



**New Pacific Metals Corp.**

TSX-V: NUAG | OTCQX: NUPMF

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2018 and 2017

(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., which comprise the consolidated statements of financial position as at June 30, 2018 and June 30, 2017, and the consolidated statements of (loss) income, consolidated statements of comprehensive (loss) income, consolidated statements of change in equity and consolidated statements of 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 International Financial Reporting Standards, 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, 2018 and June 30, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***/s/ Deloitte LLP***

Chartered Professional Accountants  
September 13, 2018  
Vancouver, British Columbia

# New Pacific Metals Corp.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	June 30, 2018	June 30, 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	\$ 14,604,113	\$ 3,810,360
Bonds	5	18,114,026	11,404,266
Receivables		181,884	149,568
Deposits and prepayments		72,540	4,886,926
		<b>32,972,563</b>	<b>20,251,120</b>
<b>Non-current Assets</b>			
Reclamation deposits		15,075	15,075
Other tax receivable	6	727,585	-
Equity investments	7	5,758,627	6,840,394
Plant and equipment	8	345,586	90,093
Mineral property interests	9	64,862,764	4,785,844
<b>TOTAL ASSETS</b>		<b>\$ 104,682,200</b>	<b>\$ 31,982,526</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 1,827,350	\$ 355,909
Due to a related party	11	24,417	50,928
<b>Total Liabilities</b>		<b>1,851,767</b>	<b>406,837</b>
<b>Equity</b>			
Share capital		124,164,312	57,268,757
Share-based payment reserve		23,440,856	17,845,380
Accumulated other comprehensive income		3,987,952	1,134,788
Deficit		(48,910,109)	(44,803,659)
<b>Total equity attributable to the equity holders of the Company</b>		<b>102,683,011</b>	<b>31,445,266</b>
Non-controlling interests	13	147,422	130,423
<b>Total Equity</b>		<b>102,830,433</b>	<b>31,575,689</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 104,682,200</b>	<b>\$ 31,982,526</b>

Approved on behalf of the Board:

(Signed) David Kong

Director

(Signed) Rui Feng

Director

See accompanying notes to the consolidated financial statements

# New Pacific Metals Corp.

## Consolidated Statements of (Loss) Income

(Expressed in Canadian dollars)

	Notes	Years ended June 30,	
		2018	2017
<b>(Loss) income from investments</b>			
(Loss) gain on equity investments	7	\$ (1,081,767)	\$ 1,720,896
Fair value change and interest earned on bonds	5	(472,432)	1,256,349
Dividend income		197	52,762
Interest income		14,243	2,541
		<b>(1,539,759)</b>	<b>3,032,548</b>
<b>Operating expenses</b>			
Consulting		33,899	110,169
Depreciation		17,982	32,201
Filing and listing		301,950	100,190
Investor relations		472,149	119,993
Professional fees		154,812	455,978
Salaries and benefits		907,030	618,333
Office and administration		334,329	424,167
Share-based compensation	12(b)	881,561	246,156
<b>(Loss) income before other income and expenses</b>		<b>(4,643,471)</b>	<b>925,361</b>
<b>Other income</b>			
Foreign exchange gain (loss)		470,966	(78,944)
Other income		50,320	508,110
		<b>521,286</b>	<b>429,166</b>
<b>Net (loss) income</b>		<b>\$ (4,122,185)</b>	<b>\$ 1,354,527</b>
<b>Attributable to:</b>			
Equity holders of the Company		\$ (4,106,450)	\$ 1,372,544
Non-controlling interests	13	(15,735)	(18,017)
		<b>\$ (4,122,185)</b>	<b>\$ 1,354,527</b>
<b>(Loss) earnings per share attributable to the equity holders of the Company</b>			
<b>Basic (loss) earnings per share</b>		<b>\$ (0.03)</b>	<b>\$ 0.02</b>
<b>Diluted (loss) earnings per share</b>		<b>\$ (0.03)</b>	<b>\$ 0.02</b>
<b>Weighted average number of common shares - basic</b>		<b>122,101,284</b>	<b>66,939,256</b>
<b>Weighted average number of common shares - diluted</b>		<b>122,101,284</b>	<b>67,394,851</b>

See accompanying notes to the consolidated financial statements

# New Pacific Metals Corp.

## Consolidated Statements of Comprehensive (Loss) Income

(Expressed in Canadian dollars)

