

# **NEW PACIFIC HOLDINGS CORP.**

## **Management's Discussion and Analysis**

**For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

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**DATE OF REPORT: May 11, 2017**

*Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected New Pacific Holdings Corp. and its subsidiaries' ("New Pacific" or the "Company") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended March 31, 2017 and the related notes contained therein. In addition, the Company reports its financial position, financial performance and cash flow in accordance with International Financial Reporting Standards ("IFRS"). The Company's significant accounting policies are set out in Note 2 of the unaudited condensed interim consolidated financial statements for the three and nine months ended March 31, 2017 as well as Note 2 of the audited consolidated financial statements for the year ended June 30, 2016.*

### **FORWARD LOOKING STATEMENTS**

*Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", and other similar words, or statements that certain events or conditions "may" or "will" or "can" occur. Forward-looking statements are based on the opinions and estimates of management on the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the fluctuating equity prices, bond prices, commodity prices, calculation of resources, reserves and mineralization, foreign exchange risks, interest rate risk, foreign investment risk, loss of key personnel, conflicts of interest, dependence on management, uncertainties relating to the availability and costs of financing needed in the future and other factors described in this report. There can be no assurance that such forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on such statements. Except as required by applicable securities laws, the Company expressly disclaims any obligation to update any forward-looking statements or forward-looking statements that are incorporated by reference herein.*

*Additional information relating to the Company can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.newpacificholdings.ca](http://www.newpacificholdings.ca).*

### **BUSINESS STRATEGY**

New Pacific Holdings Corp. along with its subsidiaries is a Canadian investment issuer engaged in investing in privately held and publicly traded corporations.

The Company is a reporting issuer in British Columbia, Alberta, Manitoba, Ontario, and Quebec, and trades on TSX Venture under the symbol "NUX.V".

### **ALCIRA ACQUISITION**

On March 28, 2017, the Company has signed a binding share purchase agreement (the "Agreement") to acquire a 100% interest in Empresa Minera Alcira S.A., a private Bolivian incorporated mining company (the "Target Company") from its three shareholders (the "Vendors"), free of any debt. The Target

## **NEW PACIFIC HOLDINGS CORP.**

### **Management's Discussion and Analysis**

**For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

---

Company has seven silver-polymetallic mineral properties or ATEs (Temporary Special Authorization) in Bolivia. The most significant property is the Silver Sand Property (the "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 the Target Company. The other six are early-stage exploration projects, which have either been subject to limited small-scale mining or historical drilling.

Major Terms of the Agreement are summarized as follow:

- The Company has paid an initial non-refundable down-payment of \$334,325 (US\$250,000) to the Vendors on March 28, 2017. This amount was included in deposits and prepayments as at March 31, 2017;
- Subsequent to period end on April 6, 2017, the Company made a loan of \$4.67 million (US\$3.5 million) to one of the Vendors. The loan has a term of 120 days, bears an annual interest rate of 5%, and is secured by 30% interest in the outstanding shares of the Target Company;
- The Company will carry out confirmation drilling to twin three drill holes drilled by the Target Company within three and a half months of the signing of the Agreement;
- If the results of the confirmation drilling matches to 70% of the Target Company's drill results, the Company shall notify the Vendors within 7 days after 3.5 months of signing this agreement that it will proceed with the completion of the Agreement and the Company shall make the second payment of US\$35,750,000 (the "Closing Payment") to the Vendors to acquire 100% of the shares of the Target Company. In this case, the above US\$3.5 million loan will be offset against the Closing Payment;
- If the confirmation drilling results are not acceptable to the Company, the transaction shall not proceed, and the Company will forfeit its initial US\$250,000 down-payment;
- Within 90 days after the closing or completion of acquiring the 100% interest of the Target Company, the Company will make further payments of US\$4,000,000; and
- A final payment of US\$5,000,000 will be due 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 the Target Company has commenced commercial production.

The Company will raise up to US\$32 million to fund the acquisition, by completing a non-brokered private placement (the "Private Placement") of subscription receipts (the "Subscription Receipts"), through issuing up to 40,000,000 Subscription Receipts at a price of US\$0.80. The proceeds (the "Escrowed Funds") of the private placement will be placed in escrow following closing to be held by an escrow agent.

The Escrowed Funds will be released to the Company once the confirmation drilling yields satisfactory results and New Pacific selects to complete the acquisition of the Target Company. Upon the release of the Escrowed Funds to the Company the subscription receipts will automatically convert into common shares of the Company on a one to one basis. In the event that the confirmation drill results are not acceptable to New Pacific, the transaction shall not proceed, the Escrowed Funds will be returned to the subscribers and the Subscription Receipts will be cancelled.

It is anticipated that Silvercorp Metals Inc., a 16% shareholder in the Company, will subscribe for 50% of the Private Placement.

