TVI Pacific Inc.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2009 and 2008

The discussion and analysis that follows is intended to provide a summary of TVI Pacific Inc. ("TVI" or the "Company") results for the three month periods ended March 31, 2009 and 2008, as well as its financial position and future plans. It should be read in conjunction with the audited financial statements for the years ended December 31, 2008 and 2007. 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 or on SEDAR's website at www.sedar.com. Information in this MD&A is as of May 7, 2009.

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", "schedule" and similar expressions.

In particular, this MD&A includes forward-looking information respecting:

- anticipated future operating information concerning the sulphide operation at Canatuan (including the anticipated processing of zinc concentrates in the future);
- the use of cash generated from the sulphide operation at Canatuan to support exploration and development of other TVI projects in the Philippines;
- timing for future shipments of copper concentrates to MRI Trading AG ("MRI");
- timing for meeting with the Rehabilitation Receiver in connection with Rapu Rapu mine issues;
- timing and the results of settlement of claims;
- planned cost reduction initiatives;
- planned sales of non-core assets including the contract drilling business assets in the Philippines;
- the nature and timing of anticipated exploration activities at Balabag, Tamarok, Tapisa, Bonbon and the Company's other properties in the Philippines;
- the nature and timing of future development activities at Balabag; and
- expectations regarding the Company's ability to raise capital and to continually add to mineral reserves through acquisitions, exploration, and development.

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 received from 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 received from or disseminated by third parties 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, changes in exploration plans or budgets, and availability of equipment and personnel. **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 future operating information concerning the sulphide operation at Canatuan (including the anticipated processing of zinc concentrates in the future) is based upon current mining and processing activities at Canatuan, the current throughput of the sulphide plant, anticipated expansions in the throughput capacity of the sulphide plant, prior experiences of management with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at

Canatuan, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking information respecting the use of cash generated from the sulphide operation at Canatuan to support exploration and development of other TVI projects in the Philippines is based upon anticipated production and sales of copper concentrates at Canatuan, current mining and processing activities at Canatuan, the current throughput of the sulphide plant, anticipated expansions in the throughput capacity of the sulphide plant, prior experiences of management with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at Canatuan, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking information regarding the frequency of future shipments of copper concentrates to MRI is based on discussions held to date with MRI, experience gained during the first concentrate shipment with MRI, the current throughput of the sulphide plant, anticipated expansions in the throughput capacity of the sulphide plant, prior experiences of management with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at Canatuan, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking statements regarding the meeting with the Rehabilitation Receiver in connection with Rapu Rapu are based on discussions held to date. Forward-looking statements regarding the timing and the results of settlement of claims are based on the meetings and discussions held to date, analysis provided by legal counsel and the Company's experience in past claims. Forward-looking statements regarding cost reduction initiatives are based on management's cost targets and the reductions implemented to date. Forward-looking statements regarding the potential sales of non-core assets are based on the expectations of management and expressions of interest received to this point. Forward-looking information relating to the anticipated exploration activities at Balabag, Tamarok, Tapisa, Bonbon and the Company's other tenements in the Philippines are based upon the results of prior exploration activities, current mining and exploration activities, and the Company's current budget and overall strategy, all of which are subject to change. 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 regarding nature and timing of future development activities at Balabag is based on information in NI 43-101 compliant technical reports, opportunities for project financing, as well as management's previous experience with the construction and operation of the gossan and sulphide operations at Canatuan. Forward-looking statements regarding the Company's ability to raise capital and to continually add to mineral reserves through acquisitions, exploration and development is based on the Company's experience in the Philippines, previous financing endeavours, exploration and due diligence completed to date, and the Company's experiences exploring, constructing and developing the Canatuan gossan and sulphide projects. 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, except as required by law.

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 cash flow producing asset, the Canatuan Mine, is located in the Philippines and is owned by the Company's Philippine operating affiliate, TVI Resource Development (Phils.), Inc. ("TVIRD"), of which TVI has a 40% ownership. Under the principles of consolidation, the Company fully consolidates its interest in TVIRD as it is considered a variable interest entity. In addition, TVIRD holds a diverse portfolio of properties and land positions in the Philippines, including the development-stage Balabag gold and silver project, which the Company believes have significant near-term and long-term development potential. TVI also owns a contract drilling business in the Philippines.

TVI's strategy is to 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 excess cash flows generated by the Canatuan Sulphide Project and to raise additional capital to finance the exploration and development of its diverse portfolio of mining properties and land positions.

During 2008 and into 2009, TVIRD completed the full-scale development of the Canatuan Sulphide Project from which the first 5,351-tonne shipment of copper concentrates was completed on March 27, 2009, for initial proceeds of US$4.9 million. The Company continues to work on ramping up production and improving recoveries from the plant.

Pending additional financing, TVIRD plans to continue near-mine exploration at Canatuan and to proceed with further exploration drilling, feasibility studies, and initial development work at Balabag, which the Company believes has the potential to be developed as a commercial gold mining operation. In addition, TVIRD plans to continue exploration activities on its 1,240 km^2 tenement package on the Zamboanga Peninsula that has the potential to host significant porphyry copper-gold, massive sulphide, and epithermal gold deposits.

Based on the Company's financial condition as at March 31, 2009, and variable commodity prices, there is significant doubt that the Company may not continue to be a going concern. There is no assurance that the Company will be successful in generating sufficient funds to finance the activities at the Canatuan sulphide plant, improve working capital deficiency, sell non-core assets, and finance the other endeavours described above.

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 previously produced gold and silver doré from gossan ore that was mined using open-pit methods and processed through conventional carbon-in-leach and Merrill Crowe circuit. As the gossan ore of the deposit was mined out, the underlying portion of the deposit was uncovered, exposing the mineralized sulphide zone containing copper and zinc sulphides. The Company depleted the gossan resource and ceased mining operations early in the second quarter of 2008.

In early 2007, TVIRD commenced construction and development of the Canatuan Sulphide Project. The Sulphide Project included the construction of a new plant to process ore from a massive copper-zinc bearing sulphide zone below the mined gossan zone. The project also includes the staged construction of a separate tailings dam for its tailing deposits. The new plant began commissioning in mid-November 2008 and commercial production was declared on March 1, 2009.

TVIRD 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 existing facilities already constructed. TVIRD is focusing 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

The Company continues to focus on environmental rehabilitation of the disturbed areas associated with the previous gossan operations. Activities during the period ended March 31, 2009, included maintaining safe water levels in the gossan dam, planting trees, grass, and seedlings within and surrounding the mine area, continued preparation and implementation of environmental protection plans, and reclamation activities in the upper and lower tailing dam impoundments.

Sulphide Project

TVIRD has completed the development and construction of a copper-zinc flotation plant to process ore from a massive sulphide deposit located beneath the gossan open pit.

