



New Pacific Metals Corp.

NUX: TSXV

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of New Pacific Metals Corp.

We have audited the accompanying consolidated financial statements of New Pacific Metals Corp. (the "Company"), which comprise the consolidated balance sheets as at June 30, 2011 and June 30, 2010, and the consolidated statements of operations, equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New Pacific Metals Corp. as at June 30, 2011 and June 30, 2010 and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has an accumulated deficit of \$2,827,995 and a loss from continuing operations of \$2,994,080 for the year ended June 30, 2011. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

(Signed) Deloitte & Touche LLP

Chartered Accountants
Vancouver, Canada
September 16, 2011

NEW PACIFIC METALS CORP.

Consolidated Balance Sheets

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	June 30, 2011	June 30, 2010
ASSETS			
Current			
Cash and cash equivalents	5	\$ 20,625,672	\$ 6,333,154
Short term investments	6	17,023,000	2,904,360
Receivables, deposits and prepaid expenses	7	1,444,810	85,623
Inventories		41,412	-
Assets held for sale	4	-	436,490
		39,134,894	9,759,627
Reclamation deposits		30,075	-
Long term investments	8	-	773,100
Plant and equipment	9	1,746,687	20,397
Mineral property interests	10	30,701,558	9,209
Assets held for sale	4	-	3,948,875
		\$ 71,613,214	\$ 14,511,208
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	\$ 1,877,487	\$ 131,108
Due to related parties	13	24,539	98,272
Liabilities held for sale	4	-	565,566
		1,902,026	794,946
SHAREHOLDERS' EQUITY			
Share capital	12	56,221,249	16,708,543
Contributed surplus		16,317,934	13,048,690
Accumulated other comprehensive income		-	46,862
Deficit		(2,827,995)	(16,087,833)
		69,711,188	13,716,262
		\$ 71,613,214	\$ 14,511,208

APPROVED BY THE DIRECTORS

(Signed) David Kong

Director

(Signed) Rui Feng

Director

See accompanying notes to the consolidated financial statements

NEW PACIFIC METALS CORP.

Consolidated Statements of Operations

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	Year ended June 30,	
		2011	2010
Expenses	13		
Audit and accounting		\$ 133,533	\$ 56,025
Consulting		180,250	310,365
Depreciation		21,395	4,768
Filing and listing		89,343	15,168
Foreign exchange loss		443,484	36,070
General explorations		1,560	57,727
Interest and finance charge		92,700	1,467
Investor relations		120,129	67,142
Legal and professional fees		184,084	15,417
Salaries and benefits	12(c)	1,659,169	784,255
Office and administration		105,580	68,248
Rent		102,995	66,724
Travel and promotion		20,314	61,343
Impairment loss of mineral property interests	10	98,719	-
Loss before other income		3,253,255	1,544,719
Other income			
Loss on disposal of plant and equipment		-	(4,446)
Gain on disposal of marketable securities	8	62,117	-
Interest income		197,058	65,150
		259,175	60,704
Loss from continuing operations		(2,994,080)	(1,484,015)
Income (loss) from discontinued operations	4	16,253,918	(267,420)
Net income (loss) for the year		\$ 13,259,838	\$ (1,751,435)
Other comprehensive income (loss)			
Unrealized gain on available for sale securities		-	46,862
Reversal of unrealized gain upon disposal of marketable securities, net of taxes (\$nil)		(46,862)	-
Other comprehensive income (loss)		(46,862)	46,862
Comprehensive income (loss) for the year		\$ 13,212,976	\$ (1,704,573)
Basic and diluted loss per share - continuing operations		\$ (0.06)	\$ (0.05)
Basic earnings (loss) per share - discontinued operations		\$ 0.30	\$ (0.01)
Diluted earnings (loss) per share - discontinued operations		\$ 0.30	\$ (0.01)
Basic earnings (loss) per share - total		\$ 0.25	\$ (0.06)
Diluted earnings (loss) per share - total		\$ 0.24	\$ (0.05)
Weighted average number of shares - basic		53,432,047	31,885,624
Weighted average number of shares - diluted	16	54,812,140	31,885,624