The Company has set June 27, 2017 as the date for a Special Shareholders meeting at which shareholders will be asked to approve: (i) a change of the Company's business from an investment issuer engaged in investing in privately held and publicly traded corporations to a mining issuer engaged in mineral

# NEW PACIFIC HOLDINGS CORP.

## Management's Discussion and Analysis

For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

exploration through the acquisition of Alcira; and, (ii) a change of name of the Company from New Pacific Holdings Corp. back to New Pacific Metals Corp. An information circular is currently being prepared and is expected to be mailed out around the end of May 2017.

It is anticipated that trading in the Company's shares will remain halted until completion of the Change of Business and the completion of the transaction which is scheduled for July 26, 2017. Closing of the transaction is subject to satisfactory confirmation drilling, shareholder approval, regulatory approval, and other conditions as set out in the Agreement.

### INVESTMENTS OVERVIEW

The investment objective for the Company as an investment issuer is to seek a high return on investment opportunities, primarily in the natural resource, industrial or technology sectors; and to preserve capital and limit downside risk while achieving a reasonable rate of return by focusing on opportunities with attractive risk to reward profiles. The nature and timing of the investment will depend, in part, on available capital at any particular time and the investment opportunities identified and available. Subject to the availability of capital, New Pacific intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk. The Company's current investment portfolio contains bonds and equity investments.

#### 1. 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 other operational or investment needs.

The bonds portfolio as March 31, 2017 and June 30, 2016 is summarized as follows:

Issuer	Coupon rate	Gain	Rate of return	Moody's or S&P rating	Fair value	
					March 31, 2017	June 30, 2016
Huarong Finance Co., Ltd.	3.00%	\$ 25,694	1.35%	Baa1	\$ -	\$ 2,659,751
Grand China Air Hong Kong Co., Ltd.	5.50%	57,785	5.76%	N.R.	<b>1,368,706</b>	1,315,409
Shui On Development Holding Ltd.	8.70%	96,088	9.11%	N.R.	<b>1,456,028</b>	1,383,767
Central China Real Estate Ltd.	6.50%	49,530	4.94%	Ba3, B+	<b>1,353,441</b>	1,315,138
Evergrande Real Estate Group	8.75%	66,783	13.44%	B3, CCC+	<b>705,705</b>	651,805
CITIC Envirotech Limited	5.45%	54,701	5.35%	N.R.	<b>1,393,642</b>	1,342,471
eHi Car Services Ltd.	7.50%	40,284	3.91%	BB-	<b>1,373,942</b>	1,350,768
Zhiyuan Group (BVI) Co., Ltd.	6.20%	33,020	3.12%	BB	<b>1,371,641</b>	1,387,547
Blue Sky Fliers Co., Ltd.	6.90%	21,463	4.08%	N.R.	<b>683,030</b>	690,724
Credit Agricole S.A.	6.63%	179,639	19.91%	A1, A	<b>1,327,255</b>	1,183,778
Standard Chartered Bank	6.50%	157,254	17.14%	Ba1, BB-	<b>1,348,371</b>	1,204,086
Stats Chippac Ltd.	8.50%	122,688	12.56%	B3, B+	-	1,360,741
Unigroup International Holdings Ltd.	6.00%	30,159	5.88%	N.R.	<b>678,312</b>	1,355,645
<b>Total or weighted average</b>	<b>6.73%</b>	<b>\$ 935,088</b>	<b>8.48%</b>		<b>\$ 13,060,074</b>	<b>\$ 17,201,630</b>

During the three and nine months ended March 31, 2017 total gains in the amount of \$323,368 and \$935,088 (three and nine months ended March 31, 2016 - \$177,173 and \$306,094) were derived from the bonds portfolio. This represents an annualized weighted average rate of return of 8.48%, compared to

## NEW PACIFIC HOLDINGS CORP.

### Management's Discussion and Analysis

For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

the return of 6.42 % as at June 30, 2016.

#### 2. 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.

The equity investments portfolio as at March 31, 2017 and June 30, 2016 is summarized as follow:

		March 31, 2017	June 30, 2016
<b>Common shares</b>			
Silvercorp Metals Inc.	(a)	\$ 3,917,760	\$ 3,375,120
Cozystay Holdings Inc.	(b)	333,050	325,225
Aton Resources Inc.	(c)	630,000	-
Avesoro Resources Inc.	(d)	260,000	-
Prophecy Development Corp.	(e)	196,900	-
Treck Mining Inc.	(f)	775,000	-
VanEck Vectors Junior Gold Miners	(g)	958,651	-
<b>Warrants</b>			
Prophecy Development Corp.	(e)	134,750	-
Treck Mining Inc.	(f)	700,751	-
		<b>\$ 7,906,862</b>	<b>\$ 3,700,345</b>

#### (a) Silvercorp Metals Inc.

Silvercorp Metals Inc. ("SVM") is a publicly traded mining company based in Canada. The Company acquired a total of 1,148,000 shares of SVM through the open market at a weighted average cost of \$0.764 per share for a total consideration of \$876,667. For the three and nine months ended March 31, 2017, the gains on SVM shares were \$1,891,509 and \$2,109,629, respectively. During the three months ended March 31, 2017, the Company sold a total of 300,000 SVM's shares through the open market at a weighted average price of \$5.2233 per share for total proceeds of \$1,566,989. As of May 11, 2017, SVM was traded at \$4.35 per share and the Company's total investment in SVM represented 0.5% of SVM's total outstanding shares.

