



New Pacific Metals Corp.

TSX: NUX

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

December 31, 2014

(Expressed in Canadian Dollars)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended December 31, 2014**

The unaudited condensed consolidated interim financial statements of New Pacific Metals Corp. (the "Company") for the three and six months ended December 31, 2014 (the "Financial Statements") have been prepared by management and have not been reviewed by the Company's independent auditors. The Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2014 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars and are prepared in accordance with International Financial Reporting Standards.

New Pacific Metals Corp.

Unaudited Consolidated Interim Balance Sheets

(Expressed in Canadian dollars)

	Notes	December 31, 2014	June 30, 2014
ASSETS			
Current Assets			
Cash and cash equivalents	3	\$ 22,480,412	\$ 21,642,748
Short term investments	4	23,000	80,500
Deposit and other receivables	5	133,354	120,148
		22,636,766	21,843,396
Non-current Assets			
Reclamation deposits		15,075	15,075
Plant and equipment	6	121,457	137,408
Mineral property interests	7	7,596,714	6,743,281
TOTAL ASSETS		\$ 30,370,012	\$ 28,739,160
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	8	\$ 993,035	\$ 988,798
Provisions	9	81,000	81,000
Due to related parties	10	-	111,978
Total Liabilities		1,074,035	1,181,776
Equity			
Share capital	11	57,149,481	57,149,481
Share-based payment reserve		17,465,830	17,324,178
Accumulated other comprehensive income		751,207	213,715
Deficit		(46,837,278)	(47,797,284)
Equity attributable to the equity holders of the Company		28,529,240	26,890,090
Non-controlling interest	12	766,737	667,294
Total Equity		29,295,977	27,557,384
TOTAL LIABILITIES AND EQUITY		\$ 30,370,012	\$ 28,739,160

Approved on behalf of the Board:

(Signed) David Kong

Director

(Signed) Rui Feng

Director

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Income (Loss)

(Expressed in Canadian dollars)

	Three months ended December 31,		Six months ended December 31	
	2014	2013	2014	2013
Expenses				
Audit and accounting	\$ -	\$ -	\$ 4,000	\$ -
Consulting	18,494	21,080	44,794	43,084
Depreciation	9,671	14,009	19,229	29,659
Filing and listing	14,118	4,982	17,841	9,409
Foreign exchange gain	(679,619)	(523,934)	(1,604,724)	(55,020)
General exploration	-	11,669	-	35,117
Investor relations	5,747	6,457	8,202	9,681
Legal and professional fees	9,042	76,262	28,159	100,697
Salaries and benefits	169,050	213,781	304,346	449,954
Office and administration	44,555	37,362	79,846	75,099
Rent	46,992	29,389	66,087	60,015
Share-based compensation	56,599	85,960	129,338	109,996
Travel and promotion	13,230	28,750	50,721	46,719
(Income) loss before other income and expenses	(292,121)	5,767	(852,161)	914,410
Other (income) expense				
(Gain) loss on disposal of plant and equipment	(12,650)	-	(9,764)	8,420
Finance expense	874	659	1,550	995
Finance income	(45,026)	(10,331)	(81,947)	(24,005)
Other expense	70	26,894	859	27,694
	(56,732)	17,222	(89,302)	13,104
Net income (loss)	\$ 348,853	\$ (22,989)	\$ 941,463	\$ (927,514)
Attributable to:				
Equity holders of the Company	355,455	11,204	960,006	(879,206)
Non-controlling interests	(6,602)	(34,193)	(18,543)	(48,308)
	\$ 348,853	\$ (22,989)	\$ 941,463	\$ (927,514)
Basic and diluted earnings (loss) per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ (0.01)
Weighted average number of shares - basic	66,938,229	66,860,729	66,938,229	66,884,315
Weighted average number of shares - diluted	66,938,229	66,886,870	66,938,229	66,884,315

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three months ended December 31,		Six Months ended December 31	
	2014	2013	2014	2013
Net income (loss)	\$ 348,853	\$ (22,989)	\$ 941,463	\$ (927,514)
Other comprehensive income (loss)				
Items that may subsequently be reclassified to net income or loss:				
Currency translation adjustment	190,133	308,975	655,478	207,289
Other comprehensive income	190,133	308,975	655,478	207,289
Comprehensive income (loss)	\$ 538,986	\$ 285,986	\$ 1,596,941	\$ (720,225)
Attributable to:				
Equity holders of the Company	\$ 511,364	264,564	\$ 1,497,498	\$ (709,229)
Non-controlling interest	27,622	21,422	99,443	(10,996)
	\$ 538,986	\$ 285,986	\$ 1,596,941	\$ (720,225)

