



New Pacific Metals Corp.

TSX-V: NUAG | OTCQX: NUPMF

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended March 31, 2019 and 2018

(Expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements
for the three and nine months ended March 31, 2019**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the “Company”) for the three and nine months ended March 31, 2019 (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, 2018 which are available under the Company’s profile on SEDAR at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars and are prepared in accordance with International Financial Reporting Standards (“IFRS”).

New Pacific Metals Corp.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	March 31, 2019	June 30, 2018
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 11,339,663	\$ 14,604,113
Bonds	4	11,216,185	18,114,026
Receivables		318,234	181,884
Deposits and prepayments		154,981	72,540
		23,029,063	32,972,563
Non-current Assets			
Reclamation deposits		15,075	15,075
Other tax receivable	5	1,517,397	727,585
Equity investments	6	5,642,715	5,758,627
Plant and equipment	7	362,799	345,586
Mineral property interests	8	76,071,965	64,862,764
TOTAL ASSETS		\$ 106,639,014	\$ 104,682,200
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 462,409	\$ 1,827,350
Payable for mineral property acquisition	8	394,680	-
Due to a related party	9	44,465	24,417
		901,554	1,851,767
Non-current liabilities			
Payable for mineral property acquisition	8	263,120	-
Total Liabilities		1,164,674	1,851,767
Equity			
Share capital		124,790,793	124,164,312
Share-based payment reserve		24,832,304	23,440,856
Accumulated other comprehensive income		4,901,132	3,987,952
Deficit		(49,189,213)	(48,910,109)
Total equity attributable to the equity holders of the Company		105,335,016	102,683,011
Non-controlling interests	11	139,324	147,422
Total Equity		105,474,340	102,830,433
TOTAL LIABILITIES AND EQUITY		\$ 106,639,014	\$ 104,682,200

Approved on behalf of the Board:

(Signed) David Kong

Director

(Signed) Rui Feng

Director

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Unaudited Condensed Consolidated Interim Statements of Income (Loss)

(Expressed in Canadian dollars)

	Notes	Three Months Ended March 31,		Nine months ended March 31,	
		2019	2018	2019	2018
Income (loss) from investments					
Gain (loss) on equity investments	6	\$ 464,481	\$ 40,235	\$ 250,049	\$ (755,279)
Fair value change and interest earned on bonds	4	1,064,994	(76,987)	1,420,156	197,962
Dividend income		14,160	-	41,466	196
Interest income		8,811	1,201	23,898	13,159
		1,552,446	(35,551)	1,735,569	(543,962)
Operating expenses					
Consulting		38,935	-	38,935	33,899
Depreciation		3,025	3,857	9,077	16,571
Filing and listing		21,278	77,202	106,392	295,838
Investor relations		440,187	115,870	576,506	349,188
Professional fees		33,009	3,995	104,663	96,900
Salaries and benefits		252,113	238,165	711,777	718,231
Office and administration		120,672	79,943	226,033	299,931
Share-based compensation	10(b)	218,964	229,861	544,795	676,532
Loss before other income and expenses		424,263	(784,444)	(582,609)	(3,031,052)
Other (expenses) income					
Foreign exchange (loss) gain		(431,492)	474,432	288,945	64,763
Other income		22	47,623	6,855	47,820
		(431,470)	522,055	295,800	112,583
Net loss		\$ (7,207)	\$ (262,389)	\$ (286,809)	\$ (2,918,469)
Attributable to:					
Equity holders of the Company		\$ (359)	\$ (258,719)	\$ (279,104)	\$ (2,906,517)
Non-controlling interests	11	(6,848)	(3,670)	(7,705)	(11,952)
		\$ (7,207)	\$ (262,389)	\$ (286,809)	\$ (2,918,469)
Loss per share attributable to the equity holders of the Company					
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares - basic and diluted		132,862,155	132,009,479	132,736,133	118,731,518

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in Canadian dollars)

	Notes	Three Months Ended March 31,		Nine months ended March 31,	
		2019	2018	2019	2018
Net loss		\$ (7,207)	\$ (262,389)	\$ (286,809)	\$ (2,918,469)
Other comprehensive (loss) income, net of taxes:					
Items that may subsequently be reclassified to net income or loss:					
Currency translation adjustment, net of tax of \$nil		(1,370,911)	1,824,204	912,787	2,075,949
Other comprehensive (loss) income, net of taxes		\$ (1,370,911)	\$ 1,824,204	\$ 912,787	\$ 2,075,949
Attributable to:					
Equity holders of the Company		\$ (1,374,167)	\$ 1,771,119	\$ 913,180	\$ 2,016,824
Non-controlling interests	11	3,256	53,085	(393)	59,125
		\$ (1,370,911)	\$ 1,824,204	\$ 912,787	\$ 2,075,949
Total comprehensive (loss) income, net of taxes		\$ (1,378,118)	\$ 1,561,815	\$ 625,978	\$ (842,520)
Attributable to:					
Equity holders of the Company		\$ (1,374,526)	\$ 1,512,400	\$ 634,076	\$ (889,693)
Non-controlling interests		(3,592)	49,415	(8,098)	47,173
		\$ (1,378,118)	\$ 1,561,815	\$ 625,978	\$ (842,520)

