



## **TVI Pacific Inc.**

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

**For the Three Months Ended March 31, 2008 and 2007**



---

*The discussion and analysis that follows is intended to provide a summary of TVI Pacific Inc. ("TVI" or the "Company") results for the three months ended March 31, 2008 and 2007, as well as its financial position and future plans. It should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2008 and 2007, in addition to the audited financial statements for the years ended December 31, 2007 and 2006. All numbers in this discussion and analysis are expressed in Canadian dollars unless otherwise indicated. Additional information is available on TVI's website at [www.tvipacific.com](http://www.tvipacific.com) or on SEDAR's website at [www.sedar.com](http://www.sedar.com). Information in this MD&A is as of May 9, 2008.*

### **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) planned cost reduction initiatives; (ii) anticipated timing of construction, development and production activities related to the Canatuan sulphide project (iii) expectations regarding financing for the sulphide project at Canatuan; (iv) planned sales of non-core assets including the contract drilling business assets outside the Philippines and the Rapu Rapu royalty; (v) future exploration and development activities at Balabag, Tamarok, Tapisa and the Company's other existing properties in the Philippines; (vi) potential opportunities to evaluate and acquire new properties to expand the Company's land position in the Philippines; and (vii) 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 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 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 the Company'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 and 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. 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.

## **OVERVIEW OF BUSINESS**

TVI is a mining company focused on the acquisition, exploration and development of polymetallic mineral deposits in the Philippines. TVI's principal producing assets are located in the Philippines, including the Canatuan Mine and a royalty interest in the Rapu Rapu Mine. In addition to these assets, TVI holds a diverse portfolio of properties and land positions in the Philippines, including the Balabag gold project, which the Company believes have significant near-term and long-term development potential. TVI also owns and operates a contract drilling business, which provides exploration drilling services to the Company's exploration division and to third parties in the Philippines.

TVI's strategy is to significantly enhance shareholder value by developing mineral deposits on its own highly-prospective tenements and to pursue opportunities to acquire or participate in additional projects with existing production or near-term development potential. TVI plans to reinvest cash flows generated by the Canatuan sulphide project to finance the exploration and development of its diverse portfolio of mining properties and land positions, including the Balabag exploration project. Although the Company secured initial financing for the Canatuan sulphide plant in March 2008, the Company is currently seeking further financing for the project. Subject to the availability of continued financing, TVI intends to start full-scale development of the Canatuan sulphide project from which production of copper and zinc concentrates is expected to start in the fourth quarter of 2008. Pending additional financing, TVI also plans to proceed with further exploration drilling and feasibility studies at Balabag, which the Company believes has the potential to be developed as a commercial gold mining operation as early as 2010. In addition to the Canatuan sulphide project and the Balabag project, TVI would like to explore on other land positions in the Canatuan area as well as other parts of the Philippines.

During the fourth quarter of 2007, the Company reviewed its business strategy and decided to monetize certain non-core assets to take advantage of the strong business climate for mining properties in Asia. In addition to focusing on its Canatuan operations and Philippine exploration properties, the Company plans to apply proceeds from the sale of non-core assets to strengthen its balance sheet. The first assets marketed for sale were the share ownership in the Company's Chinese subsidiaries – Tiamut International Limited and Hunan Pacific Geological Exploration Inc ("HPGEI"). On February 29, 2008, the Company executed and closed a sale agreement with an arms length party for the operations and assets in China. Total proceeds from the sale were US\$1,980,000 million, of which US\$300,000 has been held in escrow. The Company is currently seeking expressions of interest to sell any or all of its contract drilling business assets located in the Philippines and in Kyrgyzstan.

## **PRODUCING PROPERTIES**

### **Canatuan Mine**

The Canatuan Mine is a polymetallic mine located in the Province of Zamboanga del Norte on the island of Mindanao in the Philippines. The Canatuan Mine produced gold and silver doré from gossan ore that was mined using open-pit methods and processed through a conventional carbon-in-leach / Merrill Crowe



circuit. Production of the gossan mineral reserves ceased on April 9, 2008 and the Company's last doré shipment was on April 24, 2008.

In early 2007, TVI commenced construction and development of the Canatuan sulphide project. The sulphide project includes construction of a separate plant to process ore from a massive copper-zinc bearing sulphide zone below the gossan zone that is currently being mined. In addition, the project includes building a separate tailings dam for its tailing deposits.

TVI also holds a number of tenements in close proximity to the Canatuan Mine. Through exploration, the Company hopes to find new commercial mineral deposits in the vicinity to further increase the mineral resource and extend the life of the Canatuan Mine by providing new feedstock for the sulphide plant to be constructed. TVI is focusing these exploration efforts on previously-discovered mineralized zones within a fifteen kilometre radius of the main deposit, surrounding and along strike of the mine.

#### *Gossan Operations*

	<b>Three months ended March 31, 2008</b>	<b>Three months ended March 31, 2007</b>
Mill throughput (dry metric tonnes):		
Total ore processed	176,101	172,129
Average daily throughput	1,935	1,913
Feed grade (grams per tonne):		
Gold (Au)	1.00	1.85
Silver (Ag)	17.18	76.59
Production volume (ounces):		
Gold (Au)	4,466	8,930
Silver (Ag)	32,128	214,282
Gold equivalent ounces (AuEqOz)	5,067	13,308
Recoveries:		
Gold (Au)	78.75%	87.39%
Silver (Ag)	33.03%	50.55%
Average price (\$/ounce):		
Gold (Au)	925.76	756.52
Silver (Ag)	17.10	15.52

During the first quarter of 2008, the Company processed more ore than during the first quarter of the previous year. The chalcocite and sulphide content of the gossan ore have increased as mining operations approached the massive sulphide zone underlying the gossan ore. As a result the Company increased reagent usage and blended different ore types in an attempt to maintain metal recoveries. All of these changes have resulted in increased operating costs.

The Company continues to experience decreasing recoveries, particularly for silver, decreasing metal grades, and complex characteristics of the ore body being mined. However, the Company reduced the cut-off grade due to the uptrend in prevailing prices of precious metals. The average price per ounce of gold has increased about 22% while the average price per ounce of silver has increased about 10% in comparison to the same period in the prior year. During the period, the Company began investigating the possible use of the heap leach metal recovery technique, a low-cost method of processing ore, for remaining low grade ore at Canatuan. The process involves sprinkling cyanide solution over heaps of broken ore, placed on top of a polyethylene liner. As the solution trickles down through the ore, the gold is dissolved and the gold-laden solution is collected. The process is labor intensive; however, given the high price of gold, the process could be viable, thereby extending Gossan Operation mine life.

