



Management's Discussion and Analysis

For the Six Months Ended June 30, 2011 and 2010



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED
JUNE 30, 2011 AND 2010**

The discussion and analysis that follows is intended to provide a summary of TVI Pacific Inc. ("TVI" or the "Company") results over the three and six months ended June 30, 2011 and 2010, 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 and six month periods ended June 30, 2011 and 2010 in addition to the audited consolidated financial statements for the years ended December 31, 2010, 2009 and 2008 prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 August 12, 2011.

OVERVIEW OF BUSINESS

TVI Pacific Inc. is a publicly-traded resource company focused on the production, development, exploration and acquisition of resource projects in the Philippines. TVI produces copper concentrate from its Canatuan mine, is developing its Balabag gold-silver property for anticipated production in the second half of 2012 and is carrying out an exploration program at its Tamarok copper-gold property. TVI also has oil interests in various stages of discovery, drilling and exploration in Alaska, Niger and off-shore Philippines.

TVI is focused on four key areas of growth:

- Maximize profits through process optimization at the producing Canatuan mine.
- Capitalize on near-term development and exploration properties and expedite exploration on other potentially high-impact North Zamboanga tenements:
 - Fast-track exploration drilling on identified prospects in the Greater Canatuan Tenement Area ("GCTA") and other near-mine prospects to expand current mine life; conduct additional drilling and optimize an internal feasibility study at the Balabag gold-silver property; and expedite exploration and drilling at the Tamarok porphyry copper-gold project.
 - Continue other exploration activities on its 1,240 square kilometre (479 square mile) tenement package on the Zamboanga Peninsula that has the potential to host significant porphyry copper-gold, massive sulphide and epithermal gold deposits.
- Engage in the development of petroleum and natural gas properties in Alaska, Niger and offshore Philippines. This could provide TVI with access to a second cash flow stream that would help to offset its exposure to base and precious metals commodity pricing risk. These petroleum and natural gas properties, combined with TVI's extensive land package of mining prospects in the Philippines, provide the Company with a strong foundation moving forward.
- Consider raising additional capital to finance the exploration and development of its diverse portfolio of properties and land positions and possibly to finance a value-enhancing joint venture or acquisition.

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 initially produced gold and silver doré from gossan ore, the oxidized cap of a volcanogenic massive sulphide ("VMS") deposit. The gossan ore was mined using open-pit methods and processed through conventional carbon-in-leach and Merrill Crowe circuits. The underlying primary sulphide portion of the deposit, hosting copper and zinc, was largely exposed during the mining of the gossan deposit.



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TVI commenced construction and development of the Canatuan Sulphide Project in early 2007. The Sulphide Project included the construction of a new processing plant and the staged construction of a separate tailings dam. The plant construction was completed on time and under budget and the project began commissioning in mid-November 2008. Commercial production was declared on March 1, 2009, when copper concentrate inventory levels surpassed the 5,000-tonne shipping threshold.

Cesar Medina, Exploration Manager of TVI Resource Development (Phils.), Inc. ("TVIRD"), is acting as the Qualified Person in compliance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") reporting requirements with respect to the Canatuan mine by virtue of his fellowship in the Australasian Institute of Mining and Metallurgy and the reciprocity rules covered under ROPO (Recognised Overseas Professional Organisations). He has prepared and/or supervised the preparation of the scientific or technical information in this document, including the current reserve and resource estimates, and confirms compliance with NI 43-101 requirements.

Reserves and Resources

In April 2008, TVI received a NI 43-101 technical report on the Canatuan sulphide deposit prepared by P.J. Lafleur Geo-Conseil Inc., an independent consulting group. 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 NI 43-101 technical report details the initial reserves and resources at the beginning of the Canatuan Sulphide Project.

The current mineral reserve and resource estimates, as reported in the MD&A for the years ended December 31, 2010, 2009 and 2008, continue to be valid given the Company's anticipated production schedule.

Operations

The average daily throughput for the three-month period ended June 30, 2011, was 2,450 dry metric tonnes per day. Based on the remaining reserves and resources as at June 30, 2011, and the current targeted average daily throughput for the remainder of 2011, the estimated remaining mine life is approximately 1.8 years.

For the six-month period ended June 30, 2011, the Company completed the following shipments:

Shipment Number	Shipment Completion Date	Shipped (dry metric tonnes)	Gross Revenue (in US\$)			
			Copper	Gold	Silver	Total
20	February 7, 2011	4,997	7,870,379	790,746	2,501,752	11,162,877
21	April 25, 2011	5,143	8,384,243	643,430	2,313,503	11,341,176
22	May 30, 2011	5,146	10,869,750	1,114,939	1,726,633	13,711,322
		15,286	27,124,372	2,549,115	6,541,888	36,215,375

Total gross revenue for the six-month period ended June 30, 2011, including the US\$5,118 price adjustment for the 19th shipment in 2010 based on final concentrate testing relating to the final weight, assays, and market prices, was US\$36,220,493 (CDN\$35,371,060). This amount is gross of treatment, refining and other charges.

Subsequent to the period, and up to the date of this document, the Company completed the following additional shipment:

Shipment Number	Shipment Completion Date	Shipped (dry metric tonnes)	Gross Revenue (in US\$)			
			Copper	Gold	Silver	Total
23	August 8, 2011	5,982	11,956,308	1,453,939	2,634,466	16,044,713



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As of June 30, 2011 the 22nd shipment was still subject to price adjustment.

Selected operational highlights:	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Year to date June 30, 2011
Copper pound equivalent ("Cu lb eq") produced	4,448,021	6,270,759	10,718,780
Copper produced (lbs)	3,330,593	4,397,136	7,727,729
Gold produced (oz)	1,035	1,378	2,413
Silver produced (oz)	101,380	90,653	192,033
Zinc produced (lbs)	-	1,552,986	1,552,986

	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Year to date June 30, 2011
Total tonnes processed	167,780	222,987	390,767
Average tonnes processed per day	1,864	2,450	2,159
Ore copper grade (%)	1.15	1.24	1.20
Copper recovery (%)	78.18	72.28	74.71
Concentrates produced (dry weight - t)	7,830	8,703	16,533
Average daily concentrates produced (dry weight - t)	87	96	92
Concentrate copper grade (%)	19.29	22.92	21.20
Concentrate gold grade (g/t)	4.11	4.92	4.54
Concentrate silver grade (g/t)	402.71	323.99	361.27
Total cost per Cu lb eq (US\$) ^{(1) (4)}	2.91	3.13	3.03
Production cash cost per Cu lb eq (US\$) ^{(2) (4)}	2.01	1.65	1.80
Total cash cost per Cu lb eq (US\$) ^{(3) (4)}	2.33	2.59	2.48
Total cash cost per Cu lb eq, net of by-products (US\$) ⁽⁴⁾	1.55	1.70	1.64
Offtake			
Copper concentrates shipped (dry weight - t)	4,997	10,289	15,286
Cu lb eq shipped	2,620,215	6,546,041	9,166,256
Average copper price received (US\$/lb)	4.38	4.19	4.24

(1) Includes selling expenses and amortization expenses.

(2) Excludes selling expenses and amortization expenses

(3) Excludes amortization expenses

(4) Total cost per Cu lb eq, Production cash cost per Cu lb eq, Total cash cost per Cu lb eq and Total cash cost per Cu lb eq, net of by-products, are non-IFRS measures. Please see definitions in the "Non-IFRS Measures" section.

Zinc Circuit

Increasing levels of zinc are expected to appear in the orebody as mining operations continue. In preparation, the construction of a Zinc Circuit was completed in April 2010. In the early stages of the Zinc Circuit commissioning in May-June 2010, it was found that acceptable copper/zinc separation was not being achieved at the Canatuan plant using the flow sheet ("recipe") initially determined through testing at a pilot plant. A temporary measure of more selective mining and blending was instituted to defer feeding the ore containing high zinc while conducting further refinement of the process.



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The commissioning process for the Zinc Circuit continuously made adjustments until the largest volume of concentrate (both copper and zinc) was produced with the highest grade and best metal recovery, taking into consideration the full extent of input factors. This process was completed on April 25, 2011, and TVI announced zinc production start-up.

On July 7, 2011, the Company completed the first zinc concentrate shipment of approximately 1,381 dry metric tonnes.

Shipment Number (Zinc)	Shipment Completion Date	Shipped (dry metric tonnes)	Gross Revenue (in US\$)
1	July 7, 2011	1,381	1,388,114

Under a new off-take agreement signed with the Company's metal off-take partner in June 2011, 100% of the zinc production, produced from the Canatuan mine, during the life of the said mine, shall be sold to the metal off-take partner. Any future expansion of the current Canatuan mine pit production is included and will be a full part of the agreement. Zinc concentrate volume production is slightly lower than copper concentrates mainly because of the higher grade of the zinc concentrate. With the plan to maintain the 5,000 ton cargo size, shipping frequency will be between 4-6 months with the product initially stored at a secured warehouse within the TVI facilities. The second shipment is scheduled in December 2011. The Company anticipates shipments in 2012 to occur every 4-6 months depending on zinc circuit efficiency improvements currently underway. For each shipment, an initial provisional payment for 90% of the estimated value will be made, while the payment for the remaining 10% will be due once the final details relating to weight, assays and prices are determined.

Construction of an additional zinc flotation capacity has been initiated and is expected to be completed in Q3, 2011. This is expected to improve the efficiency of the zinc recovery.

EXPLORATION

Cesar Medina, Exploration Manager of TVIRD, is acting as the Qualified Person in compliance with NI 43-101 reporting requirements with respect to the Company's exploration projects by virtue of his fellowship in the Australasian Institute of Mining and Metallurgy and the reciprocity rules covered under ROPO (Recognised Overseas Professional Organisations). He has prepared and/or supervised the preparation of the scientific or technical information and confirms compliance with NI 43-101 requirements.

Greater Canatuan Tenement Area ("GCTA")

TVI has an extensive 352 square kilometre (136 square mile) package of tenement applications that surround the Canatuan mine that make up the GCTA. The Canatuan orebody is a volcanogenic massive sulphide and deposits of this type rarely occur in isolation. Initial exploration on the properties suggests that the land package includes a 40+ kilometre (25+ mile) strike length of the type of geology that hosts the Canatuan orebody. Management believes it is likely that similar Canatuan-style deposits exist within the GCTA and believes the potential exists for discovering extension developments. Any mineable ore located in the area could be economically transported to the existing Canatuan plant for processing, which would extend the life-of-mine beyond the current estimate.

In January 2010, the Company established a partnership and strategic alliance with DMCI-CERI ("DMCI"), a subsidiary of DACON Corporation (the "Partners"). In February 2010, the Partners signed a Joint Venture Agreement ("JVA") to conduct exploration, development and production of mineral deposits in Exploration Permit Application 61 ("EXPA 61") located within the GCTA. Potential prospects identified within EXPA 61 lie within a 15 kilometre (9.3 mile) radius trucking distance of the current Canatuan



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sulphide plant. Under the JVA, TVIRD holds a 70% interest and acts as the operator, while DMCI holds the remaining 30% interest.

In June 2010, the Partners finalized an initial work program for EXPA 61 and initiated three main activities: (a) obtain Free Prior Informed Consent ("FPIC") from the affected indigenous communities in the area; (b) complete an airborne geophysical survey; and (c) complete the application for the Exploration Permit. TVI has successfully secured the endorsement of the local council and municipal authorities for the program.

The Exploration Permit for EXPA 61 (partner DMCI-CERI) is currently being processed by the government to authorize exploration and drilling on the anomalies and prospects identified to date.

The process for the approval of the Mineral Production Sharing Agreement application ("APSA") 23, authorizing exploration and drilling on the Malusok and SE Malusok prospects, near the Canatuan mill site, is at an advanced stage. The Certificate of Precondition marking FPIC has been approved by the National Commission on Indigenous People ("NCIP") subject to the completion of certain administrative requirements, and the documents are being finalized within the Mines and Geosciences Bureau for presentation to the Secretary of the Department of Environment and Natural Resources for review and subsequent signature. For the other near-mine tenement application relevant for the Malusok and SE Malusok prospects, APSA 39, the Memorandum of Agreement with the indigenous community has been signed and has been presented to the NCIP for processing, leading to a Certificate of Precondition.

The Company is also working on perfecting other near-mine tenement applications in order to follow-up on additional anomalies identified by the airborne data.

Balabag

The development-stage Balabag gold project is a high priority project. The Balabag property covers an area of approximately 52 square kilometres (20 square miles) and is situated approximately 75 kilometres (47 miles) east-northeast of the Canatuan mine.

In 2008, TVI commissioned Genivar Limited Partnership, an independent mining engineering consulting company, to conduct a scoping study on the Balabag property. Genivar presented TVI with the comprehensive scoping study titled *Scoping Study of the Balabag Project*, which was prepared in accordance with NI 43-101 and based on a previous report titled *NI 43-101 Technical Report for the Mineral Resources at the Balabag Project of TVI Pacific Inc.* filed August 9, 2007, and prepared by P.J. Lafleur Geo-Conseil Inc. The purpose of the scoping study was to assess the mining potential of a stand-alone commercial scale mining operation centred on the 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.

In February 2010, drilling resumed at the Balabag epithermal gold project focusing on the Tinago vein, the largest of three spatially related vein systems. This Phase 1 drill program was completed on June 17, 2010, with 30 holes drilled for a total of 3,196 metres (10,486 feet). The goal was to define a minimum of 50,000 gold equivalent ounces in the indicated category, allowing for an internal scoping study to define an economical start-up "Bootstrap" mine development program. Under the "Bootstrap", or phased development concept, an initial "starter" plant would be constructed, drawing ore feed from the core area, with the plant and mine being expanded in stages from internal cash flow to the extent that the resource supports. Assay results from the Phase 1 drill program supported additional drilling at Balabag to further define the resources.

To June 30, 2011, TVI has now completed a total 108 drill holes for 14,703 metres (48,239 feet). This expanded drilling program, which was focused on both in-fill and step-out drilling in the down dip mineralized zones, has been successful in its objective of better defining the Balabag mineralization.



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Since June 30, 2011, 7 additional holes have been completed with assays pending and another 5 holes are currently underway.

Drilling will continue for a further 1,745 metres (5,725 feet) and will include additional infill drilling in the up-dip extension of the core area of the Tinago vein zone to reduce the drill hole spacing for the modeled mineral resource to be used for detailed production planning.

Based on assay results from the drill program completed to date, TVI intends to release an updated, independent NI 43-101 report that will incorporate all drill results to June 30, 2011 and possibly include assays from holes drilled after this date. The NI 43-101 will be released in conjunction with an internal feasibility study that is currently being optimized.

A Declaration of Mining Feasibility was submitted to the Mines and Geosciences Bureau of the Philippines in April 2011. This report evaluated the economics of mining a minimum identified "core" resource and detailed capital costs (infrastructure, plant and pit development) and operating costs (mine and mill, tailings disposal, environmental remediation and social programs).

Tamarok - Tapisa

The Tamarok copper-gold exploration project and the Tapisa prospect are located 60 kilometres (37 miles) north-northeast of TVI's Balabag project and are within the Company's 1,240 square kilometre (479 square mile) North Zamboanga tenement package.

