New Pacific Metals Corp.
新太平洋金属有限公司
TSX-V: NUX

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

(Expressed in Canadian Dollars)

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Auditors' Report

To the Shareholders of
New Pacific Metals Corp.

We have audited the consolidated balance sheets of New Pacific Metals Corp. as at June 30, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
August 18, 2010

NEW PACIFIC METALS CORP.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	Notes		June 30, 2010		June 30, 2009
ASSETS					
Current					
Cash and cash equivalents	3	**$**	**6,745,913**	$	758,917
Short term investments	4		**2,904,360**		10,599,000
Receivables and prepaid expenses	5		**109,354**		94,818
			9,759,627		11,452,735
Reclamation deposit			**55,320**		55,320
Long term investments	6		**773,100**		-
Mineral property interests	7		**3,680,052**		3,567,876
Plant and equipment	8		**243,109**		300,886
		$	**14,511,208**	$	15,376,817
LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**357,286**	$	418,972
Deposits received	7(b)&(c)		**261,188**		-
Due to related parties	10		**176,472**		30,288
			794,946		449,260
SHAREHOLDERS' EQUITY					
Share capital	9		**16,708,543**		16,623,663
Contributed surplus	9		**13,048,690**		12,640,292
Accumulated other comprehensive income			**46,862**		-
Deficit			**(16,087,833)**		(14,336,398)
			13,716,262		14,927,557
		$	**14,511,208**	$	15,376,817

APPROVED BY THE DIRECTORS

(Signed) Jack Austin
Director

(Signed) Rui Feng
Director

See accompanying notes to the audited consolidated financial statements

NEW PACIFIC METALS CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars except for per share figures)

	Notes		Years ended June 30, 2010		2009
Expenses	10(a)				
Audit and accounting		**$**	**57,340**	$	75,174
Consulting			**310,365**		213,419
Depreciation			**19,639**		25,249
Filing and listing			**15,168**		13,869
Foreign exchange (gain) loss			**16,752**		(438,961)
General exploration			**127,802**		134,442
Investor relations			**67,142**		128,311
Legal and professional fees			**25,718**		15,478
Salaries and benefits			**414,966**		324,691
Office and administration			**146,852**		123,961
Rent			**66,724**		91,343
Stock-based compensation	9(b)		**448,528**		932,817
Travel and promotion			**110,594**		62,226
Loss before other income and expenses			**1,827,590**		1,702,019
Other income and expenses					
Gain on disposal of mineral property interests	7(c)		**15,330**		405,802
Loss on disposal of plant and equipment	8		**(5,651)**		(9,198)
Interest income			**66,476**		311,464
Other income			**-**		68,105
			76,155		776,173
Net loss for the year		**$**	**(1,751,435)**	$	(925,846)
Other comprehensive income					
Unrealized gain on available for sale securities	6		**46,862**		-
Other comprehensive income			**46,862**		-
Comprehensive loss for the year		**$**	**(1,704,573)**	$	(925,846)
Basic and diluted loss per share		**$**	**(0.05)**	$	(0.03)
Weighted average number of shares - basic and diluted			**31,885,624**		31,680,223