#### *Sulphide Project*

At the Canatuan Mine, TVI plans to complete engineering, development and construction of a copper-zinc flotation plant to process ore from a massive sulphide deposit located beneath the current gossan mine. In March 2008, the Company signed an Omnibus Loan Agreement with an arms length party in order to obtain short-term financing. On April 15, 2008, the Company took its first draw down of US\$6,000,000,



which will be used primarily to finance capital expenditures and working capital requirements for the Canatuan sulphide project. TVI is targeting to have the sulphide plant in operation in the fourth quarter of 2008. In April 2008, TVI received a National Instrument 43-101 ("NI 43-101") technical report on the Canatuan sulphide deposit prepared by P.J. Lafleur Geo-Conseil Inc, an independent consulting group. Significant information and assumptions from the feasibility study show a net present value of US\$79.1 million, discounted at 10%. In addition, the mine life is expected to last approximately six years at a mining rate of about 1,300 dry metric tonnes per day. For additional information, please refer to the NI 43-101 technical report filed with certain securities regulatory authorities in Canada on April 7, 2008 and is available on the SEDAR website at [www.sedar.com](http://www.sedar.com). TVI is continuing with efforts to arrange additional financing for the Canatuan sulphide project.

#### *Rapu Rapu*

The Rapu Rapu mine, located in the province of Albay in central eastern Philippines, is a polymetallic mining project. In December 1999, the Company assigned the Lafayette Group its mining rights and participating interest in the Rapu Rapu Joint Venture Agreement dated November 1998. As a part of the consideration for the assignment, TVI was granted a 2.5% Net Smelter Royalty ("NSR"). However, on February 6, 2008, the Lafayette Group filed a petition for Corporate Rehabilitation. On February 8, 2008, the Pasig City Regional Trial Court issued a Stay Order on all claims against the Lafayette Group and set the initial hearing for the petition in April 2008. On March 19, 2008, the Company filed a Notice of Claim against the Lafayette Group in the amount of US\$3.9 million for unpaid NSR.

### **DRILLING OPERATIONS**

In the fourth quarter of 2007, the Company made the decision to focus on its core business activities at Canatuan and its exploration tenements in the Philippines and began to actively market the sale of its drilling operations. On February 29, 2008, the Company successfully closed the sale of HPGEI, which held the drilling operations in the People's Republic of China. TVI's remaining contract drilling operations are owned and operated by Exploration Drilling Corporation ("EDCO"), a wholly-owned subsidiary with operations located in the Philippines and the Kyrgyz Republic. While the Company continues to search for prospective drilling projects, it is also considered exploring opportunities to sell or relocate drilling operations in the Philippines and the Kyrgyz Republic.

### **EXPLORATION**

#### *Balabag*

The Balabag project is one of TVI's highest exploration priorities. In February 2008, the Company exercised the option it holds on the Balabag property under an agreement with Zamboanga Minerals Corporation. Under the option, the Company acquired the rights and obligations of the Balabag property which covers an area of approximately 48 km<sup>2</sup>. The property is situated approximately 75 kilometres east-northeast of the Canatuan Mine and immediately adjacent to part of the extensive 1,257 km<sup>2</sup> tenement applications filed in 2005.

Based on preliminary exploration results, TVI believes that the Balabag property has the potential to become a second production center for the Company. Conceptually, the Balabag property may include a stand-alone operation of open pit and underground mines with the potential to produce more than 50,000 gold equivalent ounces annually. Based on exploration drilling to date, the deposit appears to be open at depth and along strike. TVI is planning to proceed with further infill drilling and exploration work to increase confidence in the mineral resource and to evaluate the potential to find more deposits on the Balabag property.

For additional information, please refer to the NI 43-101 technical report filed with certain securities regulatory authorities in Canada on August 10, 2007 and is available on the SEDAR website at

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**



www.sedar.com. TVI commissioned an independent mining consultant to conduct a scoping study that the Company expects to release in the second quarter of 2008. TVI plans to finish the infill drilling campaign after the Balabag scoping study has been completed and financing required for the campaign has been arranged.

*Tamarok - Tapisa*

The Tamarok copper gold project and the Tapisa exploration project are located 60 kilometres north-northeast of TVI's Balabag project. TVI's applications cover almost all of the targets identified by the prior exploration program, numbering at least 20 epithermal gold, massive sulphide and porphyry copper-gold prospects. After completing the final permitting process, TVI plans to conduct geophysical surveys, carry out systematic detailed geological investigations, further delineate drill targets on surface, and schedule a diamond drilling program.

**NON-GAAP MEASURES**

Funds from operations is a non-GAAP measure that represents cash generated from operating activities before changes in non-cash working capital. Funds from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities. Management believes that funds from operations is a useful supplemental measure to analyze the Company's ability to generate cash flow to fund capital investment and working capital requirements. Funds from operations may not be comparable to similar measures used by other companies.

**QUARTERLY FINANCIAL INFORMATION**

(in thousands of Canadian dollars, except per share information)

	Revenue	Net Income (Loss)	Net Income (Loss) per Share	
			Basic	Diluted
March 31, 2008	\$ 5,009	\$ (646)	\$ (0.0014)	\$ (0.0014)
December 31, 2007	4,945	(5,510)	(0.0137)	(0.0137)
September 30, 2007	7,520	(4,628)	(0.0115)	(0.0115)
June 30, 2007	11,403	159	0.0004	0.0004
March 31, 2007	10,489	(1,060)	(0.0027)	(0.0027)
December 31, 2006	10,887	(705)	(0.0018)	(0.0018)
September 30, 2006	11,296	488	0.0013	0.0012
June 30, 2006	13,498	1,388	0.0037	0.0036

**CONSOLIDATED RESULTS OF OPERATIONS**

During the period ended March 31, 2008, TVI incurred a consolidated net loss of \$0.6 million compared to a net loss of \$1.1 million in Q1 2007. Included in the results for the current quarter is the gain on sale of \$1.7 million for the Company's China operations. Total revenues decreased \$5.4 million and expenses decreased about \$3.6 million, without consideration of the gain on sale. The Canatuan Mine segment produced net income before amortization and accretion of \$0.3 million, compared with \$3.7 million in the same period of 2007.

Revenues from the Canatuan Mine decreased about \$5.2 million or 51% compared with the prior period. The Canatuan Mine's production continues to be affected by the expected declining ore grades and complexity of ore processed, as the gossan orebody nears depletion. Metal production volumes in the current quarter were only 62% of the prior period.