In April 2008, TVI received a National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("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 cash flow of US$107.4 million and a net present value of US$79.1 million, discounted at 10% (using the prevailing price forecasts at the date of publication). In addition, the mine life is expected to last approximately six years at an initial mining rate of about 1,300 dry metric tonnes per day. For additional information, please refer to the technical report titled "43-101 Technical Report for the Sulphide Resources at the Canatuan Project of TVI Pacific Inc". This report was filed with certain securities regulatory authorities in Canada on April 7, 2008, and is available on the SEDAR website at www.sedar.com. The report assumes copper prices of $3.30/lb in 2008, $3.15/lb in 2009, $3.00/lb in 2010, $2.85/lb in 2011, $2.70/lb in 2012, and $2.55/lb in 2013. Per the London Metal Exchange, the copper price at March 31, 2009 was $1.83/lb and $2.08/lb on May 6, 2009.

Preparatory construction activities for the Sulphide Project began in January 2007 and were carried out concurrently with the ongoing gossan operation. Much of the initial work for the sulphide operation was carried out using the internally generated cash flows from the gossan operation. This greatly reduced the overall external capital needs related to the Sulphide Project. As the gossan operations wound down, the Company was then able to turn its full efforts towards the construction and financing activities for the new sulphide plant.

Construction was completed in mid-November (except for the sulphide dam that is expected to be built progressively in stages) and the Company then initiated commissioning activities on the plant. Full-scale mining operations and the production of copper concentrates also commenced at this time. Notably, the construction of the Sulphide Project was completed on schedule and under budget. The management of TVI considers the costs incurred for the project to be extremely competitive when compared with other projects of a similar size and scope.

Commissioning operations were considered completed on March 1, 2009 when copper concentrate inventory levels surpassed the 5,000-tonne shipping threshold. Further adjustments to maximize plant throughput and recoveries are expected to be ongoing.

Over the past period the operations team has developed operating systems and procedures to manage the behaviour of the complex ore being treated by conducting a geological review of the ore body to better define ore-type contacts. Blending strategies and procedures have been created and are continuously being refined, resulting in the improved metallurgical performance of the mill. In addition, geological grade control procedures have been developed and improved.

On March 27, 2009, TVIRD completed its first 5,351 tonne shipment of copper concentrates from the warehouse facility at Santa Maria Port. As per its offtake agreement with MRI, one of the industry's largest copper houses, TVIRD received a provisional payment for 90% of the estimated value of the shipment, amounting to approximately US$4.9 million. Under the offtake agreement, final payment for the remaining 10% is due once the final details relating to the weight, assays and prices are determined.

The second shipment of 3,251 dry metric tonnes was completed on May 2, 2009 for initial proceeds of about US$2.3 million. Future shipments of concentrates to MRI are expected to occur every four to six weeks.

Select operational highlights for the first quarter of 2009:

Operations:	**Q1 2009**
Total tonnes processed (t)	89,884
Average tonnes processed per day (t)	999
Copper recovery (%)	61.80
Ore copper grade (%)	2.46
Ore gold grade (g/t)	1.18
Ore silver grade (g/t)	135.06
Concentrates produced (dry weight - t)	6,460
Concentrate copper grade (%)	21.20
Concentrate gold grade (g/t)	4.17
Concentrate silver grade (g/t)	573.86
Average cash costs per Cu lb eq (US$)*	0.79
Offtake	
Copper concentrate shipped (dry weight - t)	5,351
Revenue from concentrates (gross - US$)	6,447,252
Average copper price received (US$/lb)	1.77

** Excludes selling expenses. The copper pound equivalent is calculated using commodity prices of US$1.77/lb for copper, US$932.95/oz for gold, and US$13.45/oz for silver.*

Rapu Rapu

The Rapu Rapu mine, located in the province of Albay in the 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 part of the consideration for the assignment, TVIRD was granted a 2.5% Net Smelter Royalty ("NSR").

However, on February 6, 2008, the Lafayette Group filed a petition for Corporate Rehabilitation. As a result, the Pasig City Regional Trial Court issued a Stay Order on all claims against the Lafayette Group. On March 19, 2008, the Company filed a Notice of Claim against the Lafayette Group for unpaid NSR. The Lafayette Group then filed a Modified Integrated Rehabilitation Plan with the Court on October 17, 2008; however, the Plan did not consider the claims of TVIRD. The Company continues its efforts to have its claims recognized by the Rehabilitation Court.

DRILLING OPERATIONS

The Company has made the decision to focus on its core business activities at Canatuan and its exploration tenements in the Philippines; therefore, TVI has sold various portions 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. In July 2008, the Company sold its drilling assets located in Kyrgyzstan. 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. The Company continues to explore opportunities to sell its remaining drilling operations.

EXPLORATION

Canatuan Near-Mine Tenements

TVIRD controls an extensive 352 km^2 land package surrounding the Canatuan Mine that the Company refers to as the Canatuan Tenements. The Canatuan orebody is a VMS-style orebody and deposits of this type rarely occur in isolation. As such, the management of TVI believes a "mining camp" potential exists within the Canatuan Tenements. Initial exploration on the properties suggests that the land package hosts a 40+ kilometre strike length of the schist-formation stratigraphic horizon that hosts the Canatuan orebody. The management of TVI believes it is likely that similar Canatuan-style deposits exist within the area of the Canatuan Tenements and additional exploration is scheduled for areas of particular interest. Any mineable ore located in the area could be shipped to the existing Canatuan plant for processing, which would extend the life-of-mine beyond the current estimate.

Exploration to date has identified several mineral occurrences on the surrounding tenements, including the Tabingan, Matigdao, and Palalian prospects, which the management of TVI believes are compelling exploration prospects. TVIRD plans to advance exploration and conduct airborne geophysical surveys over the tenement area as soon as funding is available.

Balabag

In addition to the near-mine exploration at Canatuan, the development-stage Balabag project is another one of TVI's high priority projects. The Balabag property covers an area of approximately 52 km^2 and is situated approximately 75 kilometres east-northeast of the Canatuan Mine and immediately adjacent to part of the 1,240 km^2 tenement applications filed in 2005.

In February 2008, the Company exercised the option it holds on the Balabag property under an agreement with Zamboanga Minerals Corporation for US$350,000. TVI paid US$50,000 in cash in February 2008 and in February 2009 paid the remaining US$300,000 through a private placement of 23,228,444 common shares from treasury, at a price of $0.016 per share. Under the option, the Company acquired the rights and obligations of the Balabag property, as well as the right to carry out a full feasibility study and to put the project into full production.

Based on preliminary exploration results, the management of TVI believes that the Balabag property has the potential to become a second production centre for the Company. TVI commissioned Genivar Limited Partnership, an independent mining consultant, to conduct a scoping study on the Balabag property. On July 17, 2008, Genivar presented TVI with the comprehensive scoping study titled "Scoping Study of the Balabag Project", which was prepared in accordance with NI 43-101. The purpose of the scoping study was to assess the mining potential of a stand-alone commercial scale mining operation centred on the currently delineated Balabag deposit and to provide an order of magnitude of its economic potential. This report was filed with certain securities regulatory authorities in Canada on August 20, 2008, and is available on the SEDAR website at www.sedar.com.

