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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

(Unaudited, expressed in Canadian Dollars)

Notice to Readers of the Unaudited Interim Consolidated Financial Statements
For the three and nine months ended March 31, 2011

The unaudited interim consolidated financial statements of New Pacific Metals Corp. (the “Company”) or the three and nine months ended March 31, 2011 (the “Financial Statements”) have been prepared by management and have not been reviewed by the Company’s auditors. The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended June 30, 2010 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian general accepted accounting principles.

NEW PACIFIC METALS CORP.
Consolidated Balance Sheets
(Unaudited, expressed in Canadian Dollars)

	Notes		March 31, 2011		June 30, 2010
ASSETS					
Current					
Cash and cash equivalents		$	**22,493,662**	$	6,333,154
Short term investments			**20,023,000**		2,904,360
Receivables and prepaid expenses	5		**336,039**		85,623
Inventories			**43,813**		-
Assets held for sale	4		**304,308**		436,490
			43,200,822		9,759,627
Reclamation deposits			**30,075**		-
Long term investments	6		**-**		773,100
Plant and equipment	8		**496,705**		20,397
Mineral property interests	7		**28,745,443**		9,209
Assets held for sale	4		**160,052**		3,948,875
		$	**72,633,097**	$	14,511,208
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	**2,484,379**	$	131,108
Due to related parties	10		**143,626**		98,272
Liabilities held for sale	4		**309,730**		565,566
			2,937,735		794,946
SHAREHOLDERS' EQUITY					
Share capital			**56,221,249**		16,708,543
Contributed surplus			**16,089,410**		13,048,690
Accumulated other comprehensive (loss) income			**-**		46,862
Deficit			**(2,615,297)**		(16,087,833)
			69,695,362		13,716,262
		$	**72,633,097**	$	14,511,208

See accompanying notes to the unaudited interim consolidated financial statements

NEW PACIFIC METALS CORP.

Consolidated Statements of Income (Loss) and Comprehensive (Income) Loss
(Unaudited, expressed in Canadian dollars)

	Notes	Three months ended March 31, 2011	Three months ended March 31, 2010	Nine months ended March 31, 2011	Nine months ended March 31, 2010
Expenses	10				
Audit and accounting		**$ 29,418**	$ 15,000	**$ 87,388**	$ 40,141
Consulting		**60,250**	67,074	**159,250**	167,105
Depreciation		**6,765**	1,261	**12,947**	3,582
Filing and listing		**4,465**	3,985	**79,623**	12,291
Foreign exchange loss		**224,362**	1,200	**234,752**	8,782
General explorations		**-**	37,373	**1,560**	44,497
Interest and finance charge		**980**	276	**90,784**	1,103
Investor relations		**30,967**	12,414	**67,251**	63,132
Legal and professional fees		**13,922**	2,973	**181,109**	8,731
Salaries and benefits		**301,064**	91,330	**637,458**	238,145
Office and administration		**21,803**	20,419	**65,233**	52,257
Rent		**24,991**	18,672	**65,350**	50,750
Stock-based compensation	9(c)	**191,504**	78,817	**720,395**	353,841
Travel and promotion		**8,592**	12,614	**14,859**	54,592
Loss before other income		**919,083**	363,408	**2,417,959**	1,098,949
Other income					
Gain on disposal of a subsidiary	4	**16,122,795**	-	**16,122,795**	-
Gain on disposal of marketable securities	6	**-**	-	**62,117**	-
Interest income		**88,783**	17,669	**112,048**	54,665
		16,211,578	17,669	**16,296,960**	54,665
Income (loss) from continuing operations		**15,292,495**	(345,739)	**13,879,001**	(1,044,284)
Loss from discontinued operations (net of tax of $nil)	4	**(60,270)**	(71,928)	**(406,465)**	(244,420)
Income (loss) for the period		**$ 15,232,225**	$ (417,667)	**$ 13,472,536**	$ (1,288,704)
Other comprehensive loss					
Unrealized loss on available for sale securities		**-**	-	**(46,862)**	-
Other comprehensive loss		**-**	-	**(46,862)**	-
Comprehensive income (loss) for the period		**$ 15,232,225**	$ (417,667)	**$ 13,425,674**	$ (1,288,704)
Basic earnings (loss) per share - continuing operations		**$ 0.233**	$ (0.011)	**$ 0.285**	$ (0.033)
Diluted earnings (loss) per share - continuing operations		**$ 0.226**	$ (0.011)	**$ 0.277**	$ (0.033)
Basic and diluted loss per share - discontinued operations		**$ (0.001)**	$ (0.002)	**$ (0.008)**	$ (0.008)
Basic earnings (loss) per share		**$ 0.232**	$ (0.013)	**$ 0.277**	$ (0.040)
Diluted earnings (loss) per share		**$ 0.225**	$ (0.013)	**$ 0.269**	$ (0.041)
Weighted average number of shares - basic		**65,663,053**	31,904,988	**48,626,053**	31,878,284
Weighted average number of shares - diluted		**67,605,945**	31,904,988	**50,102,414**	31,878,284