Drilling revenues have decreased about \$0.2 million compared to the same quarter in 2007 primarily due to the lack of third party drilling contracts. During the prior period, there were about three drilling contracts ongoing; however, in the current quarter, there are no drilling contracts. The Company made the decision



during the fourth quarter of 2007 to sell portions of its drilling assets, rather than using them in drilling operations.

Mining, milling, drilling, and selling expenses were about \$4.5 million during Q1 2008 which decreased about \$1.7 million or 27% from the prior year. The decrease in expenses is not as great as the decrease in revenues because the Company incurs fixed costs. Although on a variable cost basis, the production processes are profitable, it is not great enough to recover the Company's fixed costs.

Amortization and accretion expenses decreased by \$1.1 million compared with the comparable quarter in 2007. The assets related to the Canatuan gossan plant was impaired and written off in Q3 and Q4 2007. However, at Q1 2007, the amortization on these assets was still recognized. No such amortization expense is required in the current quarter.

Exploration expenses totalled \$0.5 million in the quarter, compared with \$1.5 million in the Q1 2007. Due to the shortage of funding, the Company could not conduct the same level of exploration activities as the prior period. The costs incurred in the quarter are fixed costs, such as salary expense, and payment for the exercise of the Company's option to acquire the rights and obligations of the Balabag property. The Company's total cost to exercise the option was US\$350,000. The Company has refocused its efforts on obtaining financing and furthering construction of the Canatuan sulphide plant.

#### **CONSOLIDATED FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES**

On a consolidated basis, there was a decrease in cash from operating activities before working capital changes and discontinued operations of about \$1.5 million, compared with a surplus of \$1.2 million in Q1 2007. The decrease was primarily attributable to lower production volumes at the Canatuan Mine and lack of third party drilling contracts.

During the period, the Company received proceeds of about \$1.9 million for the sale of its China operations. The cash went to decrease accounts payable and loans from shareholders. Therefore, cash from financing decreased about \$0.7 million due to repayment to shareholders.

On December 27, 2007, the Company signed a memorandum of agreement with an arms length entity to obtain 42 million Philippine pesos (\$994,980) as bridge financing for the sulphide project. This facility is due in the fourth quarter of 2008 and accrues interest at 15% per annum.

At March 31, 2008, the Company had outstanding demand promissory notes totalling \$1,208,000 and US\$750,000 to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% and 14.12% per annum and have no fixed terms of repayment. Including accrued interest, the total amount in promissory notes outstanding at the end of the period was \$1,960,546.

In March 2008, the Company executed a loan facility with an arms length party for US\$15 million. The loan is repayable in October 2008 and accrues interest at 14% per annum compounded monthly. At the option of the Company the repayment term may be extended an additional six months in exchange for a 1% extension fee. On April 15, 2008, the Company completed its first draw down in the amount of US\$6 million from this facility.

In addition, as a part of the agreement, the arms length party will assist the Company in raising an additional \$5 million through a different creditor. The Company expects that the short-term loan will not be sufficient to complete the construction of the sulphide plant. The Company's ability to continue as a going concern is dependant upon continued financial support from creditors and obtaining further financing for the sulphide project. The mine is expected to begin production by the fourth quarter of 2008.

The Company concentrated on completing the financing agreement during the quarter. There was minimal activity in the construction of the Canatuan sulphide plant. In the prior period, the Company spent about \$2.8 million on property and equipment additions; whereas, in the current period, the Company spent \$0.2 million. The Company plans to expedite the construction of the Canatuan sulphide plant with the use of the funds from the first drawdown.



### Going Concern

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, the Company's working capital deficiency increased. The working capital deficiency was \$12.5 million at December 31, 2007 and has increased to \$13.5 million at March 31, 2008. The working capital deficiency includes advances from a related party of \$2.0 million.

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 creditors and obtaining sufficient financing for the proposed Canatuan sulphide project and for working capital requirements, reestablishing the profitability of the Canatuan operations, and selling non-core assets. The Company is continuing with efforts to obtain further financing for the Canatuan sulphide project and has implemented initiatives to reduce ongoing operating costs and to monetize non-core assets. 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.

### OUTLOOK

TVI's results of operations continue to benefit from robust demand for precious metals, as reflected in the continuing strength of gold and silver prices. Given the outlook for continued high prices for precious and base metals, TVI believes that there is significant value in the Canatuan sulphide project and the Balabag project. TVI temporarily suspended development activity on the Canatuan sulphide project and exploration activity at Balabag during the Quarter; however, the Company obtained financing in Q2 2008 and has resumed activities. In the future TVI intends to fund the Balabag and other exploration activities, from cash flow generated from the Canatuan sulphide project, future debt financing, future equity offerings, and the planned sales of non-core assets. TVI plans to continue exploration activities on its existing properties and to evaluate opportunities to acquire new properties to further expand the Company's portfolio of properties in the Philippines. TVI is currently awaiting approvals on certain exploration applications and has temporarily reduced exploration activity pending receipt of such approvals and availability of funding.

### NEW ACCOUNTING PRONOUNCEMENTS

#### *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 Company adopted this standard on January 1, 2008 and did not experience any adjustments.

#### *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. The Company adopted these standards on January 1, 2008.

#### *Convergence with International Reporting Standards*

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards over a transitional period currently expected to be about five years. The precise timing of convergence will depend on an Accounting Standards Board progress review to be undertaken early 2008. The impact of this transition on the Company's consolidated financial statements has not yet been determined; however, management continues to monitor these regulatory developments. The Philippines has already implemented convergence with International Reporting Standards as required under local statutory reporting purposes.

### **CRITICAL ACCOUNTING ESTIMATES**

Management is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the consolidated financial statements are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from Management's current judgments. The following are significant accounting estimates:

- Management assumes that the Company will continue to be a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.
- The carrying values of 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. Estimates must be made in establishing the depletion and depreciation of property, plant and equipment as well as the assessing the fair value of the liability for asset retirement obligations relating to the Canatuan Mine.
- The Company applies the fair value method, using the Black-Scholes option pricing model, when stock options are granted to employees, consultants, and directors under the share option plan. Management must estimate the volatility, expected life, and risk-free interest rates in using the model to assess the fair value of stock options.
- The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any outstanding foreign exchange or commodity options, futures or forward contracts.