Significant information and assumptions set out in the Balabag scoping study show a net present value range of US$19.8 million to US$36.1 million over six and five years respectively, discounted at 10% (values were calculated using $650/oz Au and $13/oz Ag for Base Case 1 and $900/oz Au and $17/oz Ag for Base Case 2). The base cases presented in the scoping study are preliminary in nature and a definitive feasibility assessment will need to be completed to enable management and the Board of Directors of the Company to make a production decision in respect of the Balabag project. This feasibility work is expected to entail (i) additional exploration drilling, resource/reserve modeling and pit optimization; (ii) detailed engineering bids and costing reviews; and (iii) geotechnical, environmental, and socio-political baseline studies. TVIRD intends to undertake feasibility work as funding becomes available in order to secure all necessary operating permits and to enable the Company to reach a production decision in a timely manner.

Given the current economic conditions, the management of TVI has begun to evaluate alternative development scenarios designed to bring the Balabag project into production, with advanced development work scheduled to commence later this year. One option under consideration involves the establishment of a "bootstrap" mining operation at Balabag. This alternative involves the construction of a small pilot plant, with limited capital expenditures and relatively low initial throughput that can be ramped up over time into a full scale mining operation using the cash flows generated from operations, as well as supplementary funds from the Canatuan operation. The option to construct a Balabag plant in stages would allow the Company to advance activities with minimum financing from an external source and to begin production at an earlier date.

Tamarok - Tapisa

In North Zamboanga, TVIRD's applications cover almost all the targets identified by a prior exploration program, conducted by a major international company, numbering at least 20 epithermal gold, massive sulphide and porphyry copper-gold prospects. The Tamarok copper-gold project and the Tapisa exploration project are located 60 kilometres north-northeast of TVIRD's Balabag project. Reconnaissance work carried out to date supports historical findings and has discovered new prospects. Notably, a great deal of the mineralization in these areas occurs right on the surface and has been easily accessible to the Company's exploration teams.

After completing the final permitting process, TVIRD plans to conduct geophysical surveys, carry out systematic detailed geological investigations, further delineate drill targets on surface, and schedule a diamond drilling program.

Other

Other potential exploration projects include the Bonbon epithermal gold prospect and the broader North Zamboanga Tenements.

Bonbon is made up of a series of north-northwest trending quartz veinlets / stockworks spread over a 10 kilometre long by 2 kilometre wide area currently being worked in places by illegal small-scale miners. Pending additional financing, geologic mapping and sampling, as well as geophysical surveys, are planned in order to locate prospective drill targets.

The Company is also considering the opportunity to engage in joint venture relationships across the entire 1,240 km^2 North Zamboanga tenements. The Company continues to welcome, seek out, and advance opportunities that may present beneficial relationships to advance exploration across its Philippine land package.

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.

Net income before amortization and accretion expense is a non-GAAP measure that represents income before non-cash expenses in amortization and accretion expense. This measure should not be considered an alternative to, or more meaningful than, net income. Management believes that net income before amortization and accretion expense is a useful supplemental measure to analyze the Company's ability to generate cash income. This measure 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	Net Income (Loss) per Share Diluted
March 31, 2009	$ 8,161	$ (2,014)	$ (0.0046)	$ (0.0046)
December 31, 2008	111	(5,220)	(0.0128)	(0.0128)
September 30, 2008	96	(3,610)	(0.0089)	(0.0089)
June 30, 2008	757	(3,238)	(0.0080)	(0.0080)
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

Over the quarters in 2007 and 2008, the Company generally experienced declining revenues as a result of the completion of the gossan operation and the following sulphide plant construction activities. While there was still a full year of production in 2007, the Company experienced decreasing recoveries, decreasing metal grades, adverse weather conditions, and mechanical breakdown during the last two quarters of 2007. The gossan mining and milling operations ceased in the first quarter of 2008. In Q1 2009, the Company completed its first shipment of copper concentrates and recognized the revenue from the sale in the quarter.

Although revenues were declining during the last two quarters of 2007, the Company continued to incur high mining and milling costs as the average daily throughput increased. However, the Company was not able to produce an amount of product to be profitable due to declining recovery rates; therefore, the Company experienced net losses during the last two quarters of 2007.

Throughout 2008, the Company attempted to minimize its general and administrative costs while constructing the Canatuan Sulphide Project. The Company realized a gain from the sale of its China operations in Q1 2008. In Q4 2008, the Company incurred additional costs required to commission the sulphide plant, which started up in November 2008.

The Company declared commercial production on the Canatuan Sulphide Project on March 1, 2009. During the quarter, the Company incurred general and administrative costs as well as direct operating costs required to complete the first shipment and bring the plant into commercial operations. In addition, the Company incurred about $1.5 million on interest related expenses on its term loan. Therefore, overall in the quarter, the Company experienced a consolidated net loss.

CONSOLIDATED RESULTS OF OPERATIONS

During the three months ended March 31, 2009, TVI incurred a consolidated net loss of $2.0 million. In the first quarter of the previous year, the Company had a net loss of $0.6 million. Total sales revenue increased by $3.2 million and mining, milling, drilling, and selling expenses increased by about $0.9 million. For the quarter, the Canatuan mine segment produced net income of $1.9 million. Adding back the non-cash amortization and accretion expense of $0.5 million, the mine segment produced net income before amortization and accretion expense of $2.4 million. This represented approximately 30% of sales revenues from the segment. The Company was able to achieve a positive net income within the segment after only one shipment during the quarter.

During the three months ended March 31, 2009, the Canatuan Mine generated revenues of $8.2 million from the Canatuan Sulphide Project compared with $5.0 million generated in the first quarter of 2008 from the previous gossan operations. As the gossan reserves were depleted in early April 2008, the final ore milled in Q1 2008 from the gossan operations were poor in grade and produced low recoveries of gold and silver.

Mining, milling, drilling, and selling expenses for the three months ended March 31, 2009, were about $5.5 million. Costs include approximately $2.4 million in inventory cost and $1.8 million in selling expenses. Expenses incurred for the Sulphide Project are not comparable to those incurred during the gossan operations as the sulphide ore is more complex and operations are entirely different.

Exploration expenses totalled $0.1 million during the three months ended March 31, 2009, which is a $0.4 million or 80% drop compared to the first quarter of 2008. Due to the shortage of funding, the Company could not conduct the same level of exploration activities as the prior period. The Company plans to expand exploration efforts as soon as additional financing is available.

The Company recognized about $1.5 million in interest expense on the new term loan signed in January 2009. The Company had signed its bridge financing facility in March 2008, from which the first withdrawal was completed in April 2008; therefore, there was minimal interest in the Q1 2008 period.

