



TVI Pacific Inc.

Management's Discussion and Analysis

**Amended to Reflect Restatement of
Consolidated Financial Statements**

**For the Three Months Ended
March 31, 2007**

MANAGEMENT'S DISCUSSION AND ANALYSIS



AMENDED TO REFLECT RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

This management's discussion and analysis ("MD&A"), as amended, relates to the financial condition and results of the operations of TVI Pacific Inc. ("TVI" or the "Company") as of May 11, 2007 except for the restatement of the Company's consolidated financial statements for the three months ended March 31, 2007. Such amendments are as of December 18, 2007. The MD&A is intended to supplement and complement the Company's restated audited consolidated financial statements for the three months ended March 31, 2007 and the notes thereto.

This MD&A addresses matters TVI considers important for an understanding of the Company's financial condition and results of operations as of and for the three months ended March 31, 2007 as well as its outlook. This MD&A gives effect to the restatements as described below in "Restatement of Financial Statements" and in Note 3 of the accompanying restated consolidated financial statements. Apart from amendments resulting from the restatement of the consolidated financial statements, and matters disclosed in "Subsequent Events", this MD&A does not reflect events or changes to the "Outlook" subsequent to May 11, 2007.

Readers are encouraged to consult the Company's restated consolidated financial statements and corresponding notes to the financial statements which are available on the Company's website www.tvipacific.com and on www.sedar.com. The consolidated financial statements and MD&A are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

In certain instances, references are made to relevant notes in the consolidated financial statements for additional information.

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain information set out in this MD&A constitutes forward-looking information. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "intend", "could", "might", "should", "believe" and similar expressions. In particular, this MD&A includes forward-looking information respecting: (i) anticipated production levels for gold and silver at Canatuan; (ii) anticipated resumption of processing of high-grade ore; (iii) anticipated declines in ore grades and production volumes at Canatuan; (iv) estimated remaining mineral reserves at Canatuan; (v) estimated capacity for tailing disposal at Canatuan; (vi) planned cost reduction initiatives; (vii) anticipated timing of construction, development and production activities related to the Canatuan sulphide project (viii) expectations regarding financing for the sulphide project at Canatuan; (ix) planned sales of non-core assets including the licences and mining exploration tenements in China, the contract drilling business assets outside the Philippines and the Rapu Rapu royalty; (x) future exploration and development activities at Balabag, Tamarok, Tapisa and the Company's other existing properties in the Philippines; (xi) potential opportunities to evaluate and acquire new properties to expand the Company's land position in the Philippines; (xii) expectations regarding the Company's application to revoke the cease trade orders; and (xiii) potential royalty payments from Lafayette's Rapu Rapu mine.

Forward-looking statements are based upon the opinions and expectations of management of the Company as at the effective date of such statements and, in certain cases, information provided or disseminated by third parties. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, and that information obtained from third party sources is reliable, it can give no assurance that those expectations will prove to have been correct. Forward-looking statements are subject to certain risks and uncertainties (known and unknown) that could cause actual outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as the volatility of prices for

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precious metals and base metals, commodity supply and demand, fluctuations in currency and interest rates, inherent risks associated with the exploration and development of mining properties, ultimate recoverability of mineral reserves, timing, results and costs of exploration and development activities, availability of financial resources or third-party financing, new laws (domestic or foreign), changes in administrative practices, and changes in exploration plans or budgets. Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes.

Forward-looking information respecting anticipated production levels for gold and silver at Canatuan is based upon production levels, available information regarding the gossan mineral reserves, the anticipated effects of current initiatives to increase mill throughput, resumption of processing of higher grade ore and availability of tailings capacity. Forward-looking information respecting the resumption of processing of higher grade ore during the fourth quarter of 2007 is based upon abatement of the wet weather conditions at Canatuan, the gossan mineral reserves and current mining plans. Forward-looking information respecting expected declines in ore grades and production volumes related to the remaining gossan mineral reserves at Canatuan is based upon independent third-party reports as to the nature and extent of the gossan mineral reserves at Canatuan, the results of mining operations at Canatuan to date, and management's internal estimates, mine plans and other projections. Forward-looking information respecting available tailings capacity at Canatuan is based upon expected future production from the Canatuan Mine and independent third-party engineering advice respecting the capacity of newly constructed containment facilities at Canatuan. Forward-looking statements regarding cost reduction initiatives are based on management's cost targets and the reductions implemented to date. Forward-looking information respecting the anticipated timing of development and production from the sulphide zone underlying the gossan reserves at Canatuan is based upon the status of negotiations concerning financing of the sulphide project, the status of TVIRD's program to source equipment for the expansion of the Canatuan mine, progress made to date in the construction of the sulphide plant at Canatuan, management's experiences with the construction of the gossan processing facility at Canatuan, and mining plans, capital budgets and other projections prepared by the Company. Forward looking information regarding the availability and timing for financing for the sulphide project is based upon management expectations and the status of negotiations. Forward-looking statements regarding the potential sales of non-core assets are based on the expectations of management and expressions of interest received to date. Forward-looking information relating to the anticipated exploration and development activities at Balabag, Tamarok, Tapisa and the Company's other tenements in the Philippines are based upon the results of prior exploration activities and current mining and exploration activities. In certain cases, the anticipated timing of exploration activities in the Philippines is dependent upon the receipt of regulatory approvals from government authorities in the Philippines. Forward-looking information statements respecting the evaluation and acquisition of new properties in the Philippines is based on prior exploration activities, discussions and due diligence to date. Forward-looking statements regarding Lafayette Mining's Rapu Rapu project are based on the publicly released documents of Lafayette Mining Limited, which are subject to change.

Where applicable, forward-looking information is based upon the Company's current business strategy, budgets, mine plans, projections, all of which are subject to change. The forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. Various risks to which the Company is exposed in the conduct of its business are described in detail in the Company's management's discussion and analysis for the year ended December 31, 2006 and the Company's amended Annual Information Form for the year ended December 31, 2006, which was filed on SEDAR on December 18, 2007 and is available under the Company's profile at www.SEDAR.com. Subject to applicable securities laws, the Company does not undertake any obligation to publicly revise the forward-looking statements included in this MD&A to reflect subsequent events or circumstances.

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OVERVIEW OF BUSINESS

TVI Pacific Inc. is a Canadian mining company focused on exploring for and producing precious and base metals, profitably, from district scale, large system, high margin projects located in Philippines and China. The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec and trades on the Toronto Stock Exchange under the symbol TVI.

In 2006, the mine at Canatuan in the Philippines completed its second year of commercial gold and silver production. In addition TVI Resource Development (Phils) Ltd (TVI Resource) received a completed NI 43-101 feasibility study and NI 43-101 technical report on the Canatuan sulphide deposit prepared by Norwest Corporation.

The Company expanded its exploration program in the Philippines in 2006 with the main focuses on finding new deposits close to Canatuan to increase the resource and expand the mine life and defining a resource at Balabag. Exploration work continues in China for advanced projects as well as approvals for exploration licence applications applied for in 2005 and 2006.

TVI Resource continues to hold a 2.5% NSR on the Rapu Rapu property in the Philippines operated by Lafayette Mining Limited.

RESTATEMENT

During the preparation of its interim financial statements for the three months and six months ended June 30, 2007, the Company discovered errors in the consolidation working papers used to prepare its consolidated financial statements for the three months ended March 31, 2007 and for the years ended December 31, 2005 and 2006 and the related interim periods. The Company has restated its consolidated financial statements to correct these errors. The impact of restatement on the balance sheets and statements of operations is summarized below.

The errors that resulted in the restatement have no net impact on cash balances previously reported, however certain amounts in the statements of cash flows have been restated to reflect the following adjustments, including expenditures on property and equipment and deferred costs, amortization and accretion expense, changes in non-cash working capital, and unrealized foreign exchange gains and losses.