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Three months ended March 31,		Nine months ended March 31,	
		2019	2018	2019	2018
Operating activities					
Net loss		\$ (7,207)	\$ (262,389)	\$ (286,809)	\$ (2,918,469)
Add (deduct) items not affecting cash:					
(Gain) loss on equity investments	6	(464,481)	(40,235)	(250,049)	755,279
Fair value change and interest earned on bonds	4	(1,064,994)	76,987	(1,420,156)	(197,962)
Interest income		(8,811)	(1,201)	(23,898)	(13,159)
Depreciation		3,025	3,857	9,077	16,571
Share-based compensation	10(b)	218,964	229,861	544,795	676,532
Unrealized foreign exchange loss (gain)		431,492	(474,432)	(288,945)	(64,763)
Interest received		8,811	1,201	23,898	13,159
Changes in non-cash operating working capital		(1,496,043)	(1,316,974)	(1,569,578)	(1,557,761)
Net cash used in operating activities		(2,379,244)	(1,783,325)	(3,261,665)	(3,290,573)
Investing activities					
Mineral property interest					
Capital expenditures		(1,027,386)	(2,277,051)	(7,552,434)	(3,622,286)
Acquisition of mineral concession	8	-	-	(657,800)	-
Plant and equipment					
Additions		(7,422)	(4,963)	(70,868)	(300,797)
Bonds					
Acquisition	5	-	(7,959,008)	-	(7,959,008)
Proceeds on disposals	4	3,565,390	-	7,700,006	1,973,498
Coupon payments	4	286,857	127,694	853,076	458,632
Equity investments					
Proceeds on disposals	6	73,048	-	365,961	-
Payment for Alcira acquisition		-	-	-	(45,858,200)
Changes in other tax receivable		(38,179)	-	(768,894)	-
Net cash provided by (used in) investing activities		2,852,308	(10,113,328)	(130,953)	(55,308,161)
Financing activities					
Proceeds from issuance of common shares		9,333	-	157,534	71,403,671
Net cash provided by financing activities		9,333	-	157,534	71,403,671
Effect of exchange rate changes on cash and cash equivalents		(107,061)	1,880,075	(29,366)	1,850,343
Increase (decrease) in cash and cash equivalents		375,336	(10,016,578)	(3,264,450)	14,655,280
Cash and cash equivalents, beginning of the period		10,964,327	28,482,218	14,604,113	3,810,360
Cash and cash equivalents, end of the period		\$ 11,339,663	\$ 18,465,640	\$ 11,339,663	\$ 18,465,640
Supplementary cash flow information	15				

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Unaudited Condensed Consolidated Interim Statements of Change in Equity

(Expressed in Canadian dollars, except for share figures)

	Notes	Share capital		Share-based payment reserve	Accumulated other comprehensive income	Deficit	Total equity attributable to the equity holders of the Company	Non-controlling interests	Total equity
		Number of common shares issued	Amount						
Balance, July 1, 2017		67,063,229	\$ 57,268,757	\$ 17,845,380	\$ 1,134,788	\$ (44,803,659)	\$ 31,445,266	\$ 130,423	\$ 31,575,689
Options exercised		1,175,000	1,116,510	(397,160)	-	-	719,350	-	719,350
Share-based compensation		-	-	676,532	-	-	676,532	-	676,532
Common shares issued through private placement		63,771,250	65,471,035	5,213,286	-	-	70,684,321	-	70,684,321
Net loss		-	-	-	-	(2,906,517)	(2,906,517)	(11,952)	(2,918,469)
Currency translation adjustment		-	-	-	2,016,824	-	2,016,824	59,125	2,075,949
Balance, March 31, 2018		132,009,479	\$ 123,856,302	\$ 23,338,038	\$ 3,151,612	\$ (47,710,176)	\$ 102,635,776	\$ 177,596	\$ 102,813,372
Options exercised		340,000	308,010	(102,211)	-	-	205,799	-	205,799
Share-based compensation		-	-	205,029	-	-	205,029	-	205,029
Net loss		-	-	-	-	(1,199,933)	(1,199,933)	(3,783)	(1,203,716)
Currency translation adjustment		-	-	-	836,340	-	836,340	(26,391)	809,949
Balance, June 30, 2018		132,349,479	\$ 124,164,312	\$ 23,440,856	\$ 3,987,952	\$ (48,910,109)	\$ 102,683,011	\$ 147,422	\$ 102,830,433
Options exercised	10(b)	273,333	231,168	(73,634)	-	-	157,534	-	157,534
Share-based compensation	10(b)	-	-	544,795	-	-	544,795	-	544,795
Common shares issued to acquire mineral property interest	10(c)	250,000	395,313	920,287	-	-	1,315,600	-	1,315,600
Net loss		-	-	-	-	(279,104)	(279,104)	(7,705)	(286,809)
Currency translation adjustment		-	-	-	913,180	-	913,180	(393)	912,787
Balance, March 31, 2019		132,872,812	\$ 124,790,793	\$ 24,832,304	\$ 4,901,132	\$ (49,189,213)	\$ 105,335,016	\$ 139,324	\$ 105,474,340

