



**New Pacific Metals Corp.**  
**TSX: NUX**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

December 31, 2013

(Expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements  
For the three and six months ended December 31, 2013**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the "Company") for the three and six months ended December 31, 2013 (the "Financial Statements") have been prepared by management and have not been reviewed by the Company's independent auditors. The Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2013 which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are stated in terms of Canadian dollars and are prepared in accordance with International Financial Reporting Standards.

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Balance Sheets

(Expressed in Canadian dollars)

	Notes	December 31, 2013	June 30, 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	\$ 7,380,985	\$ 11,278,705
Short term investments	5	16,034,500	15,848,500
Deposit and other receivables	6	171,205	684,187
		<b>23,586,690</b>	<b>27,811,392</b>
<b>Non-current Assets</b>			
Reclamation deposits		15,075	15,075
Plant and equipment	7	1,646,800	1,816,044
Mineral property interests	8	44,764,478	39,972,023
<b>TOTAL ASSETS</b>		<b>\$ 70,013,043</b>	<b>\$ 69,614,534</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	\$ 1,719,930	\$ 760,952
Provisions	10	81,000	81,000
Due to related parties	11	77,946	58,886
<b>Total Liabilities</b>		<b>1,878,876</b>	<b>900,838</b>
<b>Equity</b>			
Share capital	12	57,086,113	57,084,157
Reserves		17,183,900	17,051,605
Accumulated other comprehensive income		340,926	170,949
Deficit		(7,180,842)	(6,308,080)
<b>Equity attributable to the equity holders of the Company</b>		<b>67,430,097</b>	<b>67,998,631</b>
Non-controlling interest	13	704,070	715,065
<b>Total Equity</b>		<b>68,134,167</b>	<b>68,713,696</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 70,013,043</b>	<b>\$ 69,614,534</b>

Approved on behalf of the Board:

**(Signed) David Kong**

Director

**(Signed) Rui Feng**

Director

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Loss

(Expressed in Canadian dollars)

	Three months ended December 31,		Six months ended December 31,	
	2013	2012	2013	2012
<b>Expenses</b>				
Audit and accounting	\$ -	\$ 24,600	\$ -	\$ 28,394
Consulting	21,080	7,990	43,084	62,000
Depreciation	14,009	7,231	29,659	14,531
Filing and listing	4,982	50,998	9,409	104,070
Foreign exchange loss (gain)	(523,934)	(233,210)	(55,020)	503,572
General exploration	11,669	109,173	35,117	109,173
Investor relations	6,457	11,512	9,681	15,143
Legal and professional fees	76,262	30,912	100,697	44,654
Salaries and benefits	213,781	155,999	449,954	322,559
Office and administration	37,362	27,819	75,099	56,025
Rent	29,389	37,860	60,015	97,027
Share-based compensation	85,960	107,397	109,996	163,136
Travel and promotion	28,750	4,253	46,719	15,707
<b>Loss before other income and expenses</b>	<b>5,767</b>	<b>342,534</b>	<b>914,410</b>	<b>1,535,991</b>
<b>Other income and expenses</b>				
Loss on disposal of plant and equipment	-	-	(8,420)	-
Finance expense	(659)	(426)	(995)	(1,674)
Finance income	10,331	45,891	24,005	81,303
Other expenses	(26,894)	-	(27,694)	-
	(17,222)	45,465	(13,104)	79,629
<b>Net loss for the period</b>	<b>\$ (22,989)</b>	<b>\$ (297,069)</b>	<b>\$ (927,514)</b>	<b>\$ (1,456,362)</b>
<b>Attributable to:</b>				
Equity holders of the Company	11,204	(297,069)	(879,206)	(1,456,362)
Non-controlling interests	(34,193)	-	(48,308)	-
	\$ (22,989)	\$ (297,069)	\$ (927,514)	\$ (1,456,362)
<b>Basic and diluted loss per share</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of shares - basic</b>	<b>66,860,729</b>	<b>67,333,637</b>	<b>66,884,315</b>	<b>67,338,920</b>
<b>Weighted average number of shares - diluted</b>	<b>66,886,870</b>	<b>67,333,637</b>	<b>66,884,315</b>	<b>67,338,920</b>