#### (b) Cozystay Holdings Inc.

Cozystay Holdings Inc. ("Cozystay") is a private Canadian company. The Company acquired a total of 750,750 shares of Cozystay through a private placement at a cost of \$0.466 (USD \$0.333) per share for a total consideration of \$350,150 (USD \$250,000). For the three and nine months ended March 31, 2017, (loss)/gain on Cozystay shares was \$(2,625) and \$7,825, respectively. As of May 11, 2017, the Company's total investment in Cozystay represented 7% of Cozystay's total outstanding shares.

#### (c) Aton Resources Inc.

Aton Resources Inc. ("AAN") is a publicly traded mining company based in Canada. The Company acquired a total of 14,000,000 shares of AAN through a private placement at a cost of \$0.05 per share for

## **NEW PACIFIC HOLDINGS CORP.**

### **Management's Discussion and Analysis**

#### **For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

---

a total consideration of \$700,000. For the three and nine months ended March 31, 2017, (loss)/gain on AAN shares were \$(115,000) and \$25,000, respectively. During the three months ended March 31, 2017, the Company sold 1,400,000 AAN's shares through the open market a weighted average price of \$0.0678 per share for total proceeds of \$95,000. As of May 11, 2017, AAN was traded at \$0.045 per share and the Company's total investment in AAN represented 7.9% of AAN's total outstanding shares.

*(d) Avesoro Resources Inc. (Formerly "Aureus Mining Inc.")*

Avesoro Resources Inc. ("ASO") is a publicly traded mining company based in Canada. The Company acquired a total of 6,500,000 shares of ASO through the open market at a weighted average cost of \$0.0564 per share for a total consideration of \$366,860. For the three and nine months ended March 31, 2017, gain/(loss) on ASO shares was \$130,000 and \$(106,860), respectively. As of May 11, 2017, ASO was traded at \$0.04 per share and the Company's total investment in AUE represented 0.5% of AUE's total outstanding shares.

*(e) Prophecy Development Corp.*

Prophecy Development Corp. ("PCY") is a publicly traded mining company based in Canada. The Company acquired a total of 90,000 units (each unit contains one common share and half warrant) of PCY through a private placement at a cost of \$3.80 per unit for a total consideration of \$342,000. The consideration was allocated to common share and warrants based on their relative fair value at the acquisition date. The 90,000 common shares were valued at \$238,521 (\$2.65 per share) and the 45,000 warrants were valued at \$103,479 (\$2.3 per warrant) based on the allocation. The warrants have an exercise price of \$4.40 per share and expire on August 15, 2021.

For the three and nine months ended March 31, 2017, gain on PCY shares was \$107,705 and \$148,184, respectively. For the three and nine months ended March 31, 2017, gain on PCY warrants was \$18,881 and \$31,271, respectively. During the three months ended March 31, 2017, the Company sold a total of 35,000 PCY shares through the open market at a weighted average price of \$5.423 per share for total proceeds of \$189,805. As of May 11, 2017, PCY was traded at \$3.22 per share and the Company's total investment in PCY represented 1.1% of PCY's total outstanding shares.

*(f) Trek Mining Inc. (Formerly "JDL Gold Corp").*

Trek Mining Inc. ("JDL") is a publicly traded mining company based in Canada. The Company acquired a total of 500,000 units (each unit contains 6.45 common shares and one warrant) of JDL through a private placement at a cost of \$2.00 per unit for a total consideration of \$1,000,000. The consideration was allocated to common share and warrants based on their relative fair value at the acquisition date. The 3,225,000 common shares were valued at \$535,837 (\$0.1662 per share) and the 500,000 warrants were valued at \$464,163 (\$0.93 per warrant) based on the allocation. The warrants have an exercise price of \$3.00 for 6.45 common shares and expire on September 11, 2021. On October 7, 2016, JDL completed a 6.45:1 reverse split on its shares. As a result, the Company's holding in JDL has changed to 500,000 common shares at a weighted average cost of \$1.072 per share. Each warrant may be exercised to acquire one common share after the reverse split.