Administrative and general expenses increased approximately $0.4 million mainly due to additional fees required to seek long-term financing during the first quarter of 2009.

CONSOLIDATED FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Funds from operations, calculated as cash from operating activities before working capital changes and discontinued operations, was a deficit of $1.9 million in the first quarter of 2009. The deficit was primarily attributable to the costs required to bring the Canatuan Sulphide Project into commercial operations. While expenses directly attributable to the construction of the Canatuan sulphide plant were capitalized for the first two months of the quarter, general and administrative costs continue to be incurred. Revenues from the first shipment of copper concentrates offset the expenses incurred in the period.

The Company completed commissioning activity on the Canatuan sulphide plant during the most recent quarter. The Company had capital expenditures totalling $1.5 million, using proceeds from the sale of assets and financing available from various facilities.

The Company has outstanding demand promissory notes from Seajay Management Enterprises Ltd. "Seajay", a corporation owned by the President of the Company. The demand promissory note bears interest at 12% per annum and has no fixed terms of repayment. On February 19, 2009, the Company retired $318,440 through a private placement of common shares from treasury. The remaining outstanding balance owing to Seajay at March 31, 2009 was $751,338.

The Company has outstanding demand promissory notes from Regent Parkway 3202 Management Inc. "Regent", a corporation owned by the President of the Company. The demand promissory note bears interest at 14.12% per annum and has no fixed terms of repayment. On February 19, 2009, the Company retired US$223,252 ($276,575) through a private placement of common shares from treasury. The remaining outstanding balance owing to Regent at March 31, 2009 was US$526,748.

In March 2008, the Company secured a US$15.0 million bridge financing facility with LIM Asia Arbitrage Fund Inc. and LIM Asia Special Situations Master Fund Limited (the "Lenders" or "LIM") at a rate of 14% per annum compounded monthly. The Company drew down a total of US$25.2 million under the bridge facility. On January 20, 2009, the Company signed a five-year term loan facility agreement with the Lenders providing for a US$30,102,040 term loan (the "Term Facility") and on February 6, 2009, the Company converted its bridge facility into a term loan. In addition, the Company drew down US$2.8 million from the Term Facility in February 2009 to provide additional capital to support the activities in the Canatuan Sulphide Project. As at March 31, 2009, the total loan payable, including accrued interest and deferred financing costs, was $36,225,870.

The term of the Term Facility is five years, ending on January 20, 2014. The Company is required to begin making interest payments in July 2009 and principal repayments in October 2009. The funds borrowed under the Term Facility bear interest at the rate of 10% per year calculated on the original principal balance, irrespective of the actual outstanding balance of the loans payable, until the outstanding principal balance of the Term Facility is paid in full. The Company calculated the effective annual rate of interest on the loan to be approximately 20.9% and is recognizing the related interest expense over the life of the loan. In connection with the execution of the Term Facility, the Company issued to the Lenders share purchase warrants in the capital of TVI and paid a fixed arrangement fee in the amount of US$195,000. The Term Facility is secured by a charge on all of the present and after acquired assets of TVIRD.

Under the Term Facility, the Lenders have the right to nominate a person for election as a director of each of TVIRD and TVI. The Company has agreed to use reasonable efforts to cause the election of the director nominees designated by the Lenders.

The Company has lines of credit with the Bank of the Philippine Islands which accrue interest between 8.75% and 9.50% per annum. The lines of credit are payable over four equal monthly instalments that start 90 days from the withdrawal dates. The total amount payable to the bank, including accrued interest, at March 31, 2009 was $622,623.

Going Concern

The Company's ability to continue as a going concern and the recoverability of amounts recorded for property and equipment depends upon continued financial support from creditors, re-establishing the profitability of the Canatuan operations, stable commodity prices, and selling non-core assets. The Company is continuing its efforts to improve the financial position and operating efficiencies.

Circumstances such as the Company's financial condition as at March 31, 2009, variable commodity prices, and the possibility of delay in achieving the minimum required tonnage for shipment all lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

OUTLOOK

TVI believes that there is significant value in the Canatuan Sulphide Project and its various exploration projects, including the Canatuan near-mine tenements and the Balabag project. TVI intends to fund its exploration activities from cash flow generated from the Canatuan Sulphide Project, future debt financing, future equity offerings, and sales of non-core assets.

The Company's near term objective is to obtain financing to provide sufficient working capital for the initial development of the Balabag project and to advance the Company's broader exploration program. TVI plans to finalize a development plan for the Balabag exploration project, create initial plans for its other exploration tenements, and evaluate opportunities to acquire new properties to further expand the Company's portfolio of properties in the Philippines. In addition, the Company will leverage off of its existing Canatuan facilities and determine if the Canatuan near-mine tenements can be economically mined.

TVI's financing strategy is to market locally in Canada, as well as internationally in Asia, Europe, and the United States. The Company is currently entertaining potential investors in the Philippines, as well as in Canada. TVI is also considering strategic alliances or joint ventures with other mining companies to benefit from economies of scale.

NEW ACCOUNTING PRONOUNCEMENTS

Convergence with International Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles, as used by public companies, being converged with International Financial Reporting Standards over a transitional period of about five years. The convergence will take effect on January 1, 2011. 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 Company's Philippine affiliates have already implemented convergence with International Reporting Standards as required under local statutory reporting purposes.

COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the presentation in the current period.

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 undiscounted cash flows to be generated from the assets. 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 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 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

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 totalling $751,338 and US$526,748 outstanding respectively to Seajay and Regent. During the first quarter of 2009, Seajay charged the Company $165,353 for management fees for services of the President, the Chief Financial Officer, one accounting staff, two investor relations staff, and two administrative staff. At the end of the period, the Company owed Seajay $66,442 for unpaid management fees and advances made for working capital purposes.

CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

In March 2008, the Company was named in a proceeding 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 appointed a Special Committee and engaged independent legal counsel to review the share option related allegations set out in the claim.

The Company's insurer has accepted the claim and has been covering the costs required to defend the Company, subsequent to a retention amount that was accrued in 2007 and paid in 2008. The parties have reached an agreement to settle the proceeding and have formalized the terms of settlement, which are subject to court approval. The Company anticipates finalizing the settlement in the second quarter of 2009.

On January 20, 2009, the Company entered into an Advisory Agreement with a third party (the "Advisor"). The Advisory Agreement requires that the Advisor provide services to TVI in relation to TVI's mining development projects, including Canatuan and Balabag. Such services include brainstorming different financing and funding structures, assisting in the preparation of financial models, preparing write-ups and overseeing the implementation and monitoring of the financing of projects, and advice in connection with fund outsourcing and hedging. The Advisor will be entitled to a fee equal to 10% per year of the original Term Facility – the fee of US$752,551 is payable on the last business day of each quarter. In addition, commencing December 31, 2010, the Advisor will be entitled to profit participation of 40% of any cash surplus in TVIRD. The Advisor currently has five individuals providing services to TVI, which management estimates to be about two full time equivalent consultants.