See accompanying notes to the unaudited condensed consolidated financial statements

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	<u>Three months ended December 31,</u>		<u>Six months ended December 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Net loss for the period</b>	\$ (22,989)	\$ (297,069)	\$ (927,514)	\$ (1,456,362)
<b>Other comprehensive income</b>				
Items that may subsequently be reclassified to net income or loss:				
Currency translation adjustment	308,975	-	207,289	-
<b>Other comprehensive income</b>	<b>308,975</b>	<b>-</b>	<b>207,289</b>	<b>-</b>
<b>Comprehensive income (loss) for the period</b>	<b>\$ 285,986</b>	<b>\$ (297,069)</b>	<b>\$ (720,225)</b>	<b>\$ (1,456,362)</b>
<b>Attributable to:</b>				
Equity holders of the Company	\$ 264,564	(297,069)	\$ (709,229)	(1,456,362)
Non-controlling interest	21,422	-	(10,996)	-
	<b>\$ 285,986</b>	<b>\$ (297,069)</b>	<b>\$ (720,225)</b>	<b>\$ (1,456,362)</b>

See accompanying notes to the unaudited condensed consolidated financial statements

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Three months ended December 31,		Six months ended December 31,	
		2013	2012	2013	2012
<b>Cash (used in) provided by</b>					
<b>Operating activities</b>					
Net loss for the period		\$ (22,989)	\$ (297,069)	\$ (927,514)	\$ (1,456,362)
Add (deduct) items not affecting cash :					
Depreciation		14,009	7,231	29,659	14,531
Loss on disposal of plant and equipment		-	-	8,420	-
Share-based compensation		85,960	107,397	109,996	163,136
Unrealized foreign exchange loss (gain)		(523,934)	(233,175)	(55,020)	503,607
		(446,954)	(415,616)	(834,459)	(775,088)
Change in non-cash working capital					
Trade receivables		308,131	62,851	713,906	147,766
Trade and other payables		(279,213)	(75,848)	(226,904)	(34,608)
Due to related parties		35,814	(46,997)	19,060	(14,766)
<b>Cash used in operating activities</b>		<b>(382,222)</b>	<b>(475,610)</b>	<b>(328,397)</b>	<b>(676,696)</b>
<b>Investing activities</b>					
Expenditures on mineral property interests		(1,558,041)	(149,654)	(3,481,587)	(284,700)
Acquisition of plant and equipment		(1,441)	(10,302)	(23,018)	(10,302)
Net redemption of short term investments		-	-	-	8,000,000
<b>Cash (used in) provided by investing activities</b>		<b>(1,559,482)</b>	<b>(159,956)</b>	<b>(3,504,605)</b>	<b>7,704,998</b>
<b>Financing activities</b>					
Shares issued for cash		5,000	12,500	5,000	12,500
Payments for share buy back	12(c)	-	(68,264)	-	(143,476)
<b>Cash (used in) provided by financing activities</b>		<b>5,000</b>	<b>(55,764)</b>	<b>5,000</b>	<b>(130,976)</b>
Effect of exchange rate changes on cash and cash equivalents		96,055	233,175	(69,718)	(503,607)
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(1,840,649)</b>	<b>(458,155)</b>	<b>(3,897,720)</b>	<b>6,393,719</b>
Cash and cash equivalents, beginning of the period		9,221,634	29,379,814	11,278,705	22,527,940
<b>Cash and cash equivalents, end of the period</b>	4	<b>\$ 7,380,985</b>	<b>\$ 28,921,659</b>	<b>\$ 7,380,985</b>	<b>\$ 28,921,659</b>

See accompanying notes to the unaudited condensed consolidated financial statements