The North Zamboanga package of landholdings was assembled with reference to the anticipated geological potential associated with the Sindangan-Cotabato fault system that is interpreted as a major regional localizing structure for the world-scale Tampakan porphyry copper discovery currently being developed by Sagittarius Mines, Inc., a subsidiary of Xstrata plc.

In December 2009, the 507 hectare (1,253 acre) Mineral Production Sharing Agreement ("MPSA") encompassing the Tamarok copper-gold project was formally approved by the Secretary of the Department of Environment and Natural Resources of the Philippines ("DENR"). The MPSA was granted to the original claimholder with whom TVI has a contract to acquire full rights to the MPSA at TVI's election.

The approval of the MPSA at Tamarok allows TVI to advance exploration activities including geophysical surveys, systematic detailed geological investigations and drilling.

On April 11, 2011, TVI started a drill program to test an outcropping zone of porphyry copper-gold mineralization. Results from the initial four holes completed revealed substantial faulting and dismemberment of the porphyry style mineralization and it was decided to temporarily suspend further drilling until additional detailed geochemical, geological mapping and ground magnetometry surveys were undertaken to better define the structural setting in this zone.

New zones of porphyry style mineralization have since been discovered in outcrop and are undergoing systematic study prior to recommencement of drill testing.

Zamboanga Tenement Airborne Geophysical Surveys

Helicopter-supported geophysical surveys covering all of TVI's tenements in the Philippines have been completed.

The first survey, completed in December 2010, gathered 6,546 line-kilometres (4,067 line-miles) of magnetic and radiometric data over 119,017 hectares (294,096 acres) of the North Zamboanga tenements. Interpretation of this data is ongoing. This high quality data will assist the Company in identifying specific exploration targets for future program planning.



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A second survey, completed in April 2011, gathered 2,990 line-kilometres (1,858 line-miles) of Versatile Time-Domain Electromagnetic ("VTEM") and magnetic data over 50,600 hectares (125,035 acres) of the GCTA and a portion of the North Zamboanga tenements.

Initial interpretation of the VTEM data has revealed a zone of anomalous response related to a known VMS prospect. The magnetic data is being further interpreted and may assist in the location of mineralization in the vicinity of the Canatuan operations with the goal of identifying additional mill feed and extending mine life.

Other Philippine Property Update

The Company continues to pursue and analyze opportunities to engage in joint venture relationships across the entire 1,240 square kilometre (479 square mile) North Zamboanga tenements. A number of prospects of interest have been identified on these properties under an exploration program carried out by a major international mining company which curtailed its worldwide exploration activities. The Company continues to welcome, seek out and advance opportunities that may present beneficial relationships to advance exploration across its Philippine land package.

PETROLEUM AND NATURAL GAS PROPERTIES

On March 10, 2011, TVI acquired control of an international petroleum exploration and development company called TG World Energy Corp. ("TG World"). Its major areas of focus are the Philippines, through its wholly owned subsidiary TG World (BVI) Corp., Alaska, through its wholly-owned subsidiary TG World Energy Inc., and Niger, through its wholly owned subsidiary TG World Petroleum Ltd.

Alaska

TG World has a joint venture agreement with Alaska Venture Capital Group ("AVCG") and Brooks Range Petroleum Corporation ("BRPC"), a wholly-owned subsidiary of AVCG, to explore oil and gas properties held on the Alaskan North Slope. TG World's working interests vary from 20% to 35% in four distinct areas.

On March 14, 2011, TG World announced that it had begun drilling the North Tarn exploration well located on the North Slope of Alaska.

The North Tarn #1 exploration well was intended to test Brookian and Kugaruk reservoir targets. Minor gas kicks and oil shows occurred in the shallower Brookian target sandstones, but were much lower-permeability than expected. Drilling continued to the deeper Kugaruk sandstone target at 1,897 metres (6,223 feet) measured depth ("MD") having penetrated the Kugaruk sandstones. On penetration of the Kugaruk zone, there were strong mud gas shows with high oil-cut mud and gas flow to surface tanks. A period of well control operations from March 22 until April 2 was required before mud losses and hydrocarbon flows to surface tanks stopped. The open hole was cement plugged on April 8, 2011.

The Kugaruk sandstones were not logged because of the well control challenges. Based on sandstone cuttings samples and gas readings, the Kugaruk is estimated to be 6.1 - 7.6 metres (20-25 feet) thick. Net pay in the North Tarn #1 well is unknown because of the lack of well logs and test data.

Drilling began on a replacement well on April 11 using the existing well surface hole. The well reached objective measured depth of 1,855 metres (6,086 feet) at the base of the Kalubik formation (the zone above the Kugaruk C sand) on April 14 and intermediate 7" casing was set. The well did not enter the Kugaruk as spring break-up had commenced on the North Slope and the rig was demobilized. It is



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expected the North Tarn well will drill through the Kuparuk formation and be fully tested during the 2011/2012 winter drilling season.

The Company has recovered certain costs incurred during the well control operations through insurance proceeds received by BRPC. TG World received the first installment of the insurance proceeds in June 2011 in the amount of US\$1.9 million and subsequently received an additional US\$0.56 million in July 2011.

TG World explores for hydrocarbons in areas that qualify the Company to apply for Petroleum Production Tax Credits ("PPTC") from the State of Alaska. PPTC's are cash credits funded by the State for previous exploration and seismic expenditures. These are credited against capital expenditures when Government tax credit certificates are received. As at June 30, 2011, TG World had submitted an application to receive approximately US\$2.8 million in PPTC. Once a credit certificate is received from the State, TG World will accrue these amounts on its balance sheet. As at June 30, 2011, TG World has no tax credit certificate accruals.

Niger

TG World is a party to an Establishment Agreement with the Chinese National Petroleum Company International Ténéré Ltd. ("CNPCIT"), a wholly owned subsidiary of the Chinese National Petroleum Company ("CNPC"), to explore oil and gas properties in the Ténéré Block of Niger, Africa. CNPCIT is the operator and funds 100% of TG World's 20% share of costs for a Minimum Work Program. CNPCIT expects to complete the third exploratory well of the three well Minimum Work Program in Q3, 2011.

On June 13, 2011, CNPCIT commenced drilling the Facai-1 exploration well located in the Ténéré Block in the northern half of the Termit Rift Basin. In the southern half of this basin CNPCIT has been actively appraising existing oil discoveries and drilling new exploration wells with the aim of reaching an oil reserve volume threshold to justify an export pipeline.

Facai-1 is located 110 kilometres (63 miles) north of the West Fachi-1 exploration well that was drilled by CNPCIT/TG World in 2007. Security issues prevented field operations from that time until mid-2010 when work began in preparation for drilling Facai-1.

The well is being drilled to an estimated 4,300 metres (14,100 feet) to test Cretaceous sandstones in an anticlinal trap.

Philippine Offshore

TG World holds a 12.5% equity interest in Service Contract 54A ("SC 54A") in the Philippines. SC 54A is situated offshore west of the Palawan islands. TG World and partners in SC 54A operate under a farmout agreement. Under the terms of the farmout agreement, TG World will receive 85% of its share of future revenue generated from crude oil production until it has paid US\$2,689,844 to two of its partners. Subsequent to funding this amount from oil production it will retain 100% of its share of revenue generation.

In July 2011 the Philippine Department of Energy approved an application by the joint venture partners for a twelve month extension to Sub-Phase 6 of SC 54. This extension will allow the SC 54A joint venture partners additional time to fully integrate the results of the 3D reprocessing project being undertaken over the greater Nido 1x1, Yakal, Tindalo and North Nido pinnacle reef trend into the subsurface understanding of the block. Integration of this work will provide the basis for developing and implementing the forward strategy for the block over the coming months including high-grading potential drilling targets to meet the well commitment in the succeeding sub-phase, Sub-Phase 7, should the SC 54A joint venture decide to enter into this sub-phase.



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DRILLING COMPANY

TVI's drilling operations are owned and operated by Exploration Drilling Corporation ("EDCO"), a wholly-owned subsidiary located in the Philippines. EDCO currently has a fleet of fifteen drill rigs. At present, there are five rigs actively drilling for the Company, six more that are operational and available for deployment, two rigs in various stages of repair and/or refurbishment and two rigs that will be deployed or sold and replaced with new rigs as required.

QUARTERLY FINANCIAL INFORMATION

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

	Net Revenue	Net Income (Loss)	Net Income (Loss) per Share ⁽¹⁾	
			Basic	Diluted
June 30, 2011	\$ 21,272	\$ (2,068)	\$ (0.003)	\$ (0.003)
March 31, 2011	10,789	268	0.000	0.000
December 31, 2010	18,457	1,607	0.001	0.001
September 30, 2010	15,661	3,014	0.013	0.011
June 30, 2010	16,445	(1,268)	(0.002)	(0.002)
March 31, 2010	26,170	7,927	0.009	0.008
December 31, 2009	22,917	9,739	0.011	0.010
September 30, 2009	25,675	9,917	0.011	0.010

(1) Net of non-controlling interests. Please see the "Non-controlling interests" section below.

Revenue

During the first half of 2009, the Company completed its first three shipments with a portion of the fourth shipment of copper concentrates from its Canatuan Sulphide Project shipments. Higher revenues were realized in Q3, 2009, representing the remainder of the fourth shipment plus the fifth to seventh shipments of copper concentrates. Revenue in Q4, 2009 was slightly lower since it consists of only three shipments as compared to the previous quarter.

In Q1, 2010, three shipments were completed for a total of 15,514 dry metric tonnes at an average copper price of US\$3.28/lb for total gross revenue of US\$26.64 million. These were followed by two additional shipments in Q2, 2010, for 10,533 dry metric tonnes at an average copper price of US\$3.22/lb for total gross revenue of US\$16.26 million. Two shipments were also completed in Q3, 2010, for a total of 10,528 dry metric tonnes at an average copper price of US\$3.30 for total gross revenue of US\$16.40 million (after final assay and price adjustment), which is relatively comparable with the previous quarter.

The two shipments in the last quarter of 2010 also approximate that of the previous quarter but with a higher average copper price of US\$3.89 resulting in a gross revenue of US\$18.79 which is 15% higher compared to the previous quarter.

In Q1, 2011, the Company was able to complete one shipment for a total of 4,997 dry metric tons at an average copper price of US\$4.38 resulting in gross revenue of US\$11.16 million based on final concentrate weight, assays and market prices. The second shipment for the first quarter was delayed due to late arrival of the vessel, though a partial advanced payment of US\$8.5 million was received also in the first quarter. As a result, Q1, 2011 gross revenue was 39% less than that recognized in Q4 2010, with the volumes shipped being 51% less, but offset by a 13% increase in unit price for copper quarter-over-quarter.

In Q2, 2011, two shipments were completed for a total of 10,289 dry metric tons equivalent to US\$25.05 million revenue at an average copper price of US\$4.19. Although every attempt was made by the Company's metal off-take partner to complete a third shipment for the quarter, a vessel was not available to accommodate a late June 2011 shipment of copper concentrate, causing an approximate US\$11.0 million in additional revenue that was to be realized in Q2, 2011 to be deferred into Q3. However, US\$5.8 million was received in June 2011 as an advanced payment for this shipment. Q2, 2011 gross revenue



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was 112% greater than that recognized in Q1, 2011, with the volumes shipped being 106% higher, slightly offset by a 4% decrease in unit price for copper quarter-over-quarter.

Net Income (Loss)

The Company declared commercial operations on the Canatuan Sulphide Project on March 1, 2009, and completed its first shipment in the same month. The Company has continued to improve its operating throughput and concentrate production from Q1, 2009 until Q2, 2010, when the Zinc Circuit began initial commissioning.

The average throughput in Q1 and Q3, 2010, were higher due to the higher plant availability achieved and the continuous process optimization program of the Company. Recoveries for all the metals were also higher during these quarters. The combined effects of the improved throughput and recoveries led to higher copper pound equivalent metals produced during these quarters.

During Q2, 2010 and Q4, 2010, plant availability decreased since scheduled shutdowns relating to the Zinc Circuit commissioning were implemented.

In Q1, 2011, plant availability continued to be affected by the interruptions during the full commissioning of the Zinc Circuit. The delayed 21st shipment in the first quarter also caused a decrease in plant throughput due to limited warehouse availability.

During Q2, 2011, the commissioning of the Zinc Circuit ended and the Company announced zinc production start-up, increasing plant availability during the quarter. Average throughput for the quarter increased from 1,864 to 2,450 dry metric tonnes per day, which, combined with a higher ore grade and slightly higher recovery, led to a 41% increase in copper pound equivalent ("Cu lb eq") metals produced quarter over quarter (from 4.5 million Cu lb eq in Q1, 2011 to 6.3 million in Q2, 2011).

With its continuous improvement programs, and with the commencement of the production of zinc concentrate, TVI will continue to optimize its throughput in an effort to offset expected declining feed grades.

	Average copper price received (US\$/lb)	Production cash cost ⁽¹⁾ (US\$/Cu lb eq)	Total cost ⁽²⁾ (US\$/Cu lb eq)
Q2 2011	4.19	1.65	3.13
Q1 2011	4.38	2.01	2.91
Q4 2010	3.89	1.57	2.67
Q3 2010	3.30	1.02	1.81
Q2 2010	3.22	1.13	2.09
Q1 2010	3.28	0.56	1.23

(1) Excludes selling expenses and amortization expenses. Production cash cost per copper pound equivalent is a non-IFRS measure. Please see definitions in the "Non-IFRS Measures" section.

(2) Includes selling expenses and amortization expenses. Total cost per copper pound equivalent is a non-IFRS measure. Please see definitions in the "Non-IFRS Measures" section.

In June 2010, the Company completed the repayment of the US\$30.1 million five-year term loan facility agreement entered into on January 20, 2009. Net income for Q2, 2010 was lower as a result of one-time prepayment charges and related interest expense in order to retire the term facility in full.

The increase in the net income in Q3, 2010, resulted from the reduction of \$5.2 million in one-time finance charges, mainly relating to the early pay-out of the Term Facility, partially offset by modestly lower revenue due to lower metals shipped during the quarter.

During the last quarter of 2010, net income decreased by \$1.4 million as compared to Q3, 2010. This was because the higher revenue in Q4, 2010 was offset by an increase in exploration costs, and increase unit production cost. The higher production cost was due to higher consumption of materials and other costs required to produce acceptable copper concentrates from the ore feed with increasing zinc content.



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In Q1, 2011, the Company posted net income of \$0.3 million which was lower compared to the \$1.6 million in Q4, 2010. The decrease resulted from lower metals shipped during the quarter and the late arrival of the cargo vessel.

Unit production cost also increased from \$1.57 in Q4, 2010 to \$2.01 in Q1, 2011 due to lower output and higher production costs. The Company produced 4.5 million Cu lb eq in Q1, 2011 against 5.2 million Cu lb eq in Q4, 2010 due to lower throughput and lower metal recovery (from 83.91% to 78.18%). Higher production costs were due to higher consumption and costs of materials used in the copper-zinc separation process required to produce acceptable copper concentrates from the ore feed with increasing zinc content.