ADDITIONAL INFORMATION

The Company's outstanding common shares as at March 31, 2009 and May 7, 2009 were 466,657,555. The basic and diluted weighted average number of common shares issued and outstanding during the quarter ended March 31, 2009 was 433,092,602 (March 31, 2008 – 406,240,640). 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, 2009 and 2008 as the Company was in a loss position for these periods.

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 Chief Executive Officer and Chief Financial Officer, 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 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 ("ICOFR") 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 ICOFR as of March 31, 2009 and plans to update the evaluation of operating effectiveness of internal controls over financial reporting throughout the year.

During the quarter, the Company completed a comprehensive review of its consolidation procedures and redesigned its ICOFR related to the translation of foreign currencies; therefore, the Company has removed the previously identified material weakness disclosed in prior periods. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that ICOFR provide a reasonable level of assurance, they do not expect that the ICOFR 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.

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Computershare Trust Company of Canada
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Telephone: (403) 267-6800

Share Listing:

Toronto Stock Exchange Symbol: TVI

Auditors:

PricewaterhouseCoopers LLP
3100, 111–5th Avenue SW
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TVI Pacific Inc.

Interim Consolidated Financial Statements

For the Three Months Ended
March 31, 2009 and 2008
(Unaudited)

TVI Pacific Inc.
Unaudited Interim Consolidated Balance Sheets
March 31, 2009
(in Canadian dollars)

		March 31, 2009		December 31, 2008
Assets				
Current assets:				
Cash and cash equivalents	$	531,772	$	2,754,102
Accounts receivable (note 4)		7,770,079		931,328
Advances to suppliers		242,786		100,271
Inventories (note 5)		3,055,218		2,373,803
Prepaid expenses		257,427		267,260
		11,857,282		6,426,764
Restricted cash (note 7)		378,060		367,380
Property and equipment (note 6)		34,628,984		32,879,875
	$	46,864,326	$	39,674,019
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	9,744,190	$	7,322,685
Current loan payable (note 8)		9,345,353		4,882,027
Current portion of asset retirement obligation (note 10)		1,449,681		1,357,787
Due to related parties (note 13)		2,063,828		1,789,249
		22,603,052		15,351,748
Long term payable		-		367,380
Due to related parties		-		591,834
Loan payable (note 8)		27,503,140		27,623,417
Pension obligation (note 9)		737,715		690,996
Asset retirement obligation (note 10)		1,445,176		1,445,432
		52,289,083		46,070,807
Shareholders' equity:				
Share capital (note 11b)		21,973,295		21,017,205
Warrants (note 11d)		1,916,462		-
Contributed surplus (note 11e)		3,891,320		3,666,827
Deficit		(32,997,690)		(30,983,982)
Accumulated other comprehensive loss		(208,144)		(96,838)
		(5,424,757)		(6,396,788)
	$	46,864,326	$	39,674,019

Going concern (note 1)
Commitments (note 15)
Contingencies (note 16)
Subsequent events (notes 1, 4, and 13)

See accompanying notes to the 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, 2009 and 2008
(in Canadian dollars)

		Three months ended March 31		
		2009		**2008**
Revenues:				
Sales	$	8,158,098	$	5,006,918
Interest		2,615		2,481
		8,160,713		5,009,399
Expenses:				
Mining, milling, drilling, and selling expenses		5,461,199		4,524,186
Exploration costs		108,406		533,953
Administrative and general costs		1,785,684		1,405,841
Amortization, accretion, and impairment		609,166		622,397
Interest expense		1,528,478		115,191
Foreign exchange loss		714,472		14,259
Gain on sale of assets		(32,984)		(1,657,842)
		10,174,421		5,557,985
Net loss from continuing operations		(2,013,708)		(548,586)
Loss from discontinued operations (note 7)		-		(97,149)
Net loss		(2,013,708)		(645,735)
Other comprehensive income (loss):				
Foreign currency translation adjustment		(111,306)		169,669
		(111,306)		169,669
Comprehensive loss	$	(2,125,014)	$	(476,066)
Net loss per share:				
Basic and diluted – continuing operations	$	(0.005)	$	(0.001)
Basic and diluted – discontinued operations		(0.000)		(0.000)
Basic and diluted		(0.005)		(0.001)
Weighted average number of common shares:				
Basic and diluted (note 12)		433,092,602		406,240,640

See accompanying notes to the consolidated financial statements.

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss
March 31, 2009 and 2008
(in Canadian dollars)

	Three months ended March 31			
		2009		**2008**
Deficit, beginning of period	$	(30,983,982)	$	(18,269,703)
Net loss		(2,013,708)		(645,735)
Deficit, end of period	$	(32,997,690)	$	(18,915,438)

Accumulated other comprehensive loss, beginning of period	$	(96,838)	$	(3,009,054)
Other comprehensive income (loss)		(111,306)		169,669
Accumulated other comprehensive loss, end of period	$	(208,144)	$	(2,839,385)

See accompanying notes to the consolidated financial statements

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Cash Flows
March 31, 2009 and 2008
(in Canadian dollars)

	Three months ended March 31 2009	2008
Cash provided by (used in):		
Operating:		
Net loss from continuing operations	$ (2,013,708)	$ (548,586)
Items not involving cash:		
Amortization, accretion, and impairment	609,166	622,397
Stock based compensation	224,493	(26,660)
Unrealized foreign exchange loss (gain)	(726,806)	24,422
Gain on sale of property and equipment	(32,984)	(5,532)
Gain on sale of investment	-	(1,652,310)
Pension obligation	46,719	68,909
	(1,893,120)	(1,517,360)
Change in non-cash working capital	(5,987,969)	465,754
	(7,881,089)	(1,051,606)
Loss from discontinued operations	-	(97,149)
Change in non-cash working capital	-	(2,708)
	-	(99,857)
Financing:		
Debt facilities issued	4,086,785	-
Share issue cost	(10,580)	-
Due to related parties	190,098	(703,102)
	4,266,303	(703,102)
Change in non-cash working capital	2,247,984	-
	6,514,287	(703,102)
Investing:		
Change in restricted cash	-	(308,370)
Expenditures on property and equipment	(1,540,277)	(204,436)
Proceeds on disposal of property and equipment	34,896	6,806
Proceeds on sale of investment	-	1,942,491
Realized foreign exchange in net investment	65,499	5,851
	(1,439,882)	1,442,342
Change in non-cash working capital	535,254	21,609
	(904,628)	1,463,951
Effect of foreign exchange rates on cash	49,100	7,905
Decrease in cash	(2,222,330)	(382,709)
Cash and cash equivalents, beginning of period	2,754,102	1,028,833
Cash and cash equivalents, end of period	$ 531,772	$ 646,124
Supplemental cash flow information:		
Interest paid	$ 31,752	$ 358,349
Interest received	32	888

See accompanying notes to the consolidated financial statements.

