New Pacific Metals Corp.
TSX: NUX

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2012

(Unaudited, expressed in Canadian Dollars)

Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements
For the three and nine months ended March 31, 2012

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the "Company") for the three and nine months ended March 31, 2012 (the "Financial Statements") have been prepared by management and have not been reviewed by the Company's independent auditors. The Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2011 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards.

New Pacific Metals Corp.
Condensed Consolidated Interim Balance Sheets
(Unaudited - expressed in Canadian dollars)

	Notes		**March 31, 2012**		June 30, 2011		July 1, 2010
ASSETS					(Note 14)		(Note 14)
Current Assets							
Cash and cash equivalents		**$**	**21,738,175**	$	20,625,672	$	6,333,154
Short term investments			**9,080,500**		17,023,000		2,904,360
Accounts receivable	5		**368,331**		1,444,810		85,623
Inventories			**-**		41,412		-
Assets held for sale	4		**-**		-		436,490
			31,187,006		39,134,894		9,759,627
Non-current Assets							
Reclamation deposits			**15,075**		30,075		-
Long term investments			**-**		-		773,100
Plant and equipment	7		**2,094,002**		1,746,687		20,397
Mineral property interests	6		**36,754,994**		30,765,038		9,209
Assets held for sale	4		**-**		-		3,722,334
TOTAL ASSETS		**$**	**70,051,077**	$	71,676,694	$	14,284,667
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable and accrued liabilities	8	**$**	**776,642**	$	1,877,487	$	131,108
Due to related parties	10		**120,105**		24,539		98,272
Liabilities held for sale	4		**-**		-		565,566
Total Liabilities			**896,747**		1,902,026		794,946
Equity							
Share capital			**56,417,613**		56,377,380		16,708,543
Contributed surplus			**16,644,462**		16,230,915		13,028,500
Accumulated other comprehensive income			**-**		-		46,862
Deficit			**(3,907,745)**		(2,833,627)		(16,294,184)
Total Equity			**69,154,330**		69,774,668		13,489,721
TOTAL LIABILITIES AND EQUITY		**$**	**70,051,077**	$	71,676,694	$	14,284,667

APPROVED BY THE DIRECTORS

(Signed) David Kong
Director

(Signed) Rui Feng
Director

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statement of Income (Loss)

(Unaudited - expressed in Canadian dollars, except for share and per share figures)

	Notes	Three months ended March 31, 2012	Three months ended March 31, 2011	Nine months ended March 31, 2012	Nine months ended March 31, 2011
Expenses					
Audit and accounting		**$ 1,855**	$ 29,418	**$ 82,808**	$ 156,288
Consulting		**24,500**	60,250	**60,500**	159,250
Depreciation		**13,260**	6,765	**28,639**	12,947
Filing and listing		**9,387**	4,466	**44,476**	79,624
Foreign exchange (gain) loss		**371,881**	224,363	**(733,774)**	234,753
General explorations		**-**	-	**-**	1,560
Investor relations		**62,004**	30,967	**387,172**	326,425
Legal and professional fees		**46,425**	13,922	**67,968**	1,055,694
Salaries and benefits		**175,265**	301,064	**423,851**	637,458
Office and administration		**66,953**	21,803	**259,565**	65,233
Rent		**54,386**	24,991	**158,324**	65,350
Stock-based compensation		**91,939**	163,256	**305,721**	672,617
Travel and promotion		**38,319**	8,592	**93,446**	14,859
Loss before other income and expenses		**956,174**	889,857	**1,178,696**	3,482,058
Other income and expenses					
Loss on disposal of plant and equipment		**-**	-	**(1,061)**	-
Gain on disposal of marketable securities		**-**	-	**-**	62,117
Finance expense		**(834)**	(980)	**(4,774)**	(90,784)
Finance income		**34,838**	88,783	**110,413**	112,048
Gain on revaluation of previously owned shares upon acquisition		**-**	-	**-**	1,120,529
		34,004	87,803	**104,578**	1,203,910
Loss from continuing operations		**(922,170)**	(802,054)	**(1,074,118)**	(2,278,148)
Income (loss) from discontinued operations	4	**-**	16,239,619	**-**	15,899,054
Net income (loss) for the period		**$ (922,170)**	$ 15,437,565	**$ (1,074,118)**	$ 13,620,906
Attributable to:					
Equity shareholders of the Company		**$ (922,170)**	$ 15,441,323	**$ (1,074,118)**	$ 13,663,803
Non-controlling interest		**-**	(3,758)	**-**	(42,897)
		$ (922,170)	$ 15,437,565	**$ (1,074,118)**	$ 13,620,906
Basic and diluted loss per share - continuing operations		**$ (0.014)**	$ (0.012)	**$ (0.016)**	$ (0.047)
Basic earnings per share - discontinued operations		**$ -**	$ 0.247	**$ -**	$ 0.327
Diluted earnings per share - discontinued operations		**$ -**	$ 0.240	**$ -**	$ 0.317
Basic earnings (loss) per share - total		**$ (0.014)**	$ 0.235	**$ (0.016)**	$ 0.280
Diluted earnings (loss) per share - total		**$ (0.014)**	$ 0.228	**$ (0.016)**	$ 0.270
Weighted average number of shares - basic		**67,347,912**	65,663,053	**67,337,539**	48,626,053
Weighted average number of shares - diluted		**68,080,788**	67,605,945	**68,213,141**	50,102,414

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statement of Comprehensive Income (Loss)

(Unaudited - expressed in Canadian dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	**2012**	2011
Net income (loss)	**$ (922,170)**	$ 15,437,565	**$ (1,074,118)**	$ 13,620,906
Other comprehensive income (loss)				
Reversal of unrealized gain upon disposal of marketable securities	**-**	-	**-**	(46,862)
Currency translation adjustment	**-**	111,592	**-**	(10,535)
Other comprehensive income (loss)	**-**	111,592	**-**	(57,397)
Comprehensive income (loss)	**$ (922,170)**	$ 15,549,157	**$ (1,074,118)**	$ 13,563,509
Attributable to:				
Equity holders of the Company	**$ (922,170)**	15,553,553	**$ (1,074,118)**	13,609,040
Non-controlling interest	**-**	(4,396)	**-**	(45,531)
	$ (922,170)	$ 15,549,157	**$ (1,074,118)**	$ 13,563,509

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - expressed in Canadian dollars)