Restatement of results for three months ended March 31, 2006

The Company has restated its results of operations and cash flows for the three months ended March 31, 2006 to:

- reflect the impact of the restatement of 2005 results on (i) property and equipment and deferred costs; (ii) foreign currency translation adjustment; (iii) deficit at beginning of year and (iv) amortization and accretion expense;
- reclassify foreign exchange losses of \$113,120 incorrectly included in the foreign currency translation adjustment;
- reclassify value added taxes of \$500,887 included in the foreign currency translation adjustment, resulting in an increase of \$167,363 in property and equipment and deferred costs and an increase of \$333,524 in materials, supplies, transportation and other costs;
- reduce property and equipment and deferred costs by \$272,820 in respect of intercompany transactions that were credited to the foreign currency translation adjustment account rather than being eliminated upon consolidation;

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- to increase accounts receivable by \$99,905 in respect of amounts incorrectly charged to the foreign currency translation adjustment;
- to reclassify other amounts, the net impact of which results in an increase of \$25,858 in asset retirement obligations, and an increase of \$4,207 in materials, supplies, transportation and other costs, with a corresponding net impact on the foreign currency translation adjustment; and
- to reduce amortization and accretion expense and increase property and equipment and deferred costs by \$509,351 to correct the calculation of amortization and accretion expense.

The effect of the restatement on the consolidated statements of operations and cash flows for the three months ended March 31, 2006 is shown below.

Three months ended March 31, 2006	As previously reported	Restatement	As Restated
Consolidated Statement of Operations and Deficit:			
Expenses			
Materials, supplies, transportation and other costs	\$ 3,373,274	\$ 337,248	\$ 3,710,522
Foreign exchange loss (gain)	(67,973)	113,120	45,147
Amortization and accretion	2,035,082	(509,351)	1,525,731
Net income (loss) for the period	575,756	58,983	634,739
Cash provided by (used in):			
Operations	\$2,700,148	\$(560,780)	\$2,139,368
Financing	1,021,816	-	1,021,816
Investing	(3,038,782)	537,813	(2,500,969)
Effect of foreign exchange rates on cash	-	22,967	22,967
Increase (decrease) in cash	683,182	-	683,182
Cash, end of period	1,159,279	-	1,159,279

Restatement of results for three months ended March 31, 2007

The Company has restated its balance sheet as at March 31, 2007 and the results of operations and cash flows for the three months then ended to

- flow through the restatement of consolidated financial statements for the years ended December 31, 2005 and 2006;
- to reduce property and equipment and deferred costs and reduce the foreign currency translation adjustment by \$605,036 to correct the calculation of the foreign currency translation adjustment account;
- reclassify foreign exchange gains of \$39,195 incorrectly included in the foreign currency translation adjustment; and
- to increase amortization and accretion expense and increase property and equipment and deferred costs by \$261,082 to correct the calculation of amortization and accretion expense.

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The effect of the restatement on the consolidated balance sheet as at March 31, 2007 and consolidated statements of operations and cash flows for the three months then ended is shown below.

Three months ended March 31, 2007	As previously reported	Restatement	As restated
Consolidated Balance Sheet:			
Assets			
Property, equipment and deferred costs	\$ 19,984,054	\$ (4,049,301)	\$ 15,934,753
Shareholders' equity			
Deficit	(7,370,404)	(920,104)	(8,290,508)
Accumulated other comprehensive income	32,743	(3,129,197)	(3,096,454)
Consolidated Statement of Operations and Deficit:			
Expenses			
Foreign exchange loss (gain)	\$21,808	\$(39,195)	\$(17,387)
Amortization and accretion	1,500,726	261,082	1,761,808
Net income (loss) for the period	(838,060)	(221,887)	(1,059,947)
Consolidated Statement of Cash Flows:			
Cash provided by (used in):			
Operations	\$1,348,354	\$(719,077)	\$629,277
Financing	347,262	-	347,262
Investing	(2,526,471)	719,077	(1,807,394)
Effect of foreign exchange rates on cash	14,157	-	14,157
Increase (decrease) in cash	(816,698)	-	(816,698)
Cash, end of period	749,156	-	749,156

SUBSEQUENT EVENTS

Assets held for sale

During the fourth quarter of 2007, the Company made a decision to discontinue exploration and contract drilling operations in the Republic of China and the Kyrgyz Republic. As a result of this decision, the Company is actively seeking proposals to sell its resource tenements and drilling assets in the Republic of China and evaluating alternatives for the sale or relocation of its drilling assets in the Kyrgyz Republic.

Advances from related parties

During 2007, the Company issued demand promissory notes totaling \$1,631,000 and US\$870,000 to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% per annum and have no fixed terms of repayment.

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Going Concern

The consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. In the event that the Company cannot maintain the ability to meet its obligations as they come due, the use of accounting principles applicable to a going concern will no longer be appropriate. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenue and expenses and balance sheet classifications that would be necessary if the Company is unable to continue operating as a going concern in the future. These adjustments could be material.

As a result of capital spending on the Canatuan sulphide plant and other capital projects, operating losses in the drilling division, and lower production volumes at the Canatuan Mine during the third quarter of 2007, the Company's working capital deficiency increased from \$0.7 million as at December 31, 2006 to \$9.1 million as at September 30, 2007. This working capital deficiency includes advances from a related party of \$2.2 million as at September 30, 2007. The related party has made further advances to fund immediate cash requirements since that date. Accounts payable and accrued liabilities increased from \$6.4 million as at December 31, 2006 to \$12.2 million as at September 30, 2007, primarily due to capital expenditures made with the expectation that project financing for the Canatuan sulphide plant would be available during the third quarter of 2007. Due to the "Restatement" described in this MD&A, the Company is currently subject to cease trade orders that came into effect on October 17, 2007. The Company intends to apply for the cease trade orders to be revoked immediately after filing the restated consolidated financial statements and all other necessary continuous disclosure documents.

The Company's ability to continue as a going concern and the recoverability of amounts recorded for property and equipment and deferred costs depends upon continued financial support from related parties and from creditors, obtaining sufficient financing for the proposed Canatuan sulphide project and for working capital requirements, maintaining the profitability of the Canatuan operations, and selling non-core assets. The Company is continuing with efforts to obtain financing for the Canatuan sulphide project and has implemented initiatives to reduce ongoing operating costs and to monetize non-core assets, including its contract drilling operations and its exploration assets in the Republic of China. The Company has deferred further capital expenditures on the Canatuan sulphide project until sufficient financing is available. The Company is evaluating alternatives to minimize the time between the depletion of the current gossan reserves and the start of production from the sulphide reserves. Based on the Company's financial condition as at September 30, 2007 and the delay in obtaining financing for the sulphide project, there is significant risk that the Company may not continue to be a going concern since there is no assurance that the Company will be successful in arranging financing of the sulphide project and working capital deficiency, selling non-core assets and other measures described above.

SHARE CAPITAL

The Company's outstanding common shares totaled 405.5 million common shares as at March 31, 2007 compared with 387.7 million common shares at December 31, 2006. As at December 18, 2007; the Company's outstanding common shares totaled 406,240,640 common shares. The weighted average number of common shares issued and outstanding during the three months ended March 31, 2007 and March 31, 2006 were 395.0 million common shares and 374.5 million common shares respectively.

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REVIEW OF FINANCIAL RESULTS

TVI's operations include the Canatuan mine in the Philippines, the exploration program in the Philippines and the exploration program in China. The Canatuan mine entered its third year of commercial operations on January 1, 2007. Continued expansion and improvement of the oxide plant throughout 2006 has significantly increased the average daily mill throughput from 936 dry metric tonnes ("DMT") in December 2005 to 2,154 DMT per day in December 2006. The daily average mill throughput for the first quarter of 2007 was 1,913 DMT compared to 1,269 DMT for the first of quarter 2006. In the first quarter of 2007, the Canatuan mine produced 13,308 equivalent gold ozs ("AuEqOz") compared to 11,642 AuEqOz during the same period last year. In 2007, the Company continues with its aggressive exploration program in the Philippines with increased exploration near the Canatuan mine with the objective of increasing the resource and life of the mine. The Balabag exploration program continues with the plan of completing definition drilling and a scoping study in 2007. The Company has undertaken to evaluate a number of properties and has also been approached to investigate several advanced projects in the Philippines which may result in joint venture ("JV") operations on these projects. The exploration program in China is focused primarily on obtaining approvals of the 26 exploration licences applied for within the Golden Triangle area, a highly prospective metallogenic region in China's south-western provinces of Yunnan, Guizhou and Guangxi Autonomous Region, and prospective areas in the Tibet Autonomous Region. The exploration team in China is now looking in other neighboring countries for prospective projects. The Company operates a drilling business which supplies quality mineral exploration drilling services throughout Asia with a focus on China and the Philippines. In addition, the Company owns a 2.5% NSR royalty on the Rapu Rapu Mine property in the Philippines.