See accompanying notes to the unaudited interim consolidated financial statements

NEW PACIFIC METALS CORP.
Consolidated Statements of Cash Flows
(Unaudited, expressed in Canadian dollars)

	Notes	Three months ended March 31, 2011	Three months ended March 31, 2010	Nine months ended March 31, 2011	Nine months ended March 31, 2010
Cash (used in) provided by					
Operating activities					
Net income (loss) for the period		**$ 15,232,225**	$ (417,667)	**$ 13,472,536**	$ (1,288,704)
Add: net loss from the discontinued operations		**60,270**	71,928	**406,465**	244,420
Add (deduct) items not affecting cash :					
Depreciation		**6,765**	1,261	**12,947**	3,582
Gain on disposition of a subsidiary		**(16,122,795)**	-	**(16,122,795)**	-
Gain on disposal of marketable securities		**-**	-	**(62,117)**	-
Stock-based compensation		**191,504**	78,817	**720,395**	353,841
		(632,031)	(265,661)	**(1,572,569)**	(686,861)
Change in non-cash working capital					
Receivables and prepaid expenses		**(83,478)**	(108,516)	**7,711**	(154,090)
Accounts payable and accrued liabilities		**1,689,119**	22,608	**(5,961,256)**	(3,341)
Inventory		**(43,813)**	-	**(43,813)**	-
Cash provide by (used) in operating activities of continuing operations		**929,797**	(351,569)	**(7,569,927)**	(844,292)
Cash used in operating activities of discontinued operations		**(207,562)**	(212,055)	**(535,349)**	(409,675)
Investing activities					
Reclamation deposit paid		**-**	-	**(15,000)**	-
Expenditures for mineral property interests		**(436,321)**	-	**(616,078)**	-
Acquisition of plant and equipment		**(324,425)**	-	**(347,173)**	(2,908)
Acquisition of net assets of Tagish (net of cash acquired)	3	**-**	-	**(2,474,396)**	-
(Purchase) redemption of short term investments		**(23,000)**	1,691,459	**(17,118,640)**	2,691,459
Purchase of long term investments		**-**	(52,286)	**-**	(52,286)
Net proceeds from disposal of a subsidiary (net of tax $1.6 million)	4(a)	**19,487,073**	-	**19,487,073**	-
Proceeds from disposal of marketable securities		**-**	-	**192,883**	-
Cash disposed as a result of disposition of another subsidiary	4(b)	**(304,127)**	(312,738)	**(304,127)**	(312,738)
Cash provided by (used in) investing activities of continuing operations		**18,399,200**	1,326,435	**(1,195,458)**	2,323,527
Cash provided by (used in) investing activities of discontinued operations		**-**	294,838	**31,685**	(231,070)
Financing activities					
Amount due to related parties		**87,899**	9,743	**45,354**	35,748
Shares issued for cash , net of share issuance costs	9(b)	**1,445,128**	-	**24,681,985**	43,250
Cash (used in) provided by financing activities of continuing operations		**1,533,027**	9,743	**24,727,339**	78,998
Cash provided by financing activities of discontinued operations		**381,175**	-	**304,425**	-
Effect of exchange rate changes on cash and cash equivalents		**(3,032)**	(10,691)	**(14,966)**	(49,094)
Increase (decrease) in cash and cash equivalents		**21,032,605**	1,056,701	**15,747,749**	868,394
Cash and cash equivalents of continuing operations, beginning of period		**1,433,086**	408,464	**6,333,154**	396,091
Cash and cash equivalents of discontinued operations, beginning of period		**27,971**	162,146	**412,759**	362,826
Cash and cash equivalents, end of period		**$ 22,493,662**	$ 1,627,311	**$ 22,493,662**	$ 1,627,311
Supplemental information:					
Interest and taxes paid		**$ -**	$ -	**$ 85,285**	$ -
Non-cash investing activities:					
Shares issued for acquisition of TLG	3	**$ -**	$ -	**$ 17,018,303**	$ -