For the three and nine months ended March 31, 2017, (loss)/gain on JDL shares were \$(135,000) and \$239,366, respectively. For the three and nine months ended March 31, 2017, (loss)/gain on JDL warrants were \$(149,796) and \$ 236,385, respectively. As of May 11, 2017, JDL was traded at \$1.56 per share and

## **NEW PACIFIC HOLDINGS CORP.**

### **Management's Discussion and Analysis**

#### **For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

---

the Company's total investment in JDL represented 0.5% of JDL's total outstanding shares.

*(g) VanEck Vectors Junior Miners ETF*

VanEck Vectors Junior Miners ETF ("GDXJ") tracks a market-cap-weighted index of global gold and silver mining firms, focusing on small caps. The Company acquired a total of 20,000 shares of GDXJ through the open market at a weighted average cost of \$50.04 per share for a total consideration of \$1,000,768. For the three and nine months ended March 31, 2017, gain/(loss) on GDXJ was \$118,033 and \$(55,175), respectively. As of May 11, 2017, GDXJ was traded at \$42.75 per share.

*(h) Dalradian Resources Inc.*

Dalradian Resources Inc. ("DNA") is a publicly traded mining company based in Canada. The Company acquired a total of 300,000 shares of DNA through the open market at a cost of \$1.03 per share for a total consideration of \$309,000. For the three and nine months ended March 31, 2017, gain on DNA shares was \$61,600 and \$103,600, respectively. During the three months ended March 31, 2017, the Company sold a total of 300,000 DNA's shares through the open market at a weighted average price of \$1.3753 per share for total proceeds of \$412,600.

*(i) Centerra Gold Inc.*

Centerra Gold Inc. ("CG") is a publicly traded mining company based in Canada. The Company acquired a total of 60,000 shares of CG through the open market at a cost of \$7.8559 per share for a total consideration of \$471,354. For the three and nine months ended March 31, 2017, gain/(loss) on CG shares were \$30,732 and \$(63,222), respectively. During the three months ended March 31, 2017, the Company sold a total of 60,000 CG's shares through the open market at a weighted average price of \$6.8022 per share for total proceeds of \$408,132.

*(j) Goldquest Mining Corp.*

Goldquest Mining Corp. ("GQC") is a publicly traded mining company based in Canada. The Company acquired a total of 500,000 shares of GQC through the open market at a weighted average cost of \$0.3543 per share for a total consideration of \$177,138. For the three and nine months ended March 31, 2017, gain on GQC shares was \$42,138 and \$98,302, respectively. During the three months ended March 31, 2017, the Company sold a total of 500,000 shares of GQC through the open market at a weighted average price of \$0.5509 per share for total proceeds of \$275,440.

### **PROJECTS OVERVIEW**

The Company was, until June 30, 2016, an exploration stage company engaged in the acquisition and exploration of mineral property interests in Canada and China. The Company was primarily focused on the advancement of the Tagish Lake Gold Property ("TLG") and the RZY Project ("RZY"), as detailed below. The Company intends to treat the TLG property and RZY project as investments in its investment portfolio in accordance with the Company's investment objectives and strategies.

# **NEW PACIFIC HOLDINGS CORP.**

## **Management's Discussion and Analysis**

**For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

---

### **1. Tagish Lake Gold Property**

In December 2010, the Company completed the acquisition of 100% of the Tagish Lake Gold Property through the acquisition of Tagish Lake Gold Corp. TLG is a wholly owned direct subsidiary of the Company. The Tagish Lake Gold Property is located 80 kilometres by road south of Whitehorse, Yukon, Canada, and consists of 1,510 mineral claims covering approximately 254 square kilometres. Within the property, three geographically distinct projects have been identified: the Skukum Creek, Goddell, and Mt. Skukum projects.

On September 14, 2012, the Company filed an updated National Instrument 43-101 ("NI 43-101") report for the Skukum Creek, Goddell and Mt. Skukum projects. The Company does not intend to conduct any further exploration on the Tagish Lake Gold Property and will examine strategic opportunities for the Tagish Lake Gold Property in accordance with its investment strategies and objectives.

#### ***Exploration Progress***

Since the acquisition of the Tagish Lake Gold Property in December 2010, the Company had one exploration season that commenced on May 18, 2011 and ended on October 9, 2011. The property was on care and maintenance status with a rotating crew of 2 men on site at all times between the end of exploration work and November 2014. Since November 2014 the camp has been sealed and unmanned. All major onsite equipment items have been removed for sale.

### **2. RZY Silver-Lead-Zinc Project**

On March 28, 2013, the Company acquired 80% of Fortress Mining Inc.'s ("FMI") interest in the RZY Silver-Lead-Zinc Project through the purchase of all the outstanding common shares of FMI from Silvercorp Metals Inc., a related party of the Company, for cash consideration of US\$3.5 million. The RZY Project is held through FMI's 82% owned subsidiary, Qinghai Found Mining Co. Ltd. ("QFM"). The RZY Project exploration permit has been transferred from Qinghai Geological Survey Institute ("QGSII"), the minority shareholder of QFM, to QFM as of September 3, 2013.