Selected Financial Results

First Quarter Ended	March 2007 Restated	March 2006 Restated
Revenues	\$10,489,237	\$ 8,775,774
Net income (loss)	(1,059,947)	634,739
Income (loss) per share	(0.0027)	0.0017
Cash flow from operations	629,277	2,139,368
Investment in property and equipment and deferred costs	2,899,243	2,370,414
Working capital (deficit)	(2,631,291)	(705,813)
Convertible debentures	-	1,469,612
Shareholders' equity	\$ 12,462,545	\$ 11,695,766

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CANATUAN POLYMETALLIC MINE – PHILIPPINES

On January 1, 2007, the Canatuan polymetallic mine located in the Province of Zamboanga del Norte on the island of Mindanao entered its third year of commercial operations. The Canatuan mine is the first commercial operating mine in TVI's history.

The 2007 first quarter operations reported segmented net income of \$2,152,286 compared to \$1,714,451 for the same period in 2006. Revenues for the first quarter in 2007 were \$10,231,530 compared to \$7,290,418 last year, and cash flow in the current quarter was \$3,675,518 versus \$3,119,935 in 2006, reflecting increased metal prices and production in the latest quarter.

The plant is currently operating at daily rates of 2,000+ DMT, with a current target to reach a 2,200 DMT per day steady state. Gold recoveries are now approximately 87%, up from 81% in the first quarter of 2006, and with a near term target of 89%. Silver recoveries in the first quarter are approximately 51% compared to 53% in the same period in 2006. The main reason for the decrease in silver recovery is the high sulphide content in the gossan ore. The near term target for silver recovery is 70%.

As noted in the January 18, 2007 news release, TVI has received a feasibility study on the Canatuan Sulphide Project and is in the financing, planning and development stage. Work has started on a new tailings dam, other site infrastructure and the refurbishment of the three ball mills purchased in December 2006. The tailings dam work is required as the present gossan tailings dam is expected to be full by the end of the next quarter. Metallurgical test work optimisation, detailed plant design and engineering continue as a prerequisite of financing. The financing of the Sulphide Project is well underway with the expected completion by the end of the second quarter 2007. The plan is to complete construction of the sulphide plant and commence copper and zinc concentrate production before the end of the first quarter in 2008.

Operating highlights from the first quarter 2007 and 2006 are:

	Three months ended March 31, 2007 Restated	Three months ended March 31, 2006 Restated
Dry metric tonnes (DMT) processed	172,129	114,199
Average mill throughput (DMT per day)	1,913	1,269
Feed grade (grams per tonne)		
Gold	1.85	3.09
Silver	76.59	72.24
Gold (Au) ozs produced	8,930	9,148
Silver (Ag) ozs produced	214,282	140,727
Gold (Au) Equivalent oz produced	13,308	11,641
Recoveries (produced metals)		
Gold	87.39%	80.56%
Silver	50.55%	53.06%
Average price received per oz		
Gold	\$756.52 (\$649.94 US)	\$636.70 (\$553.96 US)
Silver	\$15.52 (\$13.36 US)	\$11.21 (\$9.74 US)
Cash cost per equivalent gold oz	\$492.78 (\$423.48 US)	\$358.31 (\$311.94 US)
Total cost per equivalent gold oz	\$607.23 (\$521.79 US)	\$479.05 (\$417.10 US)
Cash flow from operations for three months	3,675,518	\$3,119,935
Net income for three months	\$2,152,286	\$1,714,451

Gold equivalent values were calculated applying a 57 to 1 Ag to Au ratio

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PHILIPPINES EXPLORATION

Canatuan Tenements

The main exploration focus in the Philippines for 2007 is additional work on the Canatuan group of tenements with the objective of increasing the mineral resource and mine life of the Canatuan project. The Company has recently engaged an independent third party to update the Canatuan NI 43-101 resource estimate which will incorporate results from an infill program (197 drill holes for 8,380 metres) completed in late 2006 on the current Canatuan deposit. Going forward, the plan is to systematically sample the entire MPSA in an attempt to find additional gossan and sulphide ore for processing.

Balabag

Infill drilling on the Balabag property continued in the first quarter of 2007. To the end of March 2007, 3,850 metres had been completed on the 5,000 metre infill drilling program. The infill drilling program was put on hold at the end of March to allow for a conceptual geological and resource model to be generated with the available data and produce a NI 43-101 technical report on the deposit. A scoping study on the Balabag property will be initiated in May of 2007.

Tamarok-Tapisa

In March 2006, exploration work has been temporarily suspended awaiting the completion of the Free Prior Informed Consent ("FPIC") process under Philippine Mining act regulations, leading to a Memorandum of Agreement with the Indigenous People resident in the area. TVI has obtained favorable endorsement and acceptance from the majority of the Indigenous People residing in the area. In addition two major mining companies have expressed interest in these properties which may result in joint venture arrangements.

Other Advanced Projects

The Company has undertaken to evaluate a number of select properties and has initiated discussions with property owners. The company has also been approached to explore several other advanced projects in the Philippines which may result in JV operations on these projects. Site visits and investigations are being pursued with additional technical due diligence required before any decisions can be made as to how to proceed with these projects.

CHINA EXPLORATION

In 2007, TVI's exploration focus in China is obtaining the approvals for the 26 exploration licence applications filed in 2005 and 2006. Once the applications are approved, follow-up exploration work will take place. The Company now believes the only way to advance exploration in China is with a Chinese partner and is proceeding as such. In addition, the exploration team in China is now exploring for new projects in neighboring countries to reduce the reliance on Chinese approval of the exploration applications.

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The following is a breakdown of exploration expenditures for the first quarter ended:

	<u>March 2007</u>	<u>March 2006</u>
China exploration	\$ 243,559	\$ 153,862
Philippines exploration	1,327,665	514,067
	<u>\$ 1,571,224</u>	<u>\$ 667,929</u>

DRILLING BUSINESS

TVI's drilling business is a combination of Exploration Drilling Corporation ("EDCO") in the Philippines and the drilling segment of Hunan Pacific Geological Exploration Inc. ("HPGEI") based in China. In 2006, the drilling business saw a vast improvement in its operation and financial results as well as improved fleet maintenance, creation of a rebuilding program for existing rigs, restocking of parts inventory and improved client relations. In the first quarter of 2007, the drilling business has experienced slower than expected operations due to the early termination of existing contracts, delays in the start of new contracts, difficulty in obtaining jobs in China and the Philippines, and marketing efforts in 2006 not materializing into jobs. The drilling business has expanded its marketing efforts, which has resulted in two new contacts in Kyrgyzstan which are expected to start in the second quarter of 2007. In addition, further work in China and the Philippines is forecasted for the second quarter.

Drilling business operations for the first quarter ended:

	<u>March 2007</u>	<u>March 2006</u>
Revenues	254,834	\$ 1,416,031
Salaries and drilling costs	(413,761)	(819,431)
G & A	(220,437)	(73,176)
Depreciation	(135,260)	(106,741)
	<u>(769,458)</u>	<u>(999,348)</u>
Net income (loss)	<u>(514,624)</u>	<u>\$ 416,683</u>
Total metres drilled	5,138	10,368
Internal metres drilled	4,021	786
External metres drilled	<u>1,117</u>	<u>9,582</u>

At the end of March 2007 the drilling business had 5 rigs operating, one for a third party and 4 rigs on TVI's Balabag project. The revenues and net income from internal TVI work is eliminated on consolidation. TVI internal revenues for the first quarter of 2007 were \$724,624. Salaries and drilling costs in 2007 were 162% of revenues versus 57% in 2006 reflecting lower rig utilization. G & A and depreciation costs increased as a percentage of revenue as a large component of these costs are fixed.