See accompanying notes to the unaudited interim consolidated financial statements

NEW PACIFIC METALS CORP.

Consolidated Statements of Shareholders' Equity

(Unaudited, expressed in Canadian dollars)

	Note	Share Capital: Number of shares issued	Share Capital: Share capital issued	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
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	9(b)	18,000,000	20,720,930	3,579,070	-	-	24,300,000
Share issuance costs	9(b)	-	(1,105,146)	-	-	-	(1,105,146)
Stock-based compensation		-	-	753,448	-	-	753,448
Unrealized loss on available for sale securities		-	-	-	(46,862)	-	(46,862)
Income for the period		-	-	-	-	13,472,536	13,472,536
Balance, March 31, 2011		**67,314,203**	**$ 56,221,249**	**$ 16,089,410**	**$ -**	**$ (2,615,297)**	**$ 69,695,362**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

New Pacific Metals Corp. along with its subsidiaries (collectively the "Company" or "NUX"), is a Canadian junior mining company engaged in the exploration and development of mineral properties in 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 March 31, 2011, the Company had a working capital position of $40,263,087 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") for interim financial information, and follow the same accounting policies and methods set out in note 2 to the audited consolidated financial statements for the year ended June 30, 2010. Accordingly, they do not contain all disclosure required by Canadian GAAP for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended June 30, 2010.

These consolidated financial statements include the accounts of its wholly owned subsidiaries: Tagish Lake Gold Corp. ("TLG"), Mount Skukum Gold Mining Corporation, New Pacific Offshore Inc., SKN Nickel & Platinum Ltd. ("SNP"), Lachlan Gold Ltd., 0876044 B.C. Ltd., and 75% owned Sichuan Huaxi Mining Co. Ltd. ("HXM").

These unaudited interim consolidated financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the consolidated financial position as at March 31, 2011, and the consolidated results from operations and cash flows for the three and nine months period presented. Operating results of the interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2011.

All inter-company transactions and accounts have been eliminated upon consolidation. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period to present the assets and liabilities related to and operating results from the discontinued operations.

(b) New Canadian Accounting Pronouncements

(i) Convergence with IFRS

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company plans to adopt IFRS for fiscal years beginning July 1, 2011. The Company's first IFRS financial statements will be its interim financial statements for the first quarter of fiscal 2012 with an opening balance sheet date on July 1, 2010, which will require restatement of comparative information presented.

(ii) Business Combinations and Related Sections

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

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

The new standards will become effective prospectively to business combination for which the acquisition is on or after July 1, 2011, the beginning of the first annual reporting period, with early adoption available. The Company has not early adopted these new standards as of March 31, 2011.

