (11,044)	\$ (23,691)	\$ (54,490)	\$ (342,990)
Depreciation and amortization	(41,249)	(160,361)	(15,903)	(17,214)	(20,479)	(255,206)
Reclassification	-	81	(81)	-	-	-
Foreign currency translation impact	-	(23)	(146)	(100)	(8)	(277)
Balance as at June 30, 2013	\$ (87,951)	\$ (367,366)	\$ (27,174)	\$ (41,005)	\$ (74,977)	\$ (598,473)
Depreciation and amortization	(11,183)	(61,686)	(5,580)	(8,437)	(6,917)	(93,803)
Disposals	-	-	-	1,153	21,795	22,948
Foreign currency translation impact	-	19	103	86	5	212
Balance as at September 30, 2013	\$ (99,134)	\$ (429,034)	\$ (32,651)	\$ (48,203)	\$ (60,094)	\$ (669,116)

Carrying amount

Balance as at June 30, 2013	\$ 802,803	\$ 756,096	\$ 88,551	\$ 87,589	\$ 81,005	\$ 1,816,044
Balance as at September 30, 2013	\$ 791,620	\$ 694,306	\$ 82,266	\$ 99,638	\$ 66,124	\$ 1,733,954

As a result of change to straight-line method of depreciation from declining balance, depreciation has increased from \$58,246 to \$93,803 for the three months ended September 30, 2013.

9. MINERAL PROPERTY INTERESTS

(a) Tagish Lake Gold Property

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

(b) RZY Project

The RZY Project, located in Qinghai, China is an early stage silver-lead-zinc exploration project, situated on a high plateau with an average elevation of 5,000 metres above sea level. The RZY Project is located approximately 237 kilometres via paved and gravel roads from the capital city of Yushu Tibetan Autonomous Prefecture, or 820 kilometres via paved highway from Qinghai Province's capital city of Xining.

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

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

Cost	Tagish Lake	RZY Project	Total
Balance, June 30, 2012	\$ 37,084,565	\$ -	\$ 37,084,565
Acquisition of mineral property interest (Note 3)		1,927,991	1,927,991
<u>Capitalized exploration expenditures</u>			
Reporting and assessment	42,429	-	42,429
Drilling and assaying	-	81,155	81,155
Staking and mapping	43,165	-	43,165
Camp services	441,218	-	441,218
Permitting	1,335	-	1,335
Environmental study	16,035	-	16,035
Other	225,610	12,256	237,866
Foreign currency translation impact	-	96,264	96,264
Balance, June 30, 2013	\$ 37,854,357	\$ 2,117,666	\$ 39,972,023
<u>Capitalized exploration expenditures</u>			
Reporting and assessment	8,922	-	8,922
Drilling and assaying	-	116,527	116,527
Camp services	106,445	20,135	126,580
Site preparation	-	27,934	27,934
Permitting	-	544,620	544,620
Environmental study	6,053	-	6,053
Other	89,834	21,810	111,644
Foreign currency translation impact	-	(47,266)	(47,266)
Balance, September 30, 2013	\$ 38,065,611	\$ 2,801,426	\$ 40,867,037

10. TRADE AND OTHER PAYABLES

Trade and other payables comprised of:

	September 30, 2013	June 30, 2013
Trade payable	\$ 99,252	\$ 107,314
Acquisition cost payable	441,903	441,903
Accrued liabilities	252,638	211,735
	\$ 793,793	\$ 760,952

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

11. PROVISIONS

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

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS

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

Transactions with related parties	Three months ended September 30,	
	2013	2012
Silvercorp Metals Inc. (a)	\$ 75,012	\$ 141,300
R. Feng Consulting Ltd. (b)	-	18,000
Parkside Management Ltd. (c)	18,000	-
	\$ 93,012	\$ 159,300

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at September 30, 2013, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	September 30, 2013	June 30, 2013
Silvercorp Metals Inc. (a)	\$ 6,132	\$ 40,886
Parkside Management Ltd. (b)	54,000	18,000
	\$ 60,132	\$ 58,886

(a) Silvercorp has two common directors and officers with the Company and shares office space and provides various general and administrative services to the Company. During the three months ended September 30, 2013, the Company recorded total expenses of \$75,012 (three months ended September 30, 2012 - \$141,300) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) During the three months ended September 30, 2013, the Company incurred \$nil (three months ended September 30, 2012 - \$18,000) in consulting fees for consulting services rendered by R. Feng Consulting Ltd., a company controlled by a director and an officer of the Company.

(c) During the three months ended September 30, 2013, the Company incurred \$18,000 (three months ended September 30, 2012 - \$nil) in consulting fees for consulting services rendered by Parkside Management Ltd., a company controlled by a director and an officer of the Company.

13. SHARE CAPITAL

(a) *Share Capital - authorized share capital*

Unlimited number of common shares without par value.

Unlimited number of Class A preferred shares without par value.

(b) *Stock Options*

The continuity schedule of stock options, as at September 30, 2013, is as follows:

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2013 and 2012

(Expressed in Canadian dollars)

	Number of options	Weighted average exercise price
Balance, June 30, 2013	4,770,000	\$ 0.73
Options granted	700,000	0.57
Options forfeited	(25,000)	1.18
Balance, September 30, 2013	5,445,000	0.71

During the three months ended September 30, 2013, a total of 700,000 options were granted to employees and directors of the Company at a weighted average exercise price of \$0.57 for a term of five years subject to a vesting period of 48 months with 12.5% of the options vesting every six months.