### **TRANSACTIONS WITH RELATED PARTIES**

All related party transactions are approved by the independent directors of the Board. Transactions with related parties are recorded at the exchange amounts, which approximate fair value.



As discussed in the liquidity section of this document, at the end of the period, the Company had promissory notes totaling \$1.2 million and US\$0.8 million outstanding. During the three months ending March 31, 2008, Seajay Management Enterprises Ltd. ("Seajay") charged the Company \$146,037 for management, secretarial, and administration services. Seajay is a corporation owned by the President of the Company. At the end of the period, the Company owed Seajay \$88,236 for advances made for working capital purposes and unpaid management fees.

## **CONTINGENCIES AND CONTRACTUAL OBLIGATIONS**

In March 2008, the Company was named in a claim alleging impropriety in relation to the Company's historical share option granting practices and misrepresentations in prior financial statements that were restated in 2007. The Company's Board of Directors has appointed a special committee and engaged independent legal counsel to review the share option related allegations set out in the claim and plans to vigorously defend the action. The Company's insurance agents have accepted the claim and will cover the costs required to defend the Company, subsequent to a retention amount. Legal proceedings are at an early stage and it is premature to make any conclusions respecting the final outcome.

The Company rents its office premises on long-term leases. At March 31, 2008, the minimum rent payments amount to approximately \$159,737 for 2008 to 2010 (December 31, 2007 - \$179,704). Certain recoveries are made under short-term sub-leasing arrangements.

## **ADDITIONAL INFORMATION**

The Company's outstanding common shares as at May 9, 2008 were 406,240,640 as it was at March 31, 2008. The weighted average number of common shares issued and outstanding during the three months ended March 31, 2008 were 406,240,640 (March 31, 2007 – 394,971,687).

## **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 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 they are aware of all material information relating to the Company and its subsidiaries.

### **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 March 31, 2008 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.

During the past year, 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. Management is continuing its efforts to further strengthen internal controls over financial reporting. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**



---

believe that internal control over financial reporting provides a reasonable level of assurance they do not expect that the internal control over financial reporting would prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable assurance that the objectives of the control system are met.



---

**Corporate Head Office:**

Suite 2000, 736 – 6 Ave. SW  
Calgary, Alberta, Canada T2P 3T7  
Telephone: (403) 265-4356  
Facsimile: (403) 264-7028  
Email: [tv-info@tvipacific.com](mailto:tv-info@tvipacific.com)  
Web: [www.tvipacific.com](http://www.tvipacific.com)

**Corporate Directory:**

Clifford M. James, President and CEO  
Telephone: (403) 265-4356  
Facsimile: (403) 264-7028  
Email: [tv-info@tvipacific.com](mailto:tv-info@tvipacific.com)

Paul Moon, Director of Corporate Communications  
Telephone: (403) 265-4356  
Facsimile: (403) 264-7028  
Email: [tv-info@tvipacific.com](mailto:tv-info@tvipacific.com)

**Registrar and Transfer Agent:**

Computershare Trust Company of Canada  
600 - 530 8 Avenue SW  
Calgary, Alberta, Canada T2P 3S8  
Telephone: (403) 267-6800

**Share Listing:**

Toronto Stock Exchange Symbol: TVI

**Auditors:**

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



## **TVI Pacific Inc.**

### **Interim Consolidated Financial Statements**

**For the Three Months Ended  
March 31, 2008 and 2007  
(Unaudited)**

**TVI Pacific Inc.**  
**Unaudited Interim Consolidated Balance Sheets**  
**March 31, 2008**  
(in Canadian dollars)



	March 31, 2008	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 646,124	\$ 1,028,833
Accounts receivable	750,622	792,680
Inventories (note 4)	2,088,212	2,890,471
Prepaid expenses	210,417	218,363
Assets held for sale (note 6)	-	764,754
	<u>3,695,375</u>	<u>5,695,101</u>
Restricted cash (note 6)	308,370	-
Property and equipment and deferred costs (note 5)	17,866,109	17,695,542
	<u>\$ 21,869,854</u>	<u>\$ 23,390,643</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,324,806	\$ 13,411,165
Liabilities related to assets held for sale (note 6)	-	477,281
Current loan payable (note 7)	1,048,712	994,980
Current portion of asset retirement obligation (note 9)	790,743	594,236
Due to related parties (note 12)	2,048,781	2,751,883
	<u>17,213,042</u>	<u>18,229,545</u>
Pension obligation (note 8)	493,443	424,534
Asset retirement obligation (note 9)	1,335,265	1,405,734
	<u>19,041,750</u>	<u>20,059,813</u>
Shareholders' equity:		
Share capital (note 10b)	21,017,205	21,017,205
Contributed surplus (note 10d)	3,565,722	3,592,382
Deficit	(18,915,438)	(18,269,703)
Accumulated other comprehensive loss	(2,839,385)	(3,009,054)
	<u>2,828,104</u>	<u>3,330,830</u>
	<u>\$ 21,869,854</u>	<u>\$ 23,390,643</u>

Going concern (note 1)  
Commitments (note 14)  
Contingencies (note 15)  
Subsequent events (notes 1 and 7)

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board:

"Clifford M. James" Clifford M. James, Director

"C. Brian Cramm" C. Brian Cramm, Director

**TVI Pacific Inc.**  
**Unaudited Interim Consolidated Statements of Operations and Comprehensive Loss**  
**March 31, 2008 and 2007**  
**(in Canadian dollars)**



	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Revenues:		
Sales	\$ 5,006,918	\$ 10,397,278
Interest	2,481	2,914
	<u>5,009,399</u>	<u>10,400,192</u>
Expenses:		
Mining, milling, drilling, and selling expenses	4,524,186	6,201,833
Foreign exchange loss (gain)	14,259	(25,972)
Amortization and accretion	622,397	1,686,271
Administrative and general costs	1,521,032	1,799,486
Exploration costs	533,953	1,450,024
Gain on sale of assets	(1,657,842)	(279,802)
	<u>5,557,985</u>	<u>10,831,840</u>
Net loss from continuing operations	<u>(548,586)</u>	<u>(431,648)</u>
Loss from discontinued operations (note 6)	(97,149)	(628,299)
Net loss	<u>(645,735)</u>	<u>(1,059,947)</u>
Other comprehensive income (loss):		
Change in fair value of investments	-	(48,706)
Foreign currency translation adjustment	169,669	(2,300)
	<u>169,669</u>	<u>(51,006)</u>
Comprehensive loss	<u>\$ (476,066)</u>	<u>\$ (1,110,953)</u>
Net loss per share:		
Basic and diluted – continuing operations	\$ (0.001)	\$ (0.001)
Basic and diluted – discontinued operations	(0.000)	(0.002)
Basic and diluted	(0.001)	(0.003)
Weighted average number of common shares:		
Basic and diluted (note 11)	406,240,640	394,971,687

See accompanying notes to the interim consolidated financial statements.