	Notes	Years ended June 30,	
		2018	2017
<b>Net (loss) income</b>		\$ (4,122,185)	\$ 1,354,527
<b>Other comprehensive income (loss), net of taxes:</b>			
Items that may subsequently be reclassified to net income or loss:			
Currency translation adjustment, net of tax of \$nil		2,885,902	(109,922)
<b>Other comprehensive income (loss), net of taxes</b>		\$ 2,885,902	\$ (109,922)
<b>Attributable to:</b>			
Equity holders of the Company		\$ 2,853,168	\$ (90,910)
Non-controlling interests	13	32,734	(19,012)
		\$ 2,885,902	\$ (109,922)
<b>Total comprehensive (loss) income, net of taxes</b>		\$ (1,236,283)	\$ 1,244,605
<b>Attributable to:</b>			
Equity holders of the Company		\$ (1,253,282)	\$ 1,281,634
Non-controlling interests		16,999	(37,029)
		\$ (1,236,283)	\$ 1,244,605

See accompanying notes to the consolidated financial statements

# New Pacific Metals Corp.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Years ended June 30,	
		2018	2017
<b>Operating activities</b>			
Net (loss) income		\$ (4,122,185)	\$ 1,354,527
Add (deduct) items not affecting cash:			
Loss (gain) on equity investments	7	1,081,767	(1,720,896)
Fair value change and interest earned on bonds	5	472,432	(1,256,349)
Interest income		(14,243)	(2,541)
Depreciation		17,982	32,201
Share-based compensation	12(b)	881,561	246,156
Unrealized foreign exchange (gain) loss		(470,966)	78,944
Interest received		14,243	2,541
Changes in non-cash operating working capital		1,313,755	(415,982)
<b>Net cash used in operating activities</b>		<b>(825,654)</b>	<b>(1,681,399)</b>
<b>Investing activities</b>			
Mineral property interest			
Capital expenditures		(6,553,301)	(467,829)
Plant and equipment			
Additions		(302,548)	(62,665)
Bonds			
Acquisition	5	(9,895,490)	-
Proceeds on disposals	5	3,268,298	6,226,770
Coupon payments	5	726,721	986,842
Equity investments			
Acquisition		-	(4,367,120)
Proceeds on disposals		-	2,947,966
Payment for Alcira acquisition	3	(45,858,200)	(4,866,375)
Changes in other tax receivable		(702,546)	-
<b>Net cash (used in) provided by investing activities</b>		<b>(59,317,066)</b>	<b>397,589</b>
<b>Financing activities</b>			
Proceeds from issuance of common shares		71,609,470	76,251
<b>Net cash provided by financing activities</b>		<b>71,609,470</b>	<b>76,251</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(672,997)</b>	<b>(249,147)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>10,793,753</b>	<b>(1,456,706)</b>
<b>Cash and cash equivalents, beginning of the year</b>		<b>3,810,360</b>	<b>5,267,066</b>
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 14,604,113</b>	<b>\$ 3,810,360</b>
Supplementary cash flow information	18		

See accompanying notes to the consolidated financial statements

# New Pacific Metals Corp.

## Consolidated 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						
<b>Balance, July 1, 2016</b>		66,938,229	\$ 57,149,481	\$ 17,642,249	\$ 1,225,698	\$ (46,176,203)	\$ 29,841,225	\$ 167,452	\$ 30,008,677
Options exercised		125,000	119,276	(43,025)	-	-	76,251	-	76,251
Share-based compensation		-	-	246,156	-	-	246,156	-	246,156
Net income		-	-	-	-	1,372,544	1,372,544	(18,017)	1,354,527
Currency translation adjustment		-	-	-	(90,910)	-	(90,910)	(19,012)	(109,922)
<b>Balance, June 30, 2017</b>		<b>67,063,229</b>	<b>\$ 57,268,757</b>	<b>\$ 17,845,380</b>	<b>\$ 1,134,788</b>	<b>\$ (44,803,659)</b>	<b>\$ 31,445,266</b>	<b>\$ 130,423</b>	<b>\$ 31,575,689</b>
Options exercised	12(b)	1,515,000	1,424,520	(499,371)	-	-	925,149	-	925,149
Share-based compensation	12(b)	-	-	881,561	-	-	881,561	-	881,561
Common shares issued through private placement	12(c)	63,771,250	65,471,035	5,213,286	-	-	70,684,321	-	70,684,321
Net loss		-	-	-	-	(4,106,450)	(4,106,450)	(15,735)	(4,122,185)
Currency translation adjustment		-	-	-	2,853,164	-	2,853,164	32,734	2,885,898
<b>Balance, June 30, 2018</b>		<b>132,349,479</b>	<b>\$ 124,164,312</b>	<b>\$ 23,440,856</b>	<b>\$ 3,987,952</b>	<b>\$ (48,910,109)</b>	<b>\$ 102,683,011</b>	<b>\$ 147,422</b>	<b>\$ 102,830,433</b>

