New Pacific Metals Corp.
TSX: NUX

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

(Expressed in Canadian Dollars)

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 balance sheets as at June 30, 2015 and June 30, 2014, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and 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 audits 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, 2015 and June 30, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
September 15, 2015
Vancouver, Canada

New Pacific Metals Corp.

Consolidated Balance Sheets

(Expressed in Canadian dollars)

	Notes		June 30, 2015		June 30, 2014
ASSETS					
Current Assets					
Cash and cash equivalents	3	$	**14,851,828**	$	21,642,748
Short term investments	4		**8,826,997**		80,500
Deposit and other receivables	5		**129,260**		120,148
			23,808,085		21,843,396
Non-current Assets					
Reclamation deposits			**15,075**		15,075
Plant and equipment	6		**106,861**		137,408
Mineral property interests	7		**8,253,673**		6,743,281
TOTAL ASSETS		$	**32,183,694**	$	28,739,160
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	9	$	**1,292,765**	$	988,798
Provisions	10		**81,000**		81,000
Due to related parties	11		**69,633**		111,978
Total Liabilities			**1,443,398**		1,181,776
Equity					
Share capital	12		**57,149,481**		57,149,481
Share-based payment reserve			**17,512,523**		17,324,178
Accumulated other comprehensive income			**1,267,877**		213,715
Deficit			**(46,058,036)**		(47,797,284)
Equity attributable to the equity holders of the Company			**29,871,845**		26,890,090
Non-controlling interest	13		**868,451**		667,294
Total Equity			**30,740,296**		27,557,384
TOTAL LIABILITIES AND EQUITY		$	**32,183,694**	$	28,739,160

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	Year ended June 30 2015	2014
Expenses			
Audit and accounting		**$ 80,831**	$ 77,089
Consulting		**44,654**	79,084
Depreciation		**39,252**	59,192
Filing and listing		**39,780**	45,807
Foreign exchange gain		**(3,129,372)**	(214,716)
General exploration		**-**	35,117
Investor relations		**12,944**	15,457
Legal and professional fees		**34,752**	137,908
Salaries and benefits		**649,814**	780,986
Office and administration		**157,404**	164,830
Rent		**118,853**	115,949
Share-based compensation		**201,666**	273,141
Travel and promotion		**86,472**	173,671
(Income) loss before other income and expenses		**(1,662,950)**	1,743,515
Other (income) expense			
Gain on disposal of plant and equipment		**(20,324)**	(2,253)
Impairment of the TLG Project	6,8	**175,901**	39,966,831
Finance income		**(202,375)**	(168,731)
Other expense		**744**	13,445
		(46,054)	39,809,292
Net income (loss)		**$ 1,709,004**	$ (41,552,807)
Attributable to:			
Equity holders of the Company		**1,739,248**	(41,495,648)
Non-controlling interests		**(30,244)**	(57,159)
		$ 1,709,004	$ (41,552,807)
Basic and diluted earnings (loss) per share		**$ 0.03**	$ (0.62)
Weighted average number of shares - basic and diluted		**66,938,229**	66,920,086

See accompanying notes to the consolidated financial statements

New Pacific Metals Corp.

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Notes		Year ended June 30, 2015		2014
Net income (loss)		**$**	**1,709,004**	$	(41,552,807)
Other comprehensive income					
Items that may subsequently be reclassified to net income or loss:					
Currency translation adjustment			**1,285,563**		52,155
Other comprehensive income			**1,285,563**		52,155
Comprehensive income (loss)		**$**	**2,994,567**	$	(41,500,652)
Attributable to:					
Equity holders of the Company		**$**	**2,793,410**		(41,452,881)
Non-controlling interest			**201,157**		(47,771)
		$	**2,994,567**	$	(41,500,652)