# New Pacific Metals Corp.

## Unaudited Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except for share figures)

	Notes	Share Capital		Amount	Reserve	Accumulated other comprehensive income	Deficit	Equity attributable to equity holders of the Company	Non-controlling interest	Total equity
		Number of common shares issued	Number of shares held for cancellation							
<b>Balance, June 30, 2012</b>		<b>67,369,203</b>	-	<b>\$ 57,516,613</b>	<b>\$ 16,726,035</b>	-	<b>(5,167,123)</b>	<b>\$ 69,075,525</b>	-	<b>\$ 69,075,525</b>
Options exercised		25,000	-	21,000	(8,500)	-	-	12,500	-	12,500
Normal course issuer bid		(216,360)	14,836	(142,321)	-	-	-	(142,321)	-	(142,321)
Transaction costs		-	-	(1,155)	-	-	-	(1,155)	-	(1,155)
Share-based compensation		-	-	-	174,044	-	-	174,044	-	174,044
Net loss for the period		-	-	-	-	-	(1,456,362)	(1,456,362)	-	(1,456,362)
<b>Balance, December 31, 2012</b>		<b>67,177,843</b>	<b>14,836</b>	<b>57,394,137</b>	<b>16,891,579</b>	-	<b>(6,623,485)</b>	<b>67,662,231</b>	-	<b>67,662,231</b>
Normal course issuer bid		(324,614)	12,500	(308,430)	-	-	118,765	(189,665)	-	(189,665)
Transaction costs		-	-	(1,550)	-	-	-	(1,550)	-	(1,550)
Share-based compensation		-	-	-	160,026	-	-	160,026	-	160,026
Acquisition of FMI & QFM		-	-	-	-	-	-	-	740,411	740,411
Net loss for the period		-	-	-	-	-	196,640	196,640	(62,871)	133,769
Currency translation adjustment		-	-	-	-	170,949	-	170,949	37,525	208,474
<b>Balance, June 30, 2013</b>		<b>66,853,229</b>	<b>27,336</b>	<b>57,084,157</b>	<b>17,051,605</b>	<b>170,949</b>	<b>(6,308,080)</b>	<b>67,998,631</b>	<b>715,065</b>	<b>68,713,696</b>
Options exercised		10,000	-	8,400	(3,400)	-	-	5,000	-	5,000
Normal course issuer bid	12(c)	-	(27,336)	(6,444)	-	-	6,444	-	-	-
Share-based compensation		-	-	-	135,695	-	-	135,695	-	135,695
Net loss for the period		-	-	-	-	-	(879,206)	(879,206)	(48,308)	(927,514)
Currency translation adjustment		-	-	-	-	169,977	-	169,977	37,313	207,290
<b>Balance, December 31, 2013</b>		<b>66,863,229</b>	-	<b>\$ 57,086,113</b>	<b>\$ 17,183,900</b>	<b>\$ 340,926</b>	<b>\$ (7,180,842)</b>	<b>\$ 67,430,097</b>	<b>\$ 704,070</b>	<b>\$ 68,134,167</b>

See accompanying notes to the unaudited condensed consolidated financial statements

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

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*(Expressed in Canadian dollars)*

### 1. CORPORATE INFORMATION

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

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

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

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The Company has a history of losses and no operating revenues from its operations. As at December 31, 2013, the Company had a working capital position of \$21,707,814 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 six months ended December 31, 2013 were authorized for issue in accordance with a resolution of the Board of Directors dated on February 11, 2014.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *(a) Statement of Compliance and Basis of Preparation*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2013. These unaudited condensed consolidated interim financial statements follow the same significant accounting policies set out in note 2 to the audited consolidated financial statements for the year ended June 30, 2013, and the policies set forth in note 2(b).