See accompanying notes to the consolidated financial statements

NEW PACIFIC METALS CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	Year ended June 30,	
		2011	2010
Cash (used in) provided by			
Operating activities			
Net income (loss) for the year		\$ 13,259,838	\$ (1,751,435)
Add (deduct) items not affecting cash:			
Depreciation		21,395	4,768
Loss on disposal of plant and equipment		-	4,446
Gain on disposal of marketable securities		(62,117)	-
Impairment loss of mineral property interests		98,719	-
Stock-based compensation		865,913	448,528
Net (income) loss from discontinued operations		(16,253,918)	267,420
Cash used in operating activities of discontinued operations		(627,373)	(278,082)
		(2,697,543)	(1,304,355)
Change in non-cash working capital			
Receivables, deposits and prepaid expenses		(345,059)	(54,179)
Inventories		(41,412)	-
Accounts payable and accrued liabilities		(6,750,101)	57,604
Cash used in operating activities		(9,834,115)	(1,300,930)
Investing activities			
Reclamation deposit paid		(15,000)	-
Expenditures for mineral property interests		(2,374,114)	(9,209)
Acquisition of plant and equipment		(1,637,444)	(5,262)
Acquisition of net assets of Tagish (net of cash acquired)	3	(2,474,396)	-
Net redemption (purchase) of short term investments		(14,118,640)	7,694,640
Net proceeds (purchase) of marketable securities		192,883	(726,238)
Net proceeds from disposal of subsidiaries (net of tax \$1.6 million)	4(a)	19,203,363	-
Cash disposed as a result of disposition of subsidiaries	4(b)	-	(412,759)
Cash provided by investing activities of discontinued operations		31,685	245,041
Cash (used in) provided by investing activities		(1,191,663)	6,786,213
Financing activities			
Amount due to related parties		(73,733)	67,984
Shares issued for cash, net of share issuance costs	12(b)	24,681,985	44,750
Cash provided by financing activities of discontinued operations		305,860	-
Cash provided by financing activities		24,914,112	112,734
Effect of exchange rate changes on cash and cash equivalents		(8,575)	(23,780)
Increase in cash and cash equivalents		13,879,759	5,574,237
Cash and cash equivalents, beginning of year		6,745,913	758,917
Cash and cash equivalents, end of year		\$ 20,625,672	\$ 6,333,154
Supplemental information:			
Interest and taxes paid		\$ 85,285	\$ -
Non-cash investing activities:			
Shares issued for acquisition of Tagish	3	\$ 17,018,303	\$ -

See accompanying notes to the consolidated financial statements

NEW PACIFIC METALS CORP.

Consolidated Statements of Equity

(Expressed in Canadian dollars, unless otherwise stated)

	Note	Share Capital			Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
		Number of shares issued	Share capital issued	Contributed surplus			
Balance, June 30, 2009		31,825,988	\$ 16,623,663	\$ 12,640,292	\$ -	\$ (14,336,398)	\$ 14,927,557
Options exercised		82,000	84,880	(40,130)	-	-	44,750
Stock-based compensation		-	-	448,528	-	-	448,528
Unrealized gain on available for sale securities		-	-	-	46,862	-	46,862
Net loss for the year		-	-	-	-	(1,751,435)	(1,751,435)
Balance, June 30, 2010		31,907,988	16,708,543	13,048,690	46,862	(16,087,833)	13,716,262
Options exercised		1,793,093	2,878,619	(1,391,488)	-	-	1,487,131
Shares issued for acquisition of TLG	3	15,613,122	17,018,303	99,690	-	-	17,117,993
Shares and warrants issued on financing	12(b)	18,000,000	20,720,930	3,579,070	-	-	24,300,000
Share issuance costs	12(b)	-	(1,105,146)	-	-	-	(1,105,146)
Stock-based compensation		-	-	981,972	-	-	981,972
Reversal of unrealized gain upon disposal of marketable securities, net of taxes (\$nil)		-	-	-	(46,862)	-	(46,862)
Net income for the year		-	-	-	-	13,259,838	13,259,838
Balance, June 30, 2011		67,314,203	\$ 56,221,249	\$ 16,317,934	\$ -	\$ (2,827,995)	\$ 69,711,188

See accompanying notes to the consolidated financial statements

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

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 is in the process 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 consolidated financial statements have been prepared on a going concern basis. The Company has a history of losses and no operating revenues from its operations. As at June 30, 2011, the Company had a working capital position of \$37,232,868 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

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

These consolidated financial statements include the accounts of its wholly owned subsidiaries: Tagish Lake Gold Corp., Mount Skukum Gold Mining Corporation, New Pacific Offshore Inc., SKN Nickel & Platinum Ltd., Lachlan Gold Ltd., and 0876044 B.C. Ltd.