See accompanying notes to the consolidated financial statements

New Pacific Metals Corp.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes		Year ended June 30 2015		2014
Operating activities					
Net income (loss)		**$**	**1,709,004**	$	(41,552,807)
Add (deduct) items not affecting cash :					
Depreciation			**39,252**		59,192
Impairment of the TLG Project	8		**175,901**		39,966,831
Finance income			**(205,083)**		(170,467)
Provisions and other items			**-**		(174,773)
Gain on disposal of plant and equipment			**(20,324)**		(2,253)
Share-based compensation	12		**201,666**		273,141
Unrealized foreign exchange gain			**(3,129,372)**		(214,716)
Interest received			**213,083**		162,467
			(1,015,873)		(1,653,385)
Change in non-cash working capital					
Deposits and other receivables			**55,506**		230,267
Trade and other payables			**242,063**		19,815
Due to related parties			**(42,345)**		53,092
Cash used in operating activities			**(760,650)**		(1,350,211)
Investing activities					
Expenditures on mineral property interests			**(538,132)**		(4,386,891)
Acquisition of plant and equipment			**-**		(26,609)
Proceeds from disposition of plant and equipment			**23,210**		10,673
Net (purchase) redemption of short term investments			**(8,803,997)**		16,612,500
Cash (used in) provided by investing activities			**(9,318,919)**		12,209,673
Financing activities					
Shares issued for cash			**-**		42,500
Cash provided by financing activities			**-**		42,500
Effect of exchange rate changes on cash and cash equivalents			**3,288,649**		(537,919)
(Decrease) increase in cash and cash equivalents			**(6,790,920)**		10,364,043
Cash and cash equivalents, beginning of the year			**21,642,748**		11,278,705
Cash and cash equivalents, end of the year	**3**	**$**	**14,851,828**	$	21,642,748

See accompanying notes to the consolidated financial statements

New Pacific Metals Corp.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Notes	Share Capital: Number of common shares issued	Share Capital: Number of shares held for cancellation	Share Capital: Amount	Share-based payment reserve	Accumulated other comprehensive income	Deficit	Equity attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance, July 1, 2013		**66,853,229**	**27,336**	**57,084,157**	**17,051,605**	**170,949**	**(6,308,080)**	**67,998,631**	**715,065**	**68,713,696**
Options exercised		85,000	-	71,768	(29,267)	-	-	42,501	-	42,501
Normal course issuer bid		-	(27,336)	(6,444)	-	-	6,444	-	-	-
Share-based compensation		-	-	-	301,840	-	-	301,840	-	301,840
Net Loss		-	-	-	-	-	(41,495,648)	(41,495,648)	(57,159)	(41,552,807)
Currency translation adjustment		-	-	-	-	42,766	-	42,766	9,388	52,154
Balance, June 30, 2014		66,938,229	-	57,149,481	17,324,178	213,715	(47,797,284)	26,890,090	667,294	27,557,384
Share-based compensation		-	-	-	188,345	-	-	188,345		188,345
Net income					-	-	1,739,248	1,739,248	(30,244)	1,709,004
Currency translation adjustment		-	-	-	-	1,054,162	-	1,054,162	231,401	1,285,563
Balance, June 30, 2015		**66,938,229**	**-**	**$ 57,149,481**	**$ 17,512,523**	**$ 1,267,877**	**$ (46,058,036)**	**$ 29,871,845**	**868,451**	**$ 30,740,296**

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-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.

The 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, 2015, the Company had a working capital position of $22,364,687 and sufficient cash resources to meet the Company's planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months. These financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The consolidated financial statements of the Company as at and for the year ended June 30, 2015 were authorized for issue in accordance with a resolution of the Board of Directors dated on September 15, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Basis of Preparation

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, 2015.

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

(b) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries: Tagish Lake Gold Corp. ("TLG"), Mount Skukum Gold Mining Corporation, New Pacific Offshore Inc., SKN Nickel & Platinum Ltd., Lachlan Gold Ltd., 0876044 B.C. Ltd., Glory Metals Investment Corp. Limited, New Pacific Investment Corp., and Fortress Mining Inc., as well as 82% owned subsidiary, Qinghai Found Mining Co. Ltd

Subsidiaries are fully consolidated from the date on which the Company obtains control. For non-wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated balance sheets. Loss for the period that is attributable to the non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

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

(c) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts hold by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

(d) 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 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 statement of income as part of the gain or loss on sale.