**TVI Pacific Inc.**  
**Unaudited Interim Consolidated Statements of Deficit and**  
**Accumulated Other Comprehensive Loss**  
**March 31, 2008 and 2007**  
**(in Canadian dollars)**



	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Deficit, beginning of year	\$ (18,269,703)	\$ (7,230,561)
Net loss	(645,735)	(1,059,947)
Deficit, end of year	\$ (18,915,438)	\$ (8,290,508)
Accumulated other comprehensive loss, beginning of year	\$ (3,009,054)	\$ (3,102,097)
Other comprehensive income (loss)	169,669	(51,006)
Adoption of financial instruments	-	56,649
Accumulated other comprehensive loss, end of year	\$ (2,839,385)	\$ (3,096,454)

See accompanying notes to the interim consolidated financial statements.

**TVI Pacific Inc.**  
**Unaudited Interim Consolidated Statements of Cash Flows**  
**March 31, 2008 and 2007**  
(in Canadian dollars)



	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Cash provided by (used in):		
Operating:		
Net loss from continuing operations	\$ (548,586)	\$ (431,648)
Items not involving cash:		
Amortization and accretion	622,397	1,686,271
Accretion on convertible debentures	-	30,388
Stock based compensation	(26,660)	102,466
Unrealized foreign exchange loss	24,422	18,544
Gain on sale of equipment	(5,532)	(229,077)
Gain on sale of property	-	(50,000)
Gain on sale of investment	(1,652,310)	(725)
Pension obligation	68,909	77,904
	(1,517,360)	1,204,123
Change in non-cash working capital	465,754	570,508
	(1,051,606)	1,774,631
Loss from discontinued operations	(97,149)	(628,299)
Change in non-cash working capital	(2,708)	(501,335)
	(99,857)	(1,129,634)
Financing:		
Shares and warrants issued	-	218,618
Received from (repayment to) related parties	(703,102)	128,644
	(703,102)	347,262
Investing:		
Change in restricted cash	(308,370)	-
Expenditures on property and equipment and deferred costs	(204,436)	(2,823,706)
Proceeds on disposal of property and equipment	6,806	229,077
Proceeds on sale of investment	1,942,491	2,025
Realized foreign exchange in net investment	5,851	-
	1,442,342	(2,592,604)
Change in non-cash working capital	21,609	860,747
	1,463,951	(1,731,857)
Effect of foreign exchange rates on cash	7,905	14,157
Decrease in cash	(382,709)	(725,441)
Cash and cash equivalents, beginning of year	1,028,833	1,410,887
Cash and cash equivalents, end of year	\$ 646,124	\$ 685,446

See accompanying notes to the interim 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 TVI Pacific Inc. ("TVI" or 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.

During 2007, the Company incurred capital spending on the Canatuan sulphide plant and suffered from operating losses primarily due to deteriorating mine grades, which resulted in lower production volumes at the Canatuan Mine. At December 31, 2007, the Company's working capital deficiency was \$12.5 million and has increased to \$13.5 million at March 31, 2008. The working capital deficiency includes advances from a related party of \$2.0 million.

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 creditors and obtaining sufficient financing for the proposed Canatuan sulphide plant and for working capital requirements, reestablishing the profitability of the Canatuan operations, and selling non-core assets. The Company is continuing with efforts to obtain financing for the Canatuan sulphide plant and has implemented initiatives to reduce ongoing operating costs and to monetize non-core assets. The Company had suspended further capital expenditures on the Canatuan sulphide plant until sufficient financing was available. On April 15, 2008, the Company drew down US\$6 million from a US\$15 million bridge financing facility, which will enable the Company to resume construction of the Canatuan sulphide plant. Production of the gossan mineral reserves ceased on April 9, 2008 and the Company's last doré shipment was on April 24, 2008. Based on the Company's financial condition as at March 31, 2008 and the delay in obtaining financing for the Canatuan sulphide plant, there is significant risk that the Company may not continue to be a going concern. There is no assurance that the Company will be successful in arranging additional financing for the Canatuan sulphide plant and working capital deficiency, selling non-core assets, and other measures described above.

**2. Nature of operations:**

TVI is in the mineral exploration and development business in the Republic of the Philippines. The Company operated a commercial gold and silver mine from 2005 to April 2008 and is currently constructing the copper and zinc mine for commercial production.

Exploration Drilling Corporation, a wholly-owned subsidiary based in the Philippines, provides drilling services to third parties as well as TVI's operations.

**3. Significant accounting policies:**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2007, except as disclosed below. These financial statements should be read in conjunction with those audited consolidated financial statements for the year ended December 31, 2007.

**(a) Inventory**

The Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards for measurement and disclosure requirements for inventories, which are applicable for fiscal years beginning on or after January 1, 2008. 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 adoption of this standard did not result in any adjustments.



**3. Significant accounting policies (continued):**

**(b) Capital Disclosures**

In December 2006, the CICA issued Section 1535, "Capital Disclosures," which 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. The Company adopted the standard on January 1, 2008.

**(c) Financial instruments, hedging relationship and other comprehensive income**

In December 2006, the CICA issued Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". 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. The Company adopted these standards on January 1, 2008.

**4. Inventories:**

	March 31, 2008	December 31, 2007
Consumable drilling parts and supplies	\$ 905,340	\$ 881,672
Mineral processing supplies	929,685	1,323,447
Gold and Silver:		
Work in progress and finished goods	184,174	411,325
Stockpiled ore	69,013	274,027
	<u>\$ 2,088,212</u>	<u>\$ 2,890,471</u>

During the period, the Company recognized \$2,140,136 (March 31, 2007 – \$2,750,785) of inventory as expense under Mining, milling, drilling, and selling expenses. There were no additional provisions taken for impairment during the three-month periods ended March 31, 2008 and March 31, 2007.

**5. Property and equipment and deferred costs:**

	March 31, 2008			December 31, 2007	
	Cost	Accumulated amortization	Net book value	Net book value	
Canatuan sulphide plant:					
Property and equipment	\$ 22,144,308	\$ 7,901,212	\$ 14,243,096	\$	13,925,617
Deferred development	1,688,846	269,870	1,418,976	\$	1,362,916
Drilling & other operations	5,225,940	3,021,903	2,204,037	\$	2,407,009
	<u>\$ 29,059,094</u>	<u>\$ 11,192,985</u>	<u>\$ 17,866,109</u>	<u>\$</u>	<u>17,695,542</u>

During the period, the Company wrote-off all fully amortized assets no longer in use.