1. Going concern:

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") 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 consolidated 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.

At December 31, 2008, the Company's working capital deficiency was $8.9 million and has increased to $10.7 million at March 31, 2009. During 2008, the Company incurred significant capital spending on the Canatuan sulphide plant in addition to general and administrative costs. In March 2009, the Company completed its first shipment of copper concentrates and in April 2009, received proceeds of approximately US$4.9 million, which represents about 90% of the total value of the shipment. The remaining proceeds are due once the final details relating to the weight, assays, and prices are determined. The second shipment was completed on May 2, 2009, from which the Company expects to receive a partial payment of approximately US$2.3 million. The Company expects to complete a shipment every four to six weeks.

The Company's ability to continue as a going concern and the recoverability of amounts recorded for property and equipment depends upon continued financial support from creditors, re-establishing the profitability of the Canatuan operations, stable commodity prices, and selling non-core assets. The Company is continuing its efforts to improve the financial position and operating efficiencies.

In March 2008, the Company secured a bridge financing facility with an arms length party. The Company drew down a total of US$24.3 million during 2008 and US$0.9 million in January 2009 on the facility. In January 2009, the Company signed a five-year term loan facility in order to convert the bridge financing facility into a term loan and to provide additional capital to support mining and processing activities at the Canatuan sulphide plant. The term loan principal is US$30.1 million and bears interest at the rate of 10% per year calculated on the original principal balance, irrespective of the actual outstanding balance of the loan, until the outstanding principal balance of the term loan is paid in full. In addition, the Company is required to pay a quarterly advisory fee equal to US$752,551. In February 2009, the bridge financing facility was converted to a term loan and the Company drew down US$2.8 million under the new facility.

Circumstances such as the Company's financial condition as at March 31, 2009, variable commodity prices, and the possibility of delay in achieving the minimum required tonnage for shipment all lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

2. Nature of operations:

TVI is a mining company focused on the acquisition, exploration, and development of polymetallic mineral deposits in the Philippines. The Company's interests in its Philippine assets are held through its affiliate, TVI Resource Development (Phils.), Inc. ("TVIRD"). The Company operated a commercial gold and silver mine from 2005 to April 2008 and declared commercial production of its copper and zinc mine on March 1, 2009.

3. Significant accounting policies:

These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2008, except as disclosed below. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and do not contain all the explanatory notes, descriptions of accounting policies or other disclosures required by Canadian GAAP for annual financial statements. Accordingly, these consolidated financial statements should be read in conjunction with those audited consolidated financial statements for the year ended December 31, 2008.

(in Canadian dollars)

3. Significant accounting policies (continued):

(a) International financial reporting standards

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with the International Financial Reporting Standards ("IFRS") on January 1, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

(b) Transaction costs

For financial assets and financial liabilities that are not classified as held for trading, the transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to the fair value initially recognized for that financial instrument. These costs are expensed to earnings using the effective interest rate method.

(c) Comparative figures

Certain of the prior year comparative figures have been reclassified to conform to the presentation adopted for the current year.

4. Accounts receivable:

		March 31, 2009		December 31, 2008
Receivable from concentrate shipment	$	6,794,722	$	-
Receivable from sale of assets		756,120		734,760
Other receivables		219,237		196,568
	$	7,770,079	$	931,328

On March 27, 2009 the Company completed its first shipment of concentrates. In early April 2009, the Company received US$4,902,283, which represents a provisional payment for 90% of the estimated value of the shipment. The remaining 10% of the shipment value is due within 90 days of the shipment, once the final details relating to the weight, assays, and prices are determined. The Company receives 100% of its revenues from one metal trading house.

5. Inventories:

		March 31, 2009		December 31, 2008
Consumable drilling parts and supplies	$	526,938	$	518,522
Mineral processing supplies		1,012,992		904,632
Metal inventory:				
Work in progress and finished goods		1,487,218		942,070
Stockpiled ore		28,070		8,579
	$	3,055,218	$	2,373,803

During the period ended March 31, 2009, the Company recognized $2,432,577 (March 31, 2008 – $2,567,906) of inventory as expense under Mining, milling, drilling, and selling expenses. The Company did not recognize a provision for inventory obsolescence during the period ended March 31, 2009 (March 31, 2008 – nil).

(in Canadian dollars)

6. Property and equipment:

	March 31, 2009			2008
	Cost	Accumulated amortization and impairment	Net book value	Net book value
Canatuan sulphide plant:				
Property and equipment	$ 36,096,676	$ 10,230,296	$ 25,866,380	$ 25,416,209
Construction in progress	8,024,672	90,023	7,934,649	6,572,267
Drilling & other operations	2,885,827	2,057,872	827,955	891,399
	$ 47,007,175	$ 12,378,191	$ 34,628,984	$ 32,879,875

During the period, the Company wrote-off all fully amortized assets no longer in use. During the period, the Company capitalized a total of $539,210 in interest (December 31, 2008 – $902,107) related to financing funds to construct the Canatuan sulphide plant.

For the period ended March 31, 2009, the Company did not identify any triggering events which would indicate an impairment over the valuation of the Canatuan sulphide plant assets (March 31, 2008 – nil).

7. Discontinued operations:

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 ($378,060) is held in escrow and classified as restricted cash. The Company is currently reviewing the cash held in escrow with the arms length party.

8. Loan instruments:

(a) A bridge financing facility was signed with LIM Asia Arbitrage Fund Inc. and LIM Asia Special Situations Master Fund Limited (the "Lenders") in March 2008. There was no loan payable at March 31, 2008 as the first draw down under the facility was completed in April 2008.

On January 20, 2009, the Company signed a five-year term loan facility agreement (“Term Facility”) with the Lenders providing for a US$30,102,040 term loan. On February 6, 2009, the Company converted its bridge financing facility into a term loan. In addition, the Company drew down US$2.8 million in February 2009 to provide additional capital to support the activities at the Canatuan sulphide plant. At March 31, 2009, the total principal borrowed under the bridge financing facility was US$30,102,040 ($37,976,775).