See accompanying notes to the unaudited condensed consolidated interim financial statements

New Pacific Metals Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended March 31, 2019 and 2018

(Expressed in Canadian dollars, except for share figures)

1. CORPORATE INFORMATION

New Pacific Metals Corp. along with its subsidiaries (collectively, the “Company” or “New Pacific”) is a Canadian mining issuer engaged in exploring and developing mineral properties in Bolivia, Canada and China. The Company is in the stage of exploring and developing its mineral properties and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The underlying value and the recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, and future profitable production or proceeds from the disposition of the mineral property interests.

The Company is publicly listed on the TSX Venture Exchange (“TSX-V”) under the symbol “NUAG” and on the OTCQX Best Market in the United States under the symbol “NUPMF”. 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.

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, 2018. 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, 2018.

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 March 31, 2019, the Company had a working capital position of \$22,127,509 and sufficient cash resources to meet the Company’s normal exploration and operating needs for, but not limited to, the next 12 months. These financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities which may be required should the Company be unable to continue as a going concern.

The unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine months ended March 31, 2019 were authorized for issue in accordance with a resolution of the Company’s board of directors (the “Board”) dated on May 24, 2019.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly or partially owned subsidiaries.

Subsidiaries are consolidated from the date on which the Company obtains control up to the date of the disposition of control. Control is achieved when the Company has power over the subsidiary, is exposed or has rights to variable returns from its involvement with the subsidiary; and has the ability to use its power to affect its returns. For non-wholly-owned subsidiaries over which the Company has control, the

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended March 31, 2019 and 2018

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net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the consolidated statements of financial position. Net income for the period that is attributable to the non-controlling interests is calculated based on the ownership of the non-controlling interest shareholders in the subsidiary.

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

Details of the Company’s significant subsidiaries which are consolidated are as follows:

Name of subsidiaries	Principal activity	Place of incorporation	Proportion of ownership interest held		
			March 31, 2019	June 30, 2018	Mineral properties
New Pacific Offshore Inc.	Holding company	BVI (i)	100%	100%	
SKN Nickel & Platinum Ltd.	Holding company	BVI	100%	100%	
Glory Metals Investment Corp. Limited	Holding company	Hong Kong	100%	100%	
New Pacific Investment Corp. Limited	Holding company	Hong Kong	100%	100%	
New Pacific Andes Corp. Limited	Holding company	Hong Kong	100%	100%	
Fortress Mining Inc.	Holding company	BVI	100%	100%	
Minera Alcira S.A.	Mining company	Bolivia	100%	100%	Silver Sand
NPM Minerales S.A.	Mining company	Bolivia	100%	100%	
Qinghai Found Mining Co., Ltd.	Mining company	China	82%	82%	RZY
Tagish Lake Gold Corp.	Mining company	Canada	100%	100%	TLG

(i) British Virgin Islands (“BVI”)

3. ALCIRA ACQUISITION

On July 20, 2017, the Company, through its wholly-owned subsidiary New Pacific Investment Corp., completed its previously announced acquisition of 100% interest in Empresa Minera Alcira S.A. (“Alcira”), a private Bolivian incorporated mining company from its three shareholders (the “Vendors”) pursuant to the terms of a share purchase agreement (the “Agreement”) dated March 28, 2017. Alcira has seven silver-polymetallic mineral properties or ATEs (Special Temporary Authorizations) in Bolivia. The most significant property is the Silver Sand Property, located in the Potosí Department, which has been subjected to some small-scale, historic mining and was drilled during the period 2012 through 2015 by Alcira. The other six are early-stage exploration projects, which have either been subject to limited small-scale mining or historical drilling.

The Company acquired Alcira for total cash consideration of \$57,070,675 (US\$45,000,000). As of June 30, 2018, total payments of \$50,724,575 (US\$40,000,000) were paid to the Vendors. According to the Agreement, the remaining balance of \$6,240,000 (US\$5,000,000) is to be paid to the Vendors once Alcira has received certain specified permits and licenses from the Bolivian authorities necessary for mining and milling operations, or once Alcira has commenced commercial production.

