



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

**For the Years Ended December 31, 2011 and 2010**



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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*The discussion and analysis that follows is intended to provide a summary of TVI Pacific Inc. (TVI or the Company) results over the years ended December 31, 2011 and 2010, as well as its financial position and future plans. It should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2011 and 2010, 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](http://www.tvipacific.com) or on SEDAR's website at [www.sedar.com](http://www.sedar.com). Information in this MD&A is as of March 19, 2012.*

*Yulo Perez, Chief Operations Officer 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 all TVI projects by virtue of his fellowship in the Australasian Institute of Mining and Metallurgy and the reciprocity rules covered under 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.*

## **OVERVIEW OF BUSINESS**

TVI Pacific Inc. is a publicly-traded Canadian company that, through its Philippine affiliate TVIRD, is focused on the production, development, exploration and acquisition of resource projects in the Philippines. TVI produces copper and zinc concentrates from its Canatuan mine, is in pre-development at its Balabag gold and silver project and is carrying out exploration programs on its other North Zamboanga tenement areas. TVI also has an interest in an offshore Philippine oil property.

TVI is focused on five areas of growth:

- Maximize profits through process optimization and mine life extension at the producing Canatuan mine.
- Capitalize on near-term development at its Balabag property
- Expedite exploration on other North Zamboanga tenements:
  - Prioritize exploration activities on identified prospects in the Greater Canatuan Tenement Area (GCTA) and other near-mine prospects to expand current mine life.
  - Pursue other exploration opportunities on its 1,240 square kilometer (479 square mile) tenement package on the Zamboanga Peninsula.
- Evaluate value-enhancing joint venture or acquisition opportunities.
- Engage in the development and exploration of the offshore Philippine oil property.



## PRODUCING PROPERTIES – CANATUAN COPPER AND ZINC MINE

### Background

The Canatuan mine is a volcanogenic massive sulphide (VMS) deposit located in the Province of Zamboanga del Norte on the island of Mindanao in the Philippines. From 2004 to mid-2008 TVI produced gold and silver doré from an overlying gossan (oxidized) portion of the deposit. As this upper portion of the orebody was mined out, the underlying primary sulphide portion of the deposit, containing copper and zinc, was exposed.

By March 2009, TVI had finished the construction of a new sulphide production plant and commenced commercial production of copper concentrate.

In April 2010, TVI completed construction of a Zinc Circuit that allowed for the production of zinc concentrate. Since that time, continuous adjustments have been made to produce the largest volume of concentrates (copper and zinc) with the highest grade and metal recovery.

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

Approximate 5,000 dry metric tonne copper concentrate shipments are expected to occur approximately every 