See accompanying notes to the consolidated financial statements



# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

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*(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 precious metal mining properties in Bolivia, Canada and China. The Company was previously an investment issuer engaged in investing in privately held and publicly traded corporations under the name of New Pacific Holdings Corp. The change of the Company’s business and name was approved by the Company’s shareholders at a special meeting of shareholders held on June 30, 2017.

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

The Company is publicly listed on the TSX Venture Exchange (“TSX-V”) under the symbol “NUAG”. On March 12, 2018, the Company’s shares commenced trading 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*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The policies applied in these consolidated financial statements are based on IFRS in effect as of June 30, 2018.

These consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements of the Company as at and for the year ended June 30, 2018 were authorized for issue in accordance with a resolution of the Board of Directors dated on September 12, 2018.

#### *(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 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.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

*(Expressed in Canadian dollars, except for share figures)*

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		Mineral properties
			June 30, 2018	June 30, 2017	
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%	-	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

### (c) Foreign Currency Translation

The functional currency for each subsidiary of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the head office, Canadian subsidiaries and all intermediate holding companies is the Canadian dollar ("CAD"). The functional currency of all Bolivian subsidiaries is the US dollar ("USD"). The functional currency of all Chinese subsidiaries is the Chinese Renminbi ("RMB").

Foreign currency monetary assets and liabilities are translated into the functional currency using exchange rates prevailing at the balance sheet date. Foreign currency non-monetary assets are translated using exchange rates prevailing at the transaction date. Foreign exchange gains and losses are included in the determination of net income.

The consolidated financial statements are presented in CAD. The financial position and results of the Company's entities are translated from functional currencies to CAD as follows:

- assets and liabilities are translated using exchange rates prevailing at the balance sheet date;
- income and expenses are translated using average exchange rates prevailing during the period;
- and
- all resulting exchange gains and losses are included in other comprehensive income.

The Company treats inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign entity is sold, the historical exchange differences plus the foreign exchange impact that arises on the transaction are recognized in the consolidated statement of income as part of the gain or loss on sale.

### (d) Cash and Cash Equivalents

Cash and cash equivalents include cash, and short-term money market instruments that are readily convertible to cash with original terms of three months or less.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars, except for share figures)*

### *(e) Plant and Equipment*

Plant and equipment are initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Plant and equipment are subsequently measured at cost less accumulated depreciation and applicable impairment losses. Depreciation is computed using the straight-line method based on the nature and estimated useful lives as follows:

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

Subsequent costs that meet the asset recognition criteria are capitalized while costs incurred that do not extend the economic useful life of an asset are considered repair and maintenance, which are accounted for as an expense recognized during the period. The Company conducts an annual assessment of the residual balances, useful lives, and depreciation methods being used for plant and equipment and any changes are applied prospectively.

Assets under construction are capitalized as construction-in-progress. The cost of construction-in-progress comprises of its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress assets are not depreciated until it is completed and available for use.

### *(f) Mineral Property Interests*

The cost of acquiring mineral rights and properties either as an individual asset purchase or as part of a business combination is capitalized and represents the property's fair value at the date of acquisition. Fair value is determined by estimating the value of the property's reserves, resources and exploration potential.

Exploration and evaluation costs, incurred associated with specific mineral rights and properties prior to demonstrable technical feasibility and commercial viability of extracting a mineral resource, are capitalized.

The Company determines that a property is in the development stage when it has completed a positive economic analysis of the mineral deposit. Subsequent development costs incurred prior to the commercial production stage are capitalized and included in the carrying amount of the related property in the period incurred. Proceeds from sales during this period, if any, are offset against costs capitalized.

### *(g) Impairment of Long-lived Assets*

Long-lived assets, including mineral property interests, plant and equipment are reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units ("CGU") or at the individual asset level, whichever is the lowest level for which identifiable cash inflows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of a CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. For mineral properties and processing facilities, the recoverable amount is estimated as the discounted future net cash inflows

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars, except for share figures)*

expected to be derived from expected future production, metal prices, and net proceeds from the disposition of assets on retirement, less operating and capital costs. Impairment losses are recognized in the period they are incurred.