In Q2, 2011, the Company had a net loss of \$2.1 million as compared to the \$0.3 million net income during the first quarter. Net revenue was higher since there were two shipments during the quarter as compared to only one shipment in Q1, 2011. Although every attempt was made by the Company's metal off-take partner to complete a third shipment for the quarter, a vessel was not available to accommodate a late June 2011 shipment of copper concentrate. If the third shipment during the quarter had been completed prior to June 30, 2011, the gross revenue of the Company would have increased by approximately US\$11.0 million (CDN\$10.7 million) and the net income would have increased by approximately US\$2.5 million (CDN\$2.5 million).

Average copper price received in Q2, 2011 was US\$4.19 compared to US\$4.38 during Q1, 2011. In addition, the treatment, refining and penalties from the buyer deducted from gross revenue increased from 4.7% of gross revenue in Q1, 2011 to 11.9% in Q2, 2011. Freight and other loading costs also increased from 7.7% of gross revenue in Q1, 2011 to 11.7% in Q2, 2011. This caused the total cost per unit to increase from US\$2.91 in Q1, 2011 to US\$3.13 in Q2, 2011. The increased charges were due to revised treatment and refining rates and freight charges as negotiated and agreed with the metal off-take partner, taking into consideration the quality of the concentrates and the change in the destination of the copper concentrates shipments.

Mining, milling and other expenses was also higher in Q2, 2011 due to the realization of higher costs of inventories sold during the quarter which had been produced in Q1, 2011. The unit production costs in Q1, 2011 were higher due to an increase in consumption of chemicals to produce saleable copper concentrates. However, unit production costs improved quarter over quarter (from US\$2.01 in Q1, 2011 to US\$1.65 in Q2, 2011) as the process stabilized and fixed operational costs were allocated over the larger throughput volumes.

Non-controlling interests

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries TVI Limited, TVI International Marketing Limited ("TVI Marketing"), TG World, EDCO and TVI Mineral Processing Inc., including its interest in TVIRD and nineteen inactive Philippine subsidiaries, that are accounted for as subsidiaries, as it has the power to govern the financial and operating policies of the subsidiaries and obtain benefits from their activities. Of the issued and outstanding shares of each of the inactive nineteen Philippine subsidiaries, 40% are owned by TVI Marketing and 60% are owned by TVIRD. TVIRD shares are owned 40% by TVI Marketing with the remaining 60% owned by Philippine residents or companies. Non-controlling interests in less than wholly-owned subsidiaries of the Company comprise the interest held by the Philippine residents or companies and is presented separately in the consolidated statement of comprehensive income and consolidated statement of financial position, separately from the Company's equity. Losses applicable to the non-controlling interest are allocated against the non-controlling interest even if that results in a deficit balance.

In July 2010, the Securities and Exchange Commission of the Philippines approved the application of TVIRD to restructure its share of stock from one class to two classes of common shares – Class A and Class B. The restructuring retained the percentage of ownership and voting interests and did not affect the factors requiring the consolidation of the entity. The Class A shares, held by the Philippine residents



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or companies, are entitled to a cumulative preferred dividend equal to 20% of their investment per annum and retain their ownership and voting rights.

As a result of this restructuring, the undistributed share of the non-controlling interests in the net income of TVIRD amounted to \$101,881 during the six months ended June 30, 2011. Class B shares, largely owned by TVI Marketing, which in turn is indirectly wholly owned by TVI Pacific Inc., are entitled to any remaining profits after allocating the share of non-controlling interests.

CONSOLIDATED RESULTS OF OPERATIONS

During the six months ended June 30, 2011, TVI had a consolidated net loss of \$1.8 million compared to a net income of \$6.7 million during the same period in 2010. During the six months ended June 30, 2011, the mining segment produced net income of \$0.8 million. Adding back the non-cash amortization and accretion expense of \$6.2 million, the mining segment produced net income before amortization and accretion expense of \$7.0 million.

During the six months ended June 30, 2011, the Canatuan mine generated net revenues of \$32.1 million from the Canatuan Sulphide Project consisting of three completed shipments of copper concentrates which was lower as compared to the \$42.6 million during the same period in 2010 representing five completed shipments. A third shipment that had been planned for June was delayed by late arrival of the cargo vessel and had been expected to contribute an approximate additional net revenue in the period of \$8.9 million; partial advance payment was received for this shipment in the same month and the shipment completed subsequent to the period. Average copper price of US\$4.24 during the six months ended June 30, 2011 was higher compared to the US\$3.26 during the same period in 2010. However, the treatment, refining and other charges deducted from gross revenue increased to 9.6% of the gross revenue for the period, from 4.6% during the same period last year. The increased charges were based on the revised treatment and refining rates and freight charges as negotiated and agreed with the metal off-take partner, taking into consideration the quality of the concentrates and the change in the destination of the copper concentrates. The copper concentrates shipped were also lower during the six months ended June 30, 2011, totalling 15,286 dry metric tonnes as compared to the 26,047 dry metric tonnes delivered during the same period last year. Copper concentrates are sold to TVI's metal off-take partner, with whom the Company has an off-take agreement covering all copper and zinc concentrate production of the existing Canatuan mine. Net revenues are based upon gross revenues net of treatment, refining and penalties from the buyer.

Mining, milling and other expenses for the six months ended June 30, 2011, were \$18.6 million. These expenses were higher compared to the \$13.6 million incurred during the same period in 2010. These expenses during the period represent 58% of the revenue which was higher compared to 32% in 2010. This was mainly due to higher unit production cost, as a combined effect of higher total costs and lower production over which costs may be allocated. Total production in the six months ended June 30, 2011 was 10.72 million Cu lb eq compared to 13.88 million Cu lb eq during the same period in 2010 mainly caused by lower ore copper grade (1.2% this period compared to 1.5% for the same period in 2010) and metal recovery (74.71% as compared to 85.51% for the same period in 2010). Although throughput was almost the same for both periods, the total production cost during the six months ended June 30, 2011 was higher due to consumption of chemicals to process the high-zinc ore to produce acceptable copper concentrates. These expenses do not include treatment, refining and penalties from the buyer as these costs are netted against revenues.

During the six months ended June 30, 2011, exploration expenses were \$4.0 million which is higher compared with the \$2.5 million during the same period in 2010. A more extensive exploration program commenced in the latter part of 2010 and is expected to continue through the second half of 2011, particularly at the Balabag project highlighted in the above "Exploration" section.



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General and administrative costs amounted to \$4.5 million and \$4.0 million for the six months ended June 30, 2011 and 2010, respectively. The increase includes higher corporate expenses that include salaries, third party service fees, and expenses for potential projects.

Amortization and accretion expense for the amortization of the sulphide plant was approximately \$6.2 million during the period, slightly higher than the \$5.9 million recognized during the same period in 2010 as a result of the increase in amortization due to additional capital expenditures from the previous periods.

During the period ended June 30, 2011, the Company recognized approximately \$0.8 million in interest expense, which is significantly lower than the \$9.0 million incurred during the same period in 2010. This was due to final repayment of the term loan facility during Q2, 2010.

CONSOLIDATED FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Position

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Operating cash flow	\$ 1,853,051	\$ 7,178,632	\$ 7,714,591	\$ 23,596,582
Change in working capital	349,167	(603,603)	(2,757,586)	(717,397)
Operating cash flow before change in working capital	2,202,218	6,575,029	4,957,005	22,879,185
Expenditures on property and equipment and deferred costs	(1,680,225)	(3,149,632)	(2,370,086)	(5,520,080)
Expenditures on petroleum and natural gas properties	(3,242,653)	-	(4,585,625)	-
Free cash flow	\$ (2,720,660)	\$ 3,425,397	\$ (1,998,706)	\$ 17,359,105
Common shares outstanding	622,087,039	487,502,859	622,087,039	487,502,859
Free cash flow per share	\$ (0.004)	\$ 0.007	\$ (0.003)	\$ 0.036

(1) Free cash flow is a non-IFRS measure. Please see definitions in the "Non-IFRS Measures" section.

The decrease in free cash flow for the period ended June 30, 2011, was attributable to the fewer number of shipments and related lower revenue from the copper concentrate shipments compared to the same period in 2010.

At June 30, 2011, the Company held \$15.3 million in cash that it can reinvest into further growth in the Company as compared to \$6.2 million at the end of the same period in 2010. Out of the cash balance at June 30, 2011, US\$5.8 million was received as advanced payment of the 23rd shipment.

Letter of Credit Facilities

The Company has letter of credit facilities with the Bank of the Philippine Islands which accrue interest of 4.00% to 4.75% per annum and are payable over four equal monthly instalments starting 90 days from the withdrawal dates. The funds are used in the normal course of business operations. The total amount payable to the bank at June 30, 2011 was \$289,507 (December 31, 2010 - \$922,491).

Short Term Debt Facilities

The Company acquired short-term loans from a major Philippine bank. These loans are secured by the metal off-take agreement related to the sale of copper concentrates. As at June 30, 2011, the total principal and interest outstanding were US\$10,817,570 (CDN\$10,495,214).



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Loan Date	Principal loan outstanding (US\$)	Interest Rate	Term	Security
April 20, 2011	750,000	2.00%	1 year (four equal quarterly payments)	Off-take agreement
June 30, 2011	2,000,000	2.00%	180 days	Off-take agreement
April 13, 2011	3,300,000	2.00%	180 days	Off-take agreement
May 25, 2011	2,200,000	2.00%	180 days	Off-take agreement
December 29, 2010	750,000	2.07%	1 year (four equal quarterly payments)	Off-take agreement
January 27, 2011	562,500	2.00%	1 year (four equal quarterly payments)	Off-take agreement
June 30, 2011	1,250,000	2.00%	180 days	Off-take agreement

Term Loans

In January 2011, the Company acquired two loans from another major Philippine bank for the amount of US\$5 million each. Each of the loans bears interest rate of 1.80% and is payable in eight equal quarterly installments of USD\$625,000 (CDN\$602,688). At June 30, 2011, the total principal and interest outstanding was US\$8,778,525 (\$8,516,931).

As at June 30, 2011, TG World has two loan facilities outstanding totaling US\$6,720,957, an 18% per annum facility with a balance outstanding of US\$470,957 and a 16% per annum facility with a balance outstanding of US\$6,250,000. Both facilities are due on June 30, 2012, secured by the assets of TG World and are repayable at any time under certain conditions. At June 30, 2011, the total outstanding principal plus interest of the two loan facilities each amounted CDN\$496,614 and CDN\$6,685,216.

Capital Requirements

The majority of fixed assets have remaining useful lives equivalent to the life of the Sulphide Project. Over time, the Company expects to incur annual maintenance capital expenditures in an amount that approximates our amortization of this equipment for each period adjusted for inflation.

For 2011, the Company's combined capital expenditure program for its mining and petroleum and natural gas properties has been tightly controlled and is expected to range between \$15 million and \$17 million. The Company expects the capital expenditure program to be funded by cash provided through operating activities.

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, TVIRD filed a notice of claim against the Lafayette Group for unpaid NSR.

On September 17, 2009, the Pasig City Regional Trial Court approved the final rehabilitation plan of the Lafayette Group, which recognizes the royalty claims of TVIRD beginning in 2012; however, the plan does not recognize TVIRD's royalty claims prior to 2012. The Company has filed an appeal to have royalty claims prior to 2012 recognized and expects a decision from the Court of Appeals.

On February 16, 2011, the Court of Appeals requested the parties to mediate in an effort to come up with an extra-judicial settlement on the issues, but Rapu Rapu and its creditors refused to mediate and decided to wait for the decision of the Court of Appeals.



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On May 20, 2011, the Regional Trial Court granted the motion filed by the Lafayette Group for early payment of debts, but denied the motion for early exit from the approved rehabilitation plan. The Regional Trial Court also granted the motion of the Lafayette Group to transfer some of their properties to named persons but denied the motion for the inclusion of additional creditors in the rehabilitation.

RISK FACTORS

There are certain risks involved in the Company's operations, some of which are beyond its control. Additional risks and uncertainties not presently known, or not expressed or implied below, or that are presently deemed immaterial, could also have impact to the Company's business, financial condition and operating results.

Statements made in this MD&A regarding risk factors are based upon the opinions 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 risk factors below 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.

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.

(a) 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 and settles loan 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.

The Company minimizes risks by carefully planning the timing of settlement of foreign currency denominated balances and closely monitoring changes in foreign exchange rates.

(b) 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.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 facilities have fixed interest terms, regardless of changes in market conditions. The Company reviews its exposure to interest rate risk through regular monitoring of actual interests with market interest rates.

(d) 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,



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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. The Company expects to be able to meet its future financial obligations with its current source of funds.

As at June 30, 2011, the Company has \$3.1 million working capital deficit (December 31, 2010 - \$6.4 million working capital surplus) mainly due to the reclassification of TG World's term facilities from non-current to current liabilities based on the maturity date of the loans.

(e) Credit risk

Credit risk arises from the potential that counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, term deposit, restricted cash and accounts receivable. The Company manages credit risk associated with cash by maintaining its cash and investments in accounts with highly reputable banks, which were approved by the Board of Directors.

The receivable from concentrate sales are concentrated on one customer and any material failure of the customer to fulfill its obligation under the off-take agreement would significantly impair the ability of the Company to meet its existing and future obligations. Such receivable is on the terms operating in the commodity industry, which usually require settlement not exceeding three months of the shipment date. The customer has no history of default and the Company did not provide allowance for impairment as these receivables are considered collectible.

The carrying amounts of cash and accounts receivable at June 30, 2011 and December 31, 2010 represent the Company's maximum credit exposure.

The Company only deals with its related parties who have appropriate credit history and sufficient security to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparts.

Open pit mining ban

The Environment Committee of the Provincial Board (equivalent to Legislature) of the Province of Zamboanga del Norte has proposed for consideration by the Board, an Ordinance to Protect and Conserve the Integrity of the Land and Water Resources in the Province. The Ordinance proposes a number of measures to improve environmental management in the province, but, while it expressly permits small-scale mining, it proposes a ban on open pit mining

A first hearing was held on the proposed Ordinance in October, 2010, and subsequent hearings to which the Company was invited were held in January and March, 2011, during and after which the company and other affected parties provided Position Papers to the Board.

As of this date, there have been no further hearings or statements from the Board.

The Secretary of the DENR has advised the mining industry that the National Government will be prepared to seek declaratory relief from the Supreme Court in the event that such Ordinances are not properly amended to be consistent with the Mining Act (which permits and regulates open pit mining).

In addition, in the event that the Ordinance were to be passed without amendment of this clause, TVIRD's Canatuan investment would not be affected because of the principle of non-retroactivity of laws; the Company believes there is ample jurisprudence to provide comfort on this point.

Other Risk Factors

There are several risk factors for TVI and TVIRD that are currently under consideration by the Philippine Government as part of an ongoing review of the existing fiscal regime. They include but are not limited to:

- The possible imposition of Mineral Reservation status on all current and future operating mines, which status would result in the imposition of a royalty of 5%. However, the Chamber of Mines of the Philippines has been officially advised by the Office of the President that the draft order



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containing this and other proposals has been tabled with the Secretary of the DENR for further review.