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Cash (used in) provided by				
Operating activities				
Net income (loss)	\$ 348,853	\$ (22,989)	\$ 941,463	\$ (927,514)
Add (deduct) items not affecting cash :				
Depreciation	9,671	14,009	19,229	29,659
Finance income	(45,026)	-	(81,947)	-
Provisions and other items	-	-	(30,000)	-
(Gain) Loss on disposal of plant and equipment	(12,650)	-	(9,764)	8,420
Share-based compensation	56,599	85,960	129,338	109,996
Unrealized foreign exchange gain	(679,619)	(523,934)	(1,604,724)	(55,020)
Interest received	45,026	-	81,947	-
	(277,146)	(446,954)	(554,458)	(834,459)
Change in non-cash working capital				
Trade receivables	72,636	308,131	51,745	713,906
Trade and other payables	29,492	(279,213)	(19,206)	(226,904)
Due to related parties	-	35,814	(111,978)	19,060
Cash used in operating activities	(175,018)	(382,222)	(633,897)	(328,397)
Investing activities				
Expenditures on mineral property interests	(104,911)	(1,558,041)	(228,968)	(3,481,587)
Deposit received	-	(1,441)	-	(23,018)
Proceeds from disposition of plant and equipment	12,650	-	12,650	-
Cash used in investing activities	(92,261)	(1,559,482)	(216,318)	(3,504,605)
Financing activities				
Shares issued for cash	-	5,000	-	5,000
Cash provided by financing activities	-	5,000	-	5,000
Effect of exchange rate changes on cash and cash equivalents	703,233	96,055	1,687,879	(69,718)
Increase (decrease) in cash and cash equivalents	435,954	(1,840,649)	837,664	(3,897,720)
Cash and cash equivalents, beginning of the period	22,044,458	9,221,634	21,642,748	11,278,705
Cash and cash equivalents, end of the period	\$ 22,480,412	\$ 7,380,985	\$ 22,480,412	\$ 7,380,985

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Unaudited Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars, except for share figures)

NEW PACIFIC METALS CORP. Consolidated Statements of Shareholders' Equity (Unaudited, expressed in Canadian dollars)

	Share Capital			Share-based payment reserve	Accumulated other comprehensive income	Deficit	Equity attributable to equity holders of the Company	Non-controlling interest	Total equity	
	Notes	Number of common shares issued	Number of shares held for cancellation							Amount
Balance, July 1, 2013		66,853,229	27,336	57,084,157	17,051,605	170,949	(6,308,080)	67,998,631	715,065	68,713,696
Options exercised		85,000	-	71,768	(29,267)	-	-	42,501	-	42,501
Normal course issuer bid		-	(27,336)	(6,444)	-	-	6,444	-	-	-
Share-based compensation		-	-	-	301,840	-	-	301,840	-	301,840
Net loss		-	-	-	-	-	(41,495,648)	(41,495,648)	(57,159)	(41,552,807)
Currency translation adjustment		-	-	-	-	42,766	-	42,766	9,388	52,154
Balance, June 30, 2014		66,938,229	-	57,149,481	17,324,178	213,715	(47,797,284)	26,890,090	667,294	27,557,384
Options exercised		-	-	-	-	-	-	-	-	-
Share-based compensation		-	-	-	141,652	-	-	141,652	-	141,652
Net income		-	-	-	-	-	960,006	960,006	(18,543)	941,463
Currency translation adjustment		-	-	-	-	537,492	-	537,492	117,986	655,478
Balance, December 31, 2014		66,938,229	-	\$ 57,149,481	\$ 17,465,830	\$ 751,207	\$ (46,837,278)	\$ 28,529,240	766,737	\$ 29,295,977

See accompanying notes to the unaudited condensed consolidated financial statements

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

1. CORPORATE INFORMATION

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

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

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

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The Company has a history of losses and no operating revenues from its operations. As at December 31, 2014, the Company had a working capital position of \$21,562,731 and sufficient cash resources to meet the Company’s planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months. These financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

The unaudited condensed consolidated interim financial statements of the Company as at and for the three and six months ended December 31, 2014 were authorized for issue in accordance with a resolution of the Board of Directors dated on February 13, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2014. These unaudited condensed consolidated interim financial statements follow the same significant accounting policies set out in note 2 to the audited consolidated financial statements for the year ended June 30, 2014, and the policies set forth in note 2(b).