The RZY Project, located in Qinghai, China is an early stage silver-lead-zinc exploration project, situated on a high plateau with an average elevation of 5,000 metres above sea level. The RZY project is located approximately 296 kilometres via paved and gravel roads from the capital city of Yushu, Tibetan Autonomous Prefecture, or 1157 kilometres via paved highway from Qinghai Province's capital city of Xining. Regular commercial flights are available from Xining to Yushu.

#### ***Exploration Progress***

The most recent drill program at the RZY Project was completed on October 20, 2013. In 2016, the Qinghai Provincial Government issued a moratorium which temporarily suspends 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.

# NEW PACIFIC HOLDINGS CORP.

## Management's Discussion and Analysis

For the three and nine months ended March 31, 2017 and 2016

*(Expressed in Canadian dollars, unless otherwise stated)*

---

### FINANCIAL RESULTS

**Net income attributable to equity holders of the Company** for the nine months ended March 31, 2017 was \$2,924,118 or \$0.04 per share compared to the net income of \$1,642,678 or \$0.02 per share in the same prior year period. The Company's financial results were mainly impacted by the following: (i) new business strategy to focus on investments brought in income from investments of \$3,741,354 compared to \$1,591,142 in the prior year; (ii) foreign exchange gain of \$445,152, a 44% decrease compared to foreign exchange gain of \$800,270 in the prior year; and, (iii) operating expenses of \$1,350,664, a 67% increase compared to \$809,370 in the prior year.

For three months ended March 31, 2017, net income attributable to equity holders of the Company was \$1,570,466 or \$0.02 per share compared to net loss of \$165,165 or \$0.00 per share for three months ended March 31, 2016.

**Income from investments** for the nine months ended March 31, 2017 was \$3,741,354 compared to \$1,591,142 for nine months ended March 31, 2016. This significant increase was a direct result of the Company's business change from exploration and development on mineral properties to investing in publicly-traded or privately-held corporations and other marketable instruments such as bonds. Within the investments income, \$2,774,305 was from gains on the Company's equity investments and \$935,088 was from fair value change and interest earned on bonds.

For the three months ended March 31, 2017, income from investments was \$2,420,122 compared to income of \$1,543,806 for three months ended March 31, 2016. Within the income, \$2,096,479 was gains on the Company's equity investments in the mining industry and \$323,368 was from fair value change and interest earned on bonds.

**Operating expenses** for the nine months ended March 31, 2017 was \$1,350,664 compared to \$809,370 for the nine months ended March 31, 2016. For three months ended March 31, 2017, operating expenses was \$698,410 compared to \$257,168 for the same prior year period. The increase in operating expenses was a result of the Company's increased activities in acquiring the Bolivian mining property. Significant items included in operating expenses are as follows:

- (i) **Audit and accounting fees** for the three and nine months ended March 31, 2017 was \$10,486 and \$23,966, respectively compared to \$1,180 and \$5,180, respectively in the same prior year period. The increase of the accounting fees for the nine months period was due to additional tax services used in the current quarter;
- (ii) **Consulting fees** for the three and nine months ended March 31, 2017 was \$40,445 and \$40,445, respectively compared to \$1,050 and \$3,140, respectively in the same prior year period. The increase of consulting fees was due to external consulting services related to the Bolivian mining property.
- (iii) **Investment evaluation** for the three and nine months ended March 31, 2017 was \$253,004 and \$300,653, respectively compared to \$nil and \$nil, respectively in the same prior year period. The investment evaluation expenses were related to the acquisition of the Bolivian mining property.