For exploration and evaluation assets, indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditures in the specific area is neither budgeted nor planned, and exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources.

Impairment losses are reversed if the conditions that gave rise to the impairment are no longer present and it has been determined that the asset is no longer impaired as a result. This reversal is recognized in net income in the period the reversal occurs limited by the carrying value that would have been determined, net of any depreciation, had no impairment charge been recognized in prior years.

### *(h) Share-based Payments*

The Company recognizes share-based compensation expense for all stock options awarded to employees, officers, and directors based on the fair values of the stock options at the date of grant. The fair values of the stock options at the date of grant are expensed over the vesting periods of the stock options with a corresponding increase to equity. The fair value of stock options granted to employees, officers, and directors is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. The fair value of stock options granted to non-employees is measured at the fair value of the services delivered unless fair value cannot be estimated reliably, in which case, fair value is determined using the Black-Scholes option pricing model. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Forfeitures are accounted for using estimates based on historical actual forfeiture data. Share-based compensation expense related to exploration is capitalized in mineral properties interests.

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

### *(i) Income Taxes*

Current tax for each taxable entity is based on the local taxable income at the local substantively enacted statutory tax rate at the balance sheet date and includes adjustments to taxes payable or recoverable in respect to previous periods.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars, except for share figures)*

- where the deferred tax asset or liability relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### *(j) Earnings (loss) per Share*

Earnings (loss) per share is computed by dividing net income (loss) attributable to equity holders of the Company by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. For stock options, the number of additional shares for inclusion in diluted earnings per share calculations is determined when the exercise price is less than the average market price of the Company's common shares; the stock options are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

### *(k) Financial Instruments*

The Company early adopted IFRS 9 (2014) Financial Instruments, effective July 1, 2015.

#### *Initial recognition:*

On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL"), in which case transaction costs are expensed as incurred.

#### *Subsequent measurement of financial assets:*

Subsequent measurement of financial assets depends on the classification of such assets.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars, except for share figures)*

- I. Non-equity instruments:  
IFRS 9 includes a single model that has only two classification categories for financial instruments other than equity instruments: amortized cost and fair value. To qualify for amortized cost accounting, the instrument must meet two criteria:
  - i. The objective of the business model is to hold the financial asset for the collection of the cash flows; and
  - ii. All contractual cash flows represent only principal and interest on that principal.

All other instruments are mandatorily measured at fair value.

- II. Equity instruments:  
At initial recognition, for equity instruments other than held for trading, the Company may make an irrevocable election to designate it as either FVTPL or fair value through other comprehensive income ("FVTOCI").

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income.

Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ("OCI"). Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

### *Impairment of financial assets carried at amortized cost:*

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

### *Subsequent measurement of financial liabilities:*

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss.

The Company classifies its financial instruments as follows:

- Financial assets classified as FVTPL: cash and cash equivalents, bonds and equity investments;
- Financial assets classified as amortized cost: receivables;
- Financial liabilities classified as amortized cost: trade and other payables, provisions and due to related parties.

### *Bonds:*

The Company acquired bonds issued by other companies from various industries through the open market. These bonds are 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

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars, except for share figures)*

for other operational or investment needs. Bonds are classified as FVTPL and are measured at fair value on initial recognition and subsequent measurement.

### *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.

### *Derecognition of financial assets and financial liabilities:*

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process.

Gains and losses on derecognition of equity investments designated as FVTOCI (including any related foreign exchange component) are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

### *Offsetting of financial instruments:*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

### *Fair value of financial instruments:*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars, except for share figures)*

### *(l) Significant Judgments and Estimation Uncertainties*

Many amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated statement of financial position.

Areas of significant judgment include:

- Determination of functional currency.
- Determination of cash generating units.
- Accounting assessment and classification for equity investments and bonds.
- Determination of asset acquisition or business combination.

Areas of significant estimates include:

- Estimates of the quantities of proven and probable mineral reserves and the portion of resources considered to be probable of economic extraction.
- The assessments of impairment indicators.
- The estimated fair values of cash generating units for impairment tests, including estimates of future costs to produce proven and probable reserves, future commodity prices, discount rates, probabilities of expected cash flows from disposal and salvage value of plant and equipment.
- Valuation input and forfeiture rates used in calculation of share-based compensation.
- Valuation of securities that do not have a quoted market price.

The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the National Instrument 43-101.