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

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

(b) Changes in Accounting Standards

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

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

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

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

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	December 31, 2014	June 30, 2014
Cash in bank	\$ 22,480,412	\$ 21,642,748

Cash and cash equivalents includes US dollar denominated deposits of US\$18,241,910 (June 30, 2014 – US\$18,312,866) in premium rate savings accounts redeemable at any time with an average annual interest rate of 0.47% (June 30, 2014 – 0.47%) calculated daily and paid monthly. The remaining funds are held in Canadian dollars and Chinese Renminbi.

4. SHORT TERM INVESTMENTS

Short term investments consist of:

	December 31, 2014	June 30, 2014
Guaranteed Investment Certificates	\$ 23,000	\$ 80,500

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

5. DEPOSIT AND OTHER RECEIVABLES

Deposit and other receivables consist of:

	December 31, 2014		June 30, 2014	
GST/HST receivable	\$	13,038	\$	6,882
Interest receivable		-		8,000
Deposits and prepaid expenses		120,316		105,266
	\$	133,354	\$	120,148

6. PLANT AND EQUIPMENT

Cost	Buildings	Machinery	Motor vehicles	Office equipment and furniture	Computer software	Total
Balance, July 1, 2013	\$ 890,754	\$ 1,123,462	\$ 115,726	\$ 128,594	\$ 155,982	\$ 2,414,518
Additions	-	-	-	26,610	-	26,610
Reclassification	-	-	-	(2,523)	(29,758)	(32,281)
Foreign currency translation impact	-	30	196	(178)	1	49
Balance, June 30, 2014	\$ 890,754	\$ 1,123,492	\$ 115,922	\$ 152,503	\$ 126,225	\$ 2,408,896
Disposals	-	-	-	(8,104)	-	(8,104)
Foreign currency translation impact	-	551	3,623	4,435	26	8,635
Balance, December 31, 2014	\$ 890,754	\$ 1,124,043	\$ 119,545	\$ 148,834	\$ 126,251	\$ 2,409,427

Accumulated depreciation and amortization

Balance as at July 1, 2013	\$ (87,951)	\$ (367,366)	\$ (27,174)	\$ (41,005)	\$ (74,977)	\$ (598,473)
Depreciation and amortization	(44,732)	(245,255)	(22,419)	(31,753)	(27,645)	(371,804)
Disposals	-	-	-	2,066	21,795	23,861
Impairment of TLG Project (see Note 9)	(758,071)	(505,926)	(35,521)	(25,730)	-	(1,325,248)
Foreign currency translation impact	-	6	59	113	(2)	176
Balance, June 30, 2014	\$ (890,754)	\$ (1,118,540)	\$ (85,055)	\$ (96,309)	\$ (80,829)	\$ (2,271,488)
Depreciation and amortization	-	(216)	(3,159)	(7,349)	(8,505)	(19,229)
Disposals	-	-	-	5,216	-	5,216
Foreign currency translation impact	-	(133)	(1,029)	(1,285)	(22)	(2,469)
Balance, December 31, 2014	\$ (890,754)	\$ (1,118,889)	\$ (89,243)	\$ (99,727)	\$ (89,356)	\$ (2,287,970)

Carrying amount

Balance, June 30, 2014	\$ -	\$ 4,952	\$ 30,866	\$ 56,194	\$ 45,396	\$ 137,408
Balance, December 31, 2014	\$ -	\$ 5,154	\$ 30,302	\$ 49,107	\$ 36,895	\$ 121,457

During the three and six months ended December 31, 2014, certain plant and equipment were disposed for proceeds of \$12,650 and \$12,650, respectively (three and six months ended December 31, 2013 - \$nil and \$nil) and gain of \$12,650 and \$9,764, respectively (three and six months ended December 31, 2013 - loss of \$nil and \$8,420, respectively).

7. MINERAL PROPERTY INTERESTS

(a) Tagish Lake Gold Property

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

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements For the three and six months ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

(b) RZY Project

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

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

Cost	Tagish Lake	RZY Project	Total
Balance, July 1, 2013	\$ 37,854,357	\$ 2,117,666	\$ 39,972,023
Capitalized exploration expenditures			
Reporting and assessment	10,073	-	10,073
Drilling and assaying	-	1,870,033	1,870,033
Staking and mapping	-	-	-
Surveying	-	727,858	727,858
Camp services	425,830	484,581	910,411
Site preparation	-	453,750	453,750
Permitting	131	1,083,565	1,083,696
Environmental study	6,053	-	6,053
Care and maintenance	-	-	-
Other	345,139	57,624	402,763
Impairment of TLG Project	(38,641,583)	-	(38,641,583)
Foreign currency translation impact	-	(51,796)	(51,796)
Balance, June 30, 2014	\$ -	\$ 6,743,281	\$ 6,743,281
Capitalized exploration expenditures			
Reporting and assessment	10,394	-	10,394
Drilling and assaying	-	813	813
Staking and mapping	2,510	-	2,510
Camp services	180,383	62,521	242,904
Permitting	252	-	252
Other	12,557	1,867	14,424
Foreign currency translation impact	-	582,136	582,136
Balance, December 31, 2014	\$ 206,096	\$ 7,390,618	\$ 7,596,714