- A draft Bill has been presented for discussion in the Philippines Senate that would raise the Excise Tax on mineral production from 2% to 7%. The bill has also been passed to the Secretary of the DENR for further review.
- A continuing moratorium on new mining applications, imposed earlier in 2011 while the government was reviewing existing applications with the stated objective of denying all inactive applications of long duration. The government has advised that the review period has been completed with the exception of those tenement denials that have been appealed or are in process. TVI is currently in the process of seeking agreements with respective parties in three of its Zamboanga tenements. A risk exists that the agreements cannot be reached by the deadline period.
- In view of the Philippine government's move to rationalize (granting of) fiscal incentives, it is possible that the new projects of the Company may no longer be entitled to income tax holidays.

OUTLOOK

Greater Canatuan Tenement Area ("GCTA")

The process for the approval of APSA 23, authorizing exploration and drilling on the Malusok and SE Malusok prospects, near the Canatuan mill site, is at an advanced stage. The Certificate of Precondition marking FPIC has been approved by the NCIP subject to the completion of certain administrative requirements, and the documents are being finalized within the Mines and Geosciences Bureau for presentation to the Secretary of the Department of Environment and Natural Resources for review and subsequent signature. For the other near-mine tenement application relevant for the Malusok and SE Malusok prospects, APSA 39, the Memorandum of Agreement with the indigenous community has been signed and has been presented to the NCIP for processing, leading to a Certificate of Precondition.

The Exploration Permit for EXPA 61 (partner DMCI-CERI) is currently being processed by the government to authorize exploration and drilling on the anomalies and prospects identified to date.

TVI is also working on perfecting other near-mine tenement applications in order to follow-up on additional anomalies identified by the airborne data.

Balabag

To June 30, 2011, TVI has now completed a total 108 drill holes for 14,703 metres (48,239 feet). This expanded drilling program, which was focused on both in-fill and step-out drilling in the down dip mineralized zones, has been successful in its objective of better defining the Balabag mineralization.

Based on assay results from the drill program, TVI intends to release an updated, independent NI 43-101 report that will incorporate all drill results to June 30, 2011, and possibly include assays from holes drilled after this date. The NI 43-101 will be released in conjunction with an internal feasibility study that is currently being optimized

North Zamboanga Tenement Area – Tamarok

On April 11, 2011, TVI started a drill program to test an outcropping zone of porphyry copper-gold mineralization. Results from the initial four holes completed revealed substantial faulting and dismemberment of the porphyry style mineralization and it was decided to temporarily suspend further



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drilling until additional detailed geochemical, geological mapping and ground magnetometry surveys were undertaken to better define the structural setting in this zone.

New zones of porphyry style mineralization have since been discovered in outcrop and are undergoing systematic study prior to recommencement of drill testing.

Petroleum and Natural Gas Properties

TG World is presently in discussions with its joint venture partners regarding future activity in Alaska, the Philippines and Niger.

In Alaska, TG World is assessing the results of its recently completed North Tarn drilling program where 6.1–7.6 metres (20-25 feet) of Kuparuk target sand thickness is estimated based on cutting samples. Net pay in the North Tarn well is unknown because of the lack of well logs and test data. The Alaska partners are planning further activity during the 2011/12 winter drilling season.

In Niger, Chinese National Petroleum Company International Ténéré Ltd. ("CNPCIT") commenced drilling the Facai-1 exploration well in June 2011. The well is being drilled to an estimated 4,300 metres (14,100 feet) to test Cretaceous sandstones in an anticlinal trap. CNPCIT is the operator and funds 100% of TG World's 20% share of costs for the Minimum Work Program.

In the Philippines, the joint venture partners have been granted an extension period to fully integrate the results of the 3D reprocessing project being undertaken over the SC 54A block. Integration of this work will provide the basis for developing and implementing the forward strategy for the block over the coming months including high-grading potential drilling targets to meet the well commitment in the succeeding sub-phase, Sub-Phase 7, should the SC 54A joint venture decide to enter into this sub-phase.

NON-IFRS MEASURES

Funds from operations is a measure that is not in accordance with IFRS. It represents cash generated from operating activities before changes in 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.

Free cash flow from operations is a measure that is not in accordance with IFRS. It represents cash generated from operating activities before changes in working capital, less cash expenditures on property and equipment and cash expenditures on petroleum and natural gas properties. Free cash flow should not be considered an alternative to, or more meaningful than, cash flow from operating activities. Management believes that free cash flow is a useful measure that represents cash available for reinvestment or growth after considering all the expenditures necessary to maintain the Company's asset base.

Net income before amortization and accretion expense is a measure that is not in accordance with IFRS. It 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.

Total cost, production cash cost, total cash cost, and total cash cost net of by-products are measures that are not in accordance with IFRS. These represent the cash cost to produce a Cu lb eq of copper concentrates. These measures should not be considered alternatives to, or more meaningful than the mining, milling and other expenses income statement line item. Management believes that production cash cost, total cash cost, and total cash cost net of by-products are useful supplemental measures to



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monitor operating costs and cash profitability. These measures may not be comparable to similar measures used by other companies.

The following table shows a reconciliation of the calculation of total cost, production cash cost, total cash cost and total cash cost net of by-products:

	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Year to date June 30, 2011
Copper pound equivalent	4,448,021	6,270,759	10,718,780
Average quarterly rate (CDN\$/US\$)	0.99	1.04	1.03
Mining, milling and other expenses	3,831,292	14,725,691	18,556,983
Adjustment for change in inventory	5,284,081	(2,281,961)	3,002,120
Indirect administrative costs	511,371	454,578	965,949
Selling expenses	(880,358)	(2,814,644)	(3,695,002)
Drilling expenses	63,480	(63,480)	-
Production cash cost	8,809,866	10,020,184	18,830,050
Treatment, refining and other charges	528,569	2,869,147	3,397,716
Selling expenses	880,358	2,814,644	3,695,002
Amortization expenses	2,565,268	3,221,354	5,786,622
Total cost	12,784,061	18,925,329	31,709,390
Amortization expenses	(2,565,268)	(3,221,354)	(5,786,622)
Total cash cost	10,218,793	15,703,975	25,922,768
Gross revenue - gold	(841,743)	(1,654,761)	(2,496,504)
Gross revenue - silver	(2,574,793)	(3,738,821)	(6,313,614)
Total cash cost net of by-products	6,802,257	10,310,393	17,112,650
(US\$/lb):			
Production cash cost	2.01	1.65	1.80
Total cost	2.91	3.13	3.03
Total cash cost	2.33	2.59	2.48
Total cash cost, net of by-products	1.55	1.70	1.64

The following are the commodity prices used in the calculation of the copper pound equivalent:

	Q1 2011 Average	3/31/11 Closing	Q2 2011 Average	6/30/11 Closing	6/30/11 Year-to-date Average
Copper (US\$/lb)	4.38	4.26	4.19	4.22	4.24
Gold (US\$/oz)	1,336.65	1,435.00	1,541.06	1,506.75	1,471.29
Silver (US\$/oz)	28.31	37.87	43.73	35.02	37.57

COMPARATIVE AMOUNTS

The Company has adjusted all prior period figures in accordance with IFRS. 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'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED
JUNE 30, 2011 AND 2010**

- The recorded amortization expense is based on the estimated useful lives of long-lived assets. The estimate that most significantly affects the measurement of amortization is quantities of measured and probable mineral reserves, which is used in the computation of amortization expense based on the unit-of-production method. The estimation of quantities of mineral reserves is complex, requiring significant subjective assumptions that arise from the evaluation of geological, geophysical, engineering and economic data for a given orebody. This data could change over time as a result of numerous factors, including new information gained from development activities, evolving production history and a reassessment of the viability of production under different economic conditions.
- The carrying values of property and equipment and mining assets are assessed for impairment when events or changes in circumstances indicate, in management's judgement that the carrying value of such assets may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Company considers factors such as significant decline in market value, significant changes in market, economic or legal environment, evidence of obsolescence or physical damage, significant changes in the manner the assets are used, among others. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Value in use requires entities to make estimates of future cash flows to be derived from the particular asset and to discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset.
- 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, forfeiture rate, expected life and risk-free interest rates in using the model to assess the fair value of stock options.
- Asset retirement obligations arise from the acquisition, development, construction and normal operation of mining property and equipment due to government controls and regulations that protect the environment and public safety on the closure and reclamation of mining properties. Management must estimate the timing and expected cash flows when retirement obligations are incurred, which are updated to reflect changes in facts and circumstances.
- The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include among others, discount rates, expected returns on plan assets and salary increase rates. Any changes in these assumptions will impact the carrying amount of pension obligations.
- The carrying values of petroleum and natural gas 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 future revenues and 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 Alaska wells.
- The State of Alaska process for remitting PPTC makes the timing of receipt and estimating the fair value less certain.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED
JUNE 30, 2011 AND 2010**

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.

During the three and six months ended June 30, 2011, Seajay Management Enterprises Ltd. ("Seajay") charged the Company \$178,210 and \$290,972, respectively (June 30, 2010 - \$111,636 and \$252,818) for management fees for services of the President and support staff. As at June 30, 2011, the amount payable to Seajay was \$92,238.

During the three and six months ended June 30, 2011, the Company paid or accrued \$65,787 and \$123,013 (June 30, 2010 - \$46,072 and \$97,872) respectively, to corporations controlled by a director and president of TVIRD for administrative expenses. The Company owed the corporations \$5,864 at June 30, 2011.

CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

In January 2010, the Company established a partnership and strategic alliance with DMCI. In February 2010, the Partners signed a JVA to conduct exploration, development and production of mineral deposits within EXPA 61 in the GCTA. EXPA 61 is within a 15 kilometre radius trucking distance of the current Canatuan sulphide plant. Under the JVA, TVIRD holds a 70% interest and acts as the operator, while the remaining 30% interest is held by DMCI. The Partners will fund an exploration program for a period of two years amounting to a maximum of US\$2 million, to be shared in accordance with their interests in the joint venture.

As a part of the negotiations leading to the Joint Venture Agreement on the Alaska properties, TG World agreed to pay a third party a 2% overriding royalty interest share of TG World's interest in hydrocarbons from the initially awarded oil and gas leases on the Alaska North Slope. In addition, the third party will receive a 1.25% overriding royalty of TG World's interest in hydrocarbons from leases acquired by the joint venture in the area of mutual interest, subsequent to the initially awarded leases on the Alaska North Slope. The third party has filed a claim against TG World alleging entitlement to 2.5% gross overriding ownership interest of TG World's interest in all leases on the Alaska North Slope. Legal proceedings are at an early stage and it is premature to make any conclusions respecting the final outcome.

TG World holds a 20% interest in the CNPCIT operated Ténéré Permit, and CNPCIT is currently committed to carry TG World's cost of the Minimum Work Program for the current term. However, the Ténéré Establishment Agreement (EA) provides options for two additional three year terms that would include additional seismic and exploratory well commitments for which the Company would pay its share. The current term of the existing Ténéré EA has been extended by the Niger Government due to the security conditions and force majeure that prevailed in the region.

The Company rents its office premises on a five-year term lease. Total rent payments amount to \$105,834 for the period 2011 to 2015, net of short-term sub-leasing arrangements.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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 effectiveness of the Company's ICOFR as at June 30, 2011, and has concluded that the Company's ICOFR were designed and operating effectively as at June 30, 2011, with no material weaknesses related to operations existing as at June 30, 2011.

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.

ADDITIONAL INFORMATION

The Company's outstanding common shares as at August 12, 2011 were unchanged from the 622,087,039 recorded also at June 30, 2011. The basic weighted average number of common shares issued and outstanding for the three and six months ended June 30, 2011 were 621,635,757 and 597,988,149 (June 30, 2010 - 485,904,733 and 482,444,680). The diluted weighted average number of common shares issued and outstanding for the six months ended June 30, 2010 was 567,350,468. No adjustments were required to the weighted average number of common shares in computing diluted per share amounts for the three months ended June 30, 2010 and the three and six months ended June 30, 2011 because the Company was in a loss position.

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. 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 general economic conditions in Canada, the United States, Niger, Alaska, the Philippines and elsewhere; volatility of prices for precious metals, base metals, oil and gas; commodity supply and demand; fluctuations in currency and interest rates; inherent risks associated with the exploration and development of mining properties; inherent risks associated with the exploration of oil and gas properties (including mechanical problems); ultimate recoverability of reserves; production, timing, results and costs of exploration and development activities; political or civil unrest; availability of equipment and personnel; 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 statements regarding the remaining mine life of the Canatuan deposit are based on the current mineral reserve and resource estimates, previous mineral reserve and resource estimates, current mining and processing activities, prior experiences of management with mining and processing activities, the estimated copper and zinc mineralization of the sulphide zone, the current development and operating plan, and the Company's current budget and overall strategy for Canatuan (which are all subject to change). Forward-looking statements regarding



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED
JUNE 30, 2011 AND 2010**

the expansion of zinc circuit capacity and its impact on production are based on management's experience with past construction projects, advice received from third parties, the current development and operating plan, and the Company's current budget and overall strategy for Canatuan (which are all subject to change). Forward-looking statements respecting the copper and zinc concentrate shipping schedules are based on the Company's previous experience with concentrate shipments, current mining and processing activities, current mineral reserve and resource estimates, discussions carried out to date with MRI, and the Company's current budget and overall strategy for Canatuan (which are all subject to change). Forward-looking statements regarding the nature and timing of exploration in the GCTA (including EXPA 61), Bonbon, Tamarok and the Company's other tenements in the Philippines are based upon current and previous exploration activities, management's experiences with other exploration programs undertaken in the Philippines and elsewhere, and the Company's overall plans, budget and strategy (which are all subject to change). In certain cases, the timing of exploration activities in the Philippines is dependent upon the receipt of FPIC from indigenous communities and regulatory approvals from the government of the Philippines. Forward-looking statements regarding the timing for approval of APSA 23 and APSA 39 are based on management's previous experience the permit application process in the Philippines, discussions held to date with third parties and the Company's and the Company's current budget and overall strategy (which are all subject to change). Forward-looking statements regarding expectations that the Company will be able to find additional ore in the GCTA (including EXPA 61) and that this ore can be economically transported to the existing Canatuan mill are based upon current and previous exploration activities, management's experience with other exploration programs undertaken in the Philippines and elsewhere, management's experience with current and previous mining and processing activities at Canatuan, and the Company's overall plans, budget and strategy, which are all subject to change. Forward-looking statements regarding the timing of an updated NI 43-101 report, feasibility study and development decision for Balabag are based upon current and previous exploration activities, management's experiences with feasibility and construction programs undertaken in the Philippines and elsewhere, advice received from third-party advisors, and the Company's current budget and overall strategy for Balabag (which are all subject to change). Forward-looking statements respecting anticipated operations at North Tarn during the 2011/12 winter exploration season in Alaska (including the testing of the North Tarn well) are based upon information obtained during the drilling of the North Tarn #1 well, initial tests from the North Tarn #1, management's experience with previous exploration wells in Alaska well and the exploration plan developed by the Alaska joint venture participants (which are subject to change). Forward-looking statements respecting the Facai-1 exploration well are based on advice received from the operator, CNPCIT, management's experience with previous exploration wells in Niger and the current budget, exploration plans and overall strategy for the Ténéré Block (which are all subject to change). Activities in Niger are also subject to the security situation in various parts of the country, over which neither the operator nor the Company has any control. Forward-looking statements respecting the nature of future oil exploration activities in the Philippines are based on the discussions carried out to date with operator Nido Petroleum Limited, the current budget and plans of the joint venture partners and the current budget, exploration plans and overall strategy in the Philippines (which are all subject to change). Forward-looking statements regarding the Company's expected capital expenditures for 2011 and its ability to continue to generate revenue from its operations are based on current mining and processing activities at Canatuan, current throughput of the sulphide plant and planned expansions in throughput, anticipated recoveries, efficiency and effectiveness of the sulphide plant, management's prior experiences with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at Canatuan, current and previous exploration, and the Company's overall plans, budget and strategy (which are all subject to change).

The forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. Various risks to which the Company and its affiliates are exposed in the conduct of their business are described in detail in the Company's Annual Information Form for the year ended December 31, 2010, which was filed on SEDAR on March 30, 2011, and is available under the Company's profile at www.SEDAR.com. Subject to applicable securities laws, the Company does not undertake any obligation to publicly revise the forward-looking statements included in this MD&A to reflect subsequent events or circumstances, except as required by law.



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED
JUNE 30, 2011 AND 2010

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Share Listing:

Toronto Stock Exchange Symbol: TVI

Auditors:

PricewaterhouseCoopers LLP
3100, 111–5th Avenue SW
Calgary, Alberta, Canada T2P 5L3
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Interim Consolidated Financial Statements

**For the Six Months Ended
June 30, 2011 and 2010
(Unaudited)**

TVI Pacific Inc.
Unaudited Interim Consolidated Statement of Financial Position
June 30, 2011
(in Canadian dollars)



	June 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalent (note 6)	\$ 15,322,109	\$ 8,941,964
Accounts receivable (note 7)	5,836,282	6,016,942
Note receivable (note 8)	-	1,179,005
Advances to suppliers (note 9)	1,031,756	807,907
Inventories (note 10)	10,005,938	7,139,311
Prepaid expenses	906,759	652,005
Total current assets	33,102,844	24,737,134
Non-current assets		
Restricted cash (note 11)	1,444,975	1,260,660
Available-for-sale financial asset (note 12)	-	227,937
Investment in an associate (note 13)	-	1,482,500
Property and equipment (note 14)	16,082,384	20,066,519
Petroleum and natural gas properties (note 15)	21,793,261	-
Mining claims and deferred exploration costs (note 16)	3,953,903	3,949,658
Other assets	211,047	258,566
Total non-current assets	43,485,570	27,245,840
Total assets	\$ 76,588,414	\$ 51,982,974
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	\$ 12,853,987	\$ 5,963,010
Letter of credit facilities (note 18a)	289,507	922,491
Short-term loan facilities (note 18b)	10,495,214	10,499,759
Current portion of term facilities (note 18c and d)	12,060,508	-
Current portion of asset retirement obligation (note 19)	369,137	617,793
Due to related parties (note 20)	159,981	343,151
Total current liabilities	36,228,334	18,346,204
Non-current liabilities		
Term facilities (note 18c and d)	3,638,253	-
Pension obligation (note 21)	429,237	1,493,909
Asset retirement obligation (note 19)	2,779,749	2,546,588
Total non-current liabilities	6,847,239	4,040,497
Total liabilities	43,075,573	22,386,701
Equity attributable to shareholders of the Company		
Share capital (note 22b)	32,263,957	26,081,020
Warrants (note 22d)	487,034	487,034
Contributed surplus (note 22e)	5,423,997	5,114,161
Deficit	(4,070,388)	(2,168,859)
Accumulated other comprehensive loss	(1,512,660)	(736,103)
	32,591,940	28,777,253
Non-controlling interests (note 23)	920,901	819,020
Total equity	33,512,841	29,596,273
Total liabilities and equity	\$ 76,588,414	\$ 51,982,974

The accompanying notes are an integral part of these 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 Comprehensive Income (Loss)
June 30, 2011 and 2010
(in Canadian dollars)



	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Revenues				
Concentrate sales (note 25)	\$ 21,214,448	\$ 16,335,147	\$ 31,973,344	\$ 42,485,239
Other revenues	57,581	110,016	87,726	129,867
Total revenues	21,272,029	16,445,163	32,061,070	42,615,106
Expenses				
Mining, milling and other expenses	14,725,691	6,641,258	18,556,983	13,579,771
Exploration costs	2,061,617	775,300	3,986,953	2,462,518
Administrative and general costs	2,355,249	1,917,076	4,490,874	3,986,883
Amortization and accretion	3,474,642	2,722,568	6,183,125	5,866,360
Loss on sale of assets	-	23,586	-	23,586
Total expenses	22,617,199	12,079,788	33,217,935	25,919,118
Operating income (loss)	(1,345,170)	4,365,375	(1,156,865)	16,695,988
Other income (expense)				
Interest income	53,624	7,866	127,716	22,122
Interest expense, net of reversal	(553,825)	(302,338)	(788,428)	292,031
Loss on debt extinguishment	-	(4,879,412)	-	(9,284,074)
Foreign exchange gain (loss)	(82,187)	(459,756)	19,287	(1,067,241)
Other losses	(139,852)	-	(1,358)	-
Other expense, net	(722,240)	(5,633,640)	(642,783)	(10,037,162)
Net income (loss)	(2,067,410)	(1,268,265)	(1,799,648)	6,658,826
Other comprehensive loss				
Foreign currency translation adjustment	(202,143)	(195,834)	(776,557)	(172,689)
Comprehensive income (loss)	\$ (2,269,553)	\$ (1,464,099)	(2,576,205)	6,486,137
Net income (loss) attributable to:				
Shareholders of the Company	\$ (2,085,000)	\$ (962,456)	(1,901,529)	3,130,503
Non-controlling Interests	17,590	(305,809)	101,881	3,528,323
	\$ (2,067,410)	\$ (1,268,265)	(1,799,648)	6,658,826
Comprehensive income (loss) attributable to:				
Shareholders of the Company	\$ (2,287,143)	\$ (1,134,116)	(2,678,086)	2,991,268
Non-controlling Interests	17,590	(329,983)	101,881	3,494,869
	\$ (2,269,553)	\$ (1,464,099)	(2,576,205)	6,486,137
Net income (loss) per share attributable to shareholders of the Company				
Basic	\$ (0.003)	\$ (0.002)	(0.003)	0.006
Diluted	(0.003)	(0.002)	(0.003)	0.006
Weighted average number of common shares				
Basic (note 24)	621,635,757	485,904,733	597,988,149	482,444,680
Diluted (note 24)	621,635,757	485,904,733	597,988,149	567,350,468

The accompanying notes are an integral part of these interim consolidated financial statements.

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Changes to Equity
June 30, 2011 and 2010
(in Canadian dollars)



	Attributable to shareholders of the Company					Subtotal	Non-controlling interests (note 23)	Total Equity
	Share capital (Note 22b)	Warrants (Note 22d)	Contributed surplus (Note 22e)	Deficit	Other comprehensive loss			
January 1, 2011	\$ 26,081,020	\$ 487,034	\$ 5,114,161	\$ (2,168,859)	\$ (736,103)	\$ 28,777,253	\$ 819,020	\$ 29,596,273
Transactions with owners								
Shares and options issued on acquisition of subsidiary (note 4)	6,152,583	-	184,852	-	-	6,337,435	-	6,337,435
Share issue costs	(17,140)	-	-	-	-	(17,140)	-	(17,140)
Stock-based compensation	-	-	149,760	-	-	149,760	-	149,760
Options forfeited	-	-	(2,705)	-	-	(2,705)	-	(2,705)
Options exercised	47,494	-	(22,071)	-	-	25,423	-	25,423
Transactions with owners	6,182,937	-	309,836	-	-	6,492,773	-	6,492,773
Comprehensive income (loss)								
Net income (loss)	-	-	-	(1,901,529)	-	(1,901,529)	101,881	(1,799,648)
Other comprehensive loss								
Foreign currency translation adjustment	-	-	-	-	(776,557)	(776,557)	-	(776,557)
Total comprehensive income (loss)	-	-	-	(1,901,529)	(776,557)	(2,678,086)	101,881	(2,576,205)
June 30, 2011	\$ 32,263,957	\$ 487,034	\$ 5,423,997	\$ (4,070,388)	\$ (1,512,660)	\$ 32,591,940	\$ 920,901	\$ 33,512,841
January 1, 2010	\$ 22,004,269	\$ 2,403,496	\$ 4,676,813	\$ (17,687,123)	\$ (1,516,191)	\$ 9,881,264	\$ 5,655,328	\$ 15,536,592
Transactions with owners								
Shares issued in exchange for debt obligation	957,707	-	-	-	-	957,707	-	957,707
Share issue costs	(3,619)	-	-	-	-	(3,619)	-	(3,619)
Stock-based compensation	-	-	314,915	-	-	314,915	-	314,915
Options forfeited	-	-	(6,294)	-	-	(6,294)	-	(6,294)
Options exercised	21,345	-	(9,829)	-	-	11,516	-	11,516
Transactions with owners	975,433	-	298,792	-	-	1,274,225	-	1,274,225
Comprehensive income (loss)								
Net income	-	-	-	3,130,503	-	3,130,503	3,528,323	6,658,826
Other comprehensive loss								
Foreign currency translation adjustment	-	-	-	-	(139,235)	(139,235)	(33,454)	(172,689)
Total comprehensive income (loss)	-	-	-	3,130,503	(139,235)	2,991,268	3,494,869	6,486,137
June 30, 2010	\$ 22,979,702	\$ 2,403,496	\$ 4,975,605	\$ (14,556,620)	\$ (1,655,426)	\$ 14,146,757	\$ 9,150,197	\$ 23,296,954

The accompanying notes are an integral part of these interim consolidated financial statements.

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Cash Flows
June 30, 2011 and 2010
(in Canadian dollars)



	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ (2,067,410)	\$ (1,268,265)	\$ (1,799,648)	\$ 6,658,826
Adjustments for:				
Amortization and accretion	3,474,642	2,722,568	6,183,125	5,866,360
Loss on sale of assets	-	23,586	-	23,586
Interest income	(53,624)	(7,866)	(127,716)	(22,122)
Loss on debt extinguishment	-	4,879,412	-	9,284,074
Interest expense, net of reversal	553,825	302,338	788,428	(292,031)
Other losses	139,852	-	1,358	-
Stock based compensation	77,720	159,225	147,055	308,621
Unrealized foreign exchange loss (gain)	109,148	(185,847)	(209,128)	1,023,319
Realized foreign exchange in net investment	6,571	1,234	20,815	1,352
Pension expense	162,704	151,474	289,735	255,746
Operating income before working capital changes	2,403,428	6,777,859	5,294,024	23,107,731
Change in working capital (note 26)	(349,167)	603,603	2,757,586	717,397
Cash generated from operating activities	2,054,261	7,381,462	8,051,610	23,825,128
Interest received	53,624	7,866	127,716	22,122
Contribution to pension funding	(9,212)	-	(9,212)	-
Asset retirement obligation paid	(245,622)	(210,696)	(455,523)	(250,668)
Net cash generated from operating activities	1,853,051	7,178,632	7,714,591	23,596,582
CASH FLOWS FROM FINANCING ACTIVITIES				
Letter of credit facilities utilized (repaid)	(452,670)	(351,296)	(616,938)	403,139
Short term loan facilities utilized	494,750	8,385,685	124,749	8,385,685
Long term loan facilities utilized (repaid)	(1,281,965)	(16,850,719)	8,724,910	(25,372,116)
Interest and financing costs paid	(519,918)	(768,299)	(628,902)	(1,617,336)
Prepayment premium paid	-	(5,151,524)	-	(7,374,278)
Due from related parties	(90,862)	83,958	(209,601)	(76,364)
Proceeds from shares issued	14,417	6,516	25,423	11,516
Share issue cost	(17,140)	(3,619)	(17,140)	(3,619)
Net cash generated from (used in) financing activities	(1,853,388)	(14,649,298)	7,402,501	(25,643,373)
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in note receivable	-	-	(487,800)	-
Change in restricted cash	(218,602)	355	(212,522)	355
Expenditure on available-for-sale investment	-	-	-	(225,476)
Acquisition of a subsidiary (note 4)	-	-	178,531	-
Expenditures on property and equipment and deferred costs	(1,680,225)	(3,149,632)	(2,370,086)	(5,520,080)
Expenditures on petroleum and natural gas properties	(3,242,653)	-	(4,585,625)	-
Proceeds on disposal of property and equipment	-	-	-	1,332
Acquisition of investment for pension funding	-	-	(1,120,795)	-
Net cash used in investing activities	(5,141,480)	(3,149,277)	(8,598,297)	(5,743,869)
Effect of foreign exchange rates on cash	31,221	(4,387)	(138,650)	6,101
Net increase (decrease) in cash	(5,110,596)	(10,624,330)	6,380,145	(7,784,559)
Cash at beginning of period	20,432,705	16,818,391	8,941,964	13,978,620
Cash at end of period	\$ 15,322,109	\$ 6,194,061	\$ 15,322,109	\$ 6,194,061

The acquisition of subsidiary is equivalent to the cash acquired, excluding the non-cash consideration transferred and non-cash net assets and liabilities acquired.

The accompanying notes are an integral part of these interim consolidated financial statements.

1. Corporate information and nature of operations:

TVI Pacific Inc. ("TVI") is a publicly listed company incorporated in Alberta, Canada on January 12, 1987 under the Alberta Business Corporation Act and its shares are listed on the Toronto Stock Exchange. TVI, through its subsidiaries (together referred to as the "Company"), is a resource company focused on the production, development, exploration, and acquisition of resource projects in the Philippines. TVI will also engage in the development of petroleum and natural gas properties, through its subsidiary, TG World Energy Corp. ("TG World").

TVI is the ultimate parent company of the Company, whose interests in its Philippine assets are held through its operating affiliate, TVI Resource Development Phils., Inc. ("TVIRD"). The Company operated a commercial gold and silver mine from 2005 to April 2008. In March 2009, the Company declared commercial production of its current Canatuan sulphide project, which produces copper concentrates. The Company is also developing the Balabag gold property and initiating an exploration program at its Tamarok property. The construction of the zinc circuit, which was designed to produce zinc concentrates, was completed in April 2010. The Company announced the zinc production start-up in April 2011 and made its first shipment in July 2011.

Exploration Drilling Corporation ("EDCO"), a wholly-owned subsidiary based in the Philippines, holds the Company's drilling assets.

On March 10, 2011, the TVI acquired control of TG World, engaged in the business of international petroleum exploration and development with the major areas of focus being the Philippines, through its wholly owned subsidiary TG World (BVI) Corp. ("TG Philippines), Alaska, through its wholly-owned subsidiary, TG World Energy Inc. ("TG Alaska") and Niger, through its wholly owned subsidiary, TG World Petroleum Limited ("TG Niger") (note 4). The consolidated financial statements at June 30, 2011 include the balances of these subsidiaries.