### *(m) Accounting Standards Issued But Not Yet Effective*

IFRS 16 – *Leases* ("IFRS 16") was issued by the IASB and will replace *Leases* ("IAS 17") and *determining whether an arrangement contains a lease* ("IFRIC 4"). IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a non-lease component on the basis of whether the customer controls the specific asset. For those contracts that are or contain a lease, IFRS 16 introduces significant changes to the accounting for contracts that are or contain a lease, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company anticipates that the application of IFRS 16 will result in an increase in the recognition of right of use assets and lease liabilities related to leases with terms greater than 12 months on the Consolidated Statements of Financial Position on April 1, 2019. IFRS 16 will further result in increased depreciation and amortization on these rights of use assets and increased interest on these additional lease liabilities. These lease payments will be recorded as financing outflows on the Consolidated Statements of Cash Flows. The Company expects to identify and collect data relating to existing lease agreements during Fiscal 2019.



# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

*(Expressed in Canadian dollars, except for share figures)*

### 3. ALCIRA ACQUISITION

On July 20, 2017, the Company, through its wholly-owned subsidiary New Pacific Investment Corp., closed 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 (Temporary Special Authorization) in Bolivia. The most significant property is the Silver Sand property, located in the Potosi 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). During the year ended June 30, 2018, total payments of \$45,858,200 (US\$36,250,000) were paid to the Vendors. Combined with the previous payment of \$4,866,375 (US\$3,750,000) made on April 6, 2017, total payments made to the Vendors as of June 30, 2018 were \$50,724,575 (US\$40,000,000). According to the Agreement, the remaining balance of \$6,240,000 (US\$5,000,000) is to be paid to the Vendors once the Company has received certain specified permits and licenses from the authorities of Bolivia necessary for mining and milling operations, or once Alcira has commenced commercial production.

The transaction is entered into based on normal market conditions at the amount agreed on by the parties. The transaction did not meet the criterion 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.

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	<b>June 30, 2018</b>	June 30, 2017
Cash in bank	\$ <b>14,604,113</b>	\$ 3,810,360

Cash and cash equivalents includes Canadian dollar denominated deposits of \$12,385,604 (June 30, 2017 – \$658,944). The remaining funds are held in US dollars, Bolivianos and Chinese Renminbi.

### 5. 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.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except for share figures)

The continuity of bonds is summarized as follow:

	<b>Amount</b>
Balance, July 1, 2016	\$ 17,201,630
Interest earned	982,109
Gain on fair value change	274,240
Coupon payment	(986,842)
Disposition	(6,226,770)
Foreign currency translation impact	159,899
Balance, June 30, 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
<b>Balance, June 30, 2018</b>	<b>\$ 18,114,026</b>

### 6. 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.

### 7. 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:

	<b>June 30, 2018</b>	June 30, 2017
<b>Common shares</b>		
Public companies	\$ 5,028,397	\$ 5,818,745
Private companies	329,200	428,669
<b>Warrants</b>		
Public companies	401,030	592,980
	<b>\$ 5,758,627</b>	<b>\$ 6,840,394</b>

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

	<b>Years ended June 30,</b>	
	<b>2018</b>	2017
Risk free interest rate	<b>2.06%</b>	1.38%
Expected volatility	<b>140.78%</b>	158.61%
Expected life of warrants in years	<b>3.19</b>	4.19

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except for share figures)

The continuity of equity investments is summarized as follow:

	Fair value	Accumulated mark-to-market gain included in net income
Balance, July 1, 2016	\$ 3,700,345	\$ 2,473,528
Acquisition	4,367,120	
Proceeds on disposal	(2,947,966)	
Change in fair value	1,720,895	1,720,895
Balance, June 30, 2017	\$ 6,840,394	\$ 4,194,423
Change in fair value	(1,081,767)	(1,081,767)
<b>Balance, June 30, 2018</b>	<b>\$ 5,758,627</b>	<b>\$ 3,112,656</b>

### 8. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Total
Balance, July 1, 2016	\$ 890,754	\$ 1,124,371	\$ 90,827	\$ 151,471	\$ 126,266	\$ 2,383,689
Additions	-	54,266	-	8,399	-	62,665
Foreign currency translation impact	-	(160)	(374)	(1,510)	(7)	(2,051)
Balance, June 30, 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
<b>Balance, June 30, 2018</b>	<b>\$ 890,754</b>	<b>\$ 1,316,781</b>	<b>\$ 238,827</b>	<b>\$ 188,342</b>	<b>\$ 126,272</b>	<b>\$ 2,760,976</b>