See accompanying notes to the audited consolidated financial statements

NEW PACIFIC METALS CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes	Years ended June 30, 2010	2009
Cash provided by (used in)			
Operating activities			
Net loss for the year		**$ (1,751,435)**	$ (925,846)
Add (deduct) items not affecting cash :			
Depreciation		**19,639**	25,249
Gain on disposal of mineral property interests		**(15,330)**	(405,802)
Gain on forfeiture of deposits received		**-**	(8,105)
Loss on disposal of plant and equipment		**5,651**	9,198
Stock-based compensation		**448,528**	932,817
		(1,292,947)	(372,489)
Change in non-cash working capital			
Receivables and prepaid expenses		**(19,885)**	52,080
Accounts payable and accrued liabilities		**(65,398)**	89,525
Cash used in operating activities		**(1,378,230)**	(230,884)
Investing activities			
Cash increased on acquisition of Lachlan		**-**	690,073
Mineral property interests			
Expenditures, net of proceeds from by-product ore sales		**(35,831)**	(911,066)
Deposit received (refunded)	7(b)&(c)	**261,188**	(26,925)
Proceeds from disposal		**15,330**	201,641
Plant and equipment			
Acquisition		**(98,201)**	(32,757)
Proceeds from disposal		**87,796**	127
Acquisition of long term investments		**(726,238)**	-
Proceeds from sale (purchase) of short term investments		**7,694,640**	(407,000)
Cash provided by (used in) investing activities		**7,198,684**	(485,907)
Financing activity			
Amount due to related parties		**145,284**	3,829
Shares issued for cash		**44,750**	110,160
Cash provided by financing activities		**190,034**	113,989
Effect of exchange rate changes on cash and cash equivalents		**(23,492)**	(17,659)
Increase (decrease) in cash and cash equivalents		**5,986,996**	(620,461)
Cash and cash equivalents, beginning of year		**758,917**	1,379,378
Cash and cash equivalents, end of year		**$ 6,745,913**	$ 758,917
Supplemental information:			
Interest and taxes paid		**$ -**	$ -

See accompanying notes to the audited consolidated financial statements

NEW PACIFIC METALS CORP.
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars except for share figures)

	Share Capital					
	Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance, June 30, 2008	31,640,011	$ 16,412,943	$ 11,808,035	$ -	$ (13,410,552)	$ 14,810,426
Options exercised	186,000	210,720	(100,560)	-	-	110,160
Fractional rounding	(23)	-	-	-	-	-
Stock-based compensation	-	-	932,817	-	-	932,817
Net loss for the year	-	-	-	-	(925,846)	(925,846)
Balance, June 30, 2009	31,825,988	16,623,663	12,640,292	-	(14,336,398)	14,927,557
Options exercised	82,000	84,880	(40,130)	-	-	44,750
Stock-based compensation	-	-	448,528	-	-	448,528
Unrealized gain on available for sale securities	-	-	-	46,862	-	46,862
Net loss for the year	-	-	-	-	(1,751,435)	(1,751,435)
Balance, June 30, 2010	**31,907,988**	**$ 16,708,543**	**$ 13,048,690**	**$ 46,862**	**$ (16,087,833)**	**$ 13,716,262**

See accompanying notes to the audited consolidated financial statements

1. NATURE OF OPERATIONS

New Pacific Metals Corp., an exploration stage company, along with its subsidiary companies (collectively the "Company"), is engaged in the acquisition and exploration of mineral property interests.

The Company is in the process of exploring and developing its mineral property interests 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 consolidated financial statements have been prepared on a going concern basis. The Company has a history of losses and no operating revenue. As at June 30, 2010, the Company had working capital balance of $8,964,681 and sufficient cash resources to meet the Company's planned expenditures for the foreseeable future, not limited to the next twelve 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and are presented in Canadian dollars.

These consolidated financial statements include the accounts of its wholly-owned subsidiaries: New Pacific Offshore Inc., SKN Nickel & Platinum Ltd. ("SNP"), Lachlan Gold Ltd., 0876044 B.C. Ltd., Yunnan Jin Chang Jiang Mining Co. Ltd. and 75% owned Sichuan Huaxi Mining Exploration Co. Ltd. ("Huaxi").

The Company is required to consolidate variable interest entities ("VIEs"), if it is a VIE's primary beneficiary. VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The primary beneficiary is the party that has exposure to a majority of the expected losses and/or expected residual returns of the VIE. The Company has concluded that its Chinese joint venture, Huaxi, is a variable interest entity requiring consolidation.

All significant inter-company transactions and accounts have been eliminated upon consolidation.

(b) Significant Accounting Policies

(i) Measurement uncertainties

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities are translated at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include assumptions and estimates relating to but not limited to, the recoverability of amounts receivable, mineral property interests, valuation of stock-based compensation, valuation allowances for future income tax assets, and evaluation of contingencies. Actual results could differ from these estimates.