Option pricing model requires the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. The Company's expected volatility is based on the historical volatility of the Company's share price on the Toronto Stock Exchange.

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

	Three months ended September 30,	
	2013	2012
Risk free interest rate	1.50%	1.22%
Expected volatility	67%	87%
Expected life of options in years	3.25	3.25
Expected dividend yield	0%	0%
Estimated forfeiture rate	19%	9%

The weighted average grant date fair value for the options granted during the period was \$0.26 (year ended June 30, 2013 – \$0.34).

For the three months ended September 30, 2013, a total of \$24,036 (three months ended September 30, 2012 - \$55,739) was recorded as share-based compensation expense. For the three months ended September 30, 2013, \$11,680 (three months ended September 30, 2012 – \$29,266) was capitalized to mineral property interests.

The following table summarizes information about stock options outstanding as at September 30, 2013:

Exercise prices	Number of options outstanding as at September 30, 2013	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at September 30, 2013	Weighted average exercise price
\$ 0.50	475,000	0.30	0.50	475,000	0.30
0.65	1,175,000	1.70	0.65	1,028,125	1.70
1.44	250,000	2.09	1.44	156,250	2.09
1.60	320,000	2.16	1.60	200,000	2.16
1.65	10,000	2.22	1.65	6,250	2.22
1.42	25,000	2.71	1.42	12,500	2.71
0.61	1,675,000	3.98	0.61	418,750	3.98
0.62	815,000	4.52	0.62	-	-
0.57	700,000	4.98	0.57	-	-
\$0.5 - \$1.65	5,445,000	3.17	\$ 0.71	2,296,875	\$ 0.76

New Pacific Metals Corp.

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(Expressed in Canadian dollars)

(c) Normal Course Issuer Bid

On June 25, 2012, the Company announced a normal course issuer bid ("NCIB") which allows it to acquire up to 5 million of its own common shares. As at September 30, 2013, the Company purchased 540,974 common shares for a total consideration of \$331,986, allocating \$473,854 to share capital and \$141,867 to retained earnings. Transaction costs related to the common share acquisitions were \$2,705. As at September 30, 2013, all common shares repurchased under the NCIB have been cancelled and returned to treasury.

14. NON-CONTROLLING INTEREST

		Qinghai Found
Balance, July 1, 2012	\$	-
Acquisition of FMI & QFM		740,411
Share of net loss		(62,871)
Share of other comprehensive income		37,525
Balance June 30, 2013	\$	715,065
Share of net loss		(14,115)
Currency translation adjustment		(18,303)
Balance September 30, 2013	\$	682,647

As at September 30, 2013, non-controlling interests in Qinghai Found Mining Co. Ltd. was 18%.

15. FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk and credit risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(a) Fair Value

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

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

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

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

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at September 30, 2013, those financial assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

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(Expressed in Canadian dollars)

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 9,221,634	\$ -	\$ -	\$ 9,221,634
Short term investments	15,508,000	-	-	15,508,000

(b) Liquidity Risk

The Company has a history of losses and no operating revenues from its operations. Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. As at September 30, 2013, the Company had a working capital position of \$25,666,935 and sufficient cash resources to meet the Company's short term financial liabilities and its planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months.

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

	September 30, 2013	June 30, 2013
	Due within a year	
Trade and other payables	\$ 793,793	\$ 760,952
Due to related parties	60,132	58,886
	\$ 853,925	\$ 819,838

(c) Currency Risk

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates. The Company does not hedge its foreign currency risk, and the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

The amounts are expressed in CAD equivalents	September 30, 2013	June 30, 2013
United States dollars	\$ 21,326,210	\$ 23,230,653
Chinese RMB	58,882	99,529
Financial assets in foreign currency	\$ 21,385,092	\$ 23,330,182
Chinese RMB	69,899	80,371
Financial liabilities in foreign currency	\$ 69,899	\$ 80,371

As at September 30, 2013, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately \$210,000.

As at September 30, 2013, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$10,000.

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(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of September 30, 2013.

(e) Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated with cash and cash equivalents, short term investments, deposit and other receivables. The carrying amount of financial assets included on the balance sheet represents the maximum credit exposure.

The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents, short term investments are with major financial institutions in Canada. As at September 30, 2013, the Company has a deposit and other receivables balance of \$270,805 (June 30, 2013 - \$684,187).

16. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans.

The capital of the Company consists of the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirement as at September 30, 2013.

17. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, which is the acquisition, exploration and development of mineral property interests, which financial information is evaluated regularly by the Company's Chief Executive Officer, the chief operating decision maker. The format for segment reporting is based on major project segments segregated by geographic locations. For the three months ended and as at September 30, 2013, all assets, liabilities and operating results of the Company were located in Canada.

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

	September 30, 2013		
	China	Canada	Total
Mineral property interests	\$ 2,801,426	\$ 38,065,611	\$ 40,867,037
Plant and equipment	81,710	1,652,244	1,733,954
Reclamation deposits	-	15,075	15,075
Total Assets	\$ 5,204,220	\$ 63,473,906	\$ 68,678,126
Total Liabilities	(69,899)	(865,026)	(934,925)

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

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