**5. Property and equipment and deferred costs (continued):**

***Canatuan property:***

In 1995, TVI Resource acquired from Benguet Corporation ("Benguet") a 100% interest in 486 hectares of the Canatuan property located near Siocon, Zamboanga del Norte in the Philippines subject to a 1% royalty.

In January 2005, the plant at Canatuan mine started commercial mining operations on the gossan mineral reserves. During 2007, TVI Resource suffered from decreasing ore grades, recovery rates, and production volumes; therefore, all assets related to the gossan operations at Canatuan were written down in 2007. The remaining assets at the Canatuan property are related to the development and construction of a plant to process ore from a sulphide deposit located beneath the current gossan mine.

**6. Discontinued operations:**

During the fourth quarter of 2007, in an attempt to reduce ongoing operating costs and monetize non-core assets, the Company made efforts to solicit the sale of the operations and assets held in Tiamut International Limited and Hunan Pacific Geological Exploration Inc., both wholly owned subsidiaries of the Company. On February 29, 2008, the Company sold 100% share ownership of its Chinese subsidiaries to an arms length party for proceeds of US\$1,980,000 (\$1,942,491), of which US\$300,000 (\$308,370) is held in escrow and classified as restricted cash.

Assets of the discontinued operations are valued at cost, which is less than their estimated fair value:

	March 31, 2008	December 31, 2007
Cash and cash equivalents	\$ -	\$ 35,081
Accounts receivable	-	14,267
Inventory	-	414,763
Prepaid expenses	-	12,543
Property and equipment	-	288,100
		764,754
Accounts payable and accrued liabilities	\$ -	\$ 477,281

Loss from discontinued operations include the following amounts:

	Three months ended March 31	
	2008	2007
Revenues:		
Sales	\$ 34,459	\$ 88,920
Interest income	-	125
	34,459	89,045
Expenses:		
Mining, milling, drilling, and selling expenses	61,079	184,298
Foreign exchange loss	10	8,585
Amortization and accretion	-	75,537
Administrative and general costs	13,776	199,618
Exploration costs	56,743	249,306
	131,608	717,344
Loss from discontinued operations	\$ (97,149)	\$ (628,299)

**7. Loan instruments:**

In December 2007, the Company signed an agreement with an arms length party for bridge financing for the Canatuan sulphide plant construction. The Company received 42 million Philippine pesos (\$1,024,800) which accrues interest at 15% per annum and is due October 16, 2008. Including accrued interest, the total amount in current loan payable at March 31, 2008 was \$1,048,712.



**7. Loan instruments (continued):**

In March 2008, the Company signed a loan agreement with an arms length party for a US\$15 million bridge financing facility. The facility is subject to a fixed arrangement fee of 1% and bears interest at the rate of 14% per annum compounded monthly, calculated from the date of the draw down of funds. In addition, the arms length party will assist the Company in raising an additional \$5 million through a different creditor. The facility is scheduled to remain in place for a term of six months, but may be extended for an additional six months at the election of the Company. Extension of the facility is subject to an extension fee of 1%, based upon the amount then outstanding under the facility. On April 15, 2008, the Company completed its first draw down in the amount of US\$6 million from this facility.

**8. Pension obligation:**

	March 31, 2008		December 31, 2007	
Present value of obligations	\$	505,377	\$	436,535
Fair value of plan assets		-		-
Present value of unfunded obligations		505,377		436,535
Unrecognized actuarial losses		(8,941)		(8,680)
Unrecognized past service cost		(2,993)		(3,321)
Pension obligation	\$	493,443	\$	424,534

The movement in the liability recognized in the balance sheet is as follows:

	March 31, 2008		December 31, 2007	
Balance beginning of period	\$	424,534	\$	160,062
Total expense		68,909		264,472
Contributions paid		-		-
Balance end of period	\$	493,443	\$	424,534

Pension costs recognized in the Statement of Operations are as follows:

	March 31, 2008		December 31, 2007	
Current service cost	\$	46,984	\$	199,132
Interest cost		21,925		58,166
Amortization of unrecognized actuarial losses		-		7,174
Total included in administrative and general costs	\$	68,909	\$	264,472

The following were actuarial assumptions used:

	March 31, 2008		December 31, 2007	
Discount rate		8.4%		8.4%
Future salary increases		10.0%		10.0%

The pension plan is unfunded as of March 31, 2008 and December 31, 2007.

**9. Asset retirement obligation:**

	Three months ended March 31, 2008		Year ended December 31, 2007	
Canatuan mining property:				
Beginning balance	\$	1,999,970	\$	812,086
Additions		-		1,008,308
Accretion expense – gossan		34,469		161,215
Accretion expense – sulphide		31,951		-
Foreign currency translation		59,618		18,361
Ending balance	\$	2,126,008	\$	1,999,970
Current portion of asset retirement obligation		790,743		594,236
Non-current portion of asset retirement obligation		1,335,265		1,405,734



**10. Share capital:**

**(a) Authorized:**

Unlimited common voting shares without nominal or par value.

Unlimited preferred non-voting shares without nominal or par value, issuable in series, none of which have been issued

**(b) Issued:**

Common shares	Three months ended March 31, 2008		Year ended December 31, 2007	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	406,240,640	\$ 21,017,205	387,696,977	\$ 18,966,531
Shares issued:				
In exchange for debt obligation	-	-	15,000,000	1,568,056
On exercise of options	-	-	3,043,663	399,768
On exercise of warrants	-	-	500,000	82,850
Balance, end of period	406,240,640	\$ 21,017,205	406,240,640	\$ 21,017,205

In the first quarter of 2007, the company settled the \$1,500,000 fair value of the convertible debentures by conversion into common shares. Each \$5,000 debenture was converted by the holder into 50,000 common shares for a total of 15,000,000 common shares. The conversion value of \$68,056 for the debentures was transferred from contributed surplus.

**(c) Share options:**

The Company has a share option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. The options generally vest over periods of up to three years and expire no more than 5 years from the date of grant.