	Notes	Three months ended March 31, 2012	Three months ended March 31, 2011	Nine months ended March 31, 2012	Nine months ended March 31, 2011
Cash provided by (used in)					
Operating activities					
Net income (loss) for the period		**$ (922,170)**	$ 15,437,565	**$ (1,074,118)**	$ 13,620,906
Add (deduct) items not affecting cash :					
Depreciation		**13,260**	6,765	**28,639**	12,947
Gain on disposal of marketable securities		**-**	-	**-**	(62,117)
Gain on revaluation of previously owned shares upon acquisition		**-**	-	**-**	(1,120,529)
Loss on disposal of plant and equipment		**-**	-	**1,061**	-
Stock-based compensation		**91,939**	163,256	**305,721**	672,617
Net (income) loss from discontinued operations		**-**	(16,239,619)	**-**	(15,899,054)
Cash used in operating activities of discontinued operations		**-**	(207,562)	**-**	(535,349)
		(816,971)	(839,595)	**(738,697)**	(3,310,579)
Change in non-cash working capital					
Accounts receivable		**136,719**	(83,478)	**1,091,479**	7,711
Accounts payable and accrued liabilities		**(279,626)**	1,819,243	**(1,100,844)**	(5,477,046)
Inventory		**-**	(43,813)	**41,412**	(43,813)
Cash provided by (used in) operating activities		**(959,878)**	852,357	**(706,650)**	(8,823,727)
Investing activities					
Reclamation deposit paid		**-**	-	**-**	(15,000)
Mineral property interests					
Expenditures on mineral property interests		**(374,333)**	(436,321)	**(5,680,219)**	(616,078)
Plant and equipment					
Acquisition of plant and equipment		**(30,179)**	(324,425)	**(563,352)**	(347,173)
Acquisition of net assets of TLG (net of cash acquired)	3	**-**	(130,124)	**-**	(1,755,947)
Net redemption (purchase) of short term investments		**-**	(23,000)	**7,942,500**	(17,118,640)
Proceeds from disposal of marketable securities		**-**	-	**-**	192,883
Cash disposed as a result of disposition of a subsidiary	4	**-**	(276,156)	**-**	(304,127)
Cash provided by investing activities of discontinued operations		**-**	19,487,073	**-**	19,518,758
Cash provided by (used in) investing activities		**(404,512)**	18,297,047	**1,698,929**	(445,324)
Financing activities					
Amount due to related parties		**160,027**	87,899	**95,566**	45,354
Shares issued for cash		**5,000**	1,445,128	**24,658**	24,681,985
Cash used in financing activities of discontinued operations		**-**	381,176	**-**	304,426
Cash provided by (used in) financing activities		**165,027**	1,914,203	**120,224**	25,031,765
Effect of exchange rate changes on cash and cash equivalents		**-**	(3,031)	**-**	(14,966)
Increase (decrease) in cash and cash equivalents		**(1,199,363)**	21,060,576	**1,112,503**	15,747,748
Cash and cash equivalents, beginning of period		**22,937,538**	1,433,085	**20,625,672**	6,745,913
Cash and cash equivalents, end of period		**$ 21,738,175**	$ 22,493,661	**$ 21,738,175**	$ 22,493,661
Supplemental information:					
Interest and taxes paid		**$ -**	$ 1,562,704	**$ -**	$ 1,647,989
Non-cash investing activities:					
Shares issued for acquisition of TLG	3	**$ -**	$ -	**$ -**	$ 17,174,434

See accompanying notes to the condensed consolidated interim financial statements

New Pacific Metals Corp.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - expressed in Canadian dollars, except for share figures)

	Note	Share Capital: Number of shares issued	Share Capital: Share capital issued	Contributed surplus reserve	Accumulated other comprehensive income (loss)	Deficit	Non-controlling interest	Total equity
Balance, June 30, 2010		31,907,988	$ 16,708,543	$ 13,028,500	$ 46,862	$ (16,294,184)	$ -	$ 13,489,721
Options exercised		1,793,093	2,878,619	(1,391,488)	-	-	-	1,487,131
Shares issued for acquisition of TLG	3	15,613,122	17,174,434	99,689	-	-	-	17,274,123
Shares and warrants issued on financing		18,000,000	20,720,930	3,579,070	-	-	-	24,300,000
Share issuance costs		-	(1,105,146)	-	-	-	-	(1,105,146)
Stock-based compensation		-	-	703,249	-	-	-	703,249
Unrealized loss on available for sale securities		-	-	-	(46,862)	-	-	(46,862)
Income (loss) for the period		-	-	-	-	13,663,803	(42,897)	13,620,906
Currency translation adjustment		-	-	-	(7,901)	-	(2,634)	(10,535)
Balance, March 31, 2011		67,314,203	56,377,380	16,019,020	(7,901)	(2,630,381)	(45,531)	69,712,587
Stock-based compensation		-	-	211,895	-	-	-	211,895
Income (loss) for the period		-	-	-	-	(203,246)	42,897	(160,349)
Currency translation adjustment		-	-	-	7,901	-	2,634	10,535
Balance, June 30, 2011		67,314,203	56,377,380	16,230,915	-	(2,833,627)	-	69,774,668
Options exercised		42,500	38,450	(15,575)	-	-	-	22,875
Share issuance costs		-	1,783	-	-	-	-	1,783
Stock-based compensation		-	-	429,122	-	-	-	429,122
Income (loss) for the period		-	-	-	-	(1,074,118)	-	(1,074,118)
Balance, March 31, 2012		**67,356,703**	**$ 56,417,613**	**$ 16,644,462**	**$ -**	**$ (3,907,745)**	**$ -**	**$ 69,154,330**

1. CORPORATE INFORMATION

New Pacific Metals Corp. along with its subsidiaries (collectively the "Company" or "NUX"), is a Canadian-based near-term gold and silver production company, engaged in the exploration and development of mineral properties in Yukon, Canada.

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

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

These condensed consolidated interim financial statements have been prepared on a going concern basis. The Company has a history of losses and no operating revenues from its operations. As at March 31, 2012, the Company had a working capital position of $30,290,259 and sufficient cash resources to meet the Company's planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months. These financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine months ended March 31, 2012 were authorized for issue in accordance with a resolution of the Board of Directors dated on May 10, 2012. Operating results for the three and nine months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ended June 30, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

International Financial Reporting Standards ("IFRS") require companies that adopt IFRS to make an explicit and unreserved statement in their first annual IFRS financial statements of compliance with IFRS. The Company will make this statement when it issues its financial statements for the year ending June 30, 2012.

Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance to Canadian generally accepted accounting principles ("Canadian GAAP"). These unaudited condensed consolidated interim financial statements represent the Company's presentation of its results and financial position under IFRS and as such were prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First-time Adoption of IFRS ("IFRS 1"). The disclosures of the elected transition exemptions, reconciliation and explanation of accounting policy compared to Canadian GAAP have been provided in Note 14 to these financial statements. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as at the date the Board of Directors approved the financial statements for issue. Any subsequent changes to IFRS could result in a restatement of these financial statements, including the transition adjustment recognized on conversion to IFRS.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2011, which were prepared in accordance with Canadian GAAP, and in consideration of the IFRS disclosures included in Note 14.

(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, and Pacific Goldcorp Limited.

Subsidiaries are fully consolidated from the date on which the Company obtains control. Control is achieved when the Company has the power to govern the financial and operation policies of the entity. Control is normally achieved through ownership, directly or indirectly, of more than 50% of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors or through the exercise of de facto 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 and transactions between the Company and its subsidiaries are eliminated on consolidation.

(c) Business Combinations

The acquisition method of accounting is used to account for the acquisition of a business. The cost of acquisition is measured as the aggregate fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Acquisition costs incurred are expensed and included the consolidated statements of income.

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 re-measured to fair value at the acquisition date through profit or loss.

(d) Discontinued Operations and Assets and Liabilities Held for Sale

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes, and is expected to be recovered primarily through sale rather than continuous use. The assets and liabilities are presented as held for sale when the relevant criteria are met. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Plant and equipment once classified as held for sale are not depreciated or amortized. Results of operations and any gain or loss from disposal are excluded from income of operations and are reported separately as income from discontinued operations.

(e) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates. 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 Canadian dollars (“CAD”). The financial position and results of the Company’s entities that have a functional currency different from Canadian dollars are translated 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 investments. When a foreign entity is disposed and exchange differences arise, such differences are recognized through profit and loss.

(f) 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.

(g) 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.

(h) Inventories

Inventories include materials and supplies which are valued at the lower of cost, determined on a weighted average cost basis, and net realizable value.

(i) 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 declining balance method at the following rates based on the nature and useful lives of the asset.

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

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.

(j) 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 properties prior to demonstrable technical feasibility and commercial viability of extracting a mineral resource, are capitalized. Upon determination that a mineral property can be economically developed, which occurs at the earlier of: completion of positive economic analysis of the mineral deposit by establishing proven and probable reserves; or obtaining a mining permit, the subsequent development costs incurred such as to further delineate the ore body and costs incurred during production to increase output by providing access to additional sources of mineral resources, are also capitalized.