The transaction was entered into based on normal market conditions at the amount agreed on by the parties. The transaction did not meet the criteria of a business combination since Alcira lacks the necessary inputs, process, and outputs of being a business; therefore it has been accounted for as an acquisition of assets by the Company. The purchase consideration was allocated to the assets acquired based on their fair values at the date of the acquisition net of any associated liabilities. The only material asset acquired was the mineral property interest of the Silver Sand Property.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended March 31, 2019 and 2018

(Expressed in Canadian dollars, except for share figures)

4. BONDS

The Company acquired bonds issued by other companies from various industries through the open market. These bonds were held to receive coupon interest payments as well as to realize potential gains. The bonds may also be disposed on demand through the open market should the Company require funds for operational or investment needs. The Company accounts for the bonds at fair value at each reporting date.

The continuity of bonds is summarized as follows:

	Amount
Balance, July 1, 2017	\$ 11,404,266
Acquisition	9,895,490
Interest earned	760,195
Loss on fair value change	(1,232,627)
Coupon payment	(726,721)
Disposition	(3,268,298)
Foreign currency translation impact	1,281,721
Balance, June 30, 2018	\$ 18,114,026
Interest earned	716,002
Gain on fair value change	704,154
Coupon payment	(853,076)
Disposition	(7,700,006)
Foreign currency translation impact	235,085
Balance, March 31, 2019	\$ 11,216,185

5. OTHER TAX RECEIVABLE

Other tax receivable composed of value-added tax ("VAT") imposed by the Bolivian government. The Company had VAT outputs through its exploration costs and general expenses incurred in Bolivia. These VAT outputs are deductible against future VAT inputs that will be generated through sales.

6. EQUITY INVESTMENTS

Equity investments represent equity interests of other publicly-trading or privately-held companies that the Company has acquired through the open market or through private placements. These equity interests consist of common shares and warrants. Equity investments are classified as FVTPL and are measured at fair value on initial recognition and subsequent measurement. The fair value of warrants was determined using the Black-Scholes pricing model as at the acquisition date as well as at each period end.

The equity investments are summarized as follow:

	March 31, 2019	June 30, 2018
Common shares		
Public companies	\$ 4,902,056	\$ 5,028,397
Private companies	334,075	329,200
Warrants		
Public companies	406,584	401,030
	\$ 5,642,715	\$ 5,758,627

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The fair values of the warrants were estimated using the Black Scholes options pricing model with the following assumptions:

	Nine months ended March 31,	
	2019	2018
Risk free interest rate	1.52%	1.96%
Expected volatility	132%	144%
Expected life of warrants in years	2.44	3.44

The continuity of equity investments is summarized as follows:

	Accumulated mark-to-market gain included in net	
	Fair value	income
Balance, July 1, 2017	\$ 6,840,394	\$ 4,194,423
Change in fair value	(1,081,767)	(1,081,767)
Balance, June 30, 2018	\$ 5,758,627	\$ 3,112,656
Proceeds on disposal	(365,961)	-
Change in fair value	250,049	250,049
Balance, March 31, 2019	\$ 5,642,715	\$ 3,362,705

7. PLANT AND EQUIPMENT

Cost	Office					Total
	Buildings	Machinery	Motor vehicles	equipment and furniture	Computer software	
Balance, July 1, 2017	\$ 890,754	\$ 1,178,477	\$ 90,453	\$ 158,360	\$ 126,259	\$ 2,444,303
Additions	-	133,275	142,638	26,635	-	302,548
Foreign currency translation impact	-	5,029	5,736	3,347	13	14,125
Balance, June 30, 2018	\$ 890,754	\$ 1,316,781	\$ 238,827	\$ 188,342	\$ 126,272	\$ 2,760,976
Additions	-	6,203	36,207	28,458	-	70,868
Foreign currency translation impact	-	455	2,683	838	-	3,976
Balance, March 31, 2019	\$ 890,754	\$ 1,323,439	\$ 277,717	\$ 217,638	\$ 126,272	\$ 2,835,820

Accumulated depreciation and amortization

Balance as at July 1, 2017	\$ (890,754)	\$(1,120,078)	\$ (81,043)	\$ (137,391)	\$ (124,944)	\$ (2,354,210)
Depreciation and amortization	-	(11,657)	(22,300)	(22,191)	(1,268)	(57,416)
Foreign currency translation impact	-	(529)	(1,047)	(2,177)	(11)	(3,764)
Balance, June 30, 2018	\$ (890,754)	\$(1,132,264)	\$ (104,390)	\$ (161,759)	\$ (126,223)	\$ (2,415,390)
Depreciation and amortization	-	(12,847)	(25,486)	(18,006)	-	(56,339)
Foreign currency translation impact	-	(348)	(677)	(267)	-	(1,292)
Balance, March 31, 2019	\$ (890,754)	\$(1,145,459)	\$ (130,553)	\$ (180,032)	\$ (126,223)	\$ (2,473,021)