(e) *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.

(f) *Short Term Investments*

Short term investments consist of certificates of deposit and money market instruments with original terms of three months or more, but less than one year.

(g) *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.

(h) *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.

(i) 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.

(j) 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.

(k) Rehabilitation Provision

Rehabilitation provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. The nature of these rehabilitation activities may include dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

Upon initial recognition of the rehabilitation provision liability, the present value of the estimated costs is capitalized to the carrying value of the related asset. The estimated costs are subsequently amortized to earnings based on the same method of amortization of the underlying asset. The liability is also accreted to full value over time through periodic unwinding of the discount charged to finance expenses in the statement of income.

Management has determined that there is no rehabilitation provision at June 30, 2015 and June 30, 2014.

(l) Income Taxes

Current tax for each taxable entity is based on the local taxable income at the local substantively enacted statutory tax rate at the balance sheet date and includes adjustments to taxes payable or recoverable in respect to previous periods.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

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

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

(m) 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, 2015 and 2014.

(n) Financial Instruments

On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as fair value through profit or loss, of which transactions costs are expensed as incurred.

Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

Classified as fair value through profit or loss ("FVTPL"):

Financial assets and liabilities classified as at FVTPL are measured at fair value with changes in fair values recognized in net income. Financial assets and liabilities are classified as at FVTPL when: (i) they are acquired or incurred principally for short-term profit taking and/or meet the definition of a derivative (held-for-trading); or (ii) they meet the criteria for being designated as at FVTPL and have been designated as such on initial recognition.

Classified as available-for-sale:

A financial asset is classified as available-for-sale when: (i) it is not classified as a loan and receivable, a held-to-maturity investment or as at FVTPL; or (ii) it is designated as available-for-sale on initial recognition. A financial asset classified as available-for-sale is measured at fair value with mark-to-market gains and losses recognized in other comprehensive income and accumulated in accumulated other comprehensive income within equity until the financial asset is derecognized or there is objective evidence that the asset is impaired.

Loans and receivables and other financial liabilities:

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest method.

The Company classifies its financial instruments as follows:

- Financial assets classified as at FVTPL: cash and cash equivalents, short term investments.
- Loans and receivables: other receivables.
- Financial liabilities: trade and other payables, amount due to related parties.

Impairment:

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in net income in the period it occurs.

(o) Significant Judgments and Estimation Uncertainties

Many amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated balance sheet.

Areas of significant judgment include:

- Capitalization of expenditures with respect to exploration, evaluation and development costs to be included in mineral property interests.
- Determination of functional currency.
- Determination of cash generating units.
- Determination of asset acquisition versus business combination.
- Recognition of a provision for environmental rehabilitation costs.

Areas of significant estimates include:

- Estimates of the quantities of proven and probable mineral reserves and the portion of resources considered to be probable of economic extraction.
- Forecast prices of commodities, exchange rates, production costs, and recovery rates.
- The 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, and salvage value of plant and equipment.
- The estimated useful lives and residual values of tangible and long-lived assets and the measurement of depreciation expense.
- Estimation of environmental rehabilitation costs.
- The fair value of acquired assets and liabilities.
- Valuation input and forfeiture rates used in calculation of share-based compensation.
- Evaluation and assessment of contingent liabilities.
- The accounting and recognition of income taxes and composition of deferred income tax asset and liabilities.

The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the National Instrument 43-101.

(p) Adoption of new accounting standards

IFRIC 21 – *Levies*, an interpretation of IAS 37 was issued by the IASB in May 2013, provides interpretation on when to recognize a liability for a levy imposed by a government and clarifies the criteria for the recognition of a liability. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The adoption of this standard had an insignificant impact on the Company.

(q) Accounting standards issued but not yet in effective

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 and 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 and subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2018. 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.