## **NEW PACIFIC HOLDINGS CORP.**

### **Management's Discussion and Analysis**

#### **For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

---

- (iv) **Filing and listing fees** for the three and nine months ended March 31, 2017 was \$5,125 and \$27,322, respectively compared to \$32,277 and \$ 53,192, respectively in the same prior year period. The filling fees include the base fee and variable fee based on the market capitalization paid to TSX.
- (v) **Legal and professional fees** for the three and nine months ended March 31, 2017 was \$9,284 and \$15,993, respectively compared to \$6,586 and \$44,284 respectively in the same prior year period. The decrease of legal fees was due to the settlement of contract dispute on August 8, 2016 related to Tagish Lake Gold Corp. The Company no longer has outstanding lawsuits.
- (vi) **Salaries and benefits expense** for the three and nine months ended March 31, 2017 was \$180,730 and \$438,625, respectively compared to \$115,285 and \$313,690, respectively in the same prior year period. The increase of salaries and benefits was associated to the acquisition of the Bolivian mining property.
- (vii) **Office and administration expense** for the three and nine months ended March 31, 2017 was \$66,050 and \$178,096, respectively compared to \$29,060 and \$126,163, respectively in the same prior year period. The increase in office and administration expenses was due to a payment of \$28,710 made to the Yukon Government during the current period.
- (viii) **Rent expense** for the three and nine months ended March 31, 2017 was \$15,288 and \$51,611, respectively, compared to \$23,471 and \$72,654, respectively in the same prior year period. Rental expense is based on a Service and Cost Allocation Agreement between the Company and Silvercorp Metals Inc. The decrease of rent in the current period is due to a refund received from Silvercorp as a result of subleasing rent income.
- (ix) **Share-based compensation** for the three and nine months ended March 31, 2017 was \$90,266 and \$172,422, respectively compared to \$28,412 and \$107,849, respectively in the same prior year period; and,
- (x) **Travel and promotion expense** for the three and nine months ended March 31, 2017 was \$7,973 and \$54,507, respectively compared to \$8,272 and \$39,677, respectively in the same prior year period.
- (xi) **Foreign exchange gain** for the nine months ended March 31, 2017 was \$445,152 compared to \$800,270 in the same prior year period. The Company holds a large portion of cash and cash equivalents and bonds in US dollars while the Company's functional currency is Canadian dollar, the fluctuation in exchange rates between the US dollar and Canadian dollar will impact the financial results of the Company. During the nine months ended March 31, 2017, the US dollar appreciated by 2.4% against Canadian dollar (from 1.3009 to 1.3322) while in the same prior year period the US dollar appreciated by 4.0% against Canadian dollar (from 1.2474 to 1.2971). The slowdown of US dollar appreciation against Canadian dollar in the relative periods was the reason for the reduced amount of foreign exchange gains.

# NEW PACIFIC HOLDINGS CORP.

## Management's Discussion and Analysis

For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

For the three months ended March 31, 2017, foreign exchange loss was \$153,676 compared to \$1,456,306 for the same prior year period.

### Selected Quarterly Information

	For the Quarters Ended			
	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Income (loss) from Investments	\$ 2,420,122	\$ (2,361,196)	\$ 3,682,428	\$ 1,507,480
Income (loss) before other income and expenses	1,721,712	(2,760,090)	3,429,068	1,287,128
Impairment of mineral property interests	-	-	-	(3,850,343)
Other income (loss)	(154,423)	528,271	149,309	117,268
Net (loss) income	1,567,289	(2,231,819)	3,578,377	(2,445,947)
Net (loss) income attributable to equity holders	1,570,466	(2,228,616)	3,582,268	(1,760,845)
Basic and diluted (loss) earnings per share	0.02	(0.03)	0.05	(0.03)
Total assets	33,837,211	32,107,923	34,439,948	30,799,017
Total liabilities	799,402	737,447	805,111	790,340

  

	For the Quarters Ended			
	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015
Income from Investments	\$ 1,543,806	\$ (37,290)	84,626	\$ 82,623
Loss before other income and expenses	1,286,638	(295,171)	(209,695)	(272,444)
Impairment of mineral property interests	-	-	-	(175,901)
Other income (loss)	(1,456,190)	713,076	1,597,382	(367,767)
Net income (loss)	(169,552)	417,905	1,387,687	(816,112)
Net income (loss) attributable to equity holders	(165,165)	421,784	1,386,059	(809,301)
Basic and diluted earnings (loss) per share	(0.00)	0.01	0.02	(0.01)
Total assets	33,274,197	34,186,828	34,068,509	32,183,694
Total liabilities	793,016	1,042,440	1,480,034	1,443,398

Since July 1, 2015, the Company has gradually moved its business towards investments which changed its income and expense structure and behaviour. The expenses incurred by the Company before June 30, 2015 was typical of junior exploration companies that have not yet established mineral reserves.

### LIQUIDITY AND CAPITAL RESOURCES

#### 1. Cash Flows

**Cash used in operating activities** for the nine months ended March 31, 2017 was \$727,343 (nine months ended March 31, 2016 – \$994,855). For the three months ended March 31, 2017, cash used in operating activities was \$758,146 (three months ended March 31, 2016 – \$280,137). The increase of cash used in the three months ended March 31, 2017 was mainly due to a \$334,325 (USD \$250,000) initial non-refundable down payment made to the vendors following signing the agreement to acquire the Bolivian mining property.

**Cash provided by investing activities** for the nine months ended March 31, 2017, 2016 was \$3,461,616 (nine months ended March 31, 2016 – used \$9,026,727). For the three months ended March 31, 2017, cash provided by investing activities was \$7,118,299 (three months ended March 31, 2016 – used \$7,198,871). The increase of cash was mainly due to disposition of bonds and equity investments in the open market.