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



# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

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*(Expressed in Canadian dollars)*

*(b) Adoption of new accounting standards*

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

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

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

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

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

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

*(c) Change in accounting estimate*

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

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

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

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

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*(Expressed in Canadian dollars)*

*(d) Changes in Accounting Standards*

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

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

IFRIC 21 – *Levies*, an interpretation of IAS 37 was issued by the IASB in May 2013 and provides interpretation on when to recognize a liability for a levi imposed by a government and clarifies the criteria for the recognition of a liability. The Company is still in the process of assessing the impact of the application of IFRIC 21 on the consolidated financial statements.

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

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

### **3. ASSET ACQUISITION**

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

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

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

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

### Purchase Price

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

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

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	December 31, 2013		June 30, 2013	
Cash in bank	\$	7,380,985	\$	11,278,705

Cash and cash equivalents includes US dollar denominated deposits of US\$4,291,123 (June 30, 2013 – US\$7,082,887) in premium rate savings accounts redeemable at any time with an average annual interest rate of 0.35% (June 30, 2013 – 0.35%) calculated daily and paid monthly. The remaining funds are held in Canadian dollars and Chinese Renminbi.

#### 5. SHORT TERM INVESTMENTS

Short term investments consist of:

	December 31, 2013		June 30, 2013	
Guaranteed Investment Certificates	\$	80,500	\$	80,500
Term Deposits		15,954,000		15,768,000
	\$	16,034,500	\$	15,848,500

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

#### 6. DEPOSIT AND OTHER RECEIVABLES

Deposit and other receivables consisted of the following:

	December 31, 2013		June 30, 2013	
GST/HST receivable	\$	11,528	\$	7,210
Interest receivable		40,000		40,000
Deposits and prepaid expenses		119,677		636,977
	\$	171,205	\$	684,187

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

### 7. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Total
Balance as at July 1, 2012	\$ 890,754	\$ 1,118,084	\$ 62,488	\$ 94,181	\$ 155,684	\$ 2,321,191
Acquisition of FMI & QFM	-	4,581	40,002	25,009	284	69,876
Additions	-	1,526	10,302	8,132	-	19,960
Reclassification	-	(1,000)	1,000	-	-	-
Foreign currency translation impact	-	271	1,934	1,272	14	3,491
Balance as at June 30, 2013	\$ 890,754	\$ 1,123,462	\$ 115,726	\$ 128,594	\$ 155,982	\$ 2,414,518
Additions	-	-	-	23,018	-	23,018
Disposals	-	-	-	(1,610)	(29,758)	(31,368)
Foreign currency translation impact	-	164	1,077	1,325	8	2,575
<b>Balance as at December 31, 2013</b>	<b>\$ 890,754</b>	<b>\$ 1,123,626</b>	<b>\$ 116,803</b>	<b>\$ 151,327</b>	<b>\$ 126,232</b>	<b>\$ 2,408,743</b>

#### Accumulated depreciation and amortization

Balance as at July 1, 2012	\$ (46,702)	\$ (207,063)	\$ (11,044)	\$ (23,691)	\$ (54,490)	\$ (342,990)
Depreciation and amortization	(41,249)	(160,361)	(15,903)	(17,214)	(20,479)	(255,206)
Reclassification	-	81	(81)	-	-	-
Foreign currency translation impact	-	(23)	(146)	(100)	(8)	(277)
Balance as at June 30, 2013	\$ (87,951)	\$ (367,366)	\$ (27,174)	\$ (41,005)	\$ (74,977)	\$ (598,473)
Depreciation and amortization	(22,366)	(122,778)	(11,166)	(15,828)	(13,826)	(185,965)
Disposals	-	-	-	1,153	21,795	22,948
Foreign currency translation impact	-	(33)	(206)	(207)	(7)	(452)
<b>Balance as at December 31, 2013</b>	<b>\$ (110,317)</b>	<b>\$ (490,178)</b>	<b>\$ (38,546)</b>	<b>\$ (55,887)</b>	<b>\$ (67,015)</b>	<b>\$ (761,942)</b>