(k) 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"), which is the lowest level for which identifiable cash flows 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 flows 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.

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.

(l) Share-based Payments

The Company recognizes stock-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 consultants 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. Stock-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 contributed surplus are recorded as share capital.

(m) 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 mining 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 March 31, 2012 and March 31, 2011.

(n) 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.

(o) Earnings (loss) per Share

Earnings (loss) per share is computed by dividing net income (loss) available to common shareholders 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.

(p) 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 and 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.

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.

The Company classifies its financial instruments as follows:

- Financial assets classified as at FVTPL: short term investments.
- Financial assets classified as available-for-sale: long term investments in marketable securities that have quoted market prices in active markets.
- Loans and receivables: accounts receivables.
- Financial liabilities: accounts payable and accrued liabilities, amount due to related parties.

(q) Significant Judgments and Estimation Uncertainties

Many amounts included in the consolidated balance sheet 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 respect to exploration, evaluation and development costs to be included in mineral property interests.

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 future economic benefit of exploration and evaluation costs.
- 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, and discount rates.
- The estimated useful lives and residual values of tangible and long-lived assets and the measurement of depreciation expense.
- Recognition of a provision for environmental rehabilitation including the estimation of rehabilitation costs and environmental and regulatory requirements.
- The fair value of acquired assets and liabilities.
- Valuation input and forfeiture rates used in calculation of stock-based compensation.
- Evaluation and assessment of contingent liabilities.
- Valuation allowance for deferred income tax assets.

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.

(r) Accounting Standards issued but not yet effective

Accounting standards effective January 1, 2012:

IFRS 7 – *Financial Instruments: Disclosures* amendment issued by the IASB in October 2010 improves the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

IAS 12 – *Income Taxes* amendment issued by the IASB in December 2010 provides a solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

Accounting standards effective January 1, 2013:

IAS 1 – *Presentation of Financial Statements* amendment issued by the IASB in June 2011 provides improved consistency and clarity of the presentation of items of other comprehensive income. The main change was a requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. This amendment is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on the consolidated financial statements.

IFRS 10 – *Consolidated Financial Statements* supersedes SIC 12 – *Consolidation – Special Purpose Entities* and the requirements relating to consolidated financial statements in IAS 27 – *Consolidated and Separate Financial Statements*. IFRS 10 establishes the principle and application of control as the basis for an investor to identify whether an investor controls an investee and thereby requiring consolidation. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 – *Disclosure of Interests in Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Company does not anticipate the application of IFRS 10 and IFRS 12 to have a significant impact on the consolidated financial statements.

IFRS 11 – *Joint Arrangements* establishes the principle a joint arrangement are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangement, rather than its legal form. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IAS 28 – *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method for investments in associates and joint ventures. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Company does not anticipate the application of IFRS 11 and IAS 28 to have a significant impact on the consolidated financial statements.

IFRS 13 – *Fair Value Measurement* defines fair value and sets out a single framework for measuring fair value which is application to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires valuation technique used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company does not anticipate the application of this standard to have a significant impact on the consolidated financial statements.

Accounting standards effective January 1, 2015:

IFRS 9 – *Financial Instruments* is intended to replace IAS 39 – *Financial Instruments: Recognition and Measurement* in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principle-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTP, financial guarantees and certain other exceptions. In response to the delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013 to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company is currently evaluating the impact the final standard is expected to have on the consolidated financial statements.

3. BUSINESS COMBINATION

During fiscal year 2011, the Company acquired all the outstanding common shares of TLG, a Canadian publicly traded company involved in the exploration and development of gold-silver mineral deposits in the Yukon Territory. The acquisition was made on the basis of the following offers (the "Offer") to the TLG shareholders for each TLG share they held:

- $0.10 in cash;
- 0.137 of a common share of NUX; or
- A combination of 50% in cash and 50% in NUX shares.

The acquisition was completed in three significant steps. On September 15, 2010, the Company completed the acquisition of 53.2% of outstanding TLG shares and extended the Offer to September 27, 2010 at which time the Company had taken up a total of 79.8% of outstanding shares of TLG. Through a court-approved plan of arrangement, on December 20, 2010 the Company acquired the remaining shares of TLG and achieved 100% ownership. The acquisition of TLG has been accounted for as a business combination.

The purchase price of the transactions totaled $20,466,409 comprised of approximately 15,613,122 NUX common shares, 82,200 replacement options, $1,476,286 cash, 14.3 million common shares of TLG held by NUX prior to the Offer and considered disposed of into the transactions at fair value of $1,716,000 as at acquisition date.

(Unaudited - expressed in Canadian dollars)

NUX shares issued as consideration had a value of $17,174,434 or $1.10 per share, which was determined with reference to the closing share price of the Company's common shares as at the acquisition date.

NUX exchanged and replaced part of TLG outstanding options at an exchange ratio of 0.137 and at an exercise price equivalent to the original exercise price divided by 0.137. These replacement options of 82,200 were granted at an exercise price of $1.26 vested immediately and will expire in December 2015. The grant date fair value of those options was $1.21 per option, totaling $99,689 valued with the Black-Scholes option pricing model at the following assumptions:

Risk free interest rate	**2.38%**
Expected volatility	**115%**
Expected life	**3 years**
Dividend yield	**0%**

The acquisition of TLG has been accounted for using the acquisition method. The allocation of the purchase price to the assets acquired and liabilities assumed is based upon estimated fair value at the time of acquisition. Acquisition related costs were expensed in the period.

Purchase Price		
Fair value of NUX shares issued	$	17,174,434
Fair value of NUX replacement options granted		99,689
Fair value of TLG shares owned prior to the businesss combination		1,716,000
Cash paid to acquire TLG shares per take-over bid		1,476,286
	$	20,466,409

Fair Value of Assets Acquired and Liabilities Assumed		
Cash	$	204,549
Other current assets		258,203
Reclamation deposits		15,000
Plant and equipment		149,513
Mineral property interests		28,153,670
Accounts payable and accrued liabilities		(8,314,526)
	$	20,466,409

4. DISPOSITION AND DISCONTINUED OPERATIONS

In March 2011, the Company completed the disposal of a subsidiary, Yunnan Jin Chang Mining Co. Ltd. ("JCJM") for $22.5 million (CNY¥130.5 million). JCJM's main assets were the XSK and HNK gold-polymetallic projects located in Guangdong, China.

(Unaudited - expressed in Canadian dollars)

In June 2011, the Company completed the disposal of a subsidiary, Sichuan Huaxi Mining Co. Ltd. ("HXM") for $0.8 million (CNY¥5 million). HXM's main assets were the Sichuan Project and Kang Dian Project, located in Sichuan, China.