All inter-company transactions and accounts have been eliminated upon consolidation. Certain comparative figures have been reclassified in the current period to present the assets and liabilities held for sale related to, and operating results from, discontinued operations (Note 4).

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

(b) Significant Accounting Policies

(i) Measurement uncertainties

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

(ii) Foreign currency translation

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

(iii) Financial instruments

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

Financial instruments, including derivatives, are included on the consolidated balance sheets and are initially measured at fair value, except for those originated as a result of related party transactions and measured at the exchange amount, in accordance with CICA Section 3840, Related Party Transactions. After initial recognition, available-for-sale financial assets are reported at fair value, except investments in equity instruments that do not have quoted market prices in active markets. Such equity instruments are accounted for at cost.

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Notes to the Consolidated Financial Statements

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

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

The Company classifies its financial instruments as follows:

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

(iv) Cash and cash equivalents

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

(v) Short term investments

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

(vi) Inventories

Inventories include materials and supplies. Material and supplies are valued at the lower of cost, determined on a weighted average cost basis, and net realizable value. Net realizable value is measured using the replacement cost of the materials and supplies.

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

(vii) Plant and equipment

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

Building	5%
Machinery	20%
Motor vehicles	20%
Office and computer equipment	20%
Computer software	20%

(viii) Mineral property interests

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

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

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

(ix) Impairment of long-lived assets

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

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

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

(x) Stock-based compensation

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

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

(xi) Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined no asset retirement obligations exist and no provision is necessary at June 30, 2011 and 2010.

(xii) Income taxes

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

(xiii) Earnings (loss) per share

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

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

(ix) Convergence with IFRS

The Accounting Standards Board (AcSB) adopted International Financial Reporting Standards (IFRS) as Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The Company will report its first consolidated financial statements in accordance with IFRS for the three months ending September 30, 2011, with comparative figures for the corresponding period for 2010. In addition, the adoption will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended June 30, 2011, and restatement of the opening balance sheet as at July 1, 2010.

3. ACQUISITION OF TAGISH LAKE GOLD CORP.

During the year ended June 30, 2011, the Company acquired all the outstanding common shares of Tagish Lake Gold Corp. and its subsidiaries (collectively as "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 consideration for the acquisition was \$20,392,409, 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 the original costs of \$595,472, and transaction costs of \$1,202,659.

NUX shares issued as consideration had a value of \$17,018,303, or \$1.09 per share, which was determined with reference to the share price of the Company's common shares for the two days prior to, the day of, and the two days subsequent to the date of announcement of the transactions.

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:

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

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 purchase method. The allocation of the purchase cost to the assets acquired and liabilities assumed is based upon estimated fair value at the time of acquisition. The fair value of the assets acquired and liabilities assumed as a result of this business acquisition are as follows:

Purchase Price

Fair value of NUX shares issued	\$	17,018,303
Fair value of NUX replacement options granted		99,689
Cost of TLG shares acquired prior to take-over bid		595,472
Cash paid to acquire TLG shares per take-over bid		1,476,286
Transaction costs		1,202,659
	\$	<u>20,392,409</u>

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		28,079,670
Accounts payable and accrued liabilities		(8,314,526)
	\$	<u>20,392,409</u>

The operating results of TLG have been included in the consolidated statements of operations from September 15, 2010. During such period, TLG incurred net loss of \$409,727.

4. DISPOSITION AND DISCONTINUED OPERATIONS

(a) *Yunnan Jin Chang Jiang Mining Co. Ltd.*

A subsidiary of the Company entered into a share transfer agreement in July 2010, subsequently amended in October 2010, with a Chinese private gold investment company, the PGC Group Co. Ltd, to sell its subsidiary, Yunnan Jin Chang Mining Co. Ltd. ("JCJM") for cash consideration of \$22.5 million (CNY¥150 million). JCJM's main assets are the XSK and HNK gold-polymetallic projects (collectively the "Huaiji Project") located in Guangdong, China.