#### Accumulated depreciation and amortization

Balance as at July 1, 2016	\$ (890,754)	\$(1,119,677)	\$ (74,350)	\$ (123,607)	\$ (114,847)	\$ (2,323,235)
Depreciation and amortization	-	(466)	(6,812)	(14,820)	(10,103)	(32,201)
Foreign currency translation impact	-	65	119	1,036	6	1,226
Balance, June 30, 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)
<b>Balance, June 30, 2018</b>	<b>\$ (890,754)</b>	<b>\$(1,132,264)</b>	<b>\$ (104,390)</b>	<b>\$ (161,759)</b>	<b>\$ (126,223)</b>	<b>\$ (2,415,390)</b>

#### Carrying amount

Balance, June 30, 2017	\$ -	\$ 58,399	\$ 9,410	\$ 20,969	\$ 1,315	\$ 90,093
<b>Balance, June 30, 2018</b>	<b>\$ -</b>	<b>\$ 184,517</b>	<b>\$ 134,437</b>	<b>\$ 26,583</b>	<b>\$ 49</b>	<b>\$ 345,586</b>

### 9. 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 Potosi 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 a 30,000 metre

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except for share figures)

exploration drilling program on the property. For the year ended June 30, 2018, total expenditures of \$6,553,301 were capitalized under the property. These expenditures were mainly related to the drilling program, site and camp preparation, and building a competent management team and workforce for the property.

### (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.

### (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 237 kilometres via paved and gravel roads from the capital city of Yushu Tibetan Autonomous Prefecture, or 820 kilometres via paved highway from Qinghai Province's capital city of Xining. In 2016, the Qinghai Government issued a moratorium which temporarily suspended exploration for twenty six mining projects including the Company's 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 the 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, 2016	\$ -	\$ -	\$ 4,415,900	\$ 4,415,900
<u>Capitalized exploration expenditures</u>				
Reporting and assessment	42,591	-	-	42,591
Drilling and assaying	392,726	-	-	392,726
Other	31,655	-	-	31,655
Foreign currency translation impact	-	-	(97,028)	(97,028)
Balance, June 30, 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 translation impact	2,828,219	-	169,236	2,997,455
<b>Balance, June 30, 2018</b>	<b>\$ 60,374,656</b>	<b>\$ -</b>	<b>\$ 4,488,108</b>	<b>\$ 64,862,764</b>

## 10. TRADE AND OTHER PAYABLES

Trade and other payables consist of:

	June 30, 2018	June 30, 2017
Trade payable	\$ 1,598,215	\$ 167,711
Accrued liabilities	229,134	188,198
	<b>\$ 1,827,350</b>	<b>\$ 355,909</b>

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except for share figures)

### 11. RELATED PARTY TRANSACTIONS

Related party transactions are entered at the amounts agreed on by the parties. As at June 30, 2018 and 2017, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	June 30, 2018	June 30, 2017
Silvercorp Metals Inc. (a)	\$ 24,417	\$ 50,928

(a) Silvercorp Metals Inc. ("Silvercorp") has two common directors and one officer with the Company and shares office space and provides various general and administrative services to the Company. For the year ended June 30, 2018, the Company recorded total expenses of \$351,280 (year ended June 30, 2017 - \$380,523) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended June 30, 2018 and 2017 are as follows:

	Years ended June 30,	
	2018	2017
Directors' compensation	\$ 580,625	\$ 225,491
Key management compensation	1,118,442	364,138
	\$ 1,699,067	\$ 589,629

### 12. SHARE CAPITAL

(a) *Share Capital - authorized share capital*

Unlimited number of common shares without par value.

Unlimited number of Class A preferred shares without par value.

(b) *Stock Options*

The continuity schedule of stock options, as at June 30, 2018 and 2017, is as follows:

	Number of options	Weighted average exercise price
Balance, July 1, 2016	2,405,000	0.61
Options granted	2,010,000	0.55
Options exercised	(125,000)	0.61
Options cancelled	(605,000)	0.58
Balance, June 30, 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
<b>Balance, June 30, 2018</b>	<b>4,145,000</b>	<b>0.87</b>

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except for share figures)

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.

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

	Years ended June 30,	
	2018	2017
Risk free interest rate	1.34%	0.58%
Expected volatility	91.43%	95.89%
Expected life of options in years	2.75	2.75
Estimated forfeiture rate	16.93%	16.99%

During the year ended June 30, 2018, 1,965,000 options at an exercise price of \$1.15 per share and 200,000 options at an exercise price of \$1.57 per share were granted to officers 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 year ended June 30, 2018, a total of \$881,561 (year ended June 30, 2017 - \$246,156) was recorded as share-based compensation expense.