The assets and liabilities of JCJM and HXM have been presented as held for sale and their results of operations have been presented as discontinued operations as follows:

Assets and liabilities held for sale

	March 31, 2012	June 30, 2011	July 1, 2010
Cash and cash equivalents	**$ -**	$ -	$ 412,759
Accounts receivable	**-**	-	23,731
Assets held for sale - current	**-**	-	436,490
Reclamation deposit	**-**	-	46,920
Mineral property interests	**-**	-	3,471,667
Plant and equipment	**-**	-	203,747
Assets held for sale - long term	**-**	-	3,722,334
Total assets held for sale	$ **-**	$ -	$ 4,158,824
Accounts payable and accrued liabilities	**-**	-	226,178
Deposit received	**-**	-	261,188
Due to related parties	**-**	-	78,200
Liabilitites held for sale	**-**	-	565,566
Net assets held for sale	**$ -**	**$ -**	**$ 3,593,258**

Income from discontinued operations

	Three months ended March 31,	
	2012	2011
Operating expenses	**$ -**	$ (89,884)
Other income and expenses	**-**	16,329,503
Income from discontinued operations	**$ -**	16,239,619

	Nine months ended March 31,	
	2012	2011
Operating expenses	**$ -**	$ (404,003)
Other income and expenses	**-**	16,303,057
Income from discontinued operations	**$ -**	$ 15,899,054

(Unaudited - expressed in Canadian dollars)

Cash flow from discontinued operations

	Three months ended March 31,	
	2012	2011
Cash used in operating activities	**$ -**	$ (207,562)
Cash provided by investing activities	**-**	19,487,073
Cash provided by financing activities	**-**	381,176
Effect of exchange rate on cash and cash equivalents	**-**	(3,031)
Cash provided by discontinued operations	**$ -**	$ 19,657,656

	Nine months ended March 31,	
	2012	2011
Cash used in operating activities	**$ -**	$ (535,349)
Cash provided by investing activities	**-**	19,518,758
Cash provided by financing activities	**-**	304,426
Effect of exchange rate on cash and cash equivalents	**-**	(14,966)
Cash provided by discontinued operations	**$ -**	$ 19,272,869

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	March 31, 2012	June 30, 2011	July 1, 2010
Amount receivable	**$ -**	$ 746,000	$ -
GST/HST receivable	**263,461**	250,418	10,080
Interest receivable	**29,293**	159,287	1,345
Deposit and prepaid expenses	**75,577**	289,105	74,198
	$ 368,331	$ 1,444,810	$ 85,623

(Unaudited - expressed in Canadian dollars)

6. MINERAL PROPERTY INTERESTS

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

Cost	Tagish Lake	Eva Lake	Total
Balance, July 1, 2010	$ -	$ 9,209	$ 9,209
Acquisition of mineral property interest(Note 3)	28,153,670	-	28,153,670
Capitalized exploration expenditures			
First nation consultation	10,000	-	10,000
Reporting and assessment	399,387	-	399,387
Staking and mapping	192,406	-	192,406
Drilling and assaying	73,972	1,474	75,446
Geophysical and geochemical surveys	-	85,795	85,795
Camp services	887,030	2,241	889,271
Site preparation	588,371	-	588,371
Permitting	77,824	-	77,824
Environmental study	84,402	-	84,402
Other	297,976	-	297,976
Impairment	-	(98,719)	(98,719)
Balance, June 30, 2011	30,765,038	-	30,765,038
Capitalized exploration expenditures			
Reporting and assessment	469,837	-	469,837
Drilling and assaying	2,371,522	-	2,371,522
Staking and mapping	91	-	91
Camp services	972,081	-	972,081
Site preparation	871,514	-	871,514
Permitting	237,632	-	237,632
Environmental study	122,517	-	122,517
Care and maintenance	519,508	-	519,508
Other	425,254	-	425,254
Balance, March 31, 2012	**$ 36,754,994**	**$ -**	**$ 36,754,994**

(a) Tagish Lake Gold Project

The Tagish Lake Gold Project, covering an area of 254 square kilometers, is located in Yukon Territory, Canada, and consists of 1,512 mining claims with three identified gold and gold-silver mineral deposits: Skukum Creek, Goddell Gully and Mount Skukum.

(b) Eva Lake Project

With the acquisition of TLG, the Company shifted its focus on the Tagish Lake Gold Property, and allowed the claims on the Eva Lake Project to expire in May 2011. As a result, previously capitalized expenditures relating to the Eva Lake Project of $98,719 were recorded as an impairment loss for the year ended June 30, 2011.

(Unaudited - expressed in Canadian dollars)

7. PLANT AND EQUIPMENT

Cost	Building	Machinery	Motor vehicle	Office equipment and furniture	Computer software	Construction in progress	Total
Balance as at July 1, 2010	$ -	$ -	$ -	$ 3,725	$ 32,112	$ -	$ 35,837
Additions upon acquisition of TLG	99,608	39,550	10,355	-	-	-	149,513
Additions	404,032	683,607	95,687	67,884	106,689	279,373	1,637,272
Balance as at June 30, 2011	503,640	723,157	106,042	71,609	138,801	279,373	1,822,622
Additions	3,000	394,927	26,895	22,572	9,590	104,741	561,725
Reclassification from construction in progress	384,114	-	-	-	-	(384,114)	-
Balance as at March 31, 2012	**$ 890,754**	**$ 1,118,084**	**$ 132,937**	**$ 94,181**	**$ 148,391**	**$ -**	**$ 2,384,347**
Accumulated depreciation and amortization							
Balance as at July 1, 2010	$ -	$ -	$ -	$ (1,177)	$ (14,263)	$ -	$ (15,440)
Depreciation and amortization	(5,513)	(32,050)	(4,753)	(4,755)	(13,424)	-	(60,495)
Balance as at June 30, 2011	(5,513)	(32,050)	(4,753)	(5,932)	(27,687)	-	(75,935)
Depreciation and amortization	(30,550)	(134,499)	(16,489)	(13,808)	(19,064)	-	(214,410)
Balance as at March 31, 2012	**$ (36,063)**	**$ (166,549)**	**$ (21,242)**	**$ (19,740)**	**$ (46,751)**	**$ -**	**$ (290,345)**
Carrying amount							
Balance as at July 1, 2010	$ -	$ -	$ -	$ 2,548	$ 17,849	$ -	$ 20,397
Balance as at June 30, 2011	$ 498,127	$ 691,107	$ 101,289	$ 65,677	$ 111,114	$ 279,373	$ 1,746,687
Balance as at March 31, 2012	**$ 854,691**	**$ 951,535**	**$ 111,695**	**$ 74,441**	**$ 101,640**	**$ -**	**$ 2,094,002**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at March 31, 2012, accounts payable and accrued liabilites comprised of:

	March 31, 2012	June 30, 2011	July 1, 2010
Accounts payable	**$ 47,706**	$ 892,303	$ 33,896
Acquisition cost payable	**481,624**	481,624	-
Accrued liabilities	**247,312**	503,560	97,212
	$ 776,642	$ 1,877,487	$ 131,108

9. SHARE CAPITAL

(a) Share Capital - authorized share capital

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

(Unaudited - expressed in Canadian dollars)

(b) Stock Options

The continuity schedule of stock options, as at March 31, 2012, is as follows:

	Number of options		Weighted average exercise price
Balance, July 1, 2010	4,361,715	$	0.92
Options granted	2,137,200		1.57
Options exercised	(1,793,093)		0.83
Options cancelled	(200,000)		3.05
Options forfeited	(580,072)		1.47
Options expired	(200,000)		1.85
Balance, June 30, 2011	3,725,750		1.08
Options granted	140,000		1.33
Options exercised	(42,500)		0.54
Options forfeited	(627,500)		1.64
Options expired	(23,000)		1.25
Balance, March 31, 2012	**3,172,750**	**$**	**0.99**

During the nine months ended March 31, 2012, a total of 140,000 options were granted to an officer at exercise price of $1.33 for a term of five years subject to a vesting period of 48 months with 12.5% of the options vesting every six months.

The fair value of the options granted during the nine months ended March 31, 2012 was estimated using the Black-Scholes options pricing model with the following assumptions:

	Nine months ended March 31,	
	2012	2011
Risk free interest rate	**1.41%**	1.99%
Expected volatility	**109%**	112%
Expected life of options in years	**4.2**	3.3
Expected dividend yield	**0%**	0%
Estimated forfeiture rate	**9%**	7%

The weighted average grant date fair value for the options granted during the period was $0.99.