Carrying amount

Balance, June 30, 2018	\$ -	\$ 184,517	\$ 134,437	\$ 26,583	\$ 49	\$ 345,586
Balance, March 31, 2019	\$ -	\$ 177,980	\$ 147,164	\$ 37,606	\$ 49	\$ 362,799

New Pacific Metals Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended March 31, 2019 and 2018

(Expressed in Canadian dollars, except for share figures)

8. MINERAL PROPERTY INTERESTS

(a) Silver Sand Property

On July 20, 2017, the Company acquired the Silver Sand Property. The Silver Sand Property is located in the Potosí Department, Bolivia. The property consists of 17 contiguous concessions totalling 3.15 square kilometres in size. The property is one of the earliest silver discoveries in the district, having been made prior to the discovery of Cerro Rico in the mid-1500's. Small-scale, historic mining is evident from scattered shafts, pits, adits, declines and dumps. The property was explored previously by intermittent surface mapping and sampling, underground sampling and surface core drilling between 2012 and 2015.

The Company started the preparation work for the planned exploration program after the acquisition of the Silver Sand Property. In October 2017, the Company successfully received exploration permits required by the relevant Bolivian government authorities and immediately commenced its exploration drilling program ("2018 drill program") on the property. By mid-December 2018, a total of 55,010 metres in 195 HQ size diamond core drill holes had been completed. On January 22 and February 20, 2019, through two separate news releases, the Company released the results of 195 drill holes that had assay results received and analyzed, of which 190 holes intercepted silver mineralization. For details of the drill program, please review the Company's news releases dated January 22, 2019 and February 20, 2019, available under the Company's profile under SEDAR at www.sedar.com or on the Company's website at www.newpacificmetals.com. For the three and nine months ended March 31, 2019, total expenditures of \$1,040,108 and \$7,634,047, respectively (three and nine months ended March 31, 2018 - \$2,292,123 and \$3,646,522, respectively) were capitalized under the property. These expenditures were mainly related to the 2018 drill program, site and camp preparation, maintaining a regional office in La Paz, and building a competent management team and workforce for the property.

In April 2019, the Company commenced the 2019 drill program at the Silver Sand Property. The total budgeted metreage for 2019 drill program is approximately 55,000 metres of diamond core drilling. The Company also acquired land located approximately 16 kilometres south of the Silver Sand Property sufficient to build an exploration camp which will include offices, accommodation, and drill core processing and storage facilities. This location is approximately 10 kilometres east of the Potosí airport at an elevation of 3,620 metres above sea level.

As part of the Silver Sand Property's expansion plan, on January 11, 2019, the Company entered into a mining production contract (the "MPC") with COMIBOL to explore the area adjoining the Silver Sand Property. The MPC remains subject to ratification by the Plurinational Legislative Assembly of Bolivia. In addition, in July 2018, the Company entered into agreements with private owners to acquire their 100% interest in certain mineral concessions located adjacent to the Silver Sand Property. For the nine months ended March 31, 2019, the Company acquired total mineral concessions valued at \$2,631,200 (US\$2,000,000) by cash payments of \$1,315,600 (US\$1,000,000) and issuance of 832,000 of its common shares (see note 10 (c)). For the cash payments, \$657,800 (US\$500,000) was paid during the period. Future payments of \$657,800 (US\$500,000) were accrued as payable for mineral property acquisition as at March 31, 2019.

(b) 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.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended March 31, 2019 and 2018

(Expressed in Canadian dollars, except for share figures)

(c) 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 296 kilometres via paved and gravel roads from the capital city of Yushu, Tibetan Autonomous Prefecture, or 1,157 kilometres via paved highway from Qinghai Province's capital city of Xining. In 2016, the Qinghai Government issued a moratorium which temporarily suspended exploration for twenty six mining projects in the area including the RZY Project. RZY's exploration permit expired on November 19, 2016. The application for the renewal of the exploration permit is in the final stage and subject to Qinghai Government's approval.