(ii) Foreign currency translation

All subsidiaries are considered to be integrated foreign operations and their financial statements are translated to Canadian dollars using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at the average exchange rate in effect during the year, except depreciation expenses, which are translated at the same historical exchange rates as those used to translate the respective assets. Realized and unrealized foreign exchange gains and losses are included in earnings.

(iii) Financial instruments

Financial assets and liabilities are recognized at fair value and are subsequently measured based on their classifications as held-for-trading, available-for-sale, held-to-maturity investments or loans and receivables. All financial liabilities must be classified as held-for-trading or other financial liabilities. Held-for-trading financial assets and liabilities are measured at fair value, and all gains and losses are included in net income (loss) in the period in which they arise. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method.

Financial instruments, including derivatives, are included on the consolidated balance sheets and are initially measured at fair value, except for those originated as a result of related party transactions and measured at the exchange amount, in accordance with CICA Section 3840, Related Party Transactions.

After initial recognition, available-for-sale financial assets are reported at fair value, except investments in equity instruments that do not have quoted market prices in active markets. Such equity instruments are accounted for at cost.

Decrease in the fair value of available-for-sale financial assets below their cost bases that are considered to be other-than-temporary are recognized in the statements of operations. Unrealized gains or losses are reported as other comprehensive income or loss until realized or other than temporary decline in fair value has been determined to have occurred. Factors that contribute to an other than temporary decline or impairment include a significant or prolonged decline in fair value below cost, and the existence of factors such as significant adverse changes in the market and economic environments in which the Company operates, which indicate the prospects for recovery in the fair value of the investment are compromised in the near term.

Transaction costs related to all financial assets and liabilities are recorded in the acquisition or issue cost, unless the financial instrument is classified as held-for-trading, in which case the transaction costs are recognized immediately in net income (loss).

The Company classifies its financial instruments as follows:

- Held-for-trading: Cash and cash equivalents, short term investments
- Loans and receivable: Receivables and deposits
- Available-for-sale: long term investments
- Other financial liabilities: Accounts payable and accrued liabilities, deposits received, and due to related parties.

(iv) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturity dates of three months or less from the date of acquisition, that can be readily convertible to cash.

(v) Short term investments

Short term investments consist of certificates of deposits and money market instruments, including cashable guaranteed investment certificates with a maturity of three months or more, but less than one year, from the date of acquisition.

(vi) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the declining balance method at the following rates based on the nature and the useful lives of the assets.

Machinery	20%
Motor vehicle	20%
Office equipment and furniture	20%
Computer software	20%

(vii) Mineral property interests

Acquisition costs and costs incurred on the exploration and development of potential mineral resources or reserves are capitalized provided that one of the following conditions is met:

- such costs are expected to be recovered in full through successful exploration and development of the area of interest or alternatively, by its sale; or
- exploration and development activities in the area of interests have not yet reached a stage which permits a reasonable assessment of the existence of mineral resources or reserves, and

active and significant operations in relation to the area are continuing, or planned for the future.

The Company reviews the carrying value of each property that is in the exploration/development stage by reference to the project economics including the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company and others. When the carrying value of a property exceeds its estimated fair value, an impairment loss is recorded. The carrying amount will be written off if the Company decides to abandon the property.

(viii) Impairment of long-lived assets

Management of the Company reviews and evaluates the long-lived assets, including mineral property interests, property, plant and equipment, for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its project economics. Measurement of an impairment loss is based on the excess of an asset's carrying value over the estimated fair value of the asset.

Management of the Company reviews the net carrying value whenever events or circumstances indicate that an asset's fair value may not be at least equal to its carrying value. These reviews involve consideration of the fair value of each property to determine whether a permanent impairment in value has occurred and whether any asset write down is necessary.

(ix) Stock-based compensation

The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted to employees, officers, and directors is measured at fair value at the date of the grant using the Black-Scholes valuation model and is expensed in the consolidated statements of loss over the vesting period of the options granted. Stock options granted to consultants are measured at their fair value using the Black-Scholes valuation method, and revaluated at vesting date or at period end date.

Upon the exercise of the stock option, consideration received and the related amount transferred from contributed surplus are recorded as share capital.