#### 2. Liquidity and Capital Resources

As at March 31, 2017, the Company had working capital of \$20,718,163 (June 30, 2016 – 21,816,903),

## **NEW PACIFIC HOLDINGS CORP.**

### **Management's Discussion and Analysis**

#### **For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

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comprised of cash and cash equivalents of \$7,980,056 (June 30, 2016 - \$5,267,066), bonds of \$13,060,074 (June 30, 2016 - \$17,201,630) and other current assets of \$477,434 (June 30, 2015 - \$138,547) offset by current liabilities of \$799,402 (June 30, 2016 - \$790,340). Management believes that the Company has sufficient funds to support its normal investing and operating requirement on an ongoing basis. Funding requirement to facilitate the Alcira acquisition is set out in the early sections above.

The Company does not have unlimited resources and its future capital requirements will depend on many factors, including, among others, cash flow from interest, dividends, and realized gains on investments. To the extent that its existing resources and the funds generated by future income are insufficient to fund the Company's operations, the Company may need to raise additional funds through public or private debt or equity financing. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available or that, if available, can be obtained on terms favourable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit or eliminate some or all of its proposed operations. The Company believes it has sufficient capital to meet its cash needs for the next 12 months, including the costs of compliance with continuing reporting requirements.

#### **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.

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 March 31, 2017 and June 30, 2016 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.

## NEW PACIFIC HOLDINGS CORP.

### Management's Discussion and Analysis

For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

Recurring measurements	Fair value as at March 31, 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 7,980,056	\$ -	\$ -	\$ 7,980,056
Bonds	13,060,074	-	-	13,060,074
Common shares <sup>(1)</sup>	6,738,311	-	333,050	7,071,361
Warrants	-	835,501	-	835,501

<sup>(1)</sup> Investment in Cozystay is a Level 3 financial instrument

Recurring measurements	Fair value as at June 30, 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 5,267,066	\$ -	\$ -	\$ 5,267,066
Bonds	17,201,630	-	-	17,201,630
Common shares <sup>(1)</sup>	3,375,120	-	325,225	3,700,345

<sup>(1)</sup> Investment in Cozystay is a Level 3 financial instrument

Fair value of other financial instruments excluded from the table above approximates their carrying amount as of March 31, 2017 and June 30, 2016, respectively.

There were no transfers into or out of level 3 during the periods.

#### (b) Liquidity Risk

The Company has a history of losses and no operating revenues from its operations. Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. As at March 31, 2017, the Company had a working capital position of \$20,718,163 and sufficient cash resources to meet the Company's short-term financial liabilities and its planned investment activities as well as 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:

	March 31, 2017		June 30, 2016
	Due within a year		
Trade and other payables	\$ 718,310	\$	701,228
Due to related parties	81,092		6,112
	\$ 799,402	\$	707,340

#### (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:

## NEW PACIFIC HOLDINGS CORP.

### Management's Discussion and Analysis

#### For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

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The amounts are expressed in CAD equivalents	March 31, 2017		June 30, 2016
United States dollars	\$	20,281,470	\$ 22,505,852
Chinese RMB		188,817	243,484
Financial assets in foreign currency	\$	20,470,287	\$ 22,749,336
<hr/>			
Chinese RMB	\$	79,988	\$ 82,494
Financial liabilities in foreign currency	\$	79,988	\$ 82,494

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As at March 31, 2017, with other variables unchanged, a 1% strengthening (weakening) of the U.S. Dollar against the CAD would have increased (decreased) net income by approximately \$203,000.

As at March 31, 2017, with other variables unchanged, a 1% strengthening (weakening) of the Chinese RMB against the CAD would have increased (decreased) net income by approximately \$1,100.

#### (d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash and cash equivalents primarily include highly liquid investments that earn interest at market rates that are fixed to maturity. The Company also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as of March 31, 2017. 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 Company's Board of Directors. Management believes the risk of loss to be remote, as majority of its cash and cash equivalents are held with major financial institutions. Bonds by nature are exposed to more credit risk than cash. The Company manages its risk associated with bonds by only investing in large globally recognized corporations from diversified industries. As at March 31, 2017, the Company has a receivables balance of \$122,416 (June 30, 2016 - \$115,146).

#### (f) Equity Price Risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on global financial markets. As the Company's marketable securities holding are mainly in mining companies, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at March 31, 2017, 2016, a 10% increase (decrease) in the market price of the securities held, ignoring any foreign

## NEW PACIFIC HOLDINGS CORP.

### Management's Discussion and Analysis

#### For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

exchange effects would have resulted in an increase (decrease) to net income of approximately \$790,000.

#### RELATED PARTY TRANSACTIONS

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

Transactions with related parties	Three month ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
Silvercorp Metals Inc. (a)	\$ 112,674	\$ 55,818	\$ 239,822	\$ 207,223

Related party transactions are entered into based on normal market conditions at the amounts agreed on by the parties. As at March 31, 2017, the balances with related parties, which are unsecured, non-interest bearing, and due on demand, are as follows:

Due to related parties	March 31, 2017	June 30, 2016
Silvercorp Metals Inc. (a)	\$ 81,092	\$ 6,112

(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 nine months ended March 31, 2017, the Company recorded total expenses of \$112,674 and \$239,822, respectively (three and nine months ended March 31, 2016 - \$55,818 and \$207,223, respectively) for services rendered and expenses incurred by Silvercorp on behalf of the Company.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet financial arrangements.