	Three months ended March 31, 2008		Year ended December 31, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	34,440,106	\$ 0.133	32,517,933	\$ 0.121
Granted	500,000	0.050	9,341,668	0.166
Forfeited	(2,302,504)	0.172	(3,021,725)	0.155
Expired	(1,100,000)	0.123	(1,354,107)	0.170
Exercised	-	-	(3,043,663)	0.076
Options outstanding, end of period	31,537,602	\$ 0.129	34,440,106	\$ 0.133
Options exercisable, end of period	22,557,600	\$ 0.116	21,032,591	\$ 0.119

Options outstanding and exercisable at March 31, 2008:

Price range	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$ 0.050 – 0.075	500,000	4.96	-
0.076 – 0.114	14,807,602	1.16	14,807,602
0.115 – 0.173	10,626,943	3.62	4,336,426
0.174 – 0.190	5,603,057	2.79	3,413,572
\$ 0.050 – 0.190	31,537,602	2.34	22,557,600



**10. Share capital (continued):**

**(d) Stock-based compensation and contributed surplus:**

The weighted average fair value of stock options granted was \$0.033 (December 31, 2007 - \$0.094) per share during three month period ended March 31, 2008.

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

	Three months ended March 31, 2008	Year ended December 31, 2007
Risk free interest rate – average	3%	4%
Expected life (in years)	5	5
Expected volatility	80%	62%
Dividend yield	0%	0%

**Contributed surplus:**

	Three months ended March 31, 2008	Year ended December 31, 2007
Balance beginning of period	\$ 3,592,382	\$ 3,039,043
Stock-based compensation	117,898	892,003
Options forfeited	(144,558)	(102,916)
Transfer to share capital:		
On redemption of convertible debentures	-	(68,056)
On exercise of options	-	(167,692)
Balance end of period	\$ 3,565,722	\$ 3,592,382

**11. Per share data:**

The weighted average number of common shares issued and outstanding for the three months ended March 31, 2008 was 406,240,640 (March 31, 2007 – 394,971,687). No adjustments were required to the weighted average number of common shares in computing diluted per share amounts for the three months ended March 31, 2008 and 2007 as the Company was in a loss position for both periods.

**12. Related party transactions:**

The Company enters into transactions with related parties at the exchange amounts which approximate fair value.

- The Company paid or accrued management fees of \$146,037 (March 31, 2007 - \$95,885) to a corporation owned by the President of the Company for the services of the President, Investor Relations and support staff. At March 31, 2008, the Company owed a corporation owned by the President \$88,236 (March 31, 2007 - \$71,392) relating to advances made for working capital purposes and unpaid management fees.
- During the period, the Company had demand promissory notes totaling \$1,208,000 (December 31, 2007 – \$1,699,000) and US\$750,000 (December 31, 2007 – US\$700,000) to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% and 14.12% per annum and have no fixed terms of repayment. Including accrued interest, the total amount in promissory notes outstanding at March 31, 2008 was \$1,960,546.
- During the quarter, the Company expensed director fees of \$49,000 (March 31, 2007 - \$38,875) which have been accrued and included in accounts payable and accrued liabilities.



### 13. Segmented information:

The Company has four operating units: mining activities in the Philippines, a drilling services division, exploration in China and the Philippines, and corporate offices in Canada, China, and the Philippines.

	Canatuan Mine	Drilling	Exploration	Corporate	Total
<b>Three months ended</b>					
<b>March 31, 2008</b>					
Sales	\$ 5,005,908	\$ 1,010	\$ -	\$ -	\$ 5,006,918
Interest income	1,562	-	911	8	2,481
	5,007,470	1,010	911	8	5,009,399
Operating expenses	(4,739,060)	(61,178)	-	(1,151,959)	(5,952,197)
Exploration costs	-	-	(626,973)	-	(626,973)
	268,410	(60,168)	(626,062)	(1,151,951)	(1,569,771)
Amortization & accretion	(499,367)	(111,763)	-	(11,268)	(622,398)
	(230,957)	(171,931)	(626,062)	(1,163,219)	(2,192,169)
Gain on sale of property	-	-	-	1,657,842	1,657,842
Foreign exchange loss	-	-	-	(14,259)	(14,259)
Net income (loss), continuing operations	(230,957)	(171,931)	(626,062)	480,364	(548,586)
Net loss, discontinued operations	-	(26,620)	(56,743)	(13,786)	(97,149)
Net income (loss)	\$ (230,957)	\$ (198,551)	\$ (682,805)	\$ 466,578	\$ (645,735)
Assets	20,015,489	1,426,661	-	427,704	21,869,854
Capital expenditures	209,476	(5,040)	-	-	204,436

	Canatuan Mine	Drilling	Exploration	Corporate	Total
<b>Three months ended</b>					
<b>March 31, 2007</b>					
Sales	\$ 10,231,530	\$ 165,748	\$ -	\$ -	\$ 10,397,278
Interest income	1,890	166	-	858	2,914
	10,233,420	165,914	-	858	10,400,192
Operating expenses	(6,557,902)	(449,900)	-	(1,059,716)	(8,067,518)
Exploration costs	-	-	(1,321,918)	-	(1,321,918)
	3,675,518	(283,986)	(1,321,918)	(1,058,858)	1,010,756
Amortization & accretion	(1,523,232)	(59,723)	-	(103,316)	(1,686,271)
	2,152,286	(343,709)	(1,321,918)	(1,162,174)	(675,515)
Gain on sale of property	-	-	-	279,802	279,802
Interest on long-term debt	-	-	-	(61,907)	(61,907)
Foreign exchange gain	-	-	-	25,972	25,972
Net income (loss), continuing operations	2,152,286	(343,709)	(1,321,918)	(918,307)	(431,648)
Net income (loss), discontinued operations	-	(170,915)	(249,306)	(208,078)	(628,299)
Net income (loss)	\$ 2,152,286	\$ (514,624)	\$ (1,571,224)	\$ (1,126,385)	\$ (1,059,947)
Assets	17,259,088	3,127,166	68,395	789,324	21,243,973
Capital expenditures	2,989,089	(168,017)	954	1,680	2,823,706



#### 14. Commitments:

##### **(a) Balabag Property – Philippines:**

The Company entered into the Balabag agreement in April 2005. In 2006, the Company reached Stage 3 of the agreement, which required a payment of US\$35,000 and monthly payments of US\$2,000, for total expenditures of US\$59,000. In 2007, the Company was required to make monthly payments of US\$2,000 for a total of US\$24,000 during the year. In February 2008, the Company exercised the option to acquire the rights and obligations of the Balabag property and paid US\$50,000 in cash and accrued US\$300,000, which may be settled in shares. The agreement includes a net smelter return royalty of 2.5%.