(x) Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined no asset retirement obligations exist and no provision is necessary at June 30, 2010 and 2009.

(xi) Income taxes

The Company uses the liability method to account for income taxes. Future income tax assets and liabilities are computed based on differences between the carrying amounts of existing assets and liabilities on the balance sheet and their corresponding tax value, using the enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets also result from the potential unused losses carried forward and other deductions. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reduce the asset to its estimated realizable amount.

(xii) Loss per share

Basic loss per share is computed by dividing the net loss by the weighted average number of outstanding common shares for the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average numbers of common shares outstanding assume that the proceeds to be received on the exercise of dilutive stock options or warrants are applied to repurchase common shares at the average market price for the year. For 2009 and 2010 fiscal years, the impact of stock options and warrants has been excluded as they were anti-dilutive.

(c) Adoption of New Accounting Standards

(i) Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, CICA Emerging Issues Committee Abstract 27 “Revenues and Expenditures in the Pre-operating Period” (“EIC-27”) was withdrawn.

The standard was effective for the Company’s fiscal year beginning July 1, 2009. Adoption of this standard did not have a significant effect on the consolidated financial statements.

(ii) Financial Instruments – Recognition and Measurement

On June 17, 2009, the Accounting Standards Board of Canada (“AcSB”) released Embedded Derivatives on Reclassification of Financial Assets, amending Section 3855, Financial Instruments – Recognition and Measurement. The amendment indicates that contracts with embedded derivatives cannot be reclassified out of the held for trading category if the embedded derivative cannot be fair valued. The standard was effective for reclassifications made on or after July 1, 2009. The adoption of this standard did not have a significant effect on the consolidated financial statements.

(iii) Financial Instruments - Disclosures

In June 2009, the AcSB amended Section 3862, Financial Instruments – Disclosures, to converge with Improving Disclosures about Financial Instruments (Amendments to IFRS 7). The amendments expand the disclosures required in respect of recognized fair value measurements and clarify existing principles for disclosures about the liquidity risk associated with financial instruments, including the fair value hierarchy into which the fair value measurements are categorized in their entirety. Disclosure must be made for any significant transfers between the level of the fair value hierarchy and the reasons for those transfers. The Company adopted this amended standard on June 30, 2010 and the required disclosures are included in Note 12.

(iv) Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract applies to interim and annual financial periods ending on or after January 2009. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

(d) New Canadian Accounting Pronouncements

(i) Convergence with IFRS

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company plans to adopt IFRS for fiscal years beginning July 1, 2011.

(ii) Business Combinations and Related Sections

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581 to harmonize the business combinations standard under Canadian GAAP with IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests", which replace Section 1600 "Consolidated Financial Statements". Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination.

(Expressed in Canadian Dollars, unless otherwise stated)

These sections will be applied to the Company's financial statements for the fiscal year beginning July 1, 2011. The Company is currently assessing the impact of adoption of this new accounting standard on its consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

As at June 30, 2010 and June 30, 2009, cash and cash equivalents consisted of the following:

		June 30, 2010		June 30, 2009
Cash on hand	**$**	**14,172**	$	12,309
Cash in bank and investment accounts		**5,231,741**		746,608
Cash equivalents		**1,500,000**		-
	$	**6,745,913**	$	758,917

Cash equivalents of $1,500,000 consist of high interest savings accounts redeemable at any time and with variable interest rates calculated daily and paid monthly.

4. SHORT TERM INVESTMENTS

As at June 30, 2010, short term investments of $2,904,360 consisted of Guaranteed Investment Certificates ("GIC") yielding 0.65% per annum with a maturity date on June 6, 2011.

As at June 30, 2009, the short tem investments of $10,599,000 consisted of GICs yielding from 0.50% to 1.35% per annum with maturity dates through to June 4, 2010.

5. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses consist of the following:

		June 30, 2010		June 30, 2009
Accounts receivable	**$**	**10,080**	$	6,305
Interest receivable		**1,345**		9,288
Prepaid expenses and deposits		**97,929**		79,225
	$	**109,354**	$	94,818

6. LONG TERM INVESTMENTS

During the year ended June 30, 2010, the Company acquired common shares of certain public companies on the open market for a cost of $726,238. As at June 30, 2010, the fair value of the investment was $773,100, and a total of $46,862 unrealized gain was recorded to other comprehensive income on the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars, unless otherwise stated)

7. MINERAL PROPERTY INTERESTS

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

Expenditures	Eva Lake	Huaiji	Sichuan	Kang Dian	Total
Balance, June 30, 2008	$ -	$ 1,031,099	$ -	$ -	$ 1,031,099
Mineral property interest acquisition costs	-	-	3,731	-	3,731
Capitalized exploration and development costs					
Consulting	-	2,291	-	-	2,291
Drilling and assay	-	1,179,731	161,486	-	1,341,217
Geology	-	-	762	-	762
Geophysical and geochemical surveys	-	-	204,352	-	204,352
Site activities	-	144,276	7,527	-	151,803
Tunneling	-	831,581	(2,703)	-	828,878
Other	-	-	3,743	-	3,743
Balance, June 30, 2009	-	3,188,978	378,898	-	3,567,876
Capitalized exploration and development costs					
Drilling and assay	-	14,038	441	-	14,479
Geology	-	-	2,944	-	2,944
Geophysical and geochemical surveys	-	-	55,626	-	55,626
Site activities	9,209	61,171	1,345	-	71,725
Trenching	-	-	2,308	-	2,308
Tunneling	-	1,071,845	-	-	1,071,845
Recovery from mineral property explorations	-	(1,106,751)	-	-	(1,106,751)
Balance, June 30, 2010	**$ 9,209**	**$ 3,229,281**	**$ 441,562**	**$ -**	**$ 3,680,052**

(a) Huaiji Project

The Huaiji Project includes two exploration permits ("HNK" and "XSK"), covering 160 square kilometers in Guangdong, China.

Pursuant to the Declaration of Trust Agreement entered in December 2006 and subsequently terminated on March 20, 2009, the two exploration permits of the Huaiji Project were held in trust for the Company by Yunnan Jin Chang Jiang Mining Co. Ltd ("JCJM"), a wholly owned subsidiary of Lachlan Gold Ltd ("Lachlan"). Lachlan was an indirect wholly owned subsidiary of Silvercorp Metals Inc. ("SVM"), which is related to the Company through common directorship and officers.

In March 2009, the Company acquired 100% equity interest in Lachlan for cash consideration of $37,742 through a share purchase agreement with Fortune Mining Ltd., which was the parent company of Lachlan and a wholly owned subsidiary of SVM, and became the legal owner of the Huaiji Project.

During the year ended June 30, 2010, the Company incurred exploration expenditure of $1,147,054 (year ended June 30, 2009 - $2,157,879) on the Huaiji Project and recovered $1,106,751 (RMB¥7,454,545) (year ended June 30, 2009 - $nil), from the sales to a third party smelter of tunnelling by-product ore.

(b) Sichuan Project

During the year ended June 30, 2009, Huaxi obtained five exploration permits of copper-poly-metal and nickel-poly-metal (collectively called the "Sichuan Project"), covering 145 square kilometers, in Sichuan, China.

During the year ended June 30, 2010, the Company conducted geochemical surveys and trenching programs and incurred total exploration expenditures of $62,664 on the Sichuan Project.

During the year ended June 30, 2010, the Company entered into an agreement with a third party to dispose of one permit for $67,252 (CNY¥430,000); while proceeds of $67,252 (CNY¥430,000) were received, the permit is in the process of being transferred to the third party and the amount has been reported as a deposit received.

(c) Kang Dian Project

The Kang Dian Project was originally comprised of seven properties, covered by eight exploration permits and four permit applications, located in Sichuan Province, China.

During the year ended June 30, 2008, the Kang Dian Project was abandoned due to unfavorable exploration results. As a result, the Company wrote off the Kang Dian Project by recording an impairment of $6,132,880 for the year ended June 30, 2008.

During the year ended June 30, 2010, the Company incurred expenditures of $65,089 to maintain and wind up the Kang Dian Project. The expenditures were recorded as general exploration expense on the consolidated statement of loss.