3. ACQUISITION OF TAGISH LAKE GOLD CORP.

During fiscal year 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

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

- a combination of 50% in cash and 50% in NUX shares.

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

The purchase price of the transactions totaled $20,392,409, 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:

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

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

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. As a result, the purchase price allocation is preliminary and may be subject to material change upon finalization. The preliminary assessment of the proportionate 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
	$	20,392,409
Fair Value of Assets Acquired and Liabilities Assumed		
Cash	$	204,549
Other current assets		258,203
Reclamation deposits		15,000
Plant and Equipment		149,513
Mineral property interests		28,079,670
Accounts payable and accrued liabilities		(8,314,526)
	$	20,392,409

4. DISPOSITION AND DISCONTINUED OPERAIONS

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

The Company, through its wholly owned subsidiary Lachlan Gold Ltd. (“Lachlan”), entered a share transfer agreement in July 2010 and subsequently amended in October 2011, with a Chinese private gold investment company, the PGC Group Co. Ltd (“PGC”), to sell its subsidiary Yunnan Jin Chang Mining Co. Ltd. (“JCJM”) for cash consideration $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.

The transaction was closed in March 2011. The Company recorded an after tax gain of $16.1 million (CNY¥109.4 million). Net proceeds was $19.5 million (CNY¥130.5 million), which consists of gross proceeds of $22.5 million (CNY¥150million), net of withholding tax of $1.6 million (CNY¥10.4 million) and transaction costs of $1.4 million (CNY¥9.1 million).

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

Assets and liabilities of JCJM are as follows, which have been reclassified as assets held for sales on the consolidated balance sheets.

Assets and liabilities held for sale		**March 31, 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

Loss from JCJM for the three and nine months ended March 31, 2011 included in the consolidated statement of income (loss) is set out as follows:

Loss from discontinued operations	**Three months ended March 31,**				**Nine months ended March 31,**			
		2011		2010		**2011**		2010
Operating expenses	**$**	**44,390**	$	64,014	**$**	**187,508**	$	211,187
Other income and expenses		**3**		(9,435)		**49,134**		(9,806)
Loss from discontinued operations	**$**	**44,393**	$	54,579	**$**	**236,642**	$	201,381

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

Cash flow from discontinued operations	**Three months ended March 31,**				**Nine months ended March 31,**			
		2011		2010		**2011**		2010
Cash used in operating activities	**$**	**(194,127)**	$	(199,660)	**$**	**(394,117)**	$	(341,252)
Cash provided by (used in) investing activities		**-**		300,397		**(16,539)**		(287,112)
Cash provided by in financing activities		**76,750**		-		**-**		-
(Decrease) increase in cash and cash equivalent	**$**	**(117,377)**	$	100,737	**$**	**(410,656)**	$	(628,364)

(b) Sichuan Huaxi Mining Co. Ltd.

During the nine months ended March 31, 2010, the Company's subsidiary, SKN Nickel & Platinum Ltd. ("SNP"), 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 75% interest in Huaxi Mining Co. Ltd. ("HXM") to MGEI for $0.8 million

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

(CNY ¥5million). HXM's main assets consist of Sichuan Project and Kang Dian Project, located in Sichuan, China.

During the three months ended March 31, 2011, HXM borrowed $304,425 (CNY¥2.05 million) from MGEI in order to keep the HXM's continuity and sufficient fund required to support the exploration plan, which is required for renewal of exploration permits.

As the completion of the transaction is subject to government and regulatory authorities' approval, there has been no gain recognized to date on the transaction.