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Rapu Rapu

The Company owns a 2.5% net smelter return (“NSR”) royalty in the Rapu Rapu polymetallic mine located in Albay Province, Philippines, operated by Lafayette Mining Limited, an Australian publicly traded company. In 2006, Rapu Rapu operated under a Temporary Lifting Order as a result of two unauthorized discharges of wastewater in 2005 and suspended operations twice due to typhoon damage. On Feb 8, 2007, the regulatory authorities in the Philippines approved resumption of full processing operations and reinstatement of all operating permits. In the first quarter of 2007, 1,662 DMT of copper concentrate and 2,970 DMT of zinc concentrate containing 449 tonnes of copper, 1,462 tonnes of zinc, 1,276 ounces of gold and 29,988 ounces of silver were produced. Lafayette may adjust royalty payments for hedging losses which could affect the amount of royalty payments received by TVI. TVI expects royalty payments to resume in the latter half of 2007.

RESULTS OF OPERATIONS

The following chart summarizes the operation of the various segments of TVI for the first quarter of 2007 with comparison to the same period in 2006:

	2007		2006	
	Revenues	Costs	Net income (loss)	Net income (loss)
Drilling	\$ 254,834	\$ 769,458	\$ (514,624)	\$ 416,683
Canatuan mine	10,233,420	8,081,134	2,152,286	1,714,451
Exploration	-	1,571,224	(1,571,224)	(610,355)
Corporate	983	1,326,650	(1,361,667)	(741,329)
Foreign exchange gain		17,387	17,387	(45,147)
Interest on long-term debt		(61,907)	(61,907)	(99,564)
Gain on sale of investment		725	725	
Gain on sale of equipment and property		279,077	279,077	
	<u>\$ 10,489,237</u>	<u>\$ 11,549,184</u>	<u>\$ (1,059,947)</u>	<u>\$ 634,739</u>

The consolidated net loss for the three months ended March 31, 2007 was \$(1,059,947) or \$(0.0027) per share compared to a gain of \$634,739 or \$0.0017 per share in same period in 2006. Consolidated cash flow from operations for the three months ended March 31, 2007 was \$629,277 compared to a consolidated cash flow of \$2,139,368 in same period in 2006.

Total revenue in the first quarter increased to \$10,486,198 from \$8,774,290 in the same period last year which is a direct result of the increased throughput at the Canatuan mine, improved gold and silver prices, and the lower operational results by the drilling business. In the first quarter of 2007, the mine produced 13,308 AuEqOz compared to 11,641 AuEqOz produced in the first quarter of 2006. Metres drilled by the drilling business in the first quarter of 2007 were 5,138 (including 4,021 metres of internal TVI drilling) compared to 10,368 (including 786 metres of internal TVI drilling) in the same period of 2006. The drilling business revenues decreased to \$254,668 in the first quarter of 2007 compared to \$1,415,553 in the first quarter of 2006. The drilling business revenues are based on metres drilled and recovery rates which affect the total revenues.

Expenses in the first quarter of 2007 were \$11,549,184 compared to \$8,141,035 in the first quarter of 2006. The increase is directly related to the expanded operations at the mine and the exploration activities in the Philippines. Labour costs at the mine increased to \$1,108,072 in the first quarter of 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS



**AMENDED TO REFLECT RESTATEMENT OF
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED MARCH 31, 2007

from \$788,997 in the first quarter of 2006 as a result of the expanded operations. Labour costs at the TVI drilling business decreased to \$413,761 in the first quarter of 2007 from \$550,246 in 2006 as a result of decreased drilling contracts.

Materials, supplies, transportation and other costs increased to \$5,387,097 for the three months ended March 31, 2007 compared to \$3,710,522 for the same period in 2006. The increased costs are again associated with the full scale commercial production of the Canatuan mine and the increase in exploration activities of the Company.

Interest on the convertible debentures in the first quarter of 2007 was \$61,257 compared to \$99,654 in the first quarter of 2006. On February 24, 2007 all the convertible debentures were converted to 15,000,000 shares and the warrants were exercised resulting in an additional 500,000 shares issued.

The increased depreciation and accretion relates to the operations of the mine. The deferred development and Asset Retirement Obligation ("ARO") costs in the capital assets are amortized based on units of production processed while other capital assets are depreciated over their useful life. In addition accretion occurs as an increase to ARO liability

First Quarter Ended	March 2007 Restated	March 2006 Restated
	<hr/>	<hr/>
Deferred development amortization	\$501,953	\$ 611,580
ARO amortization	45,868	62,154
Accretion	23,191	20,410
Depreciation	1,190,796	831,587
	<hr/>	<hr/>
	\$1,761,808	\$ 1,525,731

Administrative and general costs are summarized as follows:

First Quarter Ended	March 2007	March 2006
	<hr/>	<hr/>
Consulting fees	\$38,147	\$ 24,506
Stock based compensation	185,169	(34,006)
Office and administration	465,786	156,845
Professional fees	40,776	42,502
Management fees	59,400	116,043
Shareholder costs	175,936	114,838
Interest and bank charges	5,912	24,659
	<hr/>	<hr/>
	\$971,126	\$ 445,387

Shareholders costs are a reflection of increased filing fees and shareholders information costs.

Other MD & A Requirements

All relevant information related to the Company is filed electronically at www.sedar.com in Canada. This document forms an integral part of the Company's Annual Information Form.

MANAGEMENT'S DISCUSSION AND ANALYSIS



AMENDED TO REFLECT RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

Consolidation of TVI Resources

TVI owns 40% of TVI Resource Development (Phils) Inc ("TVI Resource") through its wholly owned subsidiary TVI International Marketing Limited ("TVI Marketing"). In addition, TVI Marketing owns 40% of nineteen Philippine subsidiaries and TVI Resource owns the balance (60%). TVI consolidates these companies in accordance with Canadian General Accepted Accounting Principals ("Accounting Guideline 15 – Consolidation of Variable Interest Entities") as they meet the criteria of variable interest entities and TVI is the primary beneficiary. The non-controlling interest arising on consolidation will not be recognized until such time as previously absorbed losses of these companies are recovered. Upon recovery of the losses estimated at \$14.2 million, TVI will only recognize 40% of net income from TVI Resource.

Financial Condition, Liquidity and Capital Resources

Financial condition, liquidity and capital resources represent the Company's ability to fund its exploration and development activities. TVI's major source of funds in 2006 and the first quarter of 2007 has been the Canatuan mine. In the first quarter of 2007, TVI issued 17,810,322 common shares through conversion of convertible debentures, warrants and options. The Company had a cash balance of \$749,156 (2006 - \$1,159,279). The Company's working capital deficit at March 31, 2007 was \$2,631,291 compared to a working capital deficit of \$705,813 at December 31, 2006. The increase in working capital deficit is a direct result of increased capital expenditures incurred on the sulphide project, lower revenues of the drilling business and the increase in exploration activities.

TVI is presently finalizing financing for the Sulphide Project which is expected to be completed in the second quarter of 2007 which will improve the present cash position.

Related Parties Transactions

During the quarter, the Company entered into the following transactions with a corporation owned by the President of the Company:

- Paid or accrued management fees of \$95,885 (2006 - \$170,660) to the corporation for the services of the President, Investor Relations and support staff. At March 31, 2007 the Company owed the corporation owned by the President \$71,392 relating to unpaid management fees;
- During the quarter, director fees of \$38,875 were accrued and included in accounts payable and accrued liabilities;
- At March 31, 2007 interest accrued on Convertible Debentures payable to related parties was \$27,647 (2006 - \$36,265);
- During the quarter, the Company paid or accrued \$1,574 (2006- \$23,717) to a corporation controlled by a Director and officer of a Philippine subsidiary for an apartment, use of a vehicle, secretarial services, utilities and meals;
- During the quarter, the Company rented office space and other services to a corporation controlled by a Director and Office of a Philippine subsidiary for which it received \$763 (2006 - \$4,528) which was treated as a reduction in expenses; and
- In the quarter, the company was invoiced legal fees of \$587 by a Philippine Law firm which one of the Philippine Subsidiary Director and shareholder is associated with.

MANAGEMENT'S DISCUSSION AND ANALYSIS



AMENDED TO REFLECT RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

Critical Accounting Estimates

TVI prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for the period presented, and in the disclosure of commitments and contingencies. The following are the primary accounting estimates used in the preparation of the financial statements:

- a) The carrying values of its mining assets are based on whether or not the value is greater than the future expected return from the property. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are written off against current earnings.
- b) The assumptions used in establishing the depletion and depreciation of property, plant and equipment as discussed in the Company's December 31, 2006 financial statements.
- c) The assumptions used for estimating the fair value of the liability for Asset Retirement Obligations relating to the Canatuan mine.