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

Cost	Silver Sand	Tagish Lake	RZY Project	Total
Balance, July 1, 2017	\$ 466,972	\$ -	\$ 4,318,872	\$ 4,785,844
<u>Capitalized exploration expenditures</u>				
Reporting and assessment	12,555	-	-	12,555
Drilling and assaying	4,273,826	-	-	4,273,826
Project management and support	1,646,948	-	-	1,646,948
Site preparation and camp service	558,177	-	-	558,177
Geological surveys	58,336	-	-	58,336
Permitting	3,459	-	-	3,459
Acquisition premium	50,526,164	-	-	50,526,164
Foreign currency impact	2,828,219	-	169,236	2,997,455
Balance, June 30, 2018	\$ 60,374,656	\$ -	\$ 4,488,108	\$ 64,862,764
<u>Capitalized exploration expenditures</u>				
Drilling and assaying	5,055,300	-	-	5,055,300
Project management and support	2,082,341	-	-	2,082,341
Site preparation and camp service	466,713	-	-	466,713
Geological surveys	25,695	-	-	25,695
Permitting	3,998	-	-	3,998
Acquisition of mineral concessions	2,631,200	-	-	2,631,200
Foreign currency impact	939,442	-	4,512	943,954
Balance, March 31, 2019	\$ 71,579,345	\$ -	\$ 4,492,620	\$ 76,071,965

9. RELATED PARTY TRANSACTIONS

Related party transactions are made on terms agreed upon by the related parties. The balances with related parties are unsecured, non-interest bearing, and due on demand. Related party transactions not disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

Due to a related party	March 31, 2019	June 30, 2018
Silvercorp Metals Inc.	\$ 44,465	\$ 24,417

Silvercorp Metals Inc. ("Silvercorp") has two common directors and two officers with the Company and shares office space and provides various general and administrative services to the Company. During the three and nine months ended March 31, 2019, the Company recorded total expenses of \$93,204 and \$221,463, respectively (three and nine months ended March 31, 2018 - \$51,042 and \$290,657, respectively) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

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10. SHARE CAPITAL

(a) Share Capital - authorized share capital

Unlimited number of common shares without par value.

(b) Stock Options

The continuity schedule of stock options, as at March 31, 2019, is as follows:

	Number of options	Weighted average exercise price
Balance, July 1, 2017	3,685,000	0.58
Options granted	2,165,000	1.19
Options exercised	(1,515,000)	0.61
Options cancelled	(75,000)	1.15
Options expired	(115,000)	0.62
Balance, June 30, 2018	4,145,000	0.87
Options granted	1,955,000	2.15
Options exercised	(273,333)	0.58
Options cancelled	(11,667)	0.89
Options expired	(50,000)	0.57
Balance, March 31, 2019	5,765,000	1.32

Option pricing model requires the input of 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 TSX-V.

During the nine months ended March 31, 2019, 1,955,000 options at exercise price of \$2.15 per share were granted to officers, directors, consultants, and employees. These options have a life of five years and are subject to a vesting schedule over a three-year term with 1/6 of the options vesting every six months from the date of grant.

For the three and nine months ended March 31, 2019, a total of \$218,964 and \$544,795, respectively (three and nine months ended March 31, 2018 - \$229,861 and \$676,532) were recorded as share-based compensation expense.

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The following table summarizes information about stock options outstanding as at March 31, 2019:

Exercise prices	Number of options outstanding as at 3/31/2019	Weighted average remaining contractual life (years)	Number of options exercisable as at 3/31/2019	Weighted average exercise price
\$ 0.55	1,730,000	2.59	1,153,331	\$0.55
1.15	1,880,000	3.33	940,000	\$1.15
1.57	200,000	3.69	66,667	\$1.57
2.15	1,955,000	4.90	-	-
0.55 - 2.15	5,765,000	3.65	2,159,998	\$0.84

Subsequent to March 31, 2019, a total of 60,000 options with exercise price of \$0.55 were exercised for proceeds of \$33,000.

(c) Common Shares issued for mineral property interest

As part of the consideration given to acquire certain mineral concessions located adjacent to the Silver Sand Property (see note 8), the Company agreed to issue a total of 832,000 common shares to the vendors valued at \$1,315,600 (US\$1,000,000). During the nine months ended March 31, 2019, 250,000 common shares valued at \$395,313 were issued and recorded under share capital. Future issuance of 582,000 shares valued at \$920,287 was recorded under share-based payment reserve.

(d) Warrants

As at March 31, 2019, the Company has 9,500,000 outstanding warrants at an exercise price of \$2.10 per share. The warrants have an expiry date of May 26, 2019.

Subsequent to March 31, 2019, warrants of 9,500,000 were exercised for total proceeds of \$19,950,000.

11. NON-CONTROLLING INTEREST

		Qinghai Found
Balance, July 1, 2017	\$	130,423
Share of net loss		(15,735)
Share of other comprehensive income	\$	32,734
Balance, June 30, 2018	\$	147,422
Share of net loss		(7,705)
Share of other comprehensive loss		(393)
Balance, March 31, 2019	\$	139,324

As at March 31, 2019 and June 30, 2018, the non-controlling interest in the Company's subsidiary Qinghai Found Mining Co., Ltd. was 18%.

12. FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk, and equity price risk in accordance with its risk management framework. The

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Board 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 March 31, 2019 and June 30, 2018 that are not otherwise disclosed. As required by IFRS 7, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Recurring measurements	Fair value as at March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 11,339,663	\$ -	\$ -	\$ 11,339,663
Bonds	11,216,185	-	-	11,216,185
Common shares ⁽¹⁾	4,902,056	-	334,075	5,236,131
Warrants	-	406,584	-	406,584

⁽¹⁾ Common shares in private companies are Level 3 financial instruments

Recurring measurements	Fair value as at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 14,604,113	\$ -	\$ -	\$ 14,604,113
Bonds	18,114,026	-	-	18,114,026
Common shares ⁽¹⁾	5,028,397	-	329,200	5,357,597
Warrants	-	401,030	-	401,030

⁽¹⁾ Common shares in private companies are Level 3 financial instruments

Fair value of other financial instruments excluded from the table above approximates their carrying amount as of March 31, 2019 and June 30, 2018, respectively.

There were no transfers into or out of Level 3 during the period.

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(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 March 31, 2019, the Company had a working capital position of \$22,127,509 and sufficient cash resources to meet the Company's short-term financial liabilities and its planned exploration expenditures on the Silver Sand Property 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:

	March 31, 2019			June 30, 2018	
	Due within a year	2 years	Total	Total	
Trade and other payables	\$ 462,409	\$ -	\$ 462,409	\$ 1,827,350	
Due to a related party	44,465	-	44,465	24,417	
Payable for mineral property acquisition	394,680	263,120	657,800	-	
	\$ 901,554	\$ 263,120	\$ 1,164,674	\$ 1,851,767	

(c) Foreign Exchange Risk

The Company is exposed to foreign exchange risk when it undertakes transactions and holds assets and liabilities denominated in foreign currencies other than its functional currencies. The Company currently does not engage in foreign exchange currency hedging. The Company's exposure to foreign exchange risk is summarized as follows:

The amounts are expressed in CAD equivalents	March 31, 2019		June 30, 2018	
United States dollars	\$ 20,220,196	\$	21,339,583	
Bolivianos	129,929		935,163	
Chinese RMB	219,560		211,474	
Financial assets in foreign currency	\$ 20,569,685	\$	22,486,220	
United States dollars	\$ 254,060	\$	-	
Bolivianos	3,085		1,493,607	
Chinese RMB	4,705		84,939	
Financial liabilities in foreign currency	\$ 261,850	\$	1,578,546	

As at March 31, 2019, with other variables unchanged, a 1% strengthening (weakening) of the U.S. dollar against the CAD would have increased (decreased) net income by approximately \$199,600.

As at March 31, 2019, with other variables unchanged, a 1% strengthening (weakening) of the Bolivianos against the CAD would have increased (decreased) net income by approximately \$1,300.

As at March 31, 2019, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$2,100.

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(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 and cash equivalents primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of March 31, 2019. The Company also owns bonds that earn coupon payments at fixed rates to maturity. Fluctuation in market interest rates usually will have an impact on bond's fair value. An increase in market interest rates will generally reduce bond's fair value while a decrease in market interest rates will generally increase it. The Company monitors market interest rate fluctuations closely and adjusts the investment portfolio accordingly.

(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, bonds, and receivables. The carrying amount of financial assets included on the statement of financial position represents the maximum credit exposure.

The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Board. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents are held with major financial institutions. Bonds by nature are exposed to more credit risk than cash. The Company manages its risk associated with bonds by only investing in large globally recognized corporations from diversified industries. As at March 31, 2019, the Company had a receivables balance of \$318,234 (June 30, 2018 - \$181,884).

(f) Equity Price Risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on global financial markets. As the Company's marketable securities holding are mainly in mining companies, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at March 31, 2019, a 10% increase (decrease) in the market price of the securities held, ignoring any foreign exchange effects would have resulted in an increase (decrease) to net income of approximately \$564,000.

13. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal exploration and operating requirement on an ongoing basis, continue the investment in high quality assets along with safeguarding the value of its development and exploration mineral properties, and support any expansionary plans.

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

The Company's overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirement as at March 31, 2019.

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14. SEGMENTED INFORMATION

The Company operates in four reportable operating segments, one being the corporate segment; the others being the mining segments focused on safeguarding the value of its exploration and development mineral properties. These reporting segments are components of the Company where separate financial information is available that is evaluated regularly by the Company's Chief Executive Officer, the chief operating decision maker.