TVI has established its principal business address at Suite 2000, 736-6th Avenue SW Calgary, Alberta, Canada T2P 3T7.

The consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2011.

2. Basis of preparation:

These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These interim consolidated financial statements do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010.

The interim consolidated financial statements are presented in Canadian Dollars which is the functional and reporting currency of TVI.

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, 2010, except for the adoption of the following standards as of January 1, 2011.

(a) Exploration and evaluation assets

The Company's petroleum and natural gas properties located in Alaska, Philippines and Niger are in the exploration stage.

3. Significant accounting policies (continued):

The Company follows the modified full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and development of petroleum and natural gas properties and related reserves are capitalized on a country by country basis. Such costs include land acquisition costs, geological and geophysical expenses, and costs of drilling and completion of both productive and nonproductive wells.

When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to petroleum and natural gas properties after impairment is assessed and any resulting impairment loss is recognized. The Company currently has no producing petroleum and natural gas properties.

The Company's lands in Alaska and Niger, on which exploration wells are being drilled, are classified as undeveloped properties.

When a property is brought into production, the depletion of the Company's interests in petroleum and natural gas properties will be computed by the unit-of-production method based on estimates of proven recoverable reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon relative energy content. Based on the exploratory nature of operations, no amount has been recorded for depletion

(b) Depreciation of property and equipment

The Company changed the estimated useful life of some transportation equipment from 5 years to 3 years. The change is treated as a change in an accounting estimate recognized prospectively in the comprehensive income.

(c) IFRS 3, Business Combinations (effective July 1, 2010)

The amendment clarifies that the amendments to IFRS 7, Financial Instruments: Disclosures, IAS 32, Financial Instruments: Presentation, and IAS 39, Financial instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

The amendment also specifies that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3(2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs. During the period, there was no acquisition of subsidiaries with non-controlling interests.

It also clarifies that the application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and share-based payment awards voluntarily replaced by awards of the acquirer. The current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily.

(d) Amendments to IFRS 7 Financial Instruments

The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. It clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.



3. Significant accounting policies (continued):

- (e) IAS 1, Presentation of Financial Statements (effective January 1, 2011)

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- (f) IAS 27, Consolidated and Separate Financial Statements (effective July 1, 2010)

The amendment clarifies that the amendments made to IAS 21 The Effects of Changes in Foreign Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively).

- (g) IAS 34, Interim Financial Reporting (effective January 1, 2011)

The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: (a) the circumstances likely to affect fair values of financial instruments and their classification; (b) transfers of financial instruments between different levels of the fair value hierarchy; (c) changes in classification of financial assets; and (d) changes in contingent liabilities and assets

4. Business Combination:

On December 23, 2010, TVI entered into a plan of arrangement with TG World under which TVI agreed to acquire all of the outstanding common shares of TG World not owned by it as of the effective date of the acquisition.

On December 30, 2010, TVI acquired beneficial ownership of 18% of outstanding common shares of TG World (note 13), and a \$1,317,500 principal amount convertible promissory note (note 8) in connection with the plan of arrangement.

The plan of arrangement was approved by the Court of Queen's Bench of Alberta on March 9, 2011. On March 10, 2011, the plan of arrangement was completed pursuant to which TVI acquired all of the outstanding TG World common shares. TVI issued approximately 61,525,829 shares to acquire ownership and control of TG World. TG World is now a wholly owned subsidiary of TVI.

The following are the consideration transferred and the recognized amounts of identifiable assets acquired and liabilities assumed:

	March 10, 2011
Fair value of shares issued	\$ 6,152,583
Investment in an associate (note 13)	1,482,500
Convertible note (note 8)	1,317,500
Accrued interest on convertible note	37,901
Stock options issued	184,852
Total consideration transferred	\$ 9,175,336
Cash	\$ 178,531
Property and equipment	12,437
Petroleum and natural gas properties	18,539,134
Other working capital	(1,610,085)
Term facilities and accrued interest	(7,727,384)
Asset retirement obligations	(217,297)
Net identifiable assets acquired and liabilities assumed	\$ 9,175,336



4. Business Combination (continued):

The fair value of the 61,525,829 shares issued as part of the consideration transferred was based on the published share price of \$0.10 at March 10, 2011. There was no contingent consideration arrangement.

The Company recognized the \$2,307,654 as reduction in the petroleum and natural gas properties acquired.

The acquired business contributed no revenue and net loss of \$760,706 to the Company for the period from March 11 to June 30, 2011. The net loss was included in the consolidated statement of comprehensive income. If the acquisition had occurred on January 1, 2011, Company revenue would have been \$32,755,503, and net loss would have been \$1,695,509.

The costs incurred related to the acquisition of TG World amounted to \$124,634 recorded under administrative and general costs for the six months ended June 30, 2011 (December 31, 2010 - \$236,642).

5. 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.

(a) 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 and settles loan 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.

The Company minimizes risks by carefully planning the timing of settlement of foreign currency denominated balances and closely monitoring changes in foreign exchange rates.

For the six month period ended June 30, 2011, the pro forma impact on net income if the Philippine peso moved by 1% against the US dollar currency, with all other variables held constant, would be \$37,946 mainly as a result of foreign exchange gains/losses on translation of US dollar denominated cash, trade receivables and loans.

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

	Average rate		Spot rate	
	Six months ended	Year ended	June 30, 2011	December 31, 2010
	June 30, 2011	December 31, 2010		
US Dollar	0.9767	1.0299	0.9643	0.9946
Philippine Peso	0.02244	0.02285	0.02231	0.02279

(b) 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.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.



5. Financial risk management (continued):

The Company has exposure to fair value interest rate risk since its term facilities have fixed interest terms, regardless of changes in market conditions. The Company reviews its exposure to interest rate risk through regular monitoring of actual interests with market interest rates.

(d) *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. The Company expects to be able to meet its future financial obligations with its current source of funds.

As at June 30, 2011, the Company has \$3.1 million working capital deficit (December 31, 2010 - \$6.4 million working capital surplus) due to the reclassification of term facilities from non-current to current liabilities based on the maturity date of the loans (note 18d). The following are the contractual maturities of financial obligations as at June 30, 2011.

	Due within 12 months	Due between 13 to 60 months
Accounts payable and accrued liabilities	\$ 12,853,987	\$ -
Letter of credit facilities	289,507	-
Short-term loan facilities	10,495,214	-
Term facilities	12,060,508	3,638,253
Due to related parties	159,981	-
	\$ 35,859,197	3,638,253

For the six months ended and as at June 30, 2011, the Company has the following loan payable and loans from related parties at fixed interest rates.

	Principal outstanding	Interest outstanding	Effective annual interest rate	Interest expense	Maturity date
Letter of credit facilities	289,507	-	4.00% to 4.75%	16,571	July to September 2011 October 2011 to
Current loan payable A	10,490,295	4,919	2.00% to 2.07%	109,250	April 2012
Term loan A	8,489,256	27,675	1.80%	70,391	January 2013
Term loan B	454,144	42,470	18%	18,493	June 2012
Term loan C	6,320,209	365,007	16%	260,795	June 2012

(e) *Credit risk*

Credit risk arises from the potential that counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, restricted cash and accounts receivable. The Company manages credit risk associated with cash by maintaining its cash and investments in accounts with highly reputable banks, which were approved by the Board of Directors.

The following are the components of the receivables:

	June 30, 2011	December 31, 2010
Receivable from concentrate sales	60%	93%
Other receivables	40%	7%
	100%	100%

The receivable from concentrate sales are concentrated on one customer and any material failure of the customer to fulfill its obligation under the off-take agreement would significantly impair the ability of the Company to meet its existing and future obligations. Such receivable is on the terms operating in the commodity industry, which usually require settlement not exceeding six months of the shipment date.

5. Financial risk management (continued):

The customer has no history of default and the Company did not provide allowance for impairment as these receivables are considered collectible.

The carrying amounts of cash and accounts receivable at June 30, 2011 and December 31, 2010 represent the Company's maximum credit exposure.

The Company only deals with its related parties who have appropriate credit history and sufficient security to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparts.

(f) *Fair value measurements recognized in the statement of financial position*

The analysis of financial instruments that are measured subsequent to initial recognition at fair value can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

(a) *Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.*

(b) *Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)*

(c) *Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

The Company has no financial assets and liabilities under Levels 1 to 3 of the fair value hierarchy as of June 30, 2011.

The carrying value of the Company's financial assets and liabilities consisting of cash and cash equivalent, restricted cash, accounts receivable, advances to suppliers, accounts payable and accrued liabilities, letter of credit facilities, current loan payable, and due to related parties approximate their fair values at June 30, 2011 due to their short term nature. The Company's non-current loan payable also approximates its fair value at June 30, 2011 as interest rates are at market values.

(g) *Sales and purchase contracts*

Metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. Revenues are recorded at the time of sale based on forward prices for the expected date of the final settlement. Adjustments to the balance of concentrate receivables from changes in underlying market prices affect revenue or operating costs as appropriate.

(h) *Capital risk management*

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, the issuance of new debt, or the issuance of new debt to replace existing debt with different characteristics.

The Company does not have externally imposed capital requirements. Consistent with other capital intensive companies, the Company monitors capital on the basis of the debt-to-equity ratio and the debt-to-assets ratio.



5. Financial risk management (continued):

Debt is calculated as the sum of accounts payable and accrued liabilities, letter of credit facilities, 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 equivalent, notes receivable, accounts receivable, advances to suppliers, inventories, available-for-sale investment, restricted cash, investment in an associate and property and equipment, petroleum and natural gas properties, mining claims and deferred exploration costs, and other assets. The Company's strategy was to improve the debt to equity ratio in order to secure access to finance at a reasonable cost by maintaining a good credit rating.

	June 30, 2011	December 31, 2010
Debt	\$ 39,497,450	\$ 17,728,411
Equity	34,104,600	29,513,356
Assets	75,681,655	51,330,969
Debt-to-equity	1.16	0.60
Debt-to-assets	0.52	0.35

6. Cash and cash equivalent:

Cash and cash equivalent consists of:

	June 30, 2011	December 31, 2010
Cash on hand	\$ 36,827	\$ 42,248
Cash in bank	15,285,282	4,401,645
Short term placements	-	4,498,071
	\$ 15,322,109	\$ 8,941,964

Cash in banks earns interest at the prevailing bank deposit rates. The carrying amount of cash approximates its fair value.

Cash is denominated in the following currencies:

	June 30, 2011	December 31, 2010
Canadian Dollars	\$ 176,452	\$ 1,162,146
US Dollars	12,852,245	6,471,696
Philippine Peso	2,293,412	1,308,122
	\$ 15,322,109	\$ 8,941,964

7. Accounts receivable:

Accounts receivable consists of:

	June 30, 2011	December 31, 2010
Receivable from concentrate sales	\$ 3,527,860	\$ 5,615,276
Other receivables	2,308,422	401,666
	\$ 5,836,282	\$ 6,016,942

Other receivables at June 30, 2011 include \$1,050,461 from BRPC for pre-funded expenditures for the North Tarn well in Alaska. Total costs for the well were less than forecast and proceeds were returned to TG World in July 2011. TG World also recovered certain costs incurred during the well control operations from insurance proceeds received by BRPC. TG World recorded a receivable of \$540,697 at June 30, 2011, representing the second installment of the insurance proceeds, which were subsequently received in July 2011 (note 15).

8. Note receivable:

On December 30, 2010, TVI acquired a \$1,317,500 principal amount promissory note in connection with the acquisition of an investment in TG World (note 13). The note was payable on demand and bore interest of 12% per annum in excess of the prime lending rate for Canadian dollar loans, and was convertible at the option of TVI into common shares of TG World at a conversion price of \$0.05 per Share. A loss on the value of investment amounting to \$138,495 was recorded in 2010. On March 10, 2011, the note receivable was included in the investment consideration given up by TVI in exchange for the full acquisition of TG World (note 4). The face value of the note at March 10, 2011 was \$1,317,500 (note 4).

9. Advances to suppliers:

The account is mostly comprised of advance payments to suppliers for various materials and equipment being used in the Sulphide plant operations, particularly on importations.

10. Inventories:

	June 30, 2011	December 31, 2010
At cost:		
Finished goods	\$ 6,364,694	\$ 3,454,252
Stockpiled ore	53,504	39,373
Consumable drilling parts and supplies	856,170	820,556
At net realizable value		
Mineral processing supplies	2,731,570	2,825,130
	\$ 10,005,938	\$ 7,139,311

Finished goods consist of copper concentrates produced from the Canatuan sulphide plant. During the three and six months ended June 30, 2011, the Company recognized \$8,550,675 and \$8,193,824 (June 30, 2010 - \$2,782,802 and \$5,055,231) of inventory as expense under Mining, milling and other expenses. These expenses include materials and supplies and direct finished good costs. During the period ended June 30, 2011, the Company recognized a provision for inventory obsolescence amounting to \$62,606.

Details of allowance for inventory obsolescence relating to mine and mill materials and supplies are as follows:

	June 30, 2011	December 31, 2010
Beginning balance	\$ 140,897	\$ 139,025
Provision for inventory obsolescence	62,606	-
Foreign currency translation	(3,384)	1,872
Ending Balance	\$ 200,119	\$ 140,897

11. Restricted cash:

The Company holds \$1,444,975 (December 31, 2010 - \$1,260,660) in restricted cash related to deposits in environmental trust funds at June 30, 2011.

12. Available-for-sale investments:

In February 2010, the Company invested in a fixed income fund that invests in money market instruments. Such investment is being carried at market value and classified as an available for sale financial asset. The total amount of investment at December 31, 2010 was \$227,937.

13. Investment in an associate:

On December 30, 2010, TVI acquired beneficial ownership of 29,650,000 common shares of TG World for an aggregate price of \$1,482,500 that represented approximately 18% of the outstanding common shares of TG World. TVI also acquired a \$1,317,500 convertible promissory note (note 8). On March 10, 2011, TVI acquired a further 82% of the equity and gained control of TG World (note 4). There was no change in fair value of the investment in an associate based on the revaluation at the date of acquisition.