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

The transaction was closed in March 2011. The Company recorded a gain of \$16.1 million (CNY ¥108.9 million), net of withholding income tax of \$1.6 million (CNY¥10.4 million). Net proceeds was \$19.5 million (CNY ¥130.5 million), which consisted of total proceeds of \$22.5 million (CNY¥150 million), net of withholding income tax of \$1.6 million (CNY¥10.4 million) in China and transaction costs of \$1.4 million (CNY ¥9.1 million).

Assets and liabilities of JCJM have been reclassified as assets held for sale on the consolidated balance sheets and are presented as follows:

Assets and liabilities held for sale	June 30, 2011		June 30, 2010
Cash and cash equivalents	\$	-	\$ 315,325
Receivables and prepaid expenses		-	15,417
Assets held for sale - current		-	330,742
Reclamation deposit		-	55,320
Mineral property interests		-	3,229,281
Plant and equipment		-	181,501
Assets held for sale - long term		-	3,466,102
Total assets held for sale	\$	-	\$ 3,796,844
Accounts payable and accrued liabilities		-	223,296
Due to a related party		-	78,200
Liabilities held for sale		-	301,496
Net assets held for sale	\$	-	\$ 3,495,348

Operating results from JCJM for the year ended June 30, 2011 included in the consolidated statement of income (loss) is set out as follows:

Income (loss) from discontinued operations	Year ended June 30,	
	2011	2010
Loss from operations	\$ (232,162)	\$ (125,672)
Gain from disposition (net of tax \$1.6 million)	16,054,530	-
Income (loss) from discontinued operations	\$ 15,822,368	\$ (125,672)

NEW PACIFIC METALS CORP.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2011 and 2010

(Expressed in Canadian dollars, unless otherwise stated)

The following is the cash flow from the discontinued operations of JCJM:

Cash flow from discontinued operations	Year ended June 30,	
	2011	2010
Cash used in operating activities	\$ (462,742)	\$ (117,814)
Cash (used in) provided by investing activities	(16,539)	15,962
Decrease in cash and cash equivalent	\$ (479,281)	\$ (101,852)

(b) Sichuan Huaxi Mining Co. Ltd.

During the year ended June 30, 2011, a subsidiary of the Company, signed a share transfer agreement (the "SNP Agreement") with Sichuan Metallurgical and Geological Exploration Institution ("MGEI") in China. According to the SNP Agreement, the Company will transfer its entire 75% interest in Huaxi Mining Co. Ltd. ("HXM") to MGEI for a consideration of \$0.8 million (CNY ¥5 million). HXM's main assets are the Sichuan Project and the Kang Dian Project, located in Sichuan, China.

In June 2011, the transaction was approved by the Chinese government and regulatory authorities and the business license was transferred to MGEI. The Company recorded a gain of \$664,328 (CNY¥4.4 million). As at June 30, 2011, the gross proceeds of this transaction of \$756,000 (CNY¥5million) was recorded as a receivable on the Company's consolidated balance sheet. There were no transaction costs incurred and no withholding income taxes paid for this transaction.

Assets and liabilities of HXM have been reclassified as assets held for sales on the consolidated balance sheets and are presented as follows:

Assets and liabilities held for sale	June 30, 2011		June 30, 2010
Cash and cash equivalents	\$	-	\$ 97,434
Receivables and prepaid expenses		-	8,314
Assets held for sale - current		-	105,748
Mineral property interests		-	441,562
Plant and equipment		-	41,211
Assets held for sale - long term		-	482,773
Total assets held for sale	\$	-	\$ 588,521
Accounts payable and accrued liabilities		-	2,882
Deposit received		-	261,188
Liabilities held for sale		-	264,070
Net assets held for sale	\$	-	\$ 324,451

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Operating results from HXM for the year ended June 30, 2011 included in the consolidated statements of operations are set out as follows:

Income (loss) from discontinued operations	Year ended June 30,	
	2011	2010
Loss from operations	\$ (232,778)	\$ (141,748)
Gain from disposition (net of tax \$nil)	664,328	-
Income (loss) from discontinued operations	\$ 431,550	\$ (141,748)

During the year ended June 30, 2011, one permit of Sichuan Project with exploration costs of \$327,472 was disposed of for \$64,895 (CNY¥430,000), and a loss of \$262,577 was recorded as loss on disposal of mineral property interest and included in income from discontinued operations on the consolidated statements of operations.