#### Carrying amount

Balance as at June 30, 2013	\$ 802,803	\$ 756,096	\$ 88,551	\$ 87,589	\$ 81,005	\$ 1,816,044
<b>Balance as at December 31, 2013</b>	<b>\$ 780,437</b>	<b>\$ 633,449</b>	<b>\$ 78,257</b>	<b>\$ 95,440</b>	<b>\$ 59,217</b>	<b>\$ 1,646,800</b>

As a result of change to straight-line method of depreciation from declining balance, depreciation has increased from \$49,958 and \$108,204 to \$91,162 and \$185,965, respectively, for the three and six months ended December 31, 2013.

### 8. MINERAL PROPERTY INTERESTS

#### (a) Tagish Lake Gold Property

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

#### (b) RZY Project

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

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

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

Cost	Tagish Lake	RZY Project	Total
Balance, June 30, 2012	\$ 37,084,565	\$ -	\$ 37,084,565
Acquisition of mineral property interest (Note 3)		1,927,991	1,927,991
<u>Capitalized exploration expenditures</u>			
Reporting and assessment	42,429	-	42,429
Drilling and assaying	-	81,155	81,155
Staking and mapping	43,165	-	43,165
Camp services	441,218	-	441,218
Permitting	1,335	-	1,335
Environmental study	16,035	-	16,035
Other	225,610	12,256	237,866
Foreign currency translation impact	-	96,264	96,264
Balance, June 30, 2013	\$ 37,854,357	\$ 2,117,666	\$ 39,972,023
<u>Capitalized exploration expenditures</u>			
Reporting and assessment	8,922	-	8,922
Drilling and assaying	-	1,297,366	1,297,366
Surveying	-	970,775	970,775
Camp services	243,116	337,839	580,955
Site preparation	-	444,644	444,644
Permitting	-	1,061,819	1,061,819
Environmental study	6,053	-	6,053
Other	190,023	60,305	250,328
Foreign currency translation impact	-	171,593	171,593
<b>Balance, December 31, 2013</b>	<b>\$ 38,302,471</b>	<b>\$ 6,462,007</b>	<b>\$ 44,764,478</b>

### 9. TRADE AND OTHER PAYABLES

Trade and other payables comprised of:

	December 31, 2013	June 30, 2013
Trade payable	\$ 1,098,578	\$ 107,314
Acquisition cost payable	441,903	441,903
Accrued liabilities	179,449	211,735
	<b>\$ 1,719,930</b>	<b>\$ 760,952</b>

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

### 10. PROVISIONS

The Company is involved in legal action associated with the normal course of operations. As at December 31, 2013, the Company has a provision for certain legal matters of \$81,000 (June 30, 2013 - \$81,000). The legal provision is based on management's best estimate of the amount and timing of the potential settlements.

### 11. RELATED PARTY TRANSACTIONS

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

# New Pacific Metals Corp.

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(Expressed in Canadian dollars)

Transactions with related parties	Three months ended December 31,		Six months ended December 31,	
	2013	2012	2013	2012
Silvercorp Metals Inc. (a)	\$ 72,450	\$ 104,321	\$ 147,462	\$ 245,621
R. Feng Consulting Ltd. (b)	-	18,000	-	36,000
Parkside Management Ltd. (c)	18,000	-	36,000	-
	\$ 90,450	\$ 122,321	\$ 183,462	\$ 281,621

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at December 31, 2013, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	December 31, 2013		June 30, 2013
Silvercorp Metals Inc. (a)	\$	23,946	\$ 40,886
Parkside Management Ltd. (b)		54,000	18,000
	\$	77,946	\$ 58,886

(a) Silvercorp has two common directors and officers with the Company and shares office space and provides various general and administrative services to the Company. During the three and six months ended December 31, 2013, the Company recorded total expenses of \$72,450 and \$147,462 (three and six months ended December 31, 2012 - \$104,321 and \$245,621) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) During the three and six months ended December 31, 2013, the Company incurred \$nil and \$nil (three and six months ended December 31, 2012 - \$18,000 and \$36,000) in consulting fees for consulting services rendered by R. Feng Consulting Ltd., a company controlled by a director and an officer of the Company.