For the three and nine months ended March 31, 2012, a total of $91,939 and $305,721, respectively (three and nine months ended March 31, 2011 - $163,256 and $672,617, respectively) were recorded as stock-based compensation expense. For the three and nine months ended March 31, 2012, a total of $7,593 and $123,401 (three and nine months ended March 31, 2011 - $30,632 and $30,632, respectively) were capitalized to mineral property interests.

(Unaudited - expressed in Canadian dollars)

The following table summarizes information about stock options outstanding as at March 31, 2012:

Exercise prices	Number of options outstanding as at March 31, 2012	Weighted average remaining contractual life (years)		Weighted average exercise price	Number of options exercisable as at March 31, 2012		Weighted average exercise price
1.55	214,000	0.29		1.55	214,000		1.55
1.55	40,000	0.84		1.55	40,000		1.55
0.50	515,000	1.80		0.50	515,000		0.50
0.65	1,330,000	3.20		0.65	665,000		0.65
1.44	250,000	3.59		1.44	62,500		1.44
1.60	360,000	3.66		1.60	90,000		1.60
1.65	168,750	3.72		1.65	41,250		1.65
2.04	10,000	3.74		2.04	2,500		2.04
1.42	145,000	4.21		1.42	18,125		1.42
1.33	140,000	4.46		1.33	35,000		1.33
$0.5 - $2.04	3,172,750	2.96	$	0.99	1,683,375	$	0.87

10. RELATED PARTY TRANSACTIONS

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

		Three months ended March 31,				Nine months ended March 31,		
Transactions with related parties		**2012**		2011		**2012**		2011
Silvercorp Metals Inc. (a)	**$**	**124,881**	$	92,266	**$**	**433,126**	$	352,482
R. Feng Consulting Ltd. (b)		**18,000**		18,000		**54,000**		54,000
0799952 BC Ltd. (c)		-		31,500		-		94,500
	$	**142,881**	$	141,766	**$**	**487,126**	$	500,982

As at March 31, 2012, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to (from) related parties		**March 31, 2012**		June 30, 2011		July 1, 2010
Silvercorp Metals Inc. (a)	**$**	**99,945**	$	24,539	$	79,372
R. Feng Consulting Ltd. (b)		**20,160**		-		18,900
	$	**120,105**	$	24,539	$	98,272

(a) Silvercorp Metals Inc. ("SVM") has two common directors and officers with the Company and shares office space and provides various general and administrative services to the Company. During the three and nine months ended March 31, 2012, the Company recorded total expenses of $124,881 and $433,126 respectively (three and nine months ended March 31, 2011 - $92,266 and $352,482 respectively) for services rendered and expenses incurred by SVM on behalf of NUX.

(b) During the three and nine months ended March 31, 2012, the Company incurred $18,000 and $54,000 respectively (three and nine months ended March 31, 2011 - $18,000 and $54,000 respectively) in consulting fees for consulting services rendered by R. Feng Consulting Ltd., a company controlled by a director and an officer of the Company.

(Unaudited - expressed in Canadian dollars)

(c) During the three and nine months ended March 31, 2012, the Company paid nil and nil (three and nine months ended March 31, 2011 - $31,500 and $94,500, respectively) in consulting fees to 0799952 BC Ltd., a company controlled by a former director and officer of the Company.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three and nine months ended March 31, 2012 and 2011 are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	**2012**	2011
Directors' fee	**$ 7,500**	$ 7,500	**$ 22,500**	$ 22,500
Salaries/consulting fees for key management personnel	**150,788**	361,228	**466,621**	476,728
Stock-based compensation	**-**	473,162	**138,103**	1,467,279
	$ 158,288	$ 841,890	**$ 627,224**	$ 1,966,507

Salaries/consulting fees for key management personnel include consulting fees disclosed in note 10 (b) and (c). Stock-based compensation expenses were measured at grant date fair value.

11. FINANCIAL INSTRUMENTS

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

(a) Fair Value

The 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 March 31, 2012, 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	$ 21,738,175	$ -	$ -	$ 21,738,175
Short term investments	9,080,500	-	-	9,080,500

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. The Company has in place planning and budgeting processes to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. As of March 31, 2012, 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:

		March 31, 2012		June 30, 2011		July 1, 2010
				Due within a year		
Trade and other payables	**$**	**776,642**	$	1,877,487	$	131,108
Due to related parties		**120,105**		24,539		98,272
Liabilities held for sale		**-**		-		565,566
	$	**896,747**	$	1,902,026	$	794,946

(c) Exchange Rate 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		**March 31, 2012**		June 30, 2011		July 1, 2010
United States dollar	**$**	**20,793,403**	$	19,268,762	$	562,157
Chinese yuan		-		746,000		408,903
Total financial assets	**$**	**20,793,403**	$	20,014,762	$	971,060
Chinese yuan		-		-		565,566
Total financial liabilities	**$**	-	$	-	$	565,566

As at March 31, 2012, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately $200,000.

As at March 31, 2012 with other variables unchanged, a 1% strengthening (weakening) of the Chinese Yuan ("CNY") against the CAD would have no impact on the Company.

(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 March 31, 2012.

(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, accounts receivable. 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.

12. CAPITAL MANAGEMENT

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

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

The Company's overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirement as at March 31, 2012.

(Unaudited - expressed in Canadian dollars)

13. 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 Company's geographical segments are determined by the location of its assets and operations.

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

	March 31, 2012		
	China	**Canada**	**Total**
Mineral property interests	**$ -**	**$ 36,754,994**	**$ 36,754,994**
Plant and equipment	**-**	**2,094,002**	**2,094,002**
Assets held for sale	**-**	**-**	**-**

	June 30, 2011		
	China	Canada	Total
Mineral property interests	$ -	$ 30,765,038	$ 30,765,038
Plant and equipment	-	1,746,687	1,746,687
Assets held for sale	-	-	-

	July 1, 2010		
	China	Canada	Total
Mineral property interests	$ -	$ 9,209	$ 9,209
Plant and equipment	-	20,397	20,397
Assets held for sale	3,722,334	-	3,722,334

(Unaudited - expressed in Canadian dollars)

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

	Three months ended March 31, 2012		
	China	**Canada**	**Total**
Loss before other income & expenses	**$ -**	**$ (956,174)**	**$ (956,174)**
Other income and expenses	**-**	**34,004**	**34,004**
Loss from continuing operations	**-**	**(922,170)**	**(922,170)**
Loss from discontinued operations	-	-	-
Net loss for the period	**$ -**	**$ (922,170)**	**$ (922,170)**
Attributable to:			
Equity holders of the Company	**-**	**(922,170)**	**(922,170)**
Non-controlling interest	**-**	**-**	**-**
	$ -	**$ (922,170)**	**$ (922,170)**

	Three months ended March 31, 2011		
	China	Canada	Total
Loss before other income & expenses	$ -	$ (889,857)	$ (889,857)
Other income and expenses	-	87,803	87,803
Loss from continuing operations	-	(802,054)	(802,054)
Income from discontinued operations	16,239,619	-	16,239,619
Net Income (loss) for the period	$ 16,239,619	$ (802,054)	$ 15,437,565
Attributable to:			
Equity holders of the Company	16,243,377	(802,054)	15,441,323
Non-controlling interest	(3,758)	-	(3,758)
	$ 16,239,619	$ (802,054)	$ 15,437,565

(Unaudited - expressed in Canadian dollars)

	Nine months ended March 31, 2012		
	China	**Canada**	**Total**
Loss before other income & expenses	**$ -**	**$ (1,178,696)**	**$ (1,178,696)**
Other income and expenses	**-**	**104,578**	**104,578**
Loss from continuing operations	**-**	**(1,074,118)**	**(1,074,118)**
Loss from discontinued operations	**-**	**-**	**-**
Net loss for the period	**$ -**	**$ (1,074,118)**	**$ (1,074,118)**
Attributable to:			
Equity holders of the Company	**-**	**(1,074,118)**	**(1,074,118)**
Non-controlling interest	**-**	**-**	**-**
	$ -	**$ (1,074,118)**	**$ (1,074,118)**