	March 31, 2009
Current loan payable:	
Principal	$ 7,595,355
Accrued interest	1,127,375
	8,722,730
Non-current loan payable:	
April 1, 2010 – March 31, 2011	7,595,355
April 1, 2011 – March 31, 2012	7,595,355
April 1, 2012 – March 31, 2013	7,595,355
April 1, 2013 – January 20, 2014	7,595,355
Deferred transaction costs	(2,878,280)
	$ 27,503,140

(in Canadian dollars)

8. Loan instruments (continued):

The term of the Term Facility is five years, ending on January 20, 2014. The Company is required to begin making interest payments in July 2009 and principal repayments in October 2009. The funds borrowed under the Term Facility bear interest at the rate of 10% per year calculated on the original principal balance, irrespective of the actual outstanding balance of the loans payable, until the outstanding principal balance of the Term Facility is paid in full. The Company calculated the effective annual rate of interest on the loan to be approximately 20.9% and is recognizing the related interest expense over the life of the loan. In connection with the execution of the Term Facility, the Company issued to the Lenders share purchase warrants in the capital of TVI (note 11d) and paid a fixed arrangement fee in the amount of US$195,000. The Term Facility is secured by a charge on all of the present and after acquired assets of TVIRD.

Under the Term Facility, the Lenders have the right to nominate a person for election as a director of each of TVIRD and TVI Pacific Inc. The Company has agreed to use reasonable efforts to cause the election of the director nominees designated by the Lenders.

(b) The Company has lines of credit with the Bank of the Philippine Islands which accrue interest between 8.75% and 9.50% per annum and are payable over four equal monthly installments that will start 90 days from the withdrawal dates. The total amount payable to the bank at March 31, 2009 was $622,623 (March 31, 2008 – nil).

9. Pension obligation:

		March 31, 2009		December 31, 2008
Present value of unfunded obligations	$	329,578	$	286,218
Unrecognized actuarial loss		408,137		404,778
Pension obligation	$	737,715	$	690,996

The movement in the liability recognized in the Balance Sheet is as follows:

		March 31, 2009		December 31, 2008
Balance beginning of period	$	690,996	$	424,534
Total expense		46,719		266,462
Balance end of period	$	737,715	$	690,996

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

		March 31, 2009		December 31, 2008
Current service cost	$	28,801	$	178,930
Interest cost and foreign currency translation		21,717		85,791
Amortization of unrecognized actuarial losses (gains)		(3,799)		1,741
Total included in administrative and general costs	$	46,719	$	266,462

The actuarial assumption for the discount rate was 13.1% and the future salary rate increase was 10.0% for both periods ended March 31, 2009 and December 31, 2008. The pension plan continues to be unfunded as of March 31, 2009.

(in Canadian dollars)

10. Asset retirement obligation:

	Three months ended March 31, 2009		Year ended December 31, 2008	
Canatuan mining property:				
Beginning balance	$	2,803,219	$	1,999,970
Additions – sulphide		-		199,074
Revision of estimate – gossan		-		231,687
Accretion expense – capitalized		28,605		124,739
Accretion expense		57,253		122,922
Liability paid		(43,575)		(77,129)
Foreign currency translation		49,355		201,956
Ending balance	$	2,894,857	$	2,803,219
Current portion		1,449,681		1,357,787
Non-current portion		1,445,176		1,445,432

11. 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

	Three months ended March 31, 2009			Year ended December 31, 2008		
Common shares	**Number of shares**		**Amount**	**Number of shares**		**Amount**
Balance, beginning of period	406,240,640	$	21,017,205	406,240,640	$	21,017,205
Shares issued:						
In exchange for debt obligation	60,416,915		966,670	-		-
Share issue cost	-		(10,580)	-		-
Balance, end of period	466,657,555	$	21,973,295	406,240,640	$	21,017,205

On February 19, 2009, the Company issued 37,188,471 common shares to related parties in satisfaction of $318,440 and US$223,252 ($276,575) of indebtedness owing to them by the Company (note 13). In addition, the Company issued 23,228,444 common shares to Zamboanga Minerals Corporation to retire US$300,000 ($371,655) payable for the acquisition of the rights and obligations of the Balabag property. In both cases, the shares were issued from treasury at a price of $0.016.

(in Canadian dollars)

11. Share capital (continued):

(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, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	20,101,670	$ 0.145	34,440,106	$ 0.133
Granted	20,175,831	0.020	500,000	0.050
Forfeited	(35,554)	0.170	(3,129,725)	0.172
Expired	(33,057)	0.170	(11,708,711)	0.101
Options outstanding, end of period	40,208,890	$ 0.082	20,101,670	$ 0.145
Options exercisable, end of period	24,530,823	$ 0.096	15,230,545	$ 0.141

Price range	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
$ 0.020 – 0.029	20,175,831	4.82	9,000,000
0.030 – 0.044	-	-	-
0.045 – 0.067	500,000	3.96	166,666
0.068 – 0.100	6,241,668	0.81	6,241,668
0.101 – 0.151	500,000	1.76	500,000
0.152 – 0.190	12,791,391	2.49	8,622,489
$ 0.020 – 0.190	40,208,890	3.41	24,530,823

(d) Warrants

In conjunction with the Term Facility signed on January 20, 2009 (note 8a), the Company issued to the Lenders 71,689,734 warrants to purchase common shares of the Company at a purchase price of $0.016, which was calculated as the equivalent to 10% greater than the weighted average trading price of the Company's shares on the Toronto Stock Exchange for the twenty trading day period immediately preceding the date of issuance. The warrants have a five-year term and expire on January 20, 2014.

The recorded fair value of the warrants issued was $1,916,462, using the following assumptions:

	Three months ended March 31, 2009
Risk free interest rate – average	1.6%
Expected life (in years)	5
Expected volatility	126.2%

(in Canadian dollars)

11. Share capital (continued):

(e) Stock-based compensation and contributed surplus

The weighted average fair value of stock options granted was $0.017 (2008 - $0.033) per share during the three month period ended March 31, 2009. The following table sets out the assumptions used in applying the Black-Scholes model:

	Three months ended March 31, 2009	Year ended December 31, 2008
Risk free interest rate – average	1.8%	2.9%
Expected life (in years)	5	5
Expected volatility	127.7%	79.8%

Contributed surplus

	Three months ended March 31, 2009	Year ended December 31, 2008
Balance beginning of period	$ 3,666,827	$ 3,592,382
Stock-based compensation	226,827	285,549
Options forfeited	(2,334)	(211,104)
Balance end of period	$ 3,891,320	$ 3,666,827

12. Per share data:

The weighted average number of common shares issued and outstanding for the three months ended March 31, 2009 was 433,092,602 (March 31, 2008 – 406,240,640). 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, 2009 and 2008 as the Company was in a loss position for these periods.

13. Related party transactions:

Transactions with related parties are entered into at the exchange amounts which approximate fair value:

- During the three month period ended March 31, 2009, the Company paid or accrued management fees of $165,353 (March 31, 2008 – $146,037) to a corporation owned by the President of the Company for the services of the President, CFO, Investor Relations, and support staff. At March 31, 2009, the Company owed a corporation owned by the President $66,442 (March 31, 2008 – $88,236) relating to advances made for working capital purposes and unpaid management fees.
- At the end of the quarter, the Company had demand promissory notes totaling $751,338 (December 31, 2008 – $1,069,778) and US$526,748 (December 31, 2008 – 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, respectively, and have no fixed terms of repayment. On February 19, 2009, the Company retired $318,440 and US$223,252 ($276,575) through a private placement of common shares (note 11b). Including accrued interest, the total amount in promissory notes outstanding at March 31, 2009 was $1,446,345 (December 31, 2008 – $1,998,659).
- In March 2009, an officer of TVIRD loaned the Company demand loans totaling US$150,000 ($188,795) bearing interest at 20% per annum. The amount was fully repaid in early April 2009 from the proceeds of the first shipment.
- During the period, the Company accrued $38,125 (March 31, 2008 – $49,000) in director fees.