(a) Segment information for assets and liabilities are as follows:

	March 31, 2019				
	Corporate	Mining			Total
	Canada and BVI	Bolivia	Canada	China	
Cash and cash equivalents	\$ 10,952,982	\$ 265,076	\$ 31,652	\$ 89,953	\$ 11,339,663
Bonds	11,216,185	-	-	-	11,216,185
Equity investments	5,642,715	-	-	-	5,642,715
Plant and equipment	35,636	307,088	-	20,075	362,799
Mineral property interests	-	71,579,345	-	4,492,620	76,071,965
Other assets	88,605	1,763,663	15,295	138,124	2,005,687
Total Assets	\$ 27,936,123	\$ 73,915,172	\$ 46,947	\$ 4,740,772	\$ 106,639,014
Total Liabilities	\$ (790,977)	\$ (257,145)	\$ (111,847)	\$ (4,705)	\$ (1,164,674)

	June 30, 2018				
	Corporate	Mining			Total
	Canada and BVI	Bolivia	Canada	China	
Cash and cash equivalents	\$ 14,045,679	\$ 340,179	\$ 17,774	\$ 200,481	\$ 14,604,113
Bonds	18,114,026	-	-	-	18,114,026
Equity investments	5,758,627	-	-	-	5,758,627
Plant and equipment	44,713	280,818	-	20,055	345,586
Mineral property interests	-	60,374,657	-	4,488,107	64,862,764
Other assets	20,708	809,602	15,125	151,649	997,084
Total Assets	\$ 37,983,753	\$ 61,805,256	\$ 32,899	\$ 4,860,292	\$ 104,682,200
Total Liabilities	\$ (161,174)	\$ (1,493,607)	\$ (112,047)	\$ (84,939)	\$ (1,851,767)

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	Nine months ended March 31, 2019				
	Corporate	Mining			Total
	Canada and BVI	Bolivia	Canada	China	
Gain on equity investments	\$ 250,049	\$ -	\$ -	\$ -	\$ 250,049
Fair value change and interest earned on bonds	1,420,156	-	-	-	1,420,156
Dividend income	41,466	-	-	-	41,466
Interest income	23,713	-	-	185	23,898
	1,735,384	-	-	185	1,735,569
Salaries and benefits	660,694	-	-	51,083	711,777
Share-based compensation	544,795	-	-	-	544,795
Other operating expenses (income)	892,648	31,601	141,687	(4,330)	1,061,606
Loss before other income and expenses	(362,753)	(31,601)	(141,687)	(46,568)	(582,609)
Foreign exchange gain	285,179	-	-	3,766	288,945
Other income (expense)	45,000	5,474	(43,619)	-	6,855
Net loss	\$ (32,574)	\$ (26,127)	\$ (185,306)	\$ (42,802)	\$ (286,809)
Attributed to:					
Equity holders of the Company	\$ (32,574)	\$ (26,127)	\$ (185,306)	\$ (35,097)	\$ (279,104)
Non-controlling interests	-	-	-	(7,705)	(7,705)
Net loss	\$ (32,574)	\$ (26,127)	\$ (185,306)	\$ (42,802)	\$ (286,809)

	Nine months ended March 31, 2018				
	Corporate	Mining			Total
	Canada	Bolivia	Canada	China	
Loss on equity investments	\$ (755,279)	\$ -	\$ -	\$ -	\$ (755,279)
Fair value change and interest earned on bonds	197,962	-	-	-	197,962
Dividend income	196	-	-	-	196
Interest income	12,993	-	-	166	13,159
	(544,128)	-	-	166	(543,962)
Salaries and benefits	687,399	-	-	30,832	718,231
Share-based compensation	676,532	-	-	-	676,532
Other operating expenses	912,788	48,356	106,085	25,098	1,092,327
Loss before other income and expenses	(2,820,847)	(48,356)	(106,085)	(55,764)	(3,031,052)
Foreign exchange gain (loss)	79,593	(4,196)	-	(10,634)	64,763
Other income (expense)	91,120	-	(43,300)	-	47,820
Net loss	\$ (2,650,134)	\$ (52,552)	\$ (149,385)	\$ (66,398)	\$ (2,918,469)
Attributed to:					
Equity holders of the Company	\$ (2,650,134)	\$ (52,552)	\$ (149,385)	\$ (54,446)	\$ (2,906,517)
Non-controlling interests	-	-	-	(11,952)	(11,952)
Net loss	\$ (2,650,134)	\$ (52,552)	\$ (149,385)	\$ (66,398)	\$ (2,918,469)

15. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash operating working capital:	Three Months Ended March 31,		Nine months ended March 31,	
	2019	2018	2019	2018
Receivables	\$ (68,699)	\$ (194,347)	\$ (134,477)	\$ (372,457)
Deposits and prepayments	16,886	30,698	(81,222)	(22,616)
Accounts payable and accrued liabilities	(1,434,910)	(1,133,223)	(1,373,927)	(1,126,689)
Due to related parties	(9,320)	(20,102)	20,048	(35,999)
	\$ (1,496,043)	\$ (1,316,974)	\$ (1,569,578)	\$ (1,557,761)