During the year ended June 30, 2010, the Company continued to dispose of the exploration permits of the Kang Dian Project. During the year, the Company disposed of one such permit to a third party for $15,330 (CNY¥100,000), and a gain of $15,330 was recognized on the consolidated statement of loss. The Company also entered into an agreement with a third party to dispose of another permit for $281,520 (CNY¥1,800,000). As at June 30, 2010, a total deposit of $193,936 (CNY¥1,240,000) was received, while the permit is in the process of being transferred to the buyer.

(d) Eva Lake Project

During the year ended June 30, 2010, the Company staked 65 contiguous claims for the Eva Lake Project covering an area of 260 square kilometers. The Eva Lake Project is located west of Gladys Lake, approximately 35 kilometers northeast of Atlin, B.C. In June 2010, the Company made a site visit to obtain more core and rock samples for further evaluation of mineral potentials.

(Expressed in Canadian Dollars, unless otherwise stated)

8. PLANT AND EQUIPMENT

	June 30, 2010			June 30, 2009		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Machinery	**$ 126,793**	**$ 28,713**	**$ 98,080**	$ 119,624	$ 9,284	$ 110,340
Motor vehicle	**147,993**	**55,500**	**92,493**	169,786	40,222	129,564
Office equipment and funiture	**53,197**	**20,905**	**32,292**	52,056	13,510	38,546
Computer software	**35,673**	**15,429**	**20,244**	33,319	10,883	22,436
	$ 363,656	**$ 120,547**	**$ 243,109**	$ 374,785	$ 73,899	$ 300,886

During the year ended June 30, 2010, the Company disposed of equipment with net book value of $93,447 (year ended June 30, 2009 - $9,325) for proceeds of $87,796, resulting in a total loss of $5,651 (year ended June 30, 2009 - $9,198) recorded within the consolidated statements of loss.

9. SHAREHOLDERS' EQUITY

(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 Company has a stock option plan which allows for the maximum number of common shares to be reserved for issuance on the exercise of options granted under the stock option plan to be 6,000,000. Up to June 30, 2010, the Company has granted options to purchase 5,476,705 common shares and has 523,295 shares available for future grants. The continuity schedule of stock options, as at June, 2010, is as follows:

	Number of options	Weighted average exercise price
Balance, June 30, 2008	2,866,573	$ 1.10
Options granted	1,200,000	0.50
Options exercised	(186,000)	0.59
Options cancelled/forfeited	(93,858)	0.94
Options expired	(535,000)	0.60
Balance, June 30, 2009	3,251,715	0.99
Options granted	1,570,000	0.65
Options exercised	(82,000)	0.55
Options cancelled/forfeited	(18,000)	0.68
Options expired	(360,000)	0.55
Balance, June 30, 2010	**4,361,715**	**$ 0.92**

During the year ended June 30, 2010, a total of 1,570,000 options were granted to employees, officers, directors and consultants. These options have an exercise price of $0.65 per share and a term of five years, subject to a vesting schedule of 48 months with 12.5% of the options vesting every six months.

(Expressed in Canadian Dollars, unless otherwise stated)

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

	Years ended June 30,	
	2010	2009
Risk free interest rates	**2.22%**	3.53%
Expected lives of options	**3.2**	3.1
Expected volatilities	**122%**	147%
Dividend per share	**$Nil**	$Nil

The weighted average grant date fair value of options granted during the year ended June 30, 2010 was $0.47 (year ended June 30, 2009 - $0.34). For the year ended June 30, 2010, a total of $448,528 (2009 - $932,817) was recorded as stock-based compensation expense.