IFRS 15 – *Revenue from contracts with customers*, the standard on revenue from contracts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted. Entities have the option of using either a full retrospective or modified retrospective approach to adopt the guidance. The Company is assessing the impact of this standard.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

		June 30, 2015		June 30, 2014
Cash in bank	**$**	**14,851,828**	$	21,642,748

Cash and cash equivalents includes US dollar denominated deposits of US$11,174,173 (June 30, 2014 – US$18,312,866) in premium rate savings accounts redeemable at any time with an average annual interest rate of 0.38% (June 30, 2014 – 0.74%) calculated daily and paid monthly. The remaining funds are held in Canadian dollars and Chinese Renminbi.

4. SHORT TERM INVESTMENTS

As at June 30, 2015, short term investments consist of the following:

		June 30, 2015		June 30, 2014
Bonds	**$**	**8,826,997**	$	-
Guaranteed Investment Certificates		**-**		80,500
	$	**8,826,997**	$	80,500

5. DEPOSIT AND OTHER RECEIVABLES

Deposit and other receivables consist of:

		June 30, 2015		June 30, 2014
GST/HST receivable	**$**	**5,996**	$	6,882
Interest receivable		**-**		8,000
Deposit and prepaid expenses		**123,264**		105,266
	$	**129,260**	$	120,148

(Expressed in Canadian dollars)

6. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Total
Balance, July 1, 2013	$ 890,754	$ 1,123,462	$ 115,726	$ 128,594	$ 155,982	$ 2,414,518
Additions	-	-	-	26,610	-	26,610
Disposals	-	-	-	(2,523)	(29,758)	(32,281)
Foreign currency translation impact	-	30	196	(178)	1	49
Balance, June 30, 2014	$ 890,754	$ 1,123,492	$ 115,922	$ 152,503	$ 126,225	$ 2,408,896
Disposals	-	-	-	(8,104)	-	(8,104)
Foreign currency translation impact	-	1,084	7,124	8,719	51	16,978
Balance, June 30, 2015	**$ 890,754**	**$ 1,124,576**	**$ 123,046**	**$ 153,118**	**$ 126,276**	**$ 2,417,770**
Accumulated depreciation and amortization						
Balance as at July 1, 2013	$ (87,951)	$ (367,366)	$ (27,174)	$ (41,005)	$ (74,977)	$ (598,473)
Depreciation and amortization	(44,732)	(245,255)	(22,419)	(31,753)	(27,645)	(371,804)
Disposals	-	-	-	2,066	21,795	23,861
Impairment of TLG Project	(758,071)	(505,926)	(35,521)	(25,730)	-	(1,325,248)
Foreign currency translation impact	-	6	59	113	(2)	176
Balance, June 30, 2014	$ (890,754)	$(1,118,541)	$ (85,055)	$ (96,309)	$ (80,829)	$ (2,271,488)
Depreciation and amortization	-	(454)	(6,632)	(15,154)	(17,011)	(39,252)
Disposals	-	-	-	5,216	-	5,216
Foreign currency translation impact	-	(274)	(2,215)	(2,854)	(43)	(5,385)
Balance, June 30, 2015	**$ (890,754)**	**$(1,119,269)**	**$ (93,902)**	**$ (109,101)**	**$ (97,883)**	**$ (2,310,909)**
Carrying amount						
Balance, June 30, 2014	$ -	$ 4,951	$ 30,866	$ 56,194	$ 45,396	$ 137,408
Balance, June 30, 2015	**$ -**	**$ 5,307**	**$ 29,144**	**$ 44,017**	**$ 28,393**	**$ 106,861**

During the year ended June 30, 2015, certain plant and equipment were disposed for proceeds of $23,210 (year ended June 30, 2014 - $10,610) and gain of $20,324 (year ended June 30, 2014 – gain of $2,253).

7. 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.