8. TRADE AND OTHER PAYABLES

Trade and other payables consist of:

	December 31, 2014	June 30, 2014
Trade payable	\$ 388,694	\$ 287,210
Acquisition cost payable	441,904	441,903
Accrued liabilities	162,437	259,685
	\$ 993,035	\$ 988,798

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

New Pacific Metals Corp.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

9. PROVISIONS

The Company is involved in legal action associated with the normal course of operations. As at December 31, 2014, the Company has a provision for certain legal matters of \$81,000 (June 30, 2014 - \$81,000). The legal provision is based on management's best estimate of the amount and timing of the potential settlements.

10. RELATED PARTY TRANSACTIONS

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

Transactions with related parties	Three months ended December 31,		Six months ended December 31,	
	2014	2013	2014	2013
Silvercorp Metals Inc. (a)	118,312 \$	72,450 \$	169,693 \$	147,462
Parkside Management Ltd.(b)	-	18,000	-	36,000
	\$ 118,312 \$	90,450 \$	169,693 \$	183,462

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at December 31, 2014, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	December 31, 2014	June 30, 2014
Silvercorp Metals Inc. (a)	\$ -	\$ 21,978
Parkside Management Ltd. (b)	-	90,000
	\$ -	\$ 111,978

(a) Silvercorp has two common directors and officers with the Company and shares office space and provides various general and administrative services to the Company. During the three and six months ended December 31, 2014, the Company recorded total expenses of \$118,312 and \$169,693 (three and six months ended December 31, 2013 - \$72,450 and \$147,462) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

(b) During the three and six months ended December 31, 2014, the Company incurred \$ nil and \$nil (three and six months ended December 31, 2013 - \$18,000 and \$36,000) in consulting fees for consulting services rendered by Parkside Management Ltd., a company controlled by director and an officer of the Company. The \$90,000 owed to Parkside Management Ltd. at June 30, 2014 was settled as at December 31, 2014.

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.

New Pacific Metals Corp.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

(b) Stock Options

The continuity schedule of stock options, as at December 31, 2014, is as follows:

	Number of options	Weighted average exercise price
Balance, July 1, 2014	4,695,000	0.73
Options forfeited	(10,000)	1.65
Balance, December 31, 2014	4,685,000	0.73

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

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

	Six months ended December 31,	
	2014	2013
Risk free interest rate	-	1.50%
Expected volatility	-	67%
Expected life of options in years	-	3.25
Expected dividend yield	-	0%
Estimated forfeiture rate	-	19%

The weighted average grant date fair value for the options granted during the period was \$nil (year ended June 30, 2014 – \$0.26).

For the three and six months ended December 31, 2014, a total of \$56,599 and \$129,338 (three and six months ended December 31, 2013 - \$85,960 and \$109,996) was recorded as share-based compensation expense. For the three and six months ended December 31, 2014, \$5,092 and \$12,314 (three and six months ended December 31, 2013 – \$14,018 and \$25,699) was capitalized to mineral property interests.

The following table summarizes information about stock options outstanding as at December 31, 2014:

Exercise prices	Number of options outstanding as at December 31, 2014	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable as at December 31, 2014	Weighted average exercise price
\$ 0.57	675,000	3.73	\$ 0.57	168,750	\$ 0.57
0.61	1,475,000	2.73	0.61	737,500	0.61
0.62	815,000	3.27	0.62	305,625	0.62
0.65	1,125,000	0.45	0.65	1,125,000	0.65
1.42	25,000	1.46	1.42	21,875	1.42
1.44	250,000	0.84	1.44	250,000	1.44
1.60	320,000	0.91	1.60	320,000	1.60
0.57-1.6	4,685,000	2.19	\$ 0.73	2,928,750	\$ 0.81

New Pacific Metals Corp.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

11. NON-CONTROLLING INTEREST

		Qinghai Found
Balance, July 1, 2013	\$	715,065
Share of net loss		(57,159)
Share of other comprehensive income		9,388
Balance, June 30, 2014	\$	667,294
Share of net loss		(18,543)
Share of other comprehensive income		117,986
Balance, December 31, 2014	\$	766,737

As at December 31, 2014, non-controlling interests in Qinghai Found Mining Co. Ltd. was 18%.