##### **(b) Corporate:**

The Company rents its office premises on a long-term lease. At March 31, 2008, the minimum rent payments amount to approximately \$159,737 for 2008 to 2010 (December 31, 2007 - \$179,704). Certain recoveries are made under short-term sub-leasing arrangements.

#### 15. Contingencies:

In March 2008, the Company was named in a claim alleging impropriety in relation to the Company's historical share option granting practices and misrepresentations in prior financial statements that were restated in 2007. The Company's Board of Directors has appointed a special committee and engaged independent legal counsel to review the share option related allegations set out in the claim and plans to vigorously defend the action. Legal proceedings are at an early stage and it is premature to make any conclusions respecting the final outcome.

#### 16. Financial instruments:

##### **(a) Analysis of total financial assets and financial liabilities**

The tables below set out the Company's classification for each of its financial assets and liabilities at March 31, 2008.

	Financial assets held for trading	Loans and receivables	Other financial Liabilities	Total carrying value
Cash and cash equivalents	646,124	-	-	646,124
Accounts receivable	-	750,622	-	750,622
Restricted cash	-	308,370	-	308,370
Accounts payable and accrued liabilities	-	-	(13,324,806)	(13,324,806)
Current loan payable	-	-	(1,048,712)	(1,048,712)
Due to related parties	-	-	(2,048,781)	(2,048,781)
	646,124	1,058,992	(16,422,299)	(14,717,183)

##### **(b) Fair values of financial assets and financial liabilities**

The carrying value of the Company's financial assets and liabilities consisting of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, current loan payable, and due to related parties approximate their fair value at March 31, 2008 and 2007 due to their short term nature.

##### **(c) Currency risk**

The Company faces currency risks mainly due to the substantial cross-border element of its operations. The Company has offices in Canada (Canadian dollar), in the Republic of the Philippines (Peso), and in the Peoples Republic of China (renminbi). The Company produces gold and silver, both of which are sold at prevailing market prices in the US dollar currency. In addition, the company borrows money in the US dollar currency. Upon receipt, the Company converts these funds into the



**16. Financial instruments (continued):**

functional currencies of individual entities to finance operational and administrative expenses. There are no forward sales, and the Company does not engage in currency hedging activities.

The Company publishes its consolidated financial statements in the Canadian dollar and as a result, it is also subject to foreign currency exchange translation risk in respect of the results and underlying net assets of its foreign operations.

The following significant exchange rates applied during the current and prior year:

	Average rate		Spot rate	
	Three months ended March 31, 2008	Year ended December 31, 2007	Three months ended March 31, 2008	Year ended December 31, 2007
US Dollar	1.0042	1.0748	1.0279	0.9881
Philippine Peso	0.0246	0.0233	0.0244	0.0237
Chinese Renminbi	0.1402	0.1412	0.1466	0.1353

**(d) Price risk**

The Company is exposed to commodity price risk from the production and sale of gold and silver, both of which are sold at prevailing market prices. There are no forward sales contracts and the Company does not engage in price hedging activities.

**(e) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. Due to the dynamic nature of the underlying business, the Company maintains flexibility in funding by keeping committed credit lines with major vendors.

Although the Company has substantial current liabilities over current assets, the Company intends to manage its obligations on a gradual settlement basis. The Company initiated negotiations with its suppliers for the extension of credit terms, among others, as part of its debt management strategies.

As at March 31, 2008, the Company had available undrawn committed short-term borrowing facilities of US\$15 million from a loan agreement signed with a third party in March 2008. The Company was in full compliance with its covenants throughout the period (note 7).

As at March 31, 2008, the Company has a current loan payable and loans from related parties at fixed interest rates.

	Principal at March 31, 2008	Fixed interest rate	Interest expense for the three months ended March 31, 2008	Maturity date
Current loan payable	\$1,024,800	15%	\$23,912	October 16, 2008
Loan from related party A	\$1,208,000	12%	\$45,858	Demand
Loan from related party B	\$770,925	14.12%	\$28,785	Demand

**(f) Credit risk**

The Company does not have a significant concentration of credit risk on its outstanding receivables as there is a ready market for gold and silver. The Company maintains its cash and investments in accounts from highly reputable banks, which are approved by the Board of Directors. The Company currently does not have a policy to mitigate credit risk.



**17. Capital disclosures:**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns and benefits to shareholders. In order to provide return to shareholders, the Company must profitably mine mineral deposits, while reducing its operating costs of the Canatuan plant. In addition, the Company must explore, develop, and invest in other viable properties in order to sustain future operations of the Company.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the issuance of new shares, issuance of new debt, issuance of new debt to replace existing debt with different characteristics and sale of non-core assets to reduce debt.

The Company does not have externally imposed capital requirements. Consistently with other capital intensive companies, the Company monitors capital on the basis of the debt-to-equity ratio and the debt-to-assets ratio. Debt is calculated as the sum of accounts payable and accrued liabilities, current loan payable, and due to related parties. Equity comprises all components of equity other than amounts in accumulated other comprehensive income. Assets are defined as property and equipment and deferred costs, cash and cash equivalents, accounts receivable, and inventories.

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Debt	16,422,299	17,158,028
Equity	5,667,489	6,339,884
Assets	21,351,067	22,407,526
Debt-to-equity	2.90	2.71
Debt-to-assets	0.77	0.77



---

***Corporate Head Office:***

Suite 2000, 736 – 6 Ave. SW  
Calgary, Alberta, Canada T2P 3T7  
Telephone: (403) 265-4356  
Facsimile: (403) 264-7028  
Email: [tv-info@tvipacific.com](mailto:tv-info@tvipacific.com)  
Web: [www.tvipacific.com](http://www.tvipacific.com)

***Corporate Directory:***

Clifford M. James, President and CEO  
Telephone: (403) 265-4356  
Facsimile: (403) 264-7028  
Email: [tv-info@tvipacific.com](mailto:tv-info@tvipacific.com)

Paul Moon, Director of Corporate  
Communications  
Telephone: (403) 265-4356  
Facsimile: (403) 264-7028  
Email: [tv-info@tvipacific.com](mailto:tv-info@tvipacific.com)

***Registrar and Transfer Agent:***

Computershare Trust Company of Canada  
600 - 530 8 Avenue SW  
Calgary, Alberta, Canada T2P 3S8  
Telephone: (403) 267-6800

***Share Listing:***

Toronto Stock Exchange Symbol: TVI

***Auditors:***

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