(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, July 1, 2013	$	37,854,357	$	2,117,666	$	39,972,023
Capitalized exploration expenditures						
Reporting and assessment		10,073		-		10,073
Drilling and assaying		-		1,397,008		1,397,008
Surveying		-		1,200,884		1,200,884
Camp services		425,830		484,581		910,411
Site preparation		-		453,750		453,750
Permitting		131		1,083,565		1,083,696
Environmental study		6,053		-		6,053
Other		345,139		57,624		402,763
Impairment of TLG Project		(38,641,583)		-		(38,641,583)
Foreign currency translation impact		-		(51,796)		(51,796)
Balance, June 30, 2014	$	-	$	6,743,282	$	6,743,282
Capitalized exploration expenditures						
Reporting and assessment		10,394		-		10,394
Drilling and assaying		-		2,871		2,871
Staking and mapping		2,510		-		2,510
Surveying		-		322,402		322,402
Camp services		175,710		78,919		254,629
Permitting		252		(57,241)		(56,989)
Environmental study		114		-		114
Other		(13,079)		1,959		(11,120)
Impairment of TLG Project (Note 8)		(175,901)		-		(175,901)
Foreign currency translation impact		-		1,161,481		1,161,481
Balance, June 30, 2015	**$**	**-**	**$**	**8,253,673**	**$**	**8,253,673**

8. IMPAIRMENT OF TLG PROJECT

During the year ended June 30, 2014, the Company performed a strategic review of its exploration properties. Due to the flooding in summer 2014 that closed public bridge access to the Tagish Lake site, and the prolonged inactivity as a result of the Yukon government's inaction to resolve the exploration permit's security deposit, management elected to cease operations at the TLG Project. The recoverable amount of the TLG Project's mineral interest and plant and equipment, which is part of the Canada segment, is determined based on the assets' value in use. As a result of the assessment, an impairment expense of $38,641,583 and $1,325,248 was recognized against the carrying amounts of the project's mineral interest and plant and equipment, respectively in the year ended June 30, 2014. During the year ended June 30, 2015, there were no strategic or operational changes for the TLG project; therefore expenditures incurred during the year in the amount of $175,901 were impaired.

(Expressed in Canadian dollars)

9. TRADE AND OTHER PAYABLES

Trade and other payables consist of:

		June 30, 2015		June 30, 2014
Trade payables	$	**602,868**	$	287,210
Acquisition cost payable		**441,903**		441,903
Accrued liabilities		**247,994**		259,685
		1,292,765	$	988,798

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.

10. PROVISIONS

The Company is involved in legal action associated with the normal course of operations. As at June 30, 2015, the Company has a provision for certain legal matters of $81,000 (June 30, 2014 - $81,000). The legal provision is based on management's best estimate of the amount and timing of the potential settlements.

11. RELATED PARTY TRANSACTIONS

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

	Year ended June 30,			
Transactions with related parties		**2015**		2014
Silvercorp Metals Inc. (a)	$	**306,397**	$	291,613
Parkside Management Ltd.(b)		**-**		72,000
	$	**306,397**	$	363,613

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at June 30, 2015, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties		**June 30, 2015**		**June 30, 2014**
Silvercorp Metals Inc. (a)		**69,633**	$	21,978
Parkside Management Ltd. (b)		**-**		90,000
	$	**69,633**	$	111,978

(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 year ended June 30, 2015, the Company recorded total expenses of $306,397 (year ended June 30, 2014 - $291,613) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) During the year ended June 30, 2015, the Company paid $nil (year ended June 30, 2014 - $72,000) in consulting fees for consulting services rendered by Parkside Management Ltd., a company controlled by director and an officer of the Company.

(Expressed in Canadian dollars)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended June 30, 2015 and 2014 are as follows:

	Year ended June 30, 2015	2014
Directors' fees	**$ 70,000**	$ 68,775
Salaries/consulting fees for key management personnel	**459,977**	710,858
Share-based compensation	**-**	131,573
	$ 529,977	$ 911,207

12. SHARE CAPITAL

(a) Share Capital - authorized share capital

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

(b) Stock Options

The continuity schedule of stock options, as at June 30, 2015 and 2014, is as follows:

	Number of options	Weighted average exercise price
Balance, June 30, 2013	4,770,000	0.73
Options granted	700,000	0.57
Options exercised	(85,000)	0.50
Options forfeited	(300,000)	0.66
Options expired	(390,000)	0.50
Balance, July 1, 2014	4,695,000	0.73
Options forfeited	(770,000)	0.81
Options expired	(975,000)	0.65
Balance, June 30, 2015	**2,950,000**	**0.74**

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.