The following table summarizes information about stock options outstanding as at June 30, 2018:

Exercise prices	Number of options outstanding as at 6/30/2018	Weighted average remaining contractual life (years)	Number of options exercisable as at 6/30/2018	Weighted average exercise price
\$ 0.55	1,745,000	3.34	872,500	\$0.55
0.57	310,000	0.23	310,000	\$0.57
1.15	1,890,000	4.08	315,001	\$1.15
1.57	200,000	4.44	33,333	\$1.57
0.55 - 1.57	4,145,000	3.50	1,530,834	\$0.70

Subsequent to June 30, 2018, a total of 175,000 options with exercise price of \$0.57 were exercised for proceeds of \$99,750.

### (c) Private Placements

To facilitate the funding of its acquisition and development of the Silver Sand property, the Company successfully completed three private placements during the year ended June 30, 2018, raising gross proceeds of \$72,334,356 as follows:

On July 17, 2017, the Company closed a private placement to issue a total of 43,521,250 common shares at a price of \$1.01 (US\$0.80) per share for gross proceeds of \$44,099,456.

On July 28, 2017, the Company closed a private placement to issue a total of 1,250,000 common shares at a price of \$1.00 (US\$0.80) per share for gross proceeds of \$1,254,900.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

*(Expressed in Canadian dollars, except for share figures)*

On November 27, 2017, the Company closed its strategic private placement of units with Pan American Silver Corp. for 16,000,000 units and Silvercorp Metals Inc. for 3,000,000 units, at a price of \$1.42 per unit for gross proceeds of \$26,980,000. Each unit is comprised of one common share of the Company and one half of common share purchase warrant. Each whole warrant is exercisable into one common share for a period of 18 months at an exercise price of \$2.10 per common share.

Total share issuance costs for the above transactions were \$1,650,035.

### *(d) Warrants*

As at June 30, 2018, 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.

### 13. NON-CONTROLLING INTEREST

		Qinghai Found
Balance, June 30, 2016	\$	167,452
Share of net loss		(18,017)
Share of other comprehensive loss		(19,012)
Balance, June 30, 2017	\$	130,423
Share of net loss		(15,735)
Share of other comprehensive income		32,734
<b>Balance, June 30, 2018</b>	<b>\$</b>	<b>147,422</b>

As at June 30, 2018 and 2017, the non-controlling interest in the Company's subsidiary Qinghai Found was 18%.

### 14. 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 Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

#### *(a) Fair Value*

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

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

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

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

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except for share figures)

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 at June 30, 2018 and June 30, 2017 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 June 30, 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 14,604,113	\$ -	\$ -	\$ 14,604,113
Bonds	18,114,026	-	-	18,114,026
Common shares <sup>(1)</sup>	5,028,397	-	329,200	5,357,597
Warrants	-	401,030	-	401,030

<sup>(1)</sup> Common shares in private companies are Level 3 financial instruments

Recurring measurements	Fair value as at June 30, 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 3,810,360	\$ -	\$ -	\$ 3,810,360
Bonds	11,404,266	-	-	11,404,266
Common shares <sup>(1)</sup>	5,818,745	-	428,669	6,247,414
Warrants	-	592,980	-	592,980

<sup>(1)</sup> 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 June 30, 2018 and June 30, 2017, respectively.

There were no transfers into or out of Level 3 during 2018 and 2017.

### (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 June 30, 2018, the Company had a working capital position of \$31,120,796 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:

	June 30, 2018	June 30, 2017
	Due within a year	
Trade and other payables	\$ 1,827,350	\$ 355,909
Due to a related party	24,417	50,928
	\$ 1,851,767	\$ 406,837



# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

*(Expressed in Canadian dollars, except for share figures)*

### *(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	June 30, 2018		June 30, 2017	
United States dollars	\$	21,339,583	\$	15,666,583
Bolivianos		935,163		41,826
Chinese RMB		211,474		149,171
Financial assets in foreign currency	\$	22,486,220	\$	15,857,580
Bolivianos	\$	1,493,607	\$	3,545
Chinese RMB		84,939		79,160
Financial liabilities in foreign currency	\$	1,578,546	\$	82,705

As at June 30, 2018, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately \$213,000.

As at June 30, 2018, with other variables unchanged, a 1% strengthening (weakening) of the Bolivianos against the CAD would have increased (decreased) net income by approximately \$5,600.

As at June 30, 2018, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$1,300.