During the year June 30, 2011, the Company completed the disposition of one exploration permit of the Kang Dian Project for total proceeds of \$277,020 (CNY¥1.8 million). A gain of \$277,020 (CNY¥1.8 million) was included in income from discontinued operations on the consolidated statements of operations.

The following table presents the cash flow from the discontinued operation of HXM:

	Year ended June 30,	
	2011	2010
Cash used in operating activities	\$ (164,631)	\$ (160,268)
Cash provided by investing activities	48,224	229,079
Cash provided by financing activities	305,860	-
Increase in cash and cash equivalent	\$ 189,453	\$ 68,811

5. CASH AND CASH EQUIVALENTS

As at June 30, 2011, cash and cash equivalents consisted of:

	June 30, 2011	June 30, 2010
Cash in bank and investment accounts	\$ 1,426,822	\$ 4,833,154
Cash equivalents	19,198,850	1,500,000
	\$ 20,625,672	\$ 6,333,154

Cash equivalents of \$19,198,850 (US\$19,909,623) consisted of USD deposits in business premium rate savings accounts redeemable at any time with annual interest rates of 0.25% calculated daily and paid monthly.

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6. SHORT TERM INVESTMENTS

As at June 30, 2011, short term investments of \$17,023,000 primarily consisted of Guaranteed Investment Certificates ("GIC") yielding 1.80% per annum with a maturity date on December 21, 2011.

As at June 30, 2010, short term investments of \$2,904,360 consisted of GICs yielding 0.65% per annum with a maturity date on June 6, 2011.

7. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Amount receivables, deposits and prepaid expenses consisted of the following:

	June 30, 2011		June 30, 2010	
Amount receivable	\$	746,000	\$	-
GST/HST receivable		250,418		10,080
Interest receivable		159,287		1,345
Deposit and prepaid expenses		289,105		74,198
	\$	1,444,810	\$	85,623

As at June 30, 2011, amount receivable of \$746,000 (CNY¥5 million) (June 30, 2010 - \$nil) was for the proceeds receivable from disposition of HXM (Note 4b).

8. LONG TERM INVESTMENTS

During the year ended June 30, 2011, the Company disposed of investments with a cost of \$130,766 for total proceeds of \$192,883. As a result, a total of \$46,862 accumulated other comprehensive income associated with the investment was reversed, and a total of \$62,117 was recorded as gain from disposal of marketable securities on the consolidated statements of operations. The Company's original investment in TLG of \$595,472 held at June 30, 2010 was included as part of the purchase price in the TLG acquisition (Note 3).

9. PLANT AND EQUIPMENT

	June 30, 2011			June 30, 2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Building	\$ 503,640	\$ (5,513)	\$ 498,127	\$ -	\$ -	\$ -
Machinery	723,157	(32,050)	691,107	-	-	-
Motor vehicle	106,042	(4,753)	101,289	-	-	-
Office and computer equipment	71,609	(5,932)	65,677	3,725	(1,177)	2,548
Computer software	138,801	(27,687)	111,114	32,112	(14,263)	17,849
Construction in progress	279,373	-	279,373	-	-	-
	\$ 1,822,622	\$ (75,935)	\$ 1,746,687	\$ 35,837	\$ (15,440)	\$ 20,397

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10. MINERAL PROPERTY INTERESTS

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

<u>Expenditures</u>	<u>Tagish Lake</u>	<u>Eva Lake</u>	<u>Total</u>
Balance, June 30, 2009	\$ -	\$ -	\$ -
Site activities	-	9,209	9,209
Balance, June 30, 2010	-	9,209	9,209
Mineral property acquired (Note 3)	28,079,670	-	28,079,670
<u>Capitalized exploration and development costs</u>			
First nation consultation	10,000	-	10,000
Reporting and assessment	399,387	-	399,387
Staking and mapping	192,406	-	192,406
Drilling and assay	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	308,496	-	308,496
Impairment	-	(98,719)	(98,719)
Balance, June 30, 2011	\$ 30,701,558	\$ -	\$ 30,701,558