	Nine months ended March 31, 2011		
	China	Canada	Total
Loss before other income & expenses	$ -	$ (3,482,058)	$ (3,482,058)
Other income and expenses	-	1,203,910	1,203,910
Loss from continuing operations	-	(2,278,148)	(2,278,148)
Income from discontinued operations	15,899,054	-	15,899,054
Net income (loss) for the period	$ 15,899,054	$ (2,278,148)	$ 13,620,906
Attributable to:			
Equity holders of the Company	15,941,951	(2,278,148)	13,663,803
Non-controlling interest	(42,897)	-	(42,897)
	$ 15,899,054	$ (2,278,148)	$ 13,620,906

14. TRANSITION TO IFRS

The Company adopted IFRS effective July 1, 2011 with a transition date as of July 1, 2010. This note explains the principal adjustments made by the Company in restating its previous Canadian GAAP consolidated balance sheet as at July 1, 2010 and its previously published Canadian GAAP consolidated financial statements for the three and nine months ended March 31, 2011 and for the year ended June 30, 2011.

(a) First-time adoption exemptions applied

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

(i) Business combinations – the Company has elected the business combinations exemption in IFRS 1 to not apply IFRS 3, Business Combinations retrospectively to past business combinations. Accordingly, the company has not restated business combinations that took place prior to the transition date.

(ii) Cumulative translation differences – the Company has elected to set the previously accumulated cumulative translation account, which was included in accumulated other comprehensive income ("AOCI"), to zero as at the transition date, and reclassified the balance to retained earnings.

(iii) Non-controlling interests – the Company has elected to apply the requirements related to non-controlling interests in IAS 27, Consolidation and Separate Financial Statements, prospectively from the transition date. Therefore, non-controlling interests that may have a deficit balance prior to the transition date will not be restated.

(iv) Share-based payment – the Company has elected to not apply IFRS 2, Share-based Payment to equity instruments granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS.

(Unaudited - expressed in Canadian dollars)

(b) Reconciliation of equity

The following is a reconciliation of the Company's equity reported in accordance to Canadian GAAP to its equity under IFRS as at the transition date July 1, 2010:

	Canadian GAAP	*Transitional Adjustments* *(i)*	*(ii)*	*(iii)*	IFRS
ASSETS					
Current Assets					
Cash and cash equivalents	$ 6,333,154	$ -	$ -	$ -	$ 6,333,154
Short term investments	2,904,360	-	-	-	2,904,360
Accounts receivable	85,623	-	-	-	85,623
Assets held for sale	436,490	-	-	-	436,490
	9,759,627	-	-	-	9,759,627
Non-current Assets					
Long term investments	773,100	-	-	-	773,100
Plant and equipment	20,397	-	-	-	20,397
Mineral property interests	9,209	-	-	-	9,209
Assets held for sale	3,948,875	(226,541)	-	-	3,722,334
TOTAL ASSETS	$ 14,511,208	$ (226,541)	$ -	$ -	$ 14,284,667
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	$ 131,108	$ -	$ -	$ -	$ 131,108
Due to related parties	98,272	-	-	-	98,272
Liabilities held for sale	565,566	-	-	-	565,566
Total Liabilities	794,946	-	-	-	794,946
Equity					
Share capital	16,708,543	-	-	-	16,708,543
Contributed surplus	13,048,690	-	-	(20,190)	13,028,500
Accumulated other comprehensive income (loss)	46,862	(226,541)	226,541	-	46,862
Deficit	(16,087,833)	-	(226,541)	20,190	(16,294,184)
Total Equity	13,716,262	(226,541)	-	-	13,489,721
TOTAL LIABILITIES AND EQUITY	$ 14,511,208	$ (226,541)	$ -	$ -	$ 14,284,667

(Unaudited - expressed in Canadian dollars)

The following is a reconciliation of the Company's equity reported in accordance to Canadian GAAP to its equity under IFRS as at March 31, 2011:

	Canadian GAAP	*Transitional Adjustments* (i)	(ii)	(iii)	(iv)	(v)	IFRS
ASSETS							
Current Assets							
Cash and cash equivalents	$ 22,493,662	$ -	$ -	$ -	$ -	$ -	$ 22,493,662
Short term investments	20,023,000	-	-	-	-	-	20,023,000
Accounts receivables	336,039	-	-	-	-	-	336,039
Inventory	43,813	-	-	-	-	-	43,813
Assets held for sale	304,308	-	-	-	-	-	304,308
	43,200,822	-	-	-	-	-	43,200,822
Non-current Assets							
Reclamation deposits	30,075	-	-	-	-	-	30,075
Plant and equipment	496,705	-	-	-	-	-	496,705
Mineral property interests	28,745,443	-	-	(2,424)	74,000	-	28,817,019
Assets held for sale	114,726	33,022	(42,047)	-	-	-	105,701
TOTAL ASSETS	$ 72,587,771	$ 33,022	$ (42,047)	$ (2,424)	$ 74,000	$ -	$ 72,650,322
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable and accrued liabilities	$ 2,484,379	$ -	$ -	$ -	$ -	$ -	$ 2,484,379
Due to related parties	143,626	-	-	-	-	-	143,626
Liabilities held for sale	309,730	-	-	-	-	-	309,730
Total Liabilities	2,937,735	-	-	-	-	-	2,937,735
Equity							
Share capital	56,221,249	-	-	-	156,131	-	56,377,380
Contributed surplus	16,089,412	-	-	(70,392)	-	-	16,019,020
Accumulated other comprehensive income (loss)	-	(10,535)	-	-	-	2,634	(7,901)
Deficit	(2,660,625)	43,557	(42,047)	67,968	(82,131)	42,897	(2,630,381)
Total equity attributable to equity holders of the Company	69,650,036	33,022	(42,047)	(2,424)	74,000	45,531	69,758,118
Non-controlling interest	-				-	(45,531)	(45,531)
Total Equity	69,650,036	33,022	(42,047)	(2,424)	74,000	-	69,712,587
TOTAL LIABILITIES AND EQUITY	$ 72,587,771	$ 33,022	$ (42,047)	$ (2,424)	$ 74,000	$ -	$ 72,650,322

(Unaudited - expressed in Canadian dollars)

The following is a reconciliation of the Company's equity reported in accordance to Canadian GAAP to its equity under IFRS as at June 30, 2011:

	Canadian GAAP	Transitional Adjustments *(i)*	*(ii)*	*(iii)*	*(iv)*	IFRS
ASSETS						
Current Assets						
Cash and cash equivalents	$ 20,625,672	$ -	$ -	$ -	$ -	$ 20,625,672
Short term investments	17,023,000	-	-	-	-	17,023,000
Accounts receivable	1,444,810	-	-	-	-	1,444,810
Inventories	41,412	-	-	-	-	41,412
	39,134,894	-	-	-	-	39,134,894
Non-current Assets						
Reclamation deposits	30,075	-	-	-	-	30,075
Plant and equipment	1,746,687	-	-	-	-	1,746,687
Mineral property interests	30,701,558	-	-	(10,520)	74,000	30,765,038
TOTAL ASSETS	$ 71,613,214	$ -	$ -	$ (10,520)	$ 74,000	$ 71,676,694
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued liabilities	$ 1,877,487	$ -	$ -	$ -	$ -	$ 1,877,487
Due to related parties	24,539	-	-	-	-	24,539
Total Liabilities	1,902,026	-	-	-	-	1,902,026
Equity						
Share capital	56,221,249	-	-	-	156,131	56,377,380
Contributed surplus	16,317,934	-	-	(87,019)	-	16,230,915
Accumulated other comprehensive income (loss)	-	-	-	-	-	-
Deficit	(2,827,995)	-	-	76,499	(82,131)	(2,833,627)
Total Equity	69,711,188	-	-	(10,520)	74,000	69,774,668
TOTAL LIABILITIES AND EQUITY	$ 71,613,214	$ -	$ -	$ (10,520)	$ 74,000	$ 71,676,694