#### PROPOSED TRANSACTIONS

There are no proposed acquisitions or disposals of assets or business, other than those in the ordinary course of business and the Alcira acquisition disclosed in early sections, approved by the board of directors as at the date of this MD&A.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported on the consolidated financial statements. These critical accounting estimates represent management estimates that are uncertain and any changes in these estimates could materially impact the Company's consolidated financial statements. Management continuously reviews its estimates and assumptions using the most current information available. The Company's critical accounting policies and estimates are described in Note 2 of the accompanied unaudited consolidated financial statements for the nine months ended March 31, 2017.

Management has identified: (a) Impairment of mineral property interests and (b) Share-based payments as the critical estimates for the following discussion:

(a) *Impairment of mineral property interests*

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is

## **NEW PACIFIC HOLDINGS CORP.**

### **Management's Discussion and Analysis**

**For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

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considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and in-situ value of the property. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value or value in use is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

#### *(b) Share-based payments*

The Company accounts for stock options granted to employees, officers, directors, and consultants using the fair value method. The fair value of 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 consultants is measured at the fair value of the services delivered. Market related inputs using the Black-Scholes option pricing model are subject to estimation and includes risk free interest rate, expected life of option, expected volatility, expected dividend yield, and estimated forfeiture rate.

### **FUTURE ACCOUNTING CHANGES**

IFRS 15 – *Revenue from contracts with customers*, the standard on revenue from contracts with customers was issued in September 2015 and may be effective for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is assessing the impact of this standard.

IAS 7 - *Statement of Cash Flows* has been revised to incorporate amendments issued by the International Accounting Standards Board ("IASB") in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

IAS 12 - *Income Taxes* has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

IFRS 16 - *Leases* was issued by the IASB and will replace Leases ("IAS 17"). IFRS 16 requires most leases to be reported on a company's balance sheet as assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Company is currently assessing the impact of this new standard.

# NEW PACIFIC HOLDINGS CORP.

## Management's Discussion and Analysis

For the three and nine months ended March 31, 2017 and 2016

(Expressed in Canadian dollars, unless otherwise stated)

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### OUTSTANDING SHARE DATA

As at the date of this MD&A, the following securities were outstanding:

#### (a) Share Capital

Authorized – unlimited number of common shares without par value.

Issued and outstanding – 66,938,229 common shares with a recorded value of \$57.1 million.

Shares subject to escrow or pooling agreements is nil.

#### (b) Options

The outstanding options as at the date of this MD&A are summarized as follows:

Options		
Outstanding	Exercise Price \$	Expiry Date
1,745,000	0.55	October 31, 2021
410,000	0.57	September 23, 2017
1,040,000	0.61	April 7, 2018
615,000	0.62	September 23, 2018
3,810,000	0.58	

### RISK FACTORS

The Company is subject to many risks which are outlined in its Annual Information Form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, please refer to the *Financial Instruments Section* for the analysis of financial risk factors.

### DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design and maintenance of disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. Current disclosure controls include meetings with the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and members of the Board of Directors and Audit Committee through emails, telephone conferences and informal meetings to review public disclosure. All public disclosures are reviewed by certain members of senior management and of the Board of Directors and Audit Committee. The Board of Directors has delegated the duties to the Chief Executive Officer whom is primarily responsible for financial and disclosure controls.

Based on current securities legislation in Canada, the CEO and the CFO of the Company evaluated the design and effectiveness of the Company's disclosure controls and procedures as of March 31, 2017 and concluded that such disclosure controls and procedures were operating effectively at that date.

Management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate



## **NEW PACIFIC HOLDINGS CORP.**

### **Management's Discussion and Analysis**

**For the three and nine months ended March 31, 2017 and 2016**

*(Expressed in Canadian dollars, unless otherwise stated)*

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and timely manner in accordance with IFRS.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reporting information through its review of the interim and annual financial statements.

There are inherent limitations in the effectiveness of internal controls over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

The CEO and the CFO evaluated the design and effectiveness of internal controls over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee Sponsoring Organizations of the Treadway Commission (“COSO”) as at March 31, 2017. Based on this evaluation, as at March 31, 2017, the Company believes that its internal controls over financial reporting were designed and operating effectively to provide reasonable, but not absolute, assurance that the objectives of the control system are met.

The Company continues to review and assess its internal controls over financial reporting. There were no significant changes made to internal controls over financial reporting during the nine months ended March 31, 2017.