(Expressed in Canadian dollars)

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

	For the year ended June 30, 2015	2014
Risk free interest rate	-	1.50%
Expected volatility	-	67%
Expected life of options in years	-	3.25
Expected dividend yield	-	0%
Estimated forfeiture rate	-	19%

The weighted average grant date fair value for the options granted during the period was $nil (year ended June 30, 2015 – $0.26).

For the year ended June 30, 2015, a total of $201,666 (year ended June 31, 2014 - $273,141) was recorded as share-based compensation expense. Due to the 770,000 options forfeited, previously capitalized share based compensations to mineral property interests was reduced by $13,321.

The following table summarizes information about stock options outstanding as at June 30, 2015:

	Exercise prices	Number of options outstanding as at 6/30/2015	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at 6/30/2015	Weighted average exercise price
$	0.57	510,000	3.23	0.57	191,250	0.57
	0.61	1,205,000	2.23	0.61	753,125	0.61
	0.62	815,000	2.77	0.62	407,500	0.62
	1.44	100,000	0.34	1.44	100,000	1.44
	1.60	320,000	0.42	1.60	320,000	1.60
	0.57-1.6	2,950,000	2.29	0.74	1,771,875	0.83

13. NON-CONTROLLING INTEREST

		Qinghai Found
Balance, July 1, 2013	$	715,065
Share of net loss		(57,159)
Share of other comprehensive income		9,388
Balance, June 30, 2014	$	667,294
Share of net loss		(30,244)
Share of other comprehensive income		231,401
Balance, June 30, 2015	**$**	**868,451**

As at June 30, 2015, the non-controlling interest in Qinghai Found Mining Co. Ltd. was 18%.

14. FINANCIAL INSTRUMENTS

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

(Expressed in Canadian dollars)

(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 June 30, 2015, those financial assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	$ 14,851,828	$ -	$ -	$ 14,851,828
Short term investments	8,826,997	-	-	8,826,997

(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, 2015, the Company had a working capital position of $22,364,687 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:

	June 30, 2015	June 30, 2014
	Due within a year	
Trade and other payables	**$ 1,292,765**	$ 988,798
Due to related parties	**69,633**	111,978
	$ 1,362,398	$ 1,100,776

(c) Currency Risk

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

The amounts are expressed in CAD equivalents		**June 30, 2015**		June 30, 2014
United States dollars	**$**	**21,885,664**	$	19,550,815
Chinese RMB		**1,046,913**		27,538
Financial assets in foreign currency	**$**	**22,932,577**	$	19,578,353
Chinese RMB	**$**	**587,844**		$275,953
Financial liabilities in foreign currency	**$**	**587,844**		$275,953

As at June 30, 2015, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately $219,000 (2014: $196,000).

As at June 30, 2015, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately $4,600 (2014: ($2,500))

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of June 30, 2015.

(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, 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 June 30, 2015, the Company has a deposit and other receivables balance of $129,260 (June 30, 2014 - $120,148).

15. CAPITAL MANAGEMENT

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

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

(Expressed in Canadian dollars)

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, 2015.

16. 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:

	Year ended June 30,	
	2015	2014
Canadian statutory tax rate	**26.00%**	26.00%
Income (loss) before income taxes	**$ 1,709,004**	$ (41,552,807)
Income tax expense (recovery) computed at Canadian statutory rates	**444,341**	(10,803,730)
Foreign tax rates different from statutory rate	**4,385**	20,783
Rate differences related to origination and reversal of temporary differences	**-**	59,346
Permanent items and other	**(282,961)**	106,709
Investment tax credits	**(13,703)**	(32,293)
Change in unrecognized deferred tax assets	**1,392,686**	10,563,795
Adjustments in respect of prior years	**(1,488,341)**	90,238
Other	**(56,407)**	(4,848)
	$ -	$ -