(a) Tagish Lake Gold Property

In December 2010, the Company completed the acquisition of 100% interest in TLG (Note 3). TLG's primary asset is the Tagish Lake Gold Property ("Tagish Property"), which covers an area of 178 square kilometers located in Yukon Territory, Canada, and consists of 982 mining claims with three identified gold and gold-silver mineral deposits: Skukum Creek, Goddell Gully and Mount Skukum. As part of the purchase price allocation, \$28.1 million was allocated to mineral property based on the estimated fair value at the time of acquisition.

(b) Eva Lake Project

The Eva Lake Project consisted of 65 contiguous claims, covering an area of 260 square kilometers, located west of Gladys Lake, approximately 35 kilometers northeast of Atlin, B.C. With the acquisition of Tagish Property, the Company switched the focus to the Tagish 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 was recorded as an impairment loss on the Company's consolidated statements of operations for the year ended June 30, 2011.

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11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at June 30, 2011, accounts payable and accrued liabilities comprised of:

	June 30, 2011	June 30, 2010
Accounts payable	\$ 892,303	\$ 33,896
Acquisition cost payable	481,624	-
Accrued liabilities	503,560	97,212
	\$ 1,877,487	\$ 131,108

12. SHAREHOLDERS' EQUITY

(a) Share Capital - authorized share capital

Unlimited number of common shares without par value

Unlimited number of Class A preferred shares without par value

(b) Private Placement

On December 22, 2010, the Company closed a private placement, which raised gross proceeds of \$24.3 million through issuing 18 million units of the Company's equity, at a price of \$1.35 per unit. Each unit comprised of one common share and one half share purchase warrant. Each warrant is exercisable at \$2.00 per common share for an 18 month period expiring June 22, 2012. All shares and warrants issued pursuant to this private placement were subject to a four month hold period that ended on April 23, 2011. Total share issuance cost was \$1.1 million.

As at June 30, 2011, a total of 9 million warrants were outstanding. Estimated using the Black-Scholes options pricing model, the fair value of the warrants issued was approximately \$0.40 per warrant, with the following assumptions:

Risk free interest rate	1.66%
Expected volatilities	84%
Expected lives of warrants	1.5
Dividend yield	0%

The fair value of \$24.3 million gross proceeds was allocated between 18 million shares at share price of \$1.15 and 9 million warrants at \$0.40 on a relative fair value basis, with total allocated fair values of shares and warrants equaling \$20,720,930 and \$3,579,070, respectively.

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(c) Stock Options

The continuity schedule of stock options, as at June 30, 2011, is as follows:

	Number of options	Weighted average exercise price
Balance, June 30, 2009	3,251,715	\$ 0.99
Options granted	1,570,000	0.65
Options exercised	(82,000)	0.55
Options forfeited	(18,000)	0.68
Options expired	(360,000)	0.55
Balance, June 30, 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

During the year ended June 30, 2011, a total of 2,137,200 options were granted to employees, officers, directors and consultants at exercise prices ranging from \$1.26 to \$2.04 for a term of five years. A total of 1,805,000 options are subject to a vesting period of 48 months with 12.5% of the options vesting every six months, a total of 200,000 options to a consultant are subject to a 12 months vesting period with 50% of the options vesting every six month, and another 132,200 options were vested immediately.

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

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

	Year ended June 30,	
	2011	2010
Risk free interest rate	1.95%	2.22%
Expected volatilities	111%	122%
Expected lives of options	3.3	3.2
Dividend yield	0%	0%

The weighted average grant date fair value for the options granted during the period was \$1.05. For the year ended June 30, 2011, a total of \$865,913 (year ended June 30, 2010 - \$448,528) was recorded as stock-based compensation expense. A total of \$116,059 (year ended June 30, 2010 - \$nil) was capitalized as mineral property interest.