Outlook (as at May 11, 2007)

At the Canatuan mine, high sulphide content was encountered in the gossan ore during the first quarter of 2007, causing recovery and cost issues. These issues have been addressed and the operating results for the early part of the second quarter are showing improvements as evidenced by April performance figures. Record metal prices have continued, and there are expectations that the high price environment will continue in the near term. The targeted increases for throughput in 2007 at the Canatuan mine are expected to exceed that of 2006, and would therefore allow for lower overall production costs (on a unit of production basis) and an increase in financial performance figures; however, lower grades are expected to result in similar production levels for gold and silver year-over-year. The planning, development and construction of the sulphide plant is well underway with construction scheduled to be completed in early 2008. The Company has been able to attract a number of financing proposals for the sulphide project as a result of continuing strong metal prices and investor confidence in the Company's operating capabilities, as demonstrated by the continued successful operation of the Company's main asset, the Canatuan Mine, as well as confidence in the Company's ability to construct and operate the next phase of development in a timely and cost-effective manner. It is expected that one of these proposals will be selected in the near term. Management believes that financing for the sulphide plant is expected to be completed in the second quarter 2007. Exploration on existing and new properties is expected to increase towards the end of 2007 as the Company expands its portfolio of properties in the Philippines. A second infill drilling program on the Balabag property, which is approximately 75 km north-east of the Canatuan mine, will commence late in 2007 after the scoping study has been completed. The scoping study, which is being prepared by an independent third party, is to derive key operating, engineering, costing and economic parameters to be used, if positive, for a conceptual open-pit, stand alone mining operation anticipated on the Balabag property going forward. Exploration in China has been reduced while awaiting approval on exploration applications. The Company's drilling business experienced a slower-than-anticipated start in 2007; however, successful marketing efforts are producing improved results in the second quarter, with new drilling contracts having been received for the balance of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS



AMENDED TO REFLECT RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

QUARTERLY FINANCIAL INFORMATION

	Revenue	Net Income (Loss)	Net Income (Loss) per Share Basic	Net Income (Loss) per Share Diluted
	(in thousands)			
March 31, 2007 ⁽¹⁾	10,489	(1,060)	(\$0.0027)	(\$0.0027)
December 31, 2006 ⁽¹⁾	10,887	(705)	(\$0.0018)	(\$0.0018)
September 30, 2006 ⁽¹⁾	11,292	488	\$0.0013	\$0.0012
June 30, 2006 ⁽¹⁾	13,495	1,388	\$0.0037	\$0.0036
March 31, 2006 ⁽¹⁾	8,776	635	\$0.0017	\$0.0016
December 31, 2005 ⁽¹⁾	6,547	(1,386)	(\$0.004)	(\$0.004)
September 30, 2005	4,693	(191)	(\$0.001)	(\$0.001)
June 30, 2005	3,193	(1,541)	(\$0.004)	(\$0.004)

⁽¹⁾ restated

Further details in respect of historical quarterly results can be found in the Company's quarterly reports filed on SEDAR at www.sedar.com or on the Company's web site at www.tvipacific.com.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of March 31, 2007, of the Company's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that (except for the material weaknesses in internal controls over financial reporting noted below) such disclosure controls and procedures are effective and designed to ensure that material information relating to the Company and its subsidiaries is made known to them by others within those entities.

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Management has evaluated the design of internal controls over financial reporting as of June 30, 2007 and has identified material weaknesses in such controls with respect to the consolidation of its foreign subsidiaries and affiliates, including the translation of foreign currencies.

As a result of these material weaknesses, the Company has recently restated its consolidated financial statements for the years ended December 31, 2006 and for the three months ended March 31, 2007. Prior to issuing the restated consolidated financial statements, the Company completed a comprehensive review of its consolidation procedures and redesigned its internal controls over financial reporting to reduce the risk of future material misstatements. The redesigned internal controls over financial reporting were used to prepare the restated consolidated financial statements. Management is continuing its efforts to further strengthen internal controls over financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AMENDED TO REFLECT RESTATEMENT OF
CONSOLIDATED FINANCIAL STATEMENTS



FOR THE THREE MONTHS ENDED MARCH 31, 2007

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Registrar and Transfer Agent:

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Telephone: (403) 267-6800

Share Listing:

Toronto Stock Exchange Symbol: TVI

Auditors:

PricewaterhouseCoopers LLP
3100, 111 – 5th Ave. SW
Calgary, Alberta, Canada T2P 5L3



TVI Pacific Inc.

Consolidated Financial Statements (Restated)

**For the Three Months Ended
March 31, 2007
(Unaudited)**

TVI Pacific Inc.
Interim Consolidated Balance Sheets
(unaudited)
March 31, 2007
(in Canadian dollars)



	March 31, 2007 restated (note 3)	December 31,2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 749,156	\$1,565,854
Accounts receivable	1,244,113	1,454,422
Inventories	2,961,545	2,351,281
Prepaid expenses	277,627	293,669
Investments	76,779	70,136
	5,309,220	5,735,362
Property, and equipment and deferred costs (note 5)	15,934,753	14,683,277
	\$ 21,243,973	\$ 20,418,639
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,797,838	\$ 6,427,146
Due to related parties (note 9)	142,673	14,029
	7,940,511	6,441,175
Convertible debentures (note 6)	-	1,469,612
Asset retirement obligation (note 7)	840,917	812,086
	8,781,428	8,722,873
Shareholders' equity		
Share capital (note 8 (a))	20,889,040	18,966,531
Warrants (note 8 (d))	-	22,850
Contributed surplus (note 8 (c))	2,960,467	3,039,043
	23,849,507	22,028,424
Deficit	(8,290,508)	(7,230,561)
Accumulated other comprehensive income	(3,096,454)	(3,102,097)
	(11,386,962)	(10,332,658)
	12,462,545	11,695,766
	\$ 21,243,973	\$ 20,418,639

Going concern (note 1)
New accounting policies (note 4)

See accompanying notes to consolidated financial statements.

TVI Pacific Inc.
Interim Consolidated Statements of Operations
(unaudited)
March 31, 2007
(in Canadian dollars)



	3 months ended March 31,	
	2007	2006
	Restated	Restated
	(note 3)	(note 3)
Revenues		
Sales	\$10,486,198	\$ 8,774,290
Interest	3,039	1,484
	10,489,237	8,775,774
Expenses		
Labour	2,093,211	1,646,665
Materials, supplies, transportation and other costs	5,387,097	3,710,522
Foreign exchange loss (gain)	(17,387)	45,147
Interest on long-term debt	61,907	99,654
Amortization, and accretion	1,761,808	1,525,731
Administrative and general costs	971,126	445,387
Exploration costs	1,571,224	667,929
Gain on sale of equipment	(229,077)	-
Gain on sale of investment	(725)	-
Gain on sale of property (note 5)	(50,000)	-
Net income (loss) for the period	(1,059,947)	634,739
Net income (loss) per share (note 11)		
Basic	\$ (0.0027)	\$ 0.0017
Diluted	\$ (0.0027)	\$ 0.0016

Going concern (note 1)

See accompanying notes to consolidated financial statements.

TVI Pacific Inc.
Interim Consolidated Statements
(unaudited)
March 31, 2007
(in Canadian dollars)



	Three months ended March 31, 2007 Restated (note 3)	2006 Restated (note 3)
Interim Consolidated Statements of Deficit (unaudited)		
Deficit at beginning of period	\$(7,230,561)	\$(9,036,885)
Net income (loss)	(1,059,947)	634,739
Deficit at end of period	(8,290,508)	(8,402,146)

	Three months ended March 31, 2007 Restated (note 3)	2006 Restated (note 3)
Interim Consolidated Statements of Comprehensive Income (unaudited)		
Net income (loss)	(1,059,947)	634,739
Other comprehensive income, net of tax		
Loss in the fair value of investments	(48,706)	
Foreign currency translation adjustment	(2,300)	437,089
Comprehensive income (loss) for the period	(1,008,941)	1,071,828

	Three months ended March 31, 2007 Restated (note 3)	2006 Restated (note 3)
Interim Consolidated Statements of Accumulated Other Comprehensive Income (Loss) (unaudited)		
Accumulated other comprehensive income (loss) at beginning of period	(3,102,097)	(4,000,057)
Impact of change in accounting policy (note 4)	56,649	-
	(3,045,448)	(4,000,057)
Foreign currency translation adjustment	(2,300)	437,089
Loss in the fair value of investments	(48,706)	-
Accumulated other comprehensive income (loss) at end of period	(3,096,454)	(3,562,968)

See accompanying notes to consolidated financial statements.