(c) During the three and six months ended December 31, 2013, the Company incurred \$18,000 and \$36,000 (three and six months ended December 31, 2012 - \$nil and \$nil) in consulting fees for consulting services rendered by Parkside Management Ltd., a company controlled by a director and an officer of the Company.

## 12. SHARE CAPITAL

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

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

### (b) Stock Options

The continuity schedule of stock options, as at December 31, 2013, is as follows:

	Number of options	Weighted average exercise price
Balance, June 30, 2013	4,770,000	\$ 0.73
Options granted	700,000	0.57
Options exercised	(10,000)	0.50
Options forfeited	(125,000)	0.72
<b>Balance, December 31, 2013</b>	<b>5,335,000</b>	<b>0.71</b>

# New Pacific Metals Corp.

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(Expressed in Canadian dollars)

During the six months ended December 31, 2013, a total of 700,000 options were granted to employees and directors of the Company at a weighted average exercise price of \$0.57 for a term of five years subject to a vesting period of 48 months with 12.5% of the options vesting every six months.

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

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

	Six months ended December 31,	
	2013	2012
Risk free interest rate	1.50%	1.22%
Expected volatility	67%	87%
Expected life of options in years	3.25	3.25
Expected dividend yield	0%	0%
Estimated forfeiture rate	19%	9%

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

For the three and six months ended December 31, 2013, a total of \$85,960 and \$109,996 (three and six months ended December 31, 2012 - \$107,397 and \$163,136) was recorded as share-based compensation expense. For the three and six months ended December 31, 2013, \$14,018 and \$25,699 (three and six months ended December 31, 2012 – \$18,358 reversed and \$10,908) was capitalized to mineral property interests.

The following table summarizes information about stock options outstanding as at December 31, 2013:

Exercise prices	Number of options outstanding as at September 30, 2013	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at December 31, 2013	Weighted average exercise price
\$ 0.50	465,000	0.05	0.50	465,000	0.50
0.57	700,000	4.73	0.57	-	-
0.61	1,575,000	3.73	0.61	393,750	0.61
0.62	815,000	4.27	0.62	101,875.00	0.62
0.65	1,175,000	1.45	0.65	1,028,125	0.65
1.42	25,000	2.46	1.42	15,625	1.42
1.44	250,000	1.83	1.44	187,500	1.44
1.60	320,000	1.91	1.60	240,000	1.60
1.65	10,000	1.97	1.65	7,500	1.65
<b>\$0.5 - \$1.65</b>	<b>5,335,000</b>	<b>2.91</b>	<b>\$ 0.71</b>	<b>2,439,375</b>	<b>\$ 0.78</b>

### (c) Normal Course Issuer Bid

On June 25, 2012, the Company announced a normal course issuer bid ("NCIB") which allows it to acquire up to 5 million of its own common shares. As at December 31, 2013, the Company purchased 540,974 common shares for a total consideration of \$331,986, allocating \$457,195 to share capital and \$125,209

# New Pacific Metals Corp.

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to retained earnings. Transaction costs related to the common share acquisitions were \$2,705. As at December 31, 2013, all common shares repurchased under the NCIB have been cancelled and returned to treasury.

### 13. NON-CONTROLLING INTEREST

		Qinghai Found
Balance, July 1, 2012	\$	-
Acquisition of FMI & QFM		740,411
Share of net loss		(62,871)
Share of other comprehensive income		37,525
Balance June 30, 2013	\$	715,065
Share of net loss		(48,308)
Currency translation adjustment		37,313
<b>Balance December 31, 2013</b>	<b>\$</b>	<b>704,070</b>

As at December 31, 2013, non-controlling interests in Qinghai Found Mining Co. Ltd. was 18%.