(in Canadian dollars)

14. Segmented information:

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

Three months ended March 31, 2009	Canatuan Mine	Drilling	Exploration	Corporate	Total
Sales	$ 8,158,098	$ -	$ -	$ -	$ 8,158,098
Interest income	2,568	-	32	15	2,615
	8,160,666	-	32	15	8,160,713
Operating expenses	(5,711,764)	(43,164)	-	(1,491,955)	(7,246,883)
Exploration costs	-	-	(108,406)	-	(108,406)
	2,448,902	(43,164)	(108,374)	(1,491,940)	805,424
Amortization & accretion	(579,141)	(21,491)	-	(8,534)	(609,166)
	1,869,761	(64,655)	(108,374)	(1,500,474)	196,258
Gain on sale of property	-	32,984	-	-	32,984
Interest on debt	-	-	-	(1,528,478)	(1,528,478)
Foreign exchange loss	-	-	-	(714,472)	(714,472)
Net income (loss)	$ 1,869,761	$ (31,671)	$ (108,374)	$ (3,743,424)	$ (2,013,708)
Assets	44,585,268	1,432,417	-	846,641	46,864,326
Capital expenditures	1,533,330	-	-	6,947	1,540,277

Three months ended March 31, 2008	Canatuan Mine	Drilling	Exploration	Corporate	Total
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)	-	(1,036,769)	(5,837,007)
Exploration costs	-	-	(626,973)	-	(626,973)
	268,410	(60,168)	(626,062)	(1,036,761)	(1,454,581)
Amortization & accretion	(499,367)	(111,763)	-	(11,267)	(622,397)
	(230,957)	(171,931)	(626,062)	(1,048,028)	(2,076,978)
Gain on sale of property	-	-	-	1,657,842	1,657,842
Interest on debt	-	-	-	(115,191)	(115,191)
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

15. Commitments:

At March 31, 2009, the Company has minimum rent commitments in Canada of about $73,705 for 2009 to 2010 (December 31, 2008 – $92,132). Certain recoveries are made under sub-leasing arrangements.

On January 20, 2009, the Company entered into an Advisory Agreement with a third party (the “Advisor”). The Advisor will be entitled to a fee equal to 10% per year of the original Term Facility (note 8a) – the fee of US$752,551 is payable on the last business day of each quarter. In addition, commencing December 31, 2010, the Advisor will be entitled to profit participation of 40% of any cash surplus in TVIRD.

16. Contingencies:

In March 2008, the Company was named in a proceeding 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 appointed a Special Committee and engaged independent legal counsel to review the share option related allegations set out in the claim. The Company's insurer has accepted the claim and has been covering the costs required to defend the Company, subsequent to a retention amount that was accrued in 2007 and paid in 2008. The parties have reached an agreement to settle the proceeding and have formalized the terms of settlement, which are subject to court approval. The Company anticipates finalizing the settlement in the second quarter of 2009.

17. Financial instruments:

(a) Analysis of 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, 2009.

	Financial assets held for trading	Loans and receivables	Other financial Liabilities	Total carrying value
Cash and cash equivalents	$ 531,772	$ -	$ -	$ 531,772
Restricted cash	-	378,060	-	378,060
Accounts receivable	-	7,770,079	-	7,770,079
Advances to suppliers	-	242,786	-	242,786
Accounts payable and accrued liabilities	-	-	(9,744,190)	(9,744,190)
Loan payable	-	-	(36,848,493)	(36,848,493)
Due to related parties	-	-	(2,063,828)	(2,063,828)
	$ 531,772	$ 8,390,925	$ (48,656,511)	$ (39,733,814)

(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, advances to suppliers, restricted cash, accounts payable and accrued liabilities, current loan payable, and due to related parties approximate their fair value at March 31, 2009 and 2008 due to their short term nature. The Company's non-current loan payable also approximates its fair value at March 31, 2009 as interest rates are at market values.

(c) Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), interest rate risk, liquidity risk, and credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

(i) 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) and in the Republic of the Philippines (Peso). The Company sells its mineral deposits 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 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.

(in Canadian dollars)

17. Financial instruments (continued):

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. For the three month period ended March 31, 2009, the pro forma impact on net loss from a 5% movement in the Canadian dollar exchange with the Philippine peso would be $63,782.

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

	Average rate		Spot rate	
	Three months ended March 31, 2009	Year ended December 31, 2008	Three months ended March 31, 2009	Year ended December 31, 2008
US Dollar	1.2456	1.0660	1.2602	1.2246
Philippine Peso	0.0261	0.0240	0.0261	0.0256

(ii) Price risk

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

(iii) Interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are independent of changes in market interest rates. The Company has exposure to fair value interest rate risk since its Term Facility has fixed interest terms, regardless of changes in market conditions.

(iv) 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.

As at March 31, 2009, the Company has a $10.7 million working capital deficiency. 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. Based upon the Company's current financial condition, delay in obtaining additional financing for the Canatuan sulphide plant, reliance upon continued financial support from creditors, and variable commodity prices, the Company has a significant liquidity risk. As at March 31, 2009, the Company has a loan payable and loans from related parties at fixed interest rates.

	Principal outstanding at March 31, 2009	Effective annual interest rate	Interest during the period ended March 31, 2009	Maturity date
Loan payable A	37,976,776	20.86%	1,127,374	January 20, 2014
Current loan payable B	622,623	8.75% to 9.50%	12,255	April to September 2009
Related party loan A	751,338	12%	27,466	Demand
Related party loan B	663,808	14.12%	28,222	Demand
Related party loan C	188,795	20%	823	Demand

(in Canadian dollars)

17. Financial instruments (continued):

(v) Credit risk

The Company does not have a significant concentration of credit risk on its outstanding receivables as there is a ready market for mineral deposits. 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.

18. Capital disclosures:

The Company defines its capital as shareholders' equity and loans payable. 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 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 and non-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 cash and cash equivalents, accounts receivable, advances to suppliers, inventories, restricted cash, and property and equipment.

		March 31, 2009		December 31, 2008
Debt	$	48,656,511	$	42,576,592
Equity		(5,216,613)		(6,299,950)
Assets	$	46,606,899	$	39,406,759
Debt-to-equity		(9.33)		(6.76)
Debt-to-assets		1.04		1.08

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