TVI Pacific Inc.
Interim Consolidated Statements of Cash Flows
(unaudited)
March 31, 2007
(in Canadian dollars)



	Three months ended March 31,	
	2007	2006
	restated	Restated
	(note 3)	(note 3)
Cash provided by (used in):		
Operations		
Net income (loss) for the period	\$ (1,059,947)	\$ 634,739
Items not involving cash:		
Amortization and accretion	1,761,808	1,525,731
Accretion on convertible debentures	30,388	50,647
Stock based compensation	102,466	(34,006)
Recovery of bad debt provision	-	(30,000)
Gain on sale of equipment	(229,077)	-
Gain on sale of property	(50,000)	-
Gain on sale of investment	(725)	-
Unrealized foreign exchange loss	18,544	4,227
	573,457	2,151,338
Change in non cash working capital	55,820	(11,970)
	629,277	2,139,368
Financing		
Shares and warrants issued	218,618	175,459
Due to related parties	128,644	846,357
	347,262	1,021,816
Investing		
Expenditures on property and equipment and deferred costs	(2,899,243)	(2,370,414)
Proceeds on disposal of equipment	229,077	-
Proceeds on investments	2,025	-
	(2,668,141)	(2,370,414)
Changes in non cash working capital	860,747	(130,555)
	(1,807,394)	(2,500,969)
Effect of foreign exchange rates on cash	14,157	22,967
Increase (decrease) in cash	(816,698)	683,182
Cash and cash equivalents, beginning of period	1,565,854	476,097
Cash and cash equivalents, end of period	\$ 749,156	\$1,159,279

See accompanying notes to consolidated financial statements.



1. Going Concern:

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. In the event that the Company cannot maintain the ability to meet its obligations as they come due, the use of accounting principles applicable to a going concern will no longer be appropriate. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenue and expenses and balance sheet classifications that would be necessary if the Company is unable to continue operating as a going concern in the future. These adjustments could be material.

As a result of capital spending on the Canatuan sulphide plant and other capital projects, operating losses in the drilling division, and lower production volumes at the Canatuan Mine during the third quarter of 2007, the Company's working capital deficiency increased from \$0.7 million as at December 31, 2006 to \$9.1 million in the unaudited financial statements for the nine months ended September 30, 2007. This working capital deficiency includes advances from a related party of \$2.2 million as at September 30, 2007. The related party has made further advances to fund immediate cash requirements since that date. Accounts payable and accrued liabilities increased from \$6.4 million as at December 31, 2006 to \$12.2 million as at September 30, 2007, primarily due to capital expenditures made with the expectation that project financing for the Canatuan sulphide plant would be available during the third quarter of 2007. Due to the accounting restatement described in note 3, the Company is currently subject to cease trade orders that came into effect on October 17, 2007. The Company intends to apply for the cease trade orders to be revoked immediately after filing the restated consolidated financial statements and all other necessary continuous disclosure documents.

The Company's ability to continue as a going concern and the recoverability of amounts recorded for property and equipment and deferred costs depends upon continued financial support from related parties and from creditors, obtaining sufficient financing for the proposed Canatuan sulphide project and for working capital requirements, maintaining the profitability of the Canatuan operations, and selling non-core assets. The Company is continuing with efforts to obtain financing for the Canatuan sulphide project and has implemented initiatives to reduce ongoing operating costs and to monetize non-core assets, including its contract drilling operations and its exploration assets in the Republic of China. The Company has deferred further capital expenditures on the Canatuan sulphide project until sufficient financing is available. The Company is evaluating alternatives to minimize the time between the depletion of the current gossan reserves and the start of production from the sulphide reserves. Based on the Company's financial condition as at September 30, 2007 and the delay in obtaining financing for the sulphide project, there is significant risk that the Company may not continue to be a going concern since there is no assurance that the Company will be successful in arranging financing of the sulphide project and working capital deficiency, selling non-core assets and other measures described above and in note 14.

2. Basis of Presentation:

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2006 except as disclosed in note 4. These financial statements should be read in conjunction with those audited consolidated financial statements for the year ended December 31, 2006.



3. Restatement:

During the preparation of its interim financial statements for the three months and six months ended June 30, 2007, the Company discovered errors in the consolidation working papers used to prepare its consolidated financial statements for the three months ended March 31, 2007 and for the years ended December 31, 2005 and 2006 and the related interim periods. The Company has restated its consolidated financial statements to correct these errors. The impact of restatement on the balance sheets and statements of operations is summarized below.

The errors that resulted in the restatement have no net impact on cash balances previously reported, however certain amounts in the statements of cash flows have been restated to reflect the following adjustments, including expenditures on property and equipment and deferred costs, amortization and accretion expense, changes in non-cash working capital, and unrealized foreign exchange gains and losses.

Restatement of results for three months ended March 31, 2006

The Company has restated its results of operations and cash flows for the three months ended March 31, 2006 to:

- reflect the impact of the restatement of 2005 results on (i) property and equipment and deferred costs; (ii) foreign currency translation adjustment; (iii) deficit at beginning of year and (iv) amortization and accretion expense;
- reclassify foreign exchange losses of \$113,120 incorrectly included in the foreign currency translation adjustment;
- reclassify value added taxes of \$500,887 included in the foreign currency translation adjustment, resulting in an increase of \$167,363 in property and equipment and deferred costs and an increase of \$333,524 in materials, supplies, transportation and other costs;
- reduce property and equipment and deferred costs by \$272,820 in respect of intercompany transactions that were credited to the foreign currency translation adjustment account rather than being eliminated upon consolidation;
- to increase accounts receivable by \$99,905 in respect of amounts incorrectly charged to the foreign currency translation adjustment;
- to reclassify other amounts, the net impact of which results in an increase of \$25,858 in asset retirement obligations, and an increase of \$3,724 in materials, supplies, transportation and other costs, with a corresponding net impact on the foreign currency translation adjustment; and
- to reduce amortization and accretion expense and increase property and equipment and deferred costs by \$509,351 to correct the calculation of amortization and accretion expense.



3. Restatement (continued):

The effect of the restatement on the consolidated statements of operations and cash flows for the three months ended March 31, 2006 is shown below.

Three months ended March 31, 2006	As previously reported	Restatement	As Restated
Consolidated Statement of Operations and Deficit:			
Expenses			
Materials, supplies, transportation and other costs	\$ 3,373,274	\$ 337,248	\$ 3,710,522
Foreign exchange loss (gain)	(67,973)	113,120	45,147
Amortization and accretion	2,035,082	(509,351)	1,525,731
Net income (loss) for the period	575,756	58,983	634,739

Consolidated Statement of Cash Flows:

Cash provided by (used in):			
Operations	2,700,148	(560,780)	2,139,368
Financing	1,021,816	-	1,021,816
Investing	(3,038,782)	537,813	(2,500,969)
Effect of foreign exchange rates on cash	-	22,967	22,967
Increase (decrease) in cash	683,182	-	683,182
Cash, end of period	1,159,279	-	1,159,279

Restatement of results for three months ended March 31, 2007

The Company has restated its balance sheet as at March 31, 2007 and the results of operations and cash flows for the three months then ended to

- flow through the restatement of consolidated financial statements for the years ended December 31, 2005 and 2006;
- to reduce property and equipment and deferred costs and reduce the foreign currency translation adjustment by \$605,036 to correct the calculation of the foreign currency translation adjustment account;
- reclassify foreign exchange gains of \$39,195 incorrectly included in the foreign currency translation adjustment; and
- to increase amortization and accretion expense and increase property and equipment and deferred costs by \$261,082 to correct the calculation of amortization and accretion expense.



3. Restatement (continued):

The effect of the restatement on the consolidated balance sheet as at March 31, 2007 and consolidated statements of operations and cash flows for the three months then ended is shown below.