### 14. FINANCIAL INSTRUMENTS

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

#### (a) Fair Value

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

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

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

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

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at December 31, 2013, 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
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 7,380,985	\$ -	\$ -	\$ 7,380,985
Short term investments	16,034,500	-	-	16,034,500



# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

### (b) Liquidity Risk

The Company has a history of losses and no operating revenues from its operations. Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. As at December 31, 2013, the Company had a working capital position of \$21,707,814 and sufficient cash resources to meet the Company's short term financial liabilities and its planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months.

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

	December 31, 2013		June 30, 2013	
	Due within a year			
Trade and other payables	\$	1,719,930	\$	760,952
Due to related parties		77,946		58,886
	\$	1,797,876	\$	819,838

### (c) Currency Risk

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

The amounts are expressed in CAD equivalents	December 31, 2013		June 30, 2013	
United States dollars	\$	20,518,038	\$	23,230,653
Chinese RMB		84,531		99,529
Financial assets in foreign currency	\$	20,602,569	\$	23,330,182
Chinese RMB		1,055,854		80,371
Financial liabilities in foreign currency	\$	1,055,854	\$	80,371

As at December 31, 2013, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately \$205,000.

As at December 31, 2013, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$10,000.

### (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 December 31, 2013.

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

(Expressed in Canadian dollars)

### (e) Credit Risk

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

The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents, short term investments are with major financial institutions in Canada. As at December 31, 2013, the Company has a deposit and other receivables balance of \$171,205 (June 30, 2013 - \$684,187).

### 15. CAPITAL MANAGEMENT

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

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

The Company's overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirement as at December 31, 2013.

### 16. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, which is the acquisition, exploration and development of mineral property interests, which financial information is evaluated regularly by the Company's Chief Executive Officer, the chief operating decision maker. The format for segment reporting is based on major project segments segregated by geographic locations. For the three and six months ended and as at December 31, 2013, all assets, liabilities and operating results of the Company were located in Canada.

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

	December 31, 2013		
	China	Canada	Total
Mineral property interests	\$ 6,462,007	\$ 38,302,471	\$ 44,764,478
Plant and equipment	83,544	1,563,256	1,646,800
Reclamation deposits	-	15,075	15,075
Total Assets	\$ 8,923,689	\$ 61,089,354	\$ 70,013,043
Total Liabilities	(1,055,854)	(823,022)	(1,878,876)

# New Pacific Metals Corp.

## Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2013 and 2012

*(Expressed in Canadian dollars)*

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

	Three Months Ended December 31, 2013			Six Months Ended December 31, 2013		
	China	Canada	Total	China	Canada	Total
Salaries and benefits	\$ 18,972	\$ 194,809	\$ 213,781	\$ 37,348	\$ 412,606	\$ 449,954
Share-based compensation	-	85,960	85,960	-	109,996	109,996
Foreign exchange loss (gain)	123,222	(647,156)	(523,934)	144,712	(199,732)	(55,020)
Other operating expenses	45,484	184,476	229,960	83,701	325,779	409,480
Loss before other income and	\$ 187,678	\$ (181,911)	\$ 5,767	\$ 265,761	\$ 648,649	\$ 914,410
Loss on disposal of equipment	-	-	-	-	8,420	8,420
Finance income	(246)	(9,426)	(9,672)	(716)	(22,294)	(23,010)
Other expense	2,530	24,364	26,894	3,330	24,364	27,694
Net loss (gain) for the period	\$ 189,962	\$ (166,973)	\$ 22,989	\$ 268,375	\$ 659,139	\$ 927,514
Attributed to:						
Equity holders of the Company	155,769	(166,973)	(11,204)	220,067	659,139	879,206
Non-controlling interests	34,193	-	34,193	48,308	-	48,308
Net loss (gain) for the period	\$ 189,962	\$ (166,973)	\$ 22,989	\$ 268,375	\$ 659,139	\$ 927,514