The following table summarizes information about stock options outstanding as at June 30, 2010:

Exercise prices	Number of options outstanding as at June 30, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at June 30, 2010	Weighted average exercise price
$ 0.56	380,000	0.69	$ 0.56	380,000	$ 0.56
0.88	24,143	1.16	0.88	24,143	0.88
1.25	287,000	1.42	1.25	287,000	1.25
1.55	450,000	2.05	1.55	385,712	1.55
1.55	79,572	2.59	1.55	56,428	1.55
1.85	200,000	2.74	1.85	142,857	1.85
3.05	200,000	2.87	3.05	114,286	3.05
0.50	1,171,000	3.55	0.50	702,600	0.50
0.65	1,570,000	4.95	0.65	-	-
	4,361,715	3.41	$ 0.92	2,093,026	$ 1.07

10. RELATED PARTY TRANSACTIONS

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

	Year ended June 30,	
Transactions with related parties	**2010**	2009
Silvercorp Metals Inc. (a)	**$ 229,362**	$ 202,755
R. Feng Consulting Ltd. (b)	**72,000**	72,000
0799952 BC Ltd.(c)	**126,341**	126,000
	$ 427,703	$ 400,755

(Expressed in Canadian Dollars, unless otherwise stated)

The transactions with related parties during the period were measured at the exchange amount, which is the amount of consideration established and agreed by the parties.

As at June 30, 2010, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Amount due to a related party		**June 30, 2010**		June 30, 2009
Silvercorp Metals Inc. (a)	**$**	**157,572**	$	30,288
R. Feng Consulting Ltd. (b)		**18,900**		-
	$	**176,472**	$	30,288

(a) Silvercorp Metals Inc. ("SVM") has a director and officers in common with the Company and shares office space and provides various general and administrative services to the Company. During the year ended June 30, 2010, the Company recorded total expenses of $229,362 (2009 - $202,755) for services rendered and expenses incurred by SVM on behalf of NUX.

(b) During the year ended June 30, 2010, the Company incurred $72,000 (2009 - $72,000) 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 year ended June 30, 2010, the Company paid $126,341 (2009 - $126,000) to 0799952 BC Ltd., a company controlled by a director of the Company, for consulting services.

11. 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:

		2010		2009
Reported loss for the year before taxes	**$**	**1,751,435**	$	925,846
Statutory rate		**29.25%**		30.25%
Computed tax recovery at statutory rate		**512,295**		280,068
Difference in foreign tax rates		**(12,561)**		4,391
Non-deductible items		**(172,571)**		(359,117)
Change in valuation allowance		**(654,599)**		74,658
Other		**327,436**		-
	$	**-**	$	-

(Expressed in Canadian Dollars, unless otherwise stated)

The approximate tax effect of each type of temporary difference that gives rise to the Company's future taxes are as follows:

		2010		2009
Non-capital loss carry forward	$	**1,189,870**	$	490,002
Excess tax value of assets over book value		**1,517,387**		1,549,971
Share issuance costs		**12,685**		25,369
		2,719,941		2,065,342
Valuation allowance		**(2,719,941)**		(2,065,342)
	$	**-**	$	-

The Company has Canadian non-capital losses of approximately $3.2 million expiring on various dates beginning May 31, 2011 if not applied against future Canadian income for Canadian tax purposes. The management of the Company believes that there is uncertainty that the benefit of the future income tax assets arising from the non-capital losses will be realized against future income for tax purposes. As a result, a valuation allowance was recorded against the future tax assets arising from the non-capital losses, as reflected above.

12. FINANCIAL INSTRUMENTS

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

(a) Fair value

Fair value is the amount of the consideration that would be agreed upon an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value hierarchy established by amended CICA Handbook Section 3862 – Financial Instruments – Disclosures establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities.

Level 3 – Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (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, 2010, those financial assets are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Total	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalents	$ 6,745,913	$ 6,745,913	$ -	$ -
Short term investments	2,904,360	2,904,360	-	-
Long term investments	773,100	773,100	-	-

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in raising funds to meet obligations associated with financial instruments. The Company manages liquidity by maintaining adequate cash and cash equivalents and short term investments. As of June 30, 2010, the Company has sufficient funds to meet its short-term financial liabilities.