14. Property and equipment:

June 30, 2011

	Transportation and heavy equipment	Communication and other equipment	Computer equipment	Field and geological equipment	Office furniture and equipment	Buildings and leasehold improvements	Plant Equipment	Construction in progress	Total
Cost									
At January 1, 2011	\$ 907,715	\$ 39,606	\$ 856,811	\$ 194,028	\$ 121,938	\$ 2,098,607	\$ 21,881,710	\$ 12,235,311	\$ 38,335,726
Additions	159,062	1,192	99,857	188,022	1,189	29,839	85,257	860,806	1,425,224
Acquisition of a subsidiary (note 4)	-	-	12,437	-	-	-	-	-	12,437
Reclassification	-	-	-	-	-	20,803	77,653	(98,456)	-
Disposal	(51,414)	(78)	-	-	-	(21,614)	-	-	(73,106)
Foreign currency translation	(20,040)	(853)	(15,211)	(5,265)	(2,176)	(43,340)	(468,622)	(266,026)	(821,533)
At June 30, 2011	995,323	39,867	953,894	376,785	120,951	2,084,295	21,575,998	12,731,635	38,878,748
Accumulated Depreciation									
At January 1, 2011	(418,619)	(27,959)	(711,393)	(67,295)	(103,955)	(1,030,109)	(8,637,261)	(7,272,616)	(18,269,207)
Additions	(136,704)	(2,975)	(45,142)	(24,310)	(5,451)	(273,318)	(2,439,461)	(2,078,982)	(5,006,343)
Disposal	42,451	7	-	-	-	19,790	-	-	62,248
Foreign currency translation	9,507	615	13,101	1,583	1,941	23,294	199,103	167,794	416,938
At June 30, 2011	(503,365)	(30,312)	(743,434)	(90,022)	(107,465)	(1,260,343)	(10,877,619)	(9,183,804)	(22,796,364)
Net book value	491,958	9,555	210,460	286,763	13,486	823,952	10,698,379	3,547,831	16,082,384

14. Property and equipment (continued):

December 31, 2010

	Transportation and heavy equipment	Communication and other equipment	Computer equipment	Field and geological equipment	Office furniture and equipment	Buildings and leasehold improvements	Plant Equipment	Construction in progress	Total
Cost									
At January 1, 2010	\$ 600,065	\$ 28,617	\$ 724,977	\$ 68,374	\$ 152,320	\$ 1,473,935	\$ 15,472,215	\$ 12,322,690	\$ 30,843,193
Additions	303,769	10,622	96,948	125,023	1,807	89,211	1,018,818	5,807,234	7,453,432
Reclassifications	8,320	-	33,547	-	(33,547)	558,262	5,206,745	(6,064,589)	(291,262)
Disposal	(11,946)	-	(6,638)	-	-	(41,090)	(13,382)	-	(73,056)
Foreign currency translation	7,507	367	7,977	631	1,358	18,289	197,314	169,976	403,419
At December 31, 2010	907,715	39,606	856,811	194,028	121,938	2,098,607	21,881,710	12,235,311	38,335,726
Accumulated Depreciation									
At January 1, 2010	(291,497)	(21,941)	(619,348)	(47,172)	(120,910)	(672,523)	(4,921,160)	(2,735,057)	(9,429,608)
Depreciation	(134,170)	(5,731)	(62,372)	(19,523)	(5,337)	(366,951)	(3,649,307)	(4,511,090)	(8,754,481)
Reclassifications	(1,196)	-	(23,341)	-	23,341	-	(21,562)	-	(22,758)
Disposal	11,946	-	1,144	-	-	17,504	13,382	-	43,976
Foreign currency translation	(3,702)	(287)	(7,476)	(600)	(1,049)	(8,139)	(58,614)	(26,469)	(106,336)
At December 31, 2010	(418,619)	(27,959)	(711,393)	(67,295)	(103,955)	(1,030,109)	(8,637,261)	(7,272,616)	(18,269,207)
Net book value	\$ 489,096	\$ 11,647	\$ 145,418	\$ 126,733	\$ 17,983	\$ 1,068,498	\$ 13,244,449	\$ 4,962,695	\$ 20,066,519

The sulphide dam is classified under construction in progress because it is being built progressively in stages. Portions of the dam currently in use are being amortized using the unit-of-production depreciation method.

For the periods ended June 30, 2011 and 2010, the Company did not identify any triggering events which would indicate impairment over the valuation of its property and equipment.

Due to higher usage of transportation equipment in the Canatuan mine site, the Company changed the estimated useful life of some transportation equipment from 5 years to 3 years. Such change, which was accounted for prospectively, resulted in an increase in depreciation by \$39,998 for the six months ended June 30, 2011.

15. Petroleum and natural gas properties:

On March 10, 2011, the Company acquired the following petroleum and natural gas properties in relation to the acquisition of TG World (note 4):

	June 30, 2011	
Beginning balance as at January 1, 2011	\$	-
Acquisition of subsidiary, net		18,539,134
Additions		3,905,076
Foreign currency translation		(650,949)
Ending Balance	\$	21,793,261

	June 30, 2011	
Philippines	\$	3,589,272
Alaska		17,068,083
Niger		1,135,906
Ending Balance	\$	21,793,261

Philippines

TG World holds a 12.5% equity interest in Service Contract 54A ("SC54A") in the Philippines. SC54A is situated offshore west of the Palawan Islands. TG World and partners in SC54A operate under a farmout agreement. Under the terms of the farmout agreement, TG World will receive 85% of its share of future revenue generated from crude oil production until it has paid US\$2,689,844 to two of its partners. Subsequent to funding this amount from oil production it will retain 100% of its share of revenue generation.

Alaska

TG Alaska has a joint venture agreement with Alaska Venture Capital Group ("AVCG") and Brooks Range Petroleum Corporation ("BRPC"), a wholly-owned subsidiary of AVCG, to explore joint venture oil and gas properties held on the Alaskan North Slope. TG Alaska's working interests vary from 20% to 35% in four distinct areas. The carrying value of the asset represents unproved properties.

A period of well control operations occurred during the drilling of the North Tarn well in Alaska. TG World has recovered certain costs incurred during the well control operations, through insurance proceeds received via BRPC. TG World received the first installment of the insurance proceeds in June 2011 in the amount of US\$1.9 million and subsequently received an additional US\$0.56 million in July 2011.

TG Alaska explores for hydrocarbons in Alaska, in areas that qualify TG World to apply for Petroleum Production Tax Credits ("PPTC") from the State of Alaska. PPTC's are cash credits funded by the State for previous exploration and seismic expenditures. These are credited against capital expenditures when Government tax credit certificates are received. As at June 30, 2011, TG Alaska has submitted an application to receive approximately US\$2.8 million in PPTC credits. Once a credit certificate is received from the State, TG World will accrue these amounts on its balance sheet. As at June 30, 2011, TG World has no tax credit certificate accruals.

Niger

TG Niger is a party to an Establishment Agreement with the Chinese National Petroleum Company International Ténéré Ltd. ("CNPCIT"), a wholly owned subsidiary of the Chinese National Petroleum Company ("CNPC"), to explore oil and gas properties on the Ténéré Block in Niger, Africa. CNPCIT is the operator and funds nearly 100% of TG Niger's 20% share of costs for a Minimum Work Program. CNPCIT expect to complete the third exploratory well of the three well Minimum Work Program in Q3 2011. The carrying value of the asset represents unproved properties.

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16. Mining claims and deferred exploration costs:

Mining claims and deferred exploration costs are intangible assets which include all expenditures directly related to the acquisition, exploration and administration of the Sulphide and Balabag Projects.

The carrying amount of mining claims and deferred exploration costs and the related movements consist of:

	June 30, 2011	December 31, 2010
Beginning balance	\$ 3,949,658	\$ 5,659,041
Additions	909,230	216,701
Amortization	(884,453)	(2,031,026)
Reclassification	64,411	22,758
Foreign currency translation	(84,943)	82,184
Ending Balance	\$ 3,953,903	\$ 3,949,658

During the six months ended June 30, 2011, the Company capitalized interest amounting to \$803 related to financing for the qualifying assets in the Balabag property during the period.

17. Accounts payable and accrued liabilities:

Account consists of the following:

	June 30, 2011	December 31, 2010
Trade payables	\$ 4,907,923	\$ 3,910,985
Accrued expenses	1,971,594	2,052,025
Deferred revenue	5,974,470	-
	\$ 12,853,987	\$ 5,963,010

The deferred revenue represents the advanced payment of the customer for the 23rd shipment. The shipment was completed in August 2011.

18. Loan instruments:

(a) The Company has letter of credit facilities with the Bank of the Philippine Islands which accrue interest of 4.00% to 4.75% per annum and are payable over four equal monthly installments starting 90 days from the withdrawal dates. The total amount payable to the bank at June 30, 2011 was \$289,507 (December 31, 2010 - \$922,491).

(b) The Company acquired short-term loans from a major Philippine bank. These loans are secured by the metal off-take agreement related to the sale of copper concentrates. As at June 30, 2011, the total principal and interest outstanding were US\$10,817,570 (\$10,495,214), (December 31, 2010 - US\$10,507,375 (\$10,499,759)).

Loan Date	Principal loan outstanding (US\$)	Interest Rate	Term
April 20, 2011	750,000	2.00%	1 year (four equal quarterly payments)
June 30, 2011	2,000,000	2.00%	180 days
April 13, 2011	3,300,000	2.00%	180 days
May 25, 2011	2,200,000	2.00%	180 days
December 29, 2010	750,000	2.07%	1 year (four equal quarterly payments)
January 27, 2011	562,500	2.00%	1 year (four equal quarterly payments)
June 30, 2011	1,250,000	2.00%	180 days

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18. Loan instruments (continued):

(c) In January 2011, the Company acquired two loans from another major Philippine bank for the amount of US\$5 million each. Each of the loans bears interest rate of 1.80% and is payable in eight equal quarterly installments of USD\$625,000 (\$602,688). At June 30, 2011, the total principal and interest outstanding was US\$8,778,525 (\$8,516,931):

June 30, 2011	
Current loan payable	
Principal	\$ 4,851,003
Accrued interest	27,675
	<u>\$ 4,878,678</u>
Non-current loan payable	<u>\$ 3,638,253</u>

(d) As at June 30, 2011, TG World has two loan facilities outstanding totaling US\$6,720,957; an 18% per annum facility with a balance outstanding of US\$470,957 and a 16% per annum facility with a balance outstanding of US\$6,250,000. Both facilities are due on June 30, 2012, secured by the assets of TG World and are repayable at any time under certain conditions. At June 30, 2011 the total outstanding principal plus interest of the two loan facilities each amounted to \$496,614 and \$6,685,216.

19. Asset retirement obligation:

At June 30, 2011, the estimated total undiscounted amount required to settle the asset retirement obligations was \$4.3 million. These obligations will be settled based on the useful lives of the underlying assets between the years of 2011 to 2018. This amount has been discounted using the risk free rate of 5%.

Changes to the asset retirement obligations were as follows:

	Six months ended June 30, 2011	Year ended December 31, 2010
Canatuan property:		
Beginning balance	\$ 3,164,381	\$ 2,594,665
Acquisition of subsidiary (note 4)	217,297	-
Accretion expense	86,226	246,378
Capitalized accretion	1,135	-
Revision of estimate	204,949	1,205,347
Liability paid	(455,523)	(916,346)
Foreign currency translation	(69,579)	34,337
Ending balance	<u>\$ 3,148,886</u>	<u>\$ 3,164,381</u>
Current portion	369,137	617,793
Non-current portion	2,779,749	2,546,588
	<u>\$ 3,148,886</u>	<u>\$ 3,164,381</u>

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20. Related party transactions:

The consolidated financial statements include the financial statements of TVI including the following significant subsidiaries:

	Country of Incorporation	% Equity interest	
		June 30, 2011	December 31, 2010
TVI Limited	Anguilla	100%	100%
TVI Marketing	Hong Kong	100%	100%
TVIRD	Philippines	40%	40%
EDCO	Philippines	100%	100%
TVI Minerals	Philippines	100%	100%
TG World	Canada	100%	18%

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

- During the three and six months ended June 30, 2011, the Company paid or accrued management fees of \$ 178,210 and \$ 290,972 (June 30, 2010 - \$111,636 and \$252,818). Management fees are paid to a corporation owned by the President of the Company for the services of the President and support staff. At June 30, 2011, the amount payable to the corporation was \$92,238 (December 31, 2010 - \$71,735).
- In April 2010, the Company completely repaid the demand promissory notes to corporations owned by the President of the Company. The Company issued 7,980,889 common shares priced at \$0.12 per share for final settlement of the notes in the amount of \$493,109 and US\$457,462 (\$464,598). The notes earned interest at 12% and 14.12% per annum, respectively, and had no fixed terms of repayment.
- During the three and six month periods ended June 30, 2011, the Company incurred directors and special committee fees of \$61,879 and \$ 265,506 (June 30, 2010 - \$64,500 and \$109,750). During the period, the Company paid \$468,708 (June 30, 2010 - \$169,185) for director fees and Q1 2011 special committee fees. At June 30, 2011, the fees payable to directors was \$61,879 (December 31, 2010 - \$263,188).
- During the three and six months ended June 30, 2011, the Company paid or accrued \$65,787 and \$123,013 (June 30, 2010 - \$46,072 and \$97,872) to corporations controlled by a director and officer of TVIRD for administrative expenses. The Company owed the corporations \$5,864 at June 30, 2011 (December 31, 2010 - \$21,227).

21. Pension obligation:

The actuarial assumption for the discount rate was 8.9% and the future salary rate increase was 10.0% for the six months ended June 30, 2011. The pension plan is funded by \$1,338,392 during the period, which was deducted from the pension obligation as of June 30, 2011.

During the three and six months ended June 30, 2011, the Company recognized \$162,703 and \$289,734 (June 30, 2010 - \$151,474 and \$255,746) pension costs, including amortization of past service cost, under administrative and general costs in the consolidated statement of comprehensive income.

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22. 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	Six months ended June 30, 2011		Year ended December 31, 2010	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	559,623,395	\$ 26,081,020	478,946,181	\$ 22,004,269
Shares issued:				
Acquisition of subsidiary (note 4)	61,525,829	6,152,583	-	-
In exchange for debt obligation	-	-	7,980,889	957,707
Share issue cost	-	(17,140)	-	(3,619)
On exercise of options	937,815	47,494	1,006,591	59,165
On exercise of warrants	-	-	71,689,734	3,063,498
Balance, end of period	622,087,039	\$ 32,263,957	559,623,395	\$ 26,081,020

In March 2011, the Company issued 61,525,829 shares to acquire ownership and control of TG World common shares (note 4). The shares were issued at a price of \$0.10 per share.

In 2010, the Company issued 7,980,889 common shares priced at \$0.12 per share to related parties of the Company for final settlement of promissory notes payable to them. On December 30, 2010, the Company issued 71,689,734 common shares to a creditor in exchange for the warrants issued in 2009. The shares were issued at a price of \$0.043 per share.

(c) Share options

The Company has a share option plan pursuant to which options may be granted to directors, officers, and employees 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.

In April 2010, March 2011 and May 2011, the Company granted stock options to directors and employees of the Company. The options granted in March 2011 were issued to replace stock options of existing directors and employees of TG World upon full acquisition by the Company (note 4). Such shares are fully vested and exercisable.

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	41,059,760	\$ 0.048	43,579,074	\$ 0.145
Granted	5,461,750	0.157	500,000	0.120
Exercised	(937,815)	0.027	(1,006,591)	0.033
Forfeited	(98,544)	0.061	(2,012,723)	0.057
Expired	(16,666)	0.070	-	-
Options outstanding, end of period	45,468,485	\$ 0.061	41,059,760	\$ 0.048
Options exercisable, end of period	29,615,559	\$ 0.062	24,295,183	\$ 0.046

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22. Share capital (continued):

	Price range	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$	0.020 – 0.029	17,731,733	2.57	14,340,486
	0.030 – 0.044	500,000	2.87	250,000
	0.045 – 0.067	-	-	-
	0.068 – 0.100	24,212,503	3.43	12,334,158
	0.101 – 0.151	500,000	3.79	166,666
	0.152 – 0.227	62,499	0.88	62,499
	0.228 – 0.341	2,461,750	2.98	2,461,750
\$	0.020 – 0.341	45,468,485	3.06	29,615,559

(d) Warrants

	Number of warrants	Weighted average exercise price	Fair value
Warrants outstanding, January 1, 2010	80,089,417	\$ 0.019	\$ 2,403,496
Exercised – December 30, 2010	(71,689,734)	(0.016)	(1,916,462)
Warrants outstanding, December 31, 2010	8,399,683	\$ 0.043	\$ 487,034
Warrants outstanding, June 30, 2011	8,399,683	\$ 0.043	\$ 487,034

On December 30, 2010 71,689,734 warrants were exercised by the lenders of a term loan acquired in 2009. The warrants were exercised at a price of \$0.016.