The selected financial information of discontinued operations of HXM in the consolidated financial statements is set out as follows:

Assets and liabilities held for sale		**March 31, 2011**		June 30, 2010
Cash and cash equivalents	**$**	**304,127**	$	97,434
Receivables and prepaid expenses		**181**		8,314
Assets held for sale - current		**304,308**		105,748
Mineral property interests		**120,902**		441,562
Plant and equipment		**39,150**		41,211
Assets held for sale - long term		**160,052**		482,773
Total assets held for sale	**$**	**464,360**	$	588,521
Accounts payable and accrued liabilities		**5,305**		2,882
Deposit received		**-**		261,188
Due to a related party		**304,425**		-
Liabilities held for sale		**309,730**		264,070
Net assets held for sale	**$**	**154,630**	$	324,451

As at March 31, 2011, a total of $120,902 mineral property interest of the Sichuan Project was reclassified and included as assets held for sale on the consolidated balance sheets.

Loss from discontinued operations	**Three months ended March 31,**				**Nine months ended March 31,**			
		2011		2010		**2011**		2010
Operating expenses	**$**	**16,038**	$	17,343	**$**	**184,901**	$	57,080
Other income and expenses		**(161)**		6		**(15,078)**		(14,041)
Loss from discontinued operations	**$**	**15,877**	$	17,349	**$**	**169,823**	$	43,039

During the nine months ended March 31, 2011, HXM disposed of equipment with net book value of $16,614 for total proceeds of $14,810, and a loss of $1,804 on disposal of plant and equipment was included as part of loss from discontinued operations.

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

During the nine months ended March 31, 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 loss from discontinued operations on the consolidated statements of loss.

During the nine months ended March 31, 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¥1,800,000) was included in loss from discontinued operations on the consolidated statement of loss.

The following is the cash flow from the discontinued operation of HXM:

Cash flow from discontinued operations	**Three months ended March 31,**		**Nine months ended March 31,**	
	2011	2010	**2011**	2010
Cash used in operating activities	**$ (13,435)**	$ (12,395)	**$ (141,232)**	$ (68,423)
Cash used in (provided by) investing activities	**-**	(5,559)	**48,224**	56,042
Cash provided by financing activities	**304,425**	-	**304,425**	-
Increase (decrease) in cash and cash equivalent	**$ 290,990**	$ (17,954)	**$ 211,417**	$ (12,381)

5. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses consisted of the following:

	March 31, 2011	June 30, 2010
GST/HST and other receivable	**$ 162,289**	$ 10,080
Interest receivable	**97,644**	1,345
Prepaid expenses and deposits	**76,106**	74,198
	$ 336,039	$ 85,623

6. LONG TERM INVESTMENTS

During the nine months ended March 31, 2011 (nine months ended March 31, 2010 - $nil), the Company disposed of its investments with a cost of $130,766 for total proceeds of $192,883. As a result, a total of $27,086 accumulated other comprehensive loss 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 loss.

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

7. MINERAL PROPERTY INTERESTS

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

Expenditures	Tagish Lake	Eva Lake	Total
Balance, June 30, 2009	$ -	$ -	$ -
Site activities	-	9,209	9,209
Balance, June 30, 2010	-	9,209	9,209
Mineral property acquisition costs	28,079,670	-	28,079,670
Capitalized exploration and development costs			
First nation consultation	10,000		10,000
Reporting & assessment	253,257	-	253,257
Drilling and assay	-	1,474	1,474
Geophysical and geochemical surveys	-	85,795	85,795
Site activities	298,950	2,241	301,191
Site preparation	1,800	-	1,800
Permitting	3,047	-	3,047
Balance, March 31, 2011	**$ 28,646,724**	**$ 98,719**	**$ 28,745,443**

(a) Tagish Lake Gold Property

The Tagish Lake Gold Property ("TLG"), covering an area of 178 square kilometers, is 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.

(b) Eva Lake Project

The Eva Lake Project consists of 65 contiguous claims, covering an area of 260 square kilometers, located west of Gladys Lake, approximately 35 kilometers northeast of Atlin, B.C. During the nine months ended March 31, 2011, the Company completed airborne geophysical surveys at an area of 45.2 square kilometers for a total cost of $46,974.