### *(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 June 30, 2018. 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

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

*(Expressed in Canadian dollars, except for share figures)*

risk than cash. The Company manages its risk associated with bonds by only investing in large globally recognized corporations from diversified industries. As at June 30, 2018, the Company had a receivables balance of \$181,884 (June 30, 2017 - \$149,568).

### *(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 June 30, 2018, 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 \$580,000.

## 15. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal investing 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 June 30, 2018.

## 16. 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:

	<b>Years ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Canadian statutory tax rate	<b>26.50%</b>	26.00%
<b>(Loss) income before income taxes</b>	<b>\$ (4,122,185)</b>	\$ 1,354,527
Income tax (recovery) expense computed at Canadian statutory rates	<b>(1,092,377)</b>	352,176
Foreign tax rates different from statutory rate	<b>78,720</b>	(333,235)
Temporary differences changes due to change in tax rates	<b>1,161,292</b>	-
Permanent items and other	<b>508,136</b>	146,961
Change in unrecognized deferred tax assets	<b>(658,880)</b>	(172,194)
Adjustments in respect of prior years	<b>8,445</b>	(18,467)
Change in future tax rates	<b>(29,569)</b>	-
Other	<b>24,233</b>	24,759
	<b>\$ -</b>	\$ -

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profit is probable. The ability to realize the tax benefits is dependent upon numerous factors, including the future profitability of operations in the jurisdiction in which the tax benefit arise.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

*(Expressed in Canadian dollars, except for share figures)*

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2018	2017
Non-capital loss carry forward	\$ 12,750,028	\$ 10,953,075
Plant and equipment	3,091,401	3,078,825
Mineral property interests	33,956,772	33,969,508
Investment tax credit	1,624,391	1,536,586
	<b>\$ 51,422,592</b>	<b>\$ 49,537,994</b>

As of June 30, 2018, the Company has the following net operating losses, expiring various years to 2038 and available to offset future taxable income in Canada, Bolivia and China, respectively:

	Canada	Bolivia	China
2018	-	-	387,892
2019	-	-	192,415
2020	-	-	49,503
2022	-	-	62,087
2030	1,108,972	-	-
2031	1,644,970	-	-
2032	1,321,934	-	-
2033	1,173,305	-	-
2034	1,337,753	-	-
2035	1,339,406	-	-
2036	3,369,436	-	-
2037	123,118	26,645	-
2038	1,522,127	33,127	-
	<b>\$ 12,941,021</b>	<b>\$ 59,772</b>	<b>\$ 691,897</b>

As at June 30, 2018, the Company had tax credits of \$1.6 million (June 30, 2017 -\$1.6 million) that have not been recognized, expiring between 2028 and 2035.

# New Pacific Metals Corp.

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars, except for share figures)

### 17. 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 follow:

	June 30, 2018					Total
	Corporate	Mining				
	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	1,325,999	59,048,658	-	4,488,107	64,862,764	
Other assets	20,708	809,602	15,125	151,649	997,084	
<b>Total Assets</b>	<b>\$ 39,309,752</b>	<b>\$ 60,479,257</b>	<b>\$ 32,899</b>	<b>\$ 4,860,292</b>	<b>\$ 104,682,200</b>	
<b>Total Liabilities</b>	<b>\$ (161,174)</b>	<b>\$ (1,493,607)</b>	<b>\$ (112,047)</b>	<b>\$ (84,939)</b>	<b>\$ (1,851,767)</b>	

  

	June 30, 2017					Total
	Corporate	Mining				
	Canada and BVI	Bolivia	Canada	China		
Cash and cash equivalents	\$ 3,453,329	\$ 41,826	\$ 8,150	\$ 307,055	\$ 3,810,360	
Bonds	11,404,266	-	-	-	11,404,266	
Equity investments	6,840,394	-	-	-	6,840,394	
Plant and equipment	58,897	8,178	-	23,018	90,093	
Mineral property interests	-	466,972	-	4,318,872	4,785,844	
Other assets	4,913,731	11,339	15,371	111,128	5,051,569	
<b>Total Assets</b>	<b>\$ 26,670,617</b>	<b>\$ 528,315</b>	<b>\$ 23,521</b>	<b>\$ 4,760,073</b>	<b>\$ 31,982,526</b>	
<b>Total Liabilities</b>	<b>\$ (210,187)</b>	<b>\$ (3,545)</b>	<b>\$ (113,945)</b>	<b>\$ (79,160)</b>	<b>\$ (406,837)</b>	