In conjunction with the common shares issued on September 30, 2009 the Company issued to related parties 8,399,683 warrants to purchase common shares of the Company at a purchase price of \$0.043 per share. The warrants have a three-year term and expire on September 30, 2012. The recorded fair value of the warrants issued was \$487,034 and was recorded to share issue costs in 2009. No warrants were issued in during the six months ended June 30, 2011.

(e) Stock-based compensation and contributed surplus

The weighted average fair value of stock options granted for the three and six months ended June 30, 2011 were \$0.060 and \$0.067. The following table sets out the assumptions used in applying the Black-Scholes model:

	Six months ended June 30, 2011
Risk free interest rate – average	1.57% to 2.36%
Expected life (in years)	3 to 5
Expected volatility	139% to 160%
Estimated forfeiture rate	10%

During the three and six months ended June 30, 2011, a net of \$77,720 and \$147,055 (June 30, 2010 - \$159,224 and \$308,621) of stock-based compensation was charged to the consolidated statement of comprehensive income.

Contributed surplus

	Six months ended June 30, 2011	Year ended December 31, 2010
Balance beginning of period	\$ 5,114,161	\$ 4,676,813
Options issued on acquisition of subsidiary (note 4)	184,852	-
Stock-based compensation	149,760	503,991
Options forfeited	(2,705)	(41,110)
Options exercised	(22,071)	(25,533)
Balance end of period	\$ 5,423,997	\$ 5,114,161

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23. Non-controlling interests:

The undistributed share of the non-controlling interests in the net income of TVIRD, amounting to \$101,881 was recognized during the six months ended June 30, 2011 (June 30, 2010 - \$3,528,323). In July 2010, the Securities and Exchange Commission of the Philippines approved the application of TVIRD to restructure its share of stock from one class to two classes of common shares – Class A and Class B. The restructuring retained the percentage of ownership and voting interests and did not affect the factors requiring the consolidation of the entity. The Class A shares, held by the Philippine residents or companies are entitled to cumulative preferred dividend equivalent to 20% of their investment per annum replacing previous years share in profits and losses and retained their ownership and voting rights. Class B shares, largely owned by TVI Marketing that is indirectly wholly owned by TVI, is entitled to any remaining profits after allocating the share of non-controlling interests.

24. Per share data:

The basic weighted average number of common shares issued and outstanding for the three and six months ended June 30, 2011 were 621,635,757 and 597,988,149 (June 30, 2010 - 485,904,733 and 482,444,680). The diluted weighted average number of common shares issued and outstanding for the six months ended June 30, 2010 was 567,350,468. No adjustments were required to the weighted average number of common shares in computing diluted per share amounts for the three months ended June 30, 2010 and the three and six months ended June 30, 2011 because the Company was in a loss position.

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Net income (loss) attributable to Shareholders of the Company	\$ (2,085,000)	\$ (962,456)	\$ (1,901,529)	\$ 3,130,503
Net income (loss) per share attributable to shareholders				
Basic	\$ (0.003)	\$ (0.002)	\$ (0.003)	\$ 0.006
Diluted	(0.003)	(0.002)	(0.003)	0.006
Weighted average number of common shares				
Basic	621,635,757	485,904,733	597,988,149	482,444,680
Diluted	621,635,757	485,904,733	597,988,149	567,350,468

25. Revenues from concentrate sales:

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Revenues from:				
Copper	\$ 18,690,013	\$ 13,909,505	\$ 26,560,942	\$ 35,553,905
Gold	1,654,761	1,632,133	2,496,504	3,999,402
Silver	3,738,821	1,655,505	6,313,614	5,000,160
Gross revenues	24,083,595	17,197,143	35,371,060	44,553,467
Treatment, refining, and other charges	(2,869,147)	(861,996)	(3,397,716)	(2,068,228)
Net revenues	\$ 21,214,448	\$ 16,335,147	\$ 31,973,344	\$ 42,485,239

Sales are recognized when risk and title pass to the customer and the price is reasonably determinable. Metal concentrates are sold under metal off-take agreement where 90% of the initial estimated value of the shipment is receivable immediately, based upon market prices. The final payment for the remaining 10% is due once the final testing details relating to the weight, assays and prices are determined in a period subsequent to the date of sale. Revenues are recorded at the time of sale based on forward prices for the expected date of the final settlement. Variations from the initial estimate to the final testing are recorded as price adjustments in the period the variations are finalized. As a result, the value of concentrate receivables may change as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in revenues.

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26. Changes in working capital:

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Accounts receivable	\$ (2,251,902)	\$ (27,584)	\$ 561,453	\$ 2,384,331
Note receivable	-	-	(37,902)	-
Advances to suppliers	(616,832)	757,132	(242,558)	57,767
Inventories	2,550,973	(617,714)	(3,037,271)	(1,455,767)
Prepaid expenses	(185,253)	(359,115)	(234,289)	(235,335)
Accounts payable and accrued liabilities	153,847	850,884	5,748,153	(33,599)
	\$ (349,167)	\$ 603,603	\$ 2,757,586	\$ 717,397

27. Segmented information:

The Company derives its revenue primarily from mining, extraction, production and selling of copper concentrates and gold and silver to an external client.

The Company has three reporting segments: mining activities in the Philippines, petroleum exploration and development in Philippines, Alaska and Niger, and corporate offices in Canada and in the Philippines. The Company's Corporate Division does not earn revenue and incurs expenses that are considered incidental to the activities of the Company and therefore does not meet the definition of operating segments as defined in IFRS 8, *Operating Segments*.

Three months ended June 30, 2011	Petroleum Exploration and Development			Corporate	Total
	Mining				
Net concentrate sales	\$ 21,214,448	\$ -	\$ -	\$ -	\$ 21,214,448
Other revenues	57,581	-	-	-	57,581
	21,272,029	-	-	-	21,272,029
Operating expenses	(16,374,520)	(168,465)	(537,955)	(537,955)	(17,080,940)
Exploration costs	(2,061,617)	-	-	-	(2,061,617)
	2,835,892	(168,465)	(537,955)	(537,955)	2,129,472
Amortization and accretion	(3,465,546)	(1,019)	(8,077)	(8,077)	(3,474,642)
	(629,654)	(169,484)	(546,032)	(546,032)	(1,345,170)
Interest income	35,524	7	18,093	18,093	53,624
Interest expense	(165,880)	(387,821)	(124)	(124)	(553,825)
Other gain (loss)	-	(139,856)	4	4	(139,852)
Foreign exchange gain (loss)	-	33,243	(115,430)	(115,430)	(82,187)
Net income (loss)	\$ (760,010)	\$ (663,911)	\$ (643,489)	\$ (643,489)	\$ (2,067,410)
Assets	\$ 51,508,316	\$ 14,618,534	\$ 10,461,564	\$ 10,461,564	\$ 76,588,414
Liabilities	34,506,337	8,092,607	476,629	476,629	43,075,573
Capital expenditures	(1,656,418)	(3,242,653)	(23,807)	(23,807)	(4,922,878)

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27. Segmented information (continued):

Three months ended June 30, 2010	Mining		Corporate		Total
Net concentrate sales	\$	16,335,147	\$	-	\$ 16,335,147
Other revenues		110,016		-	110,016
		<u>16,445,163</u>		<u>-</u>	<u>16,445,163</u>
Operating expenses		(7,163,078)		(1,395,256)	(8,558,334)
Exploration costs		(775,300)		-	(775,300)
		<u>8,506,785</u>		<u>(1,395,256)</u>	<u>7,111,529</u>
Amortization and accretion		(2,715,959)		(6,609)	(2,722,568)
		<u>5,790,826</u>		<u>(1,401,865)</u>	<u>4,388,961</u>
Loss on sale of assets		-		(23,586)	(23,586)
Interest income		7,853		13	7,866
Interest expense, net of reversal		(302,339)		-	(302,339)
Loss on debt extinguishment		(4,879,412)		-	(4,879,412)
Foreign exchange loss		-		(459,755)	(459,755)
Net income (loss)	\$	<u>616,928</u>	\$	<u>(1,885,193)</u>	\$ (1,268,265)
Assets	\$	40,633,810	\$	766,490	\$ 41,400,300
Liabilities		17,816,760		286,586	18,103,346
Capital expenditures		3,079,435		70,197	3,149,632

Six months ended June 30, 2011	Mining		Petroleum Exploration and Development		Corporate		Total
Net concentrate sales	\$	31,973,344	\$	-	\$	-	\$ 31,973,344
Other revenues		87,726		-		-	87,726
		<u>32,061,070</u>		<u>-</u>		<u>-</u>	<u>32,061,070</u>
Operating expenses		(20,800,273)		(242,193)		(2,005,391)	(23,047,857)
Exploration costs		(3,986,953)		-		-	(3,986,953)
		<u>7,273,844</u>		<u>(242,193)</u>		<u>(2,005,391)</u>	<u>5,026,260</u>
Amortization and accretion		(6,165,155)		(1,504)		(16,466)	(6,183,125)
		<u>1,108,689</u>		<u>(243,697)</u>		<u>(2,021,857)</u>	<u>(1,156,865)</u>
Interest income		69,589		7		58,120	127,716
Interest expense		(336,611)		(448,473)		(3,344)	(788,428)
Other gain (loss)		-		(139,856)		138,498	(1,358)
Foreign exchange gain (loss)		-		66,311		(47,024)	19,287
Net income (loss)	\$	<u>841,667</u>	\$	<u>(765,708)</u>	\$	<u>(1,875,607)</u>	\$ (1,799,648)
Assets	\$	51,508,316	\$	14,618,534	\$	10,461,564	\$ 76,588,414
Liabilities		34,506,337		8,092,607		476,629	43,075,573
Capital expenditures		(2,346,279)		(4,585,625)		(23,807)	(6,955,711)

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27. Segmented information (continued):

	Six months ended June 30, 2010		Mining		Corporate		Total	
Net concentrate sales	\$	42,485,239	\$	-	\$	-	\$	42,485,239
Other revenues		129,867		-		-		129,867
		42,615,106		-		-		42,615,106
Operating expenses		(14,520,820)		(3,045,834)		(3,045,834)		(17,566,654)
Exploration costs		(2,462,518)		-		-		(2,462,518)
		25,631,768		(3,045,834)		(3,045,834)		22,585,934
Amortization and accretion		(5,853,180)		(13,180)		(13,180)		(5,866,360)
		19,778,588		(3,059,014)		(3,059,014)		16,719,574
Loss on sale of assets		-		(23,586)		(23,586)		(23,586)
Interest income		22,102		20		20		22,122
Interest expense, net of reversal		323,749		(31,718)		(31,718)		292,031
Loss on debt extinguishment		(9,284,075)		-		-		(9,284,075)
Foreign exchange loss		-		(1,067,240)		(1,067,240)		(1,067,240)
Net income (loss)	\$	10,840,364	\$	(4,181,538)	\$	(4,181,538)	\$	6,658,826
Assets	\$	40,633,810	\$	766,490	\$	766,490	\$	41,400,300
Liabilities		17,816,760		286,586		286,586		18,103,346
Capital expenditures		5,447,515		72,565		72,565		5,520,080

Geographic information:

	Net revenues				Property and equipment			
	Six months ended		Six months ended		June 30, 2011	December 31, 2010		
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010				
Philippines	\$	32,061,070	\$	42,615,106	\$	15,938,933	\$	19,928,904
Canada		-		-		128,739		137,615
Alaska		-		-		14,712		-
	\$	32,061,070	\$	42,615,106	\$	16,082,384	\$	20,066,519

There is only one customer in the mining division contributing to 100% of the revenue from concentrate sales.

28. Commitments and contingencies:

(a) Joint venture agreement - Philippines

In February 2010, TVIRD signed a joint venture agreement with an independent and unrelated third party, to conduct exploration, development and production of mineral deposits in the area known as EXPA 61, in the Greater Canatuan Tenement. This area is within a 15 km radius trucking distance to the current Canatuan sulphide plant. Under the joint venture agreement, TVIRD will hold a 70% interest, while the remaining 30% interest will be held by the independent third party. TVIRD will act as the operator. The partners will fund an exploration program for a period of two years amounting to a maximum of US\$2 million, to be shared in accordance with their interests in the joint venture.

28. Commitments (continued):

(b) Joint venture agreements – TG World

As a part of the negotiations leading to the Joint Venture Agreement on the Alaska properties, TG World agreed to pay a third party a 2% overriding royalty interest share of TG World's interest in hydrocarbons from the initially awarded oil and gas leases on the Alaska North Slope. In addition, the third party will receive a 1.25% overriding royalty of TG World's interest in hydrocarbons from leases acquired by the joint venture in the area of mutual interest, subsequent to the initially awarded leases on the Alaska North Slope. The third party has filed a claim against TG World alleging entitlement to 2.5% gross overriding ownership interest of TG World's interest in all leases on the Alaska North Slope. Legal proceedings are at an early stage and it is premature to make any conclusions respecting the final outcome.

TG World holds a 20% interest in the CNPCIT operated Ténéré Permit, and CNPCIT is currently committed to carry TG World's cost of the Minimum Work Program for the current term. However, the Ténéré Establishment Agreement (EA) provides options for two additional three year terms that would include additional seismic and exploratory well commitments for which the Company would pay its share. The current term of the existing Ténéré EA has been extended by the Niger Government due to the security conditions and force majeure that prevailed in the region.

(c) Corporate - Canada

The Company rents its office premises on a five-year term lease. Total rent payments amount to \$105,834 for the years 2011 to 2015, net of short-term sub-leasing arrangements.

29. Financial instruments:

Financial instruments by category

The tables below set out the Company's classification for each of its financial assets and liabilities at June 30, 2011.

	Loans and receivables	Other financial liabilities	Total carrying value
Cash	\$ 15,322,109	\$ -	\$ 15,322,109
Restricted cash	1,444,975	-	1,444,975
Accounts receivable	5,836,282	-	5,836,282
Advances to suppliers	1,031,756	-	1,031,756
Accounts payable and accrued liabilities	-	(12,853,987)	(12,853,987)
Borrowings	-	(26,483,482)	(26,483,482)
Due to related parties	-	(159,981)	(159,981)
	\$ 23,635,122	\$ (39,497,450)	\$ (15,862,328)

TVI Pacific Inc.
Unaudited Notes to the Interim Consolidated Financial Statements
June 30, 2011 and 2010
(in Canadian dollars)

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Share Listing:

Toronto Stock Exchange Symbol: TVI

Auditors:

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