(Unaudited - expressed in Canadian dollars)

(c) Reconciliation of comprehensive income (loss)

The following is a reconciliation of the Company's comprehensive income (loss) reported in accordance with Canadian GAAP to its comprehensive income (loss) reported under IFRS for the three months ended March 31, 2011:

	Canadian	*Transitional Adjustments*					
	GAAP	*(i)*	*(ii)*	*(iii)*	*(iv)*	*(v)*	IFRS
Expenses							
Audit and accounting	$ 29,418	$ -	$ -	$ -	$ -	-	$ 29,418
Consulting	60,250	-	-	-	-	-	60,250
Depreciation	6,765	-	-	-	-	-	6,765
Filing and listing	4,466	-	-	-	-	-	4,466
Foreign exchange loss	224,363	-	-	-	-	-	224,363
General explorations	-	-	-	-	-	-	-
Investor relations	30,967	-	-	-	-	-	30,967
Professional fees	13,922	-	-	-	-	-	13,922
Salaries and benefits	301,064	-	-	-	-	-	301,064
Office and administration	21,803	-	-	-	-	-	21,803
Rent	24,991	-	-	-	-	-	24,991
Stock-based compensation	191,504	-	-	(28,248)	-	-	163,256
Travel and promotion	8,592	-	-	-	-	-	8,592
Loss before other income and expenses	918,105	-	-	(28,248)	-	-	889,857
Other income and expenses							
Finance expense	(980)	-	-	-	-	-	(980)
Finance income	88,783	-	-	-	-	-	88,783
	87,803	-	-	-	-	-	87,803
Loss from continuing operations	(830,302)	-	-	28,248	-	-	(802,054)
Income from discontinued operations	16,062,525	(7,400)	184,494	-	-	-	16,239,619
Net income for the period	$ 15,232,223	$ (7,400)	$ 184,494	$ 28,248	$ -	$ -	$ 15,437,565
Attributable to:							
Equity shareholders of the Company	$ 15,232,223	$ (7,400)	$ 184,494	$ 28,248	$ -	$ 3,758	$ 15,441,323
Non-controlling interest	-	-	-	-	-	(3,758)	(3,758)
	$ 15,232,223	$ (7,400)	$ 184,494	$ 28,248	$ -	$ -	$ 15,437,565
Other comprehensive income							
Currency translation adjustment	-	111,592	-	-	-	-	111,592
Other comprehensive income	-	111,592	-	-	-	-	111,592
Comprehensive income	$ 15,232,223	$ 104,192	$ 184,494	$ 28,248	$ -	$ -	$ 15,549,157
Attributable to:							
Equity shareholders of the Company	$ 15,232,223	$ 104,830	$ 184,494	$ 28,248	$ -	$ 3,758	$ 15,553,553
Non-controlling interest	-	(638)	-	-	-	(3,758)	(4,396)
	$ 15,232,223	$ 104,192	$ 184,494	$ 28,248	$ -	$ -	$ 15,549,157

(Unaudited - expressed in Canadian dollars)

The following is a reconciliation of the Company's comprehensive income (loss) reported in accordance with Canadian GAAP to its comprehensive income (loss) reported under IFRS for the nine months ended March 31, 2011:

	Canadian	*Transitional Adjustments*					
	GAAP	*(i)*	*(ii)*	*(iii)*	*(iv)*	*(v)*	IFRS
Expenses							
Audit and accounting	$ 87,388	$ -	$ -	$ -	$ 68,900	-	$ 156,288
Consulting	159,250	-	-	-	-	-	159,250
Depreciation	12,947	-	-	-	-	-	12,947
Filing and listing	79,624	-	-	-	-	-	79,624
Foreign exchange loss	234,753	-	-	-	-	-	234,753
General explorations	1,560	-	-	-	-	-	1,560
Investor relations	67,251	-	-	-	259,174	-	326,425
Professional fees	181,109	-	-	-	874,585	-	1,055,694
Salaries and benefits	637,458	-	-	-	-	-	637,458
Office and administration	65,233	-	-	-	-	-	65,233
Rent	65,350	-	-	-	-	-	65,350
Stock-based compensation	720,395	-	-	(47,778)	-	-	672,617
Travel and promotion	14,859	-	-	-	-	-	14,859
Loss before other income and expenses	2,327,177	-	-	(47,778)	1,202,659	-	3,482,058
Other income and expenses							
Gain on disposal of marketable securities	62,117	-	-	-	-	-	62,117
Gain on re-evaluate previously owned shares upon acquisition	-	-	-	-	1,120,529	-	1,120,529
Finance expense	(90,784)	-	-	-	-	-	(90,784)
Finance income	112,048	-	-	-	-	-	112,048
	83,381	-	-	-	1,120,529	-	1,203,910
Loss from continuing operations	(2,243,796)	-	-	47,778	(82,130)	-	(2,278,148)
Income from discontinued operations	15,671,003	43,557	184,494	-	-	-	15,899,054
Net income for the period	$ 13,427,207	$ 43,557	$ 184,494	$ 47,778	$ (82,130)	$ -	$ 13,620,906
Attributable to:							
Equity shareholders of the Company	$ 13,427,207	$ 43,557	$ 184,494	$ 47,778	$ (82,130)	$ 42,897	$ 13,663,803
Non-controlling interest	-	-	-	-	-	(42,897)	(42,897)
	$ 13,427,207	$ 43,557	$ 184,494	$ 47,778	$ (82,130)	$ -	$ 13,620,906
Other comprehensive loss							
Reversal of unrealized gain upon disposal of marketable securities	$ (46,862)	$ -	$ -	$ -	$ -	$ -	$ (46,862)
Currency translation adjustment	-	(10,535)	-	-	-	-	(10,535)
Other comprehensive loss	(46,862)	(10,535)	-	-	-	-	(57,397)
Comprehensive income	$ 13,380,345	$ 33,022	$ 184,494	$ 47,778	$ (82,130)	$ -	$ 13,563,509
Attributable to:							
Equity shareholders of the Company	$ 13,380,345	$ 35,656	$ 184,494	$ 47,778	$ (82,130)	$ 42,897	$ 13,609,040
Non-controlling interest	-	(2,634)	-	-	-	(42,897)	(45,531)
	$ 13,380,345	$ 33,022	$ 184,494	$ 47,778	$ (82,130)	$ -	$ 13,563,509

(Unaudited - expressed in Canadian dollars)

The following is reconciliation of the Company's comprehensive income (loss) reported in accordance with Canadian GAAP to its comprehensive income (loss) under IFRS for the year ended June 30, 2011:

	Canadian GAAP	*Transitional Adjustments* (i)	(ii)	(iii)	(iv)	(v)	IFRS
Expenses							-
Audit and accounting	$ 133,533	$ -	$ -	$ -	$ 68,900	$ -	$ 202,433
Consulting	180,250	-	-	-	-	-	180,250
Depreciation	21,395	-	-	-	-	-	21,395
Filing and listing	89,343	-	-	-	-	-	89,343
Foreign exchange loss	443,484	-	-	-	-	-	443,484
General explorations	1,560	-	-	-	-	-	1,560
Investor relations	120,129	-	-	-	259,174	-	379,303
Legal & professional fees	184,084	-	-	-	874,585	-	1,058,669
Salaries and benefits	793,256	-	-	-	-	-	793,256
Office and administration	105,580	-	-	-	-	-	105,580
Rent	102,995	-	-	-	-	-	102,995
Stock-based compensation	865,913	-	-	(56,307)	-	-	809,606
Travel and promotion	20,314	-	-	-	-	-	20,314
Impairment loss of mineral property interest	98,719	-	-	-	-	-	98,719
Loss before other income and expenses	3,160,555	-	-	(56,307)	1,202,659	-	4,306,907
Other income and expenses							
Gain on disposal of marketable securities	62,117	-	-	-	-	-	62,117
Gain on re-evaluate previously owned shares upon acquisition	-	-	-	-	1,120,529	-	1,120,529
Finance expense	(92,700)	-	-	-	-	-	(92,700)
Finance income	197,059	-	-	-	-	-	197,059
	166,476	-	-	-	1,120,529	-	1,287,005
Loss from continuing operations	(2,994,079)	-	-	56,307	(82,130)	-	(3,019,902)
Income from discontinued operations	16,253,918	-	226,541	-	-	-	16,480,459
Net income for the period	$ 13,259,839	$ -	$ 226,541	$ 56,307	$ (82,130)	$ -	$ 13,460,557
Attributable to:							
Equity shareholders of the Company	$ 13,259,839	$ -	$ 226,541	$ 56,307	$ (82,130)	$ -	$ 13,460,557
Non-controlling interest	-	-	-	-	-	-	-
	$ 13,259,839	$ -	$ 226,541	$ 56,307	$ (82,130)	$ -	$ 13,460,557
Other comprehensive loss							
Reversal of unrealized gain upon disposal of marketable securities	$ (46,862)	$ -	$ -	$ -	$ -	$ -	$ (46,862)
Other comprehensive loss	(46,862)	-	-	-	-	-	(46,862)
Comprehensive income	$ 13,212,977	$ -	$ 226,541	$ 56,307	$ (82,130)	$ -	$ 13,413,695
Attributable to:							
Equity shareholders of the Company	$ 13,212,976	$ -	$ 226,541	$ 56,307	$ (82,130)	$ -	$ 13,413,694
Non-controlling interest	-	-	-	-	-	-	-
	$ 13,212,976	$ -	$ 226,541	$ 56,307	$ (82,130)	$ -	$ 13,413,694

(d) Reconciliation of cash flows

The adoption of IFRS has not impacted net cash flow used or provided during the reporting periods. However, certain items were reclassified for presentation purposes.

According to IFRS, transaction costs incurred during the TLG acquisition were expensed in the consolidated statement of income. Therefore, the related cash used for acquisition costs was reclassified from cash flow from investing activities to cash flow from operating activities.

For the three months ended March 31, 2011:

- Cash provided by operating activities increased by $130,124 from $722,233 to $852,357;
- Cash provided by investing activities decreased by $130,124 from $18,427,171 to $18,297,047.

For the nine months ended March 31, 2011:

- Cash used in operating activities increased by $718,449 from $8,105,278 to $8,823,727;
- Cash used in investing activities decreased by $718,449 from $1,163,773 to $445,324.

For the year ended June 30, 2011:

- Cash used in operating activities increased by $1,075,122 from $9,834,115 to $10,909,237;
- Cash used in investing activities decreased by $1,075,122 from 1,191,663 to $116,541.

(e) Notes to the reconciliations

Transitional adjustments are made according to the following notes:

(i) Foreign exchange impact on translation

Upon adoption of IFRS, the functional currency of the Company's discontinued Chinese subsidiaries was changed from CAD to CNY. CAD no longer serves as the functional currency for all entities in the group as it did under Canadian GAAP. Such change results in a foreign exchange difference between the two accounting standards on certain financial items. Under Canadian GAAP, these items were translated from CNY to CAD by using historical rates under Canadian GAAP. However under IFRS, they are translated from CNY to CAD directly using the exchange rate prevailing as at the period end.

July 1, 2010: Foreign exchange differences of $226,541 were adjusted to the respective non-current assets and AOCI.

March 31, 2011: Foreign exchange differences of $33,022 were adjusted to respective non-current assets, a loss of $10,535 to AOCI with an exchange loss of $7,400 and gain of $43,557 recognized in net income in the three and nine months period, respectively.

June 30, 2011: Foreign exchange differences of $51,923 recognized in net income was offset by the same amount recognized as part of the gain from disposition of the discontinued Chinese subsidiaries. As a result, a net effect of $nil was included on the consolidated statement of income for year ended June 30, 2011.

(ii) Cumulative translation difference

The Company has elected to eliminate its cumulative translation difference for its discontinued Chinese subsidiaries that existed at the date of transition to IFRS. A total of $226,541 cumulated translation difference was reclassified from AOCI to deficit as at July 1, 2010. The same adjustment was carried forward to the subsequent periods' balance sheets up to the period of disposition.

As the $226,541 cumulated translation difference reduced the carrying amount of the related non-current assets, it resulted in an increase of the same amount for gain recognized from disposition of the discontinued Chinese subsidiaries for the year ended June 30, 2011.

(iii) Stock-based compensation

Under the Canadian GAAP, forfeitures of grants were recognized as they occur. Under IFRS, forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

July 1, 2010: Stock-based compensation was reduced by $20,190 with respective adjustments made to contributed surplus and deficit.

March 31, 2011: Stock-based compensation was reduced by $28,248 and $47,778 with the respective adjustments made to contributed surplus and stock-based compensation expenses in the three and nine months period, respectively.

June 30, 2011: Stock-based compensation was reduced by $56,307 with the respective adjustments made to contributed surplus and stock-based compensation expenses.

(iv) Acquisition of Tagish Lake Gold Corp.

During the fiscal year ended June 30, 2011, the Company acquired TLG, a Canadian publicly traded company involved in exploration and development of gold-silver mineral deposits in Yukon, Canada. This transaction was accounted for as a business combination using the purchase method under Canadian GAAP. Under IFRS, this transaction is accounted for as a business combination using the acquisition method.

Under Canadian GAAP, the consideration was determined by the fair value of the shares based on their market price over a reasonable period before and after the date the terms of the business combination are agreed to and announced. The cost of the purchase included the transaction costs of business combination.

(Unaudited - expressed in Canadian dollars)

Under IFRS, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and any resulting gain or loss is recognized in net income. Also, the cost of purchase shall be measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interest issued by the acquirer. All acquisition related costs are accounted for as expenses, except the costs to issue equity securities, in which case, the related costs is to reduce the carrying amount of equity securities. A comparison of total cost of purchase is as the follows:

	Canadian GAAP	IFRS
14.3 million TLG held prior to take-over bid offer	$ 595,472	$ 595,472
Revaluation of TLG shares owned prior to acquisition		1,120,528
15,613,122 New Pacific common shares issued: - Under Canadian GAAP, at $1.09 per share, equal to average closing share prices from September 13 to September 17, 2010 - Under IFRS, at $1.10 per share, equal to closing share price on September 15, 2010	17,018,303	17,174,434
Cash consideration	1,476,286	1,476,286
Replacement options	99,689	99,689
Transaction costs	1,202,659	-
Total cost of purchase	**$ 20,392,409**	**$ 20,466,409**

(v) Non-controlling interest

Canadian GAAP does not allow debit balance of non-controlling interest on the balance sheet, while IFRS requires picking up the non-controlling interests' share of changes in equity since the date of combination, even if the resulting non-controlling interest balance becomes debit.

As a result, there was a minor adjustment to total equity as at March 31, 2011. There was no adjustment to total equity as at June 30, 2011 as the related subsidiary had been disposed. This adjustment did not impact total comprehensive income for the three and nine months ended March 31, 2011 and the year ended June 30, 2011.