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In November, 2010, a total of 200,000 options previously granted to a director were cancelled. As a result, a total expense of \$141,715 related to the 57,143 previously unvested options were recognized immediately on the cancellation date and included in the stock-based compensation expense.

In December 2010, the Company amended options previously granted to two directors of the Company in connection with their resignation from the board. On December 16, 2010, a total of 750,000 options held by the two directors were amended to be vested immediately with an expiry date of March 15, 2011. As a result of the amendment, a total expense of \$195,528 related to the 292,143 previously unvested options was included in stock-based compensation expense.

The following table summarizes information about stock options outstanding as at June 30, 2011:

Exercise prices	Number of options outstanding as at March 31, 2011	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at June 30, 2011	Weighted average exercise price
1.25	23,000	0.42	1.25	23,000	1.25
1.55	214,000	1.05	1.55	214,000	1.55
1.55	40,000	1.59	1.55	40,000	1.55
0.50	555,000	2.55	0.50	555,000	0.50
0.65	1,338,750	3.95	0.65	333,750	0.65
1.44	250,000	4.34	1.44	31,250	1.44
1.60	510,000	4.42	1.60	63,750	1.60
1.65	220,000	4.48	1.65	27,500	1.65
2.04	10,000	4.50	2.04	1,250	2.04
2.02	150,000	4.75	2.02	-	-
1.42	215,000	4.96	1.42	-	-
1.51	200,000	4.98	1.51	-	-
\$0.50-2.04	3,725,750	3.80	\$ 1.08	1,289,500	\$ 0.86

13. RELATED PARTY TRANSACTIONS

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

Transactions with related parties	Year ended June 30,	
	2011	2010
Silvercorp Metals Inc. (a)	\$ 514,609	\$ 229,362
R. Feng Consulting Ltd. (b)	72,000	72,000
0799952 BC Ltd. (c)	97,500	126,341
	\$ 684,109	\$ 427,703

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

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As at June 30, 2011, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	June 30, 2011		June 30, 2010	
Silvercorp Metals Inc. (a)	\$	24,539	\$	79,372
R. Feng Consulting Ltd. (b)		-		18,900
	\$	24,539	\$	98,272

- (a) Silvercorp Metals Inc. ("SVM") has a director and two officers in common with the Company and shares office space and provides various general and administrative services to the Company. On May 1, 2011, the Company revised the existing agreement with SVM, which was first entered in October 2007 and revised in May 2011 to increase the office rental expense from 15% to 25%. During the year ended June 30, 2011, the Company recorded total expenses of \$514,609 (year ended June 30, 2010 - \$229,362) for services rendered and expenses incurred by SVM on behalf of NUX.

In October 2010, the Company withdrew a total of \$2.1 million from a credit facility provided by SVM pursuant to a Credit Agreement the Company entered into with SVM in previous quarter. With the completion of the private placement, the Company terminated the credit agreement and repaid the full amount of \$2.1 million principle plus \$85,285 interest and termination fees.

- (b) During the year ended June 30, 2011, the Company incurred \$72,000 (year ended June 30, 2010 - \$72,000) in consulting fees for consulting services rendered by R. Feng Consulting Ltd., a company controlled by a director and an officer of the Company.
- (c) During the year ended June 30, 2011, the Company paid \$97,500 (year ended June 30, 2010 - \$126,431) to 0799952 BC Ltd., a company controlled by a former director and an officer of the Company, for consulting services.

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14. INCOME TAXES

The provision for income taxes differs from the amount computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before income tax provision due to the following:

	2011	2010
Loss from continuing operations for the year before taxes	\$ 2,994,080	\$ 1,484,015
Statutory rate	28.13%	29.25%
Computed tax recovery at statutory rate	842,086	434,074
Difference in foreign tax rates	(120,163)	(11,960)
Impact on tax rate change	353,572	-
Non-deductible items	(615,131)	(165,276)
Change in valuation allowance	(413,190)	(219,530)
Other	(47,174)	(37,308)
Current income tax (expense) recovery	\$ -	\$ -

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

	2011	2010
Non-capital loss carry forward	\$ 2,674,071	\$ 786,943
Excess tax value of assets over book value	(2,095,469)	57,063
Share issuance costs	230,882	12,685
Investment tax credit	854,417	-
	1,663,901	856,691
Valuation allowance	(1,663,901)	(856,691)
	\$ -	\$ -

The Company has Canadian non-capital losses of approximately \$10.1 million expiring on various dates beginning June 30, 2014 if not applied against future Canadian income for Canadian tax purposes. The management of the Company believes that there is uncertainty that the benefit of the future income tax assets arising from the non-capital losses will be realized against future income for tax purposes. As a result, a valuation allowance was recorded against the future tax assets arising from the non-capital losses, as reflected above.