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:

	2015	2014
Non-capital loss carry forward	**$ 14,539,291**	$ 15,102,224
Plant and equipment	**3,088,923**	3,085,409
Mineral property interests	**30,671,384**	30,482,162
Share issuance costs	**-**	221,029
Provisions	**81,000**	81,000
Investment tax credit	**1,588,244**	1,660,079
	$ 49,968,842	$ 50,631,903

(Expressed in Canadian dollars)

As of June 30, 2015, the Company has the following net operating losses, expiring various years to 2035 and available to offset future taxable income in Canada and China, respectively:

	Canada	China
2016	-	188,218
2017	-	200,454
2018	-	392,377
2019	-	321,578
2020	-	157,299
2026	637,545	-
2027	1,611,218	-
2028	1,196,022	-
2029	1,004,301	-
2030	1,823,970	-
2031	1,856,703	-
2032	1,321,934	-
2033	1,173,305	-
2034	1,337,753	-
2035	1,316,460	-
	$ 13,279,211	$ 1,259,926

As at June 30, 2015, the Company had tax credits of $1.6 million (June 30, 2014 -$1.7 million) that have not been recognized, expiring between 2028 to 2035.

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.

(Expressed in Canadian dollars)

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

	June 30, 2015		
	China	Canada	Total
Mineral property interests	$ 8,253,673	$ -	$ 8,253,673
Plant and equipment	$ 68,322	$ 38,539	106,861
Reclamation deposits	-	$ 15,075	15,075
Total Assets	$ 9,368,908	$ 22,814,786	$ 32,183,694
Total Liabilities	(587,844)	(855,554)	(1,443,398)

	June 30, 2014		
	China	Canada	Total
Mineral property interests	$ 6,743,281	$ -	$ 6,743,281
Plant and equipment	75,230	62,178	137,408
Reclamation deposits	-	15,075	15,075
Total Assets	$ 7,939,478	$ 20,799,682	$ 28,739,160
Total Liabilities	(275,953)	(905,823)	(1,181,776)

(Expressed in Canadian dollars)

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

	Year ended June 30, 2015		
	China	Canada	Total
Salaries and benefits	$ 39,022	$ 610,792	$ 649,814
Share-based compensation	-	201,666	$ 201,666
Foreign exchange loss (gain)	4,421	(3,133,793)	(3,129,372)
Other operating expenses	123,837	491,105	614,942
Loss (income) before other income and expenses	$ 167,280	$ (1,830,230)	$ (1,662,950)
Gain on disposal of equipment	-	(20,324)	(20,324)
Impairment of TLG project	-	175,901	175,901
Finance income	-	(202,375)	(202,375)
Other expense	744	-	744
Net (loss) income	$ (168,024)	$ 1,877,028	$ 1,709,004
Attributed to:			
Equity holders of the Company	(137,780)	1,877,028	1,739,248
Non-controlling interests	(30,244)	-	(30,244)
Net (loss) income	$ (168,024)	$ 1,877,028	$ 1,709,004

	Year ended June 30, 2014		
	China	Canada	Total
Salaries and benefits	$ 77,422	$ 703,564	$ 780,986
Share-based compensation	-	273,141	273,141
Foreign exchange loss (gain)	48,374	(263,090)	(214,716)
Other operating expenses	251,089	653,015	904,104
Loss before other expense (income)	**$ 376,885**	**$ 1,366,630**	**$ 1,743,515**
(Gain) loss on disposal of plant and equipment	(10,673)	8,420	(2,253)
Impairment on TLG project	-	39,966,831	39,966,831
Finance income	(814)	(169,653)	(170,467)
Other income (expense)	(47,847)	63,028	15,181
Net loss	**$ (317,551)**	**$ (41,235,256)**	**$ (41,552,807)**
Attributed to:			
Equity holders of the Company	(260,392)	(41,235,256)	(41,495,648)
Non-controlling interests	(57,159)	-	(57,159)
	$ (317,551)	**$ (41,235,256)**	**$ (41,552,807)**