12. FINANCIAL INSTRUMENTS

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

(a) Fair Value

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

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

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

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

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at December 31, 2014, 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	\$ 22,480,412	\$ -	\$ -	\$ 22,480,412
Short term investments	23,000	-	-	23,000

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(Expressed in Canadian dollars)

(b) Liquidity Risk

The Company has a history of losses and no operating revenues from its operations. Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. As at December 31, 2014, the Company had a working capital position of \$21,562,731 and sufficient cash resources to meet the Company's short term financial liabilities and its planned exploration and development expenditures for the foreseeable future, for, but not limited to, the next 12 months.

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

	December 31, 2014		June 30, 2014	
	Due within a year			
Trade and other payables	\$	993,035	\$	988,798
Due to related parties		-		111,978
	\$	993,035	\$	1,100,776

(c) Currency Risk

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

The amounts are expressed in CAD equivalents	December 31, 2014		June 30, 2014	
United States dollars	\$	18,241,266	\$	19,550,815
Chinese RMB		190,735		27,538
Financial assets in foreign currency	\$	18,432,001	\$	19,578,353
Chinese RMB		291,067		\$275,953
Financial liabilities in foreign currency	\$	291,067		\$275,953

As at December 31, 2014, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately \$180,000.

As at December 31, 2014, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$1,000.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash equivalents and short term investments primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable

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interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of December 31, 2014.

(e) Credit Risk

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

The Company has deposits of cash equivalents that meet minimum requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents, short term investments are with major financial institutions in Canada. As at December 31, 2014, the Company has a deposit and other receivables balance of \$133,354 (June 30, 2014 - \$120,148).

13. CAPITAL MANAGEMENT

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

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

The Company's overall strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirement as at December 31, 2014.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, which is the acquisition, exploration and development of mineral property interests, which financial information is evaluated regularly by the Company's Chief Executive Officer, the chief operating decision maker. The format for segment reporting is based on major project segments segregated by geographic locations.

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

	December 31, 2014		
	China	Canada	Total
Mineral property interests	\$ 7,390,618	\$ 206,096	\$ 7,596,714
Plant and equipment	\$ 72,583	\$ 48,874	121,457
Reclamation deposits	-	\$ 15,075	15,075
Total Assets	\$ 8,507,055	\$ 21,862,957	\$ 30,370,012
Total Liabilities	(291,067)	(782,968)	(1,074,035)

	June 30, 2014		
	China	Canada	Total
Mineral property interests	\$ 6,743,281	\$ -	\$ 6,743,281
Plant and equipment	75,230	62,178	137,408
Reclamation deposits	-	15,075	15,075
Total Assets	\$ 7,939,478	\$ 20,799,682	\$ 28,739,160
Total Liabilities	(275,953)	(905,823)	(1,181,776)

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

	Three Months Ended December 31, 2014			Six Months Ended December 31, 2014		
	China	Canada	Total	China	Canada	Total
Salaries and benefits	\$ 11,447	\$ 157,603	\$ 169,050	\$ 27,232	\$ 277,114	\$ 304,346
Share-based compensation	-	56,599	56,599	-	129,338	129,338
Foreign exchange loss (gain)	5,321	(684,940)	(679,619)	5,215	(1,609,939)	(1,604,724)
Other operating expenses	19,841	142,008	161,849	69,709	249,170	318,879
Loss (income) before other income and expenses	\$ 36,609	\$ (328,730)	\$ (292,121)	\$ 102,156	\$ (954,317)	\$ (852,161)
Gain on disposal of equipment	-	(12,650)	(12,650)	-	(9,764)	(9,764)
Finance income	-	874	874	-	1,550	1,550
Other expense	70	(45,026)	(44,956)	859	(81,947)	(81,088)
Net (loss) income for the period	\$ (36,679)	\$ 385,532	\$ 348,853	\$ (103,015)	\$ 1,044,478	\$ 941,463
Attributed to:						
Equity holders of the Company	(30,077)	385,532	355,455	(84,472)	1,044,478	960,006
Non-controlling interests	(6,602)	-	(6,602)	(18,543)	-	(18,543)
Net (loss) income for the period	\$ (36,679)	\$ 385,532	\$ 348,853	\$ (103,015)	\$ 1,044,478	\$ 941,463

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(Expressed in Canadian dollars)

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