8. PLANT AND EQUIPMENT

	March 31, 2011			June 30, 2010		
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Building	**$ 111,765**	**$ 2,520**	**$ 109,245**	$ -	$ -	$ -
Construction in progress	**70,069**	**-**	**70,069**	-	-	-
Machinery	**159,847**	**7,624**	**152,223**	-	-	-
Motor vehicle	**10,355**	**1,001**	**9,354**	-	-	-
Office and commputer equipment	**41,686**	**3,213**	**38,473**	3,725	1,177	2,548
Computer software	**138,801**	**21,460**	**117,341**	32,112	14,263	17,849
	$ 532,523	**$ 35,818**	**$ 496,705**	$ 35,837	$ 15,440	$ 20,397

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

9. SHAREHOLDERS' EQUITY

(a) Share Capital - authorized share capital

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

(b) 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 are subject to a four month hold period until April 23, 2011. Total share issuance cost was $1.2 million.

As at March 31, 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, with total allocated fair values of shares and warrants equaling $20,720,930 and $3,579,070, respectively.

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

(c) Stock Options

The continuity schedule of stock options, as at March 31, 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	2,071,486		1.54
Options exercised	(1,793,093)		0.83
Options cancelled	(200,000)		3.05
Options forfeited	(774,643)		1.27
Options expired	(257,143)		2.12
Balance, March 31, 2011	**3,408,322**	**$**	**1.04**

During the three and nine months ended March 31, 2011, a total of 1,921,486 and 2,071,486 options were granted respectively 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 1,939,286 options are subject to a vesting period of 48 months with 12.5% of the options vesting every six months, and a total of 132,200 options were vested immediately.

No options were granted to employees, officers, directors or consultants during the three and nine months ended March 31, 2010.

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

	Nine months ended March 31, 2011
Risk free interest rate	**2.19%**
Expected volatilities	**105%**
Expected lives of options	**3.2**
Dividend yield	**0%**

The weighted average grant date fair value for the options granted during the period was $1.32. For the three and nine months ended March 31, 2011, a total of $191,504 and $720,395 (three and nine months ended March 31, 2011 - $78,817 and $353,841) respectively was recorded as stock-based compensation expense. A total of $33,053 (three and nine months ended March 31, 2010 - $nil) was capitalized as mineral property interest.

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

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, 2010. As a result of the amendment, a total expense of $195,528 related to the 175,000 previously unvested options was included in stock-based compensation expense.

The following table summarizes information about stock options outstanding as at March 31, 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 March 31, 2011	Weighted average exercise price
1.25	33,000	0.67	1.25	33,000	1.25
1.55	232,000	1.30	1.55	232,000	1.55
1.55	79,572	1.84	1.55	68,001	1.55
0.50	585,000	2.80	0.50	585,000	0.50
0.65	1,338,750	4.20	0.65	333,750	0.65
1.44	250,000	4.59	1.44	-	-
1.60	510,000	4.67	1.60	-	-
1.65	220,000	4.73	1.65	-	-
2.04	10,000	4.74	2.04	-	-
2.02	150,000	5.00	2.02	-	-
$0.50-2.04	3,408,322	3.84	$ 1.04	1,251,751	$ 0.81

10. RELATED PARTY TRANSACTIONS

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

	Three months ended March 31,		Nine months ended March 31,	
Transactions with related parties	**2011**	2010	**2011**	2010
Silvercorp Metals Inc. (a)	**$ 96,266**	$ 79,159	**$ 356,482**	$ 172,917
R. Feng Consulting Ltd. (b)	**18,000**	18,000	**54,000**	54,000
0799952 BC Ltd. (c)	**31,500**	31,500	**94,500**	94,500
	$ 145,766	$ 128,659	**$ 504,982**	$ 321,417

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.