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15. FINANCIAL INSTRUMENTS

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

(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 June 30, 2011, 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	\$ 20,625,672	\$ -	\$ -	\$ 20,625,672
Short term investments	17,023,000	-	-	17,023,000

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a planning process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans.

The Company manages liquidity by maintaining sufficient cash and cash equivalent and short term investment. As at June 30, 2011, the Company has a working capital of \$37,232,868, which is sufficient to meet its short term financial liabilities.

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

	June 30, 2011		June 30, 2010	
	Due within a year		Due within a year	
Accounts payable and accrued liabilities	\$	1,877,487	\$	131,108
Due to related parties		24,539		98,272
Liabilities held for sale		-		565,566
	\$	1,902,026	\$	794,946

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(c) Exchange Risk

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risks due to fluctuations in foreign exchange rates.

The Company does not hedge its foreign currency risk, and the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

The amounts are expressed in CAD equivalents	June 30, 2011		June 30, 2010
United States dollar	\$	19,268,762	\$ 562,157
Chinese yuan		-	408,903
Total financial assets	\$	19,268,762	\$ 971,060
Chinese yuan		-	565,566
Total financial liabilities	\$	-	\$ 565,566

As at June 30, 2011, with other variables unchanged, a 1% strengthening (weakening) of the U.S. dollar against the Canadian dollar would have increased (decreased) net income by approximately \$200,000.

(d) Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of June 30, 2011.

(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, accounts receivable and interest 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 and short term investments are with major financial institutions in Canada.

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16. LOSS PER SHARE

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents such as outstanding stock options in the weighted average number of common shares outstanding during the year, if dilutive. The impact of stock options and warrants were anti-dilutive for the periods presented, except for with respect to the calculation of the diluted earnings per share – total and the diluted earnings per share from discontinued operations which takes into account the effect of the dilutive items below:

Weighted average number of shares outstanding	For the years ended June 30,	
	2011	2010
Basic	53,432,047	31,885,624
Effect of dilutive securities		
Stock options	1,380,094	-
Diluted	<u>54,812,141</u>	<u>31,885,624</u>

17. CAPITAL MANAGEMENT

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

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

The Company's overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirement as at June 30, 2011.

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18. SEGMENTED INFORMATION

(a) Industry Information

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

(b) Geographic Information

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

		China	Canada	Total
As at June 30, 2011				
Mineral property interests	\$	-	\$ 30,701,558	\$ 30,701,558
Plant and equipment		-	1,746,687	1,746,687
Assets held for sale		-	-	-
As at June 30, 2010				
Mineral property interests	\$	-	\$ 9,209	\$ 9,209
Plant and equipment		-	20,397	20,397
Assets held for sale		3,948,875	-	3,948,875

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

	China	Canada	Total
Year ended June 30, 2011			
Expenses	\$ -	\$ (3,253,255)	\$ (3,253,255)
Other income and expenses	-	259,175	259,175
Loss from continuing operations	-	(2,994,080)	(2,994,080)
Operational loss from discontinued operations	(464,940)	-	(464,940)
Gain on disposition of subsidiaries	16,718,858	-	16,718,858
Income from discontinued operations	16,253,918	-	16,253,918
Year ended June 30, 2010			
Expenses	\$ -	\$ (1,544,719)	\$ (1,544,719)
Other income and expenses	-	60,704	60,704
Loss from continuing operations	-	(1,484,015)	(1,484,015)
Operational loss from discontinued operations	(267,420)	-	(267,420)
Gain on disposition of subsidiaries	-	-	-
Loss from discontinued operations	(267,420)	-	(267,420)