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

	June 30, 2010	June 30, 2009
	Due within a year	Due within a year
Accounts payable and accured liabilities	**$ 357,286**	$ 418,972
Deposits received	**261,188**	-
Due to related parties	**176,472**	30,288
	794,946	449,260

(c) Exchange 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 conducts certain of its operations in China and thereby a portion of the Company's assets, liabilities, revenues and expenses are denominated in Chinese Yuan ("CNY"), which was tied to the U.S. Dollar until July 2005 and is now tied to a basket of currencies of China's largest trading partners. The Chinese Yuan is not a freely convertible currency.

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, 2010**		June 30, 2009
Canadian Dollar	**$**	**9,463,738**	$	10,922,538
United States Dollar		**562,157**		209,595
Chinese Yuan		**408,903**		301,024
Total financial assets	**$**	**10,434,798**	$	11,433,157
Canadian Dollar	**$**	**229,380**	$	103,792
Chinese Yuan		**565,566**		345,468
Total financial liabilities	**$**	**794,946**	$	449,260

As at June 30, 2010, with other variables unchanged, a 5% strengthening (weakening) of the Chinese Yuan against the Canadian dollar would have increased (decreased) net loss by approximately $7,000.

As at June 30, 2010, with other variables unchanged, a 5% strengthening (weakening) of the U.S. Dollar against the Canadian Dollar would have decreased (increased) net loss by approximately $28,000.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of June 30, 2010.

(e) Credit risk

The Company is exposed to credit risk primarily associated with cash and cash equivalents, short term investments, accounts receivable and interest receivable. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

None of the cash and cash equivalents were invested in asset backed commercial paper. 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.

(f) Equity price risk

The Company holds its long term investments in marketable securities that will fluctuate in value as a result of trading on Canadian financial markets. Furthermore, as the Company's marketable securities are also in mining companies, market values will fluctuate as commodity prices change. Based upon the Company's portfolio at June 30, 2010, a 5% increase (decrease) in the market price of the securities held, would have resulted in an increase (decrease) in other comprehensive income of approximately $39,000.

13. CAPITAL DISCLOSURE

The Company's objectives of capital management are to maintain the entity's ability to support the Company's normal operating requirements on an ongoing basis, and to continue the exploration and development of its mineral properties.

The capital of the Company consists of the items included in shareholders' 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 management of the Company believes that the capital resources of the Company as at June 30, 2010 are sufficient for its present needs for the foreseeable future and not limited to the next 12 months.

The Company's overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any external imposed capital requirement as at June 30, 2010.

14. SEGMENTED INFORMATION

(a) Industry Information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral property interests.

(Expressed in Canadian Dollars, unless otherwise stated)

(b) Geographic Information

(i) Summary of certain long-term assets of each geographic segment:

		China		Canada		Total
As at June 30, 2010						
Mineral property interests	**$**	**3,670,843**	**$**	**9,209**	**$**	**3,680,052**
Plant and equipment		**222,712**		**20,397**		**243,109**
As at June 30, 2009						
Mineral property interests	$	3,567,876	$	-	$	3,567,876
Plant and equipment		278,562		22,324		300,886

(ii) Summary of operating results of each geographic segment:

		China		Canada		Total
Year ended June 30, 2010						
Expenses	**$**	**(280,847)**	**$**	**(1,546,743)**	**$**	**(1,827,590)**
Other income and expenses		**15,418**		**60,737**		**76,155**
Year ended June 30, 2009						
Expenses	$	(318,543)	$	(1,383,476)	$	(1,702,019)
Other income and expenses		407,696		368,477		776,173

15. SUBSEQUENT EVENTS

(a) On July 21, 2010, the Company launched an offer to purchase all of the outstanding common shares, secured and unsecured debt of Tagish Lake Gold Corp.(the “Offer”). The Offer is open for acceptance until September 2, 2010.

(b) On July 30, 2010, the Company’s indirect wholly owned subsidiary, Lachlan Gold Ltd. signed a share transfer and co-operation agreement (the “Agreement”) with a Chinese gold investment company, PGC Group Co. Ltd. (“PGC”). Pursuant to the Agreement, the Company will transfer its 100% interest in JCJM to PGC for $30.5 million (CNY¥200 million) within 24 months. In August 2010, a deposit of $3.1 million (CNY¥ 20 million) was received.