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

As at March 31, 2011, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties		**March 31, 2011**		June 30, 2010
Silvercorp Metals Inc. (a)	**$**	**123,466**	$	79,372
R. Feng Consulting Ltd. (b)		**20,160**		18,900
	$	**143,626**	$	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. During the three and nine months ended March 31, 2011, the Company recorded total expenses of $96,266 and $356,482 (three and nine months ended March 31, 2010 - $79,159 and $172,917) respectively 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 full amount of $2.1 million principle plus $85,285 interest and termination fees.

(b) During the three and nine months ended March 31, 2011, the Company incurred $18,000 and $54,000 (three and nine months ended March 31, 2010 - $18,000 and $54,000) respectively in consulting fees for consulting services rendered by R. Feng Consulting Ltd., a company controlled by a director and an officer of the Company.

(c) During the three and nine months ended March 31, 2011, the Company paid $31,500 and $94,500 (three and nine months ended March 31, 2010 - $31,500 and $94,500) respectively to 0799952 BC Ltd., a company controlled by a former director and an officer of the Company, for consulting services

11. FINANCIAL INSTRUMENTS

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

(a) Fair Value

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at March 31, 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	$ 22,493,662	$ -	$ -	$ 22,493,662
Short term investments	20,023,000	-	-	20,023,000

(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 March 31, 2011, the Company has a working capital of $40,263,087, 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.

		March 31, 2011		June 30, 2010
		Due within a year		Due within a year
Accounts payable and accured liabilities	**$**	**2,484,379**	$	131,108
Due to related parties		**143,626**		98,272
Liabilities held for sale		**309,730**		565,566
	$	**2,937,735**	$	794,946

(c) Exchange Risk

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

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

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

The amounts are expressed in CAD equivalents		**March 31, 2011**		June 30, 2010
United States dollar	**$**	**20,820,840**	$	562,157
Chinese yuan		**304,308**		408,903
Total financial assets	**$**	**21,125,148**	$	971,060
United States dollar		**18,956**		-
Chinese yuan		**309,730**		565,566
Total financial liabilities	**$**	**328,686**	$	565,566

As at March 31, 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.

As at March 31, 2011, as financial assets held in Chinese yuan approximate Chinese yuan liabilities, effect on the net income caused by the change of the Chinese yuan is negligible.

(d) Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of March 31, 2011.

(e) Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meets its contractual obligations. The Company is exposed to credit risk primarily associated with cash and cash equivalents, short term investments, accounts receivable and interest receivable and asset held for sale. The carrying amount of financial assets included on the balance sheet represents the maximum credit exposure.

The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents, short term investments and cash held in trust are with major financial institutions in Canada and China.

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

12. 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 is 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 March 31, 2011.

13. 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 March 31, 2011			
Mineral property interests	**$ -**	**$ 28,745,443**	**$ 28,745,443**
Plant and equipment	**-**	**496,705**	**496,705**
Assets held for sale	**160,052**	**-**	**160,052**
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

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

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

		China		Canada		Total
Three months ended March 31, 2011						
Expenses	**$**	**-**	**$**	**(919,083)**	**$**	**(919,083)**
Other income and expenses		**-**		**16,211,578**		**16,211,578**
Loss from discontinued operations		**(60,270)**		**-**		**(60,270)**
Three months ended March 31, 2010						
Expenses	$	-	$	(363,408)	$	(363,408)
Other income and expenses		-		17,669		17,669
Loss from discontinued operations		(71,928)		-		(71,928)

		China		Canada		Total
Nine months ended March 31, 2011						
Expenses	**$**	**-**	**$**	**(2,417,959)**	**$**	**(2,417,959)**
Other income and expenses		**-**		**16,296,960**		**16,296,960**
Loss from discontinued operations		**(406,465)**		**-**		**(406,465)**
Nine months ended March 31, 2010						
Expenses	$	-	$	(1,098,949)	$	(1,098,949)
Other income and expenses		-		54,665		54,665
Loss from discontinued operations		(244,420)		-		(244,420)