Three months ended March 31, 2007	As previously reported	Restatement	As restated
Consolidated Balance Sheet:			
Assets			
Property, equipment and deferred costs	\$ 19,984,054	\$(4,049,301)	\$ 15,934,753
Shareholders' equity			
Deficit	(7,370,404)	(920,104)	(8,290,508)
Accumulated other comprehensive income	32,743	(3,129,197)	(3,096,454)

Consolidated Statement of Operations and Deficit:

Expenses			
Foreign exchange loss (gain)	21,808	(39,195)	(17,387)
Amortization and accretion	1,500,726	261,082	1,761,808
Net income (loss) for the period	(838,060)	(221,887)	(1,059,947)

Consolidated Statement of Cash Flows:

Cash provided by (used in):			
Operations	1,348,354	(719,077)	629,277
Financing	347,262	-	347,262
Investing	(2,526,471)	719,077	(1,807,394)
Effect of foreign exchange rates on cash	14,157	-	14,157
Increase (decrease) in cash	(816,698)	-	(816,698)
Cash, end of period	749,156	-	749,156

4. New Accounting Policies:

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3865 "Hedges". As required by the new standards, prior periods have not been restated other than the cumulative translation adjustment.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net income and other comprehensive income. The Company's financial statements now include a Statement of Comprehensive Income, which includes the components of comprehensive income. For TVI Pacific Inc., other comprehensive income ("OCI") is currently comprised of the changes in the foreign currency translation adjustment of self sustaining foreign operations and unrealized changes in the fair market values of financial instruments.

The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category within shareholders' equity in the Consolidated Balance Sheet.



4. New Accounting Policies (continued):

The accumulated foreign currency translation adjustment, formerly presented as a separate category within shareholders' equity, is now included in AOCI. The Company's Consolidated Financial Statements now include a Statement of Accumulated Other Comprehensive Income, which provides the continuity of the AOCI balance.

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions. Accordingly, the March 31, 2007 period end accumulated foreign currency translation adjustment balance of \$3,104,397 has been reclassified to AOCI (December 31, 2006 \$3,102,097). In addition, the change in the accumulated foreign currency translation adjustment balance for the three months ended March 31, 2007 of \$2,300 is now included in OCI in the Statement of Comprehensive Income.

Financial Instruments

The financial instrument standard establishes the recognition and measurement criteria of financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as defined by the standard.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Cash equivalents are highly liquid with original maturities of three months or less.

Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities, long-term liabilities and long-term debt are designated as "other financial liabilities".

Investments are designated as "available for sale". Gains or losses arising from a change in the fair value are recognized directly in OCI. Accordingly, at January 1, 2007, investments increased in fair value by \$56,649. The adoption of the new standard had no effect on the opening retained earnings.

The adoption of the financial instruments standard has been made in accordance with its transitional provisions.

Accounting Changes

Effective January 1, 2007, the Company also adopted CICA Handbook Section 1506, "Accounting Changes", which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or required by the transitional provisions of a primary source of GAAP or where impracticable to determine. As well, voluntary changes in accounting policy are made only when the change results in more relevant and reliable information.



4. New Accounting Policies (continued):

CICA 1535 – Capital Disclosures and Financial Instruments – Disclosure and Presentation

In December 2006, the CICA issued three new accounting standards: Section 1535, “Capital Disclosures”, Section 3862, “Financial Instruments Disclosures”, and Section 3863, “Financial Instruments Presentation”. Section 1535 establishes guidelines for the disclosure of information regarding a company’s capital and how it is managed. Enhanced disclosure with respect to the objective, policies, and processes for managing capital and quantitative disclosure about what a company regards as capital are required. Section 3862 and Section 3863 replace 3861, “Financial Instruments – Disclosure and Presentation”. Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. These standards are effective for fiscal years beginning on or after October 1, 2007 and therefore the Company will implement them in the first quarter of 2008.

Inventories

In June 2007, the CICA issued a new section 3031, Inventories, in March 2007, which will replace the existing section 3030 of the same title. The new standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The standard is effective for fiscal years beginning on or after January 1, 2008 and will be implemented by the Company in the first quarter of 2008. The Company is currently assessing the implications of adopting the standard.

5. Property and Equipment and Deferred Costs:

	March 31, 2007 restated (note 3)			December 31, 2006
	Cost	Accumulated depreciation and write down	Net book value	
Canatuan property:				
Property and equipment	\$ 28,056,438	\$ 16,735,447	\$ 11,320,991	\$ 9,330,593
Deferred development	21,383,745	18,244,029	3,139,716	3,680,258
Drilling and other operations:				
Drilling rigs and equipment	8,059,034	6,584,989	1,474,045	1,672,426
	<u>\$ 57,499,218</u>	<u>\$ 41,564,465</u>	<u>\$ 15,934,753</u>	<u>\$ 14,683,277</u>

Included in property and equipment at Canatuan is the asset retirement obligations of \$179,520 as of March 31, 2007 (\$223,446 as of December 31, 2006) which is amortized on a per ton processed basis. Capital costs associated with the sulphide plant are \$4,096,539 as of March 31, 2007 (\$1,667,868 as of December 31, 2006).

Deferred development at Canatuan includes deferred costs associated with the sulphide resource which will be amortized when production starts on a unit of production basis. Certain deferred development costs are shared between the gossan and sulphide resource and are amortized based on the total resource of the gossan and sulphide. At March 31, 2007 \$1,345,954 (\$1,404,581 at December 31, 2006) of deferred costs and property and equipment of \$4,096,539 (\$1,667,869 as at December 31, 2006) have been capitalized to the sulphide project and are not being amortized.



5. Property and Equipment and Deferred Costs (continued):

In May 2002, the Company sold a Canadian property which had no recorded carrying value to a company whose secretary is a director of TVI Pacific Inc. The net consideration of \$350,000 was payable with \$50,000 on execution and \$50,000 annually. The annual installments would accelerate into quarterly installments if the purchaser receives a power sales contract for electric power developed on the property. In November 2006, the Company received its first quarterly installment of \$50,000. The final payment of \$50,000 was received in April 2007.

Property and equipment includes restricted cash balances held for statutory reclamation obligations of \$140,173 (2006 - \$138,934).

6. Convertible Debentures:

In February 2005, the Company issued convertible debentures in the amount of \$1,500,000. The convertible debentures were issued bearing interest of the greater of Royal Bank of Canada prime plus 8% per annum or 12% per annum. Each \$5,000 debenture was convertible by the holder into 50,000 common shares until February 24, 2007 and attached to each convertible debenture are 25,000 warrants which are exercisable at \$0.105 per share up to February 24, 2006 and \$0.12 per share up to February 24, 2007.

On February 24, 2007, all of the convertible debentures were converted to 15,000,000 shares and the warrants were exercised resulting in an additional 500,000 shares issued.

7. Asset Retirement Obligations:

	Three months ended March 31, 2007	Year ended December 31, 2006
Balance beginning of period	\$ 812,086	\$ 663,606
Foreign currency translation adjustment	5,640	60,305
Accretion expense	23,191	88,175
Balance end of period	<u>\$ 840,917</u>	<u>\$ 812,086</u>

8. Shareholders' Equity:

In the first quarter of 2007, 500,000 warrants were exercised, resulting in proceeds of \$ 60,000 and a transfer from contributed surplus of \$22,850 for a total of \$82,850. In addition 2,310,332 options were exercised for cash receipts of \$158,618 and a contributed surplus transfer of \$112,986.

(a) Share Capital:

Common Shares	Three months ended March 31, 2007		For the year ended December 31, 2006	
	Shares	Amount	Shares	Amount
Balance - beginning of period	387,696,977	\$ 18,966,531	371,588,171	\$ 16,477,997
Shares issued:				
In exchange for debt obligation	15,000,000	1,568,056	1,594,086	300,000
On exercise of options	2,310,332	271,603	6,507,998	847,210
On exercise of warrants	500,000	82,850	8,006,722	1,341,324
Balance - end of period	<u>405,507,309</u>	<u>\$ 20,889,040</u>	<u>387,696,977</u>	<u>\$ 18,966,531</u>



8. Shareholders' Equity (continued):

The February 2005 discounted value of the debentures and interest, using a discount rate of 16% was \$1,431,944. The \$68,056 difference from the \$1,500,000 face value of the convertible debentures was charged to Contributed Surplus. The \$68,056 was transferred to share capital when the debentures were converted to shares.

(b) Share Options:

	Three months ended March 31, 2007		For the year ended December 31, 2006	
	Number	Average Price	Number	Average Price
At beginning of period	32,517,933	\$ 0.121	31,167,600	\$ 0.097
Granted	-	-	13,078,828	0.172
Exercised	(2,310,332)	0.069	(4,720,497)	0.151
Cancelled	-	-	(500,000)	0.190
Expired unexercised	-	-	(6,507,998)	0.080
At end of period	30,207,601	\$ 0.125	32,517,933	\$ 0.121
Exercisable	18,218,403	\$ 0.108	17,170,552	\$ 0.104

The average remaining life of the share options at March 31, 2007 was 2.8 years compared to 3.2 years at December 31, 2006.

The following table sets out the assumptions used in 2007 and 2006 in applying the Black-Scholes model:

	2007	2006
Risk free interest rate – average	3.98%	3.98%
Expected life (in years)	5	5
Expected volatility	94%	94%
Dividend yield	0%	0%

In the first quarter of 2007, \$102,466 of stock based compensation was charged to the statement of operations compared to \$81,516 in the same period in 2006. There were no options granted in the first quarter of 2007 compared to the total value of the options granted in the first quarter of 2006 using the Black-Scholes method is \$41,359 (\$0.0919 per option).



8. Shareholders' Equity (continued):

(c) Contributed Surplus:

	Three months ended March 31, 2007	For the year ended December 31, 2006
Balance beginning of period	\$ 3,039,043	\$ 1,906,846
Stock-based compensation	102,466	945,365
Options cancelled	-	(118,870)
Convertible debentures	(68,056)	-
Warrants expired	-	635,252
Transfer to share capital on exercise of options	(112,986)	(329,550)
Balance end of period	<u>\$ 2,960,467</u>	<u>\$ 3,039,043</u>

(d) Warrants:

At March 31, 2007 the undernoted share purchase warrants were outstanding:

	Three months ended March 31, 2007		For the year ended December 31, 2006	
	Number	Average Price	Number	Average Price
At beginning of period	500,000	\$ 0.12	17,028,032	\$ 0.164
Exercised	(500,000)	\$ 0.12	(8,006,772)	0.118
Cancelled	-	-	(8,521,310)	0.075
At end of period	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>\$ 0.12</u>

	Three months ended March 31, 2007	For the year ended December 31, 2006
Balance beginning of period	\$ 22,850	\$ 1,053,013
Warrants expired	-	(635,252)
Warrants exercised	(22,850)	(394,911)
Balance end of period	<u>-</u>	<u>\$22,850</u>

9. Related Party Transactions:

During the quarter, the Company entered into the following transactions with a corporation owned by the President of the Company:

- (a) Paid or accrued management fees of \$95,885 (2006 - \$170,660) to the corporation for the services of the President, Investor Relations and support staff. At March 31, 2007 the Company owed the corporation owned by the President \$71,392 relating to unpaid management fees;
- (b) During the quarter, director fees of \$38,875 were accrued and included in accounts payable and accrued liabilities;

TVI Pacific Inc.
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March 31, 2007
(in Canadian dollars)



9. Related Party Transactions (continued):

- (c) At March 31, 2007 interest accrued on Convertible Debentures payable to related parties was \$27,647 (2006 - \$36,265);
- (d) During the quarter, the Company paid or accrued \$1,574 (2006- \$23,717) to a corporation controlled by a Director and officer of a Philippine subsidiary for an apartment, use of a vehicle, secretarial services, utilities and meals;
- (e) During the quarter, the Company rented office space and other services to a corporation controlled by a Director and Office of a Philippine subsidiary for which it received \$763 (2006 - \$4,528) which was treated as a reduction in expenses; and
- (f) In the quarter, the company was invoiced legal fees of \$587 by a Philippine Law firm which one of the Philippine Subsidiary Director and shareholder is associated with.

10. Segmented Information:

In 2007 and 2006 the Company has four operating units: a commercial operating mine (Canatuan) in the Philippines, a drilling services company operating in China and the Philippines, exploration in China and Philippines, and a corporate office in Canada.

Three months ended March 31, 2007 restated (note 3)	Canatuan Mine	Drilling	Exploration	Corporate	Total
Sales	\$ 10,231,530	\$254,668	-	-	\$10,486,198
Interest income	1,890	166	-	983	3,039
	10,233,420	254,834	-	983	10,489,237
Expenses before the undernoted	(6,557,902)	(634,198)	-	(1,259,334)	(8,451,434)
Exploration costs	-	-	(1,571,224)	-	(1,571,224)
	3,675,518	(379,364)	(1,571,224)	(1,258,351)	466,579
Amortization and accretion	(1,523,232)	(135,260)	-	(103,316)	(1,761,808)
	\$2,152,286	\$(514,624)	\$(1,571,224)	\$(1,361,667)	(1,295,229)
Gain on sale of investment					725
Gain on sales of equipment and property					279,077
Foreign exchange gain					17,387
Interest on long-term debt					(61,907)
Net loss for the period					(1,059,947)
Assets	17,259,088	3,127,166	68,395	789,324	21,243,973
Capital expenditures	2,989,089	(92,480)	954	1,680	2,899,243



10. Segmented Information (continued):

Three months ended March 31, 2006 restated (note 3)	Canatuan Mine	Drilling	Exploration	Corporate	Total
Sales	\$ 7,290,418	\$ 1,415,553	\$ 68,319	\$ -	\$ 8,774,290
Interest income	608	478	46	352	1,484
	<u>7,291,026</u>	<u>1,416,031</u>	<u>68,365</u>	<u>352</u>	<u>8,775,774</u>
Expenses before the underrated	(4,171,091)	(892,607)	-	(738,966)	(5,802,664)
Exploration costs	-	-	(667,929)	-	(667,929)
	<u>3,119,935</u>	<u>523,424</u>	<u>(599,564)</u>	<u>(738,614)</u>	<u>(2,305,181)</u>
Amortization and accretion	(1,405,484)	(106,741)	(10,791)	(2,715)	(1,525,731)
	<u>\$ 1,714,451</u>	<u>\$ 416,683</u>	<u>\$ (610,355)</u>	<u>\$ (741,329)</u>	<u>\$ 779,450</u>
Foreign exchange gain					(45,147)
Interest on long-term debt					(99,564)
Net income for the period					<u>634,739</u>
Assets	16,331,317	3,202,590	599,815	284,917	20,418,639
Capital expenditures	1,427,234	423,238	191,446	328,496	2,370,414

11. Per Share Data:

At March 31, 2007 there were 405,507,309 common shares outstanding compared with 387,696,977 common shares at December 31, 2006. The weighted average number of common shares issued and outstanding at March 31, 2007 and March 31, 2006 were 394,971,687 and 374,463,171 respectively. No adjustments were required to the weighted average number of common shares or reported net loss in computing diluted per share amounts for the three months ended March 31, 2007. For the three months ended March 31, 2006, the number of common shares on a diluted basis totaled 386,089,440 common shares.

12. Income Taxes:

The Company operates in Canada, China and the Philippines and is subject to income taxes under the various regimes in these countries. At the present time, the Company has a tax concession on its mining income in the Philippines and has tax losses available to shelter its drilling services income in both China and Philippines.

13. Financial Instruments:

(a) Foreign currency exchange risk:

The Company earns revenue, incurs expenses, records accounts receivable and accounts payable in U.S. dollars, Philippine pesos and Chinese renminbi and is therefore exposed to currency risk. The Company has no program in place for hedging foreign currency risk.

(b) Price risk:

The Company produces gold and silver, both of which are sold at prevailing market prices. There are no forward sales, and the Company does not engage in price hedging activities.



13. Financial Instruments (continued):

(c) Credit risk:

The Company's accounts receivable are primarily with customers that are subject to normal credit risks.

14. Subsequent events:

(a) Assets held for sale

During the fourth quarter of 2007, the Company made a decision to discontinue exploration and contract drilling operations in the Republic of China and the Kyrgyz Republic. As a result of this decision, the Company is actively seeking proposals to sell its resource tenements and drilling assets in the Republic of China and evaluating alternatives for the sale or relocation of its drilling assets in the Kyrgyz Republic.

(b) Advances from related parties

During 2007, the Company issued demand promissory notes totaling \$1,631,000 and US\$870,000 to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% per annum and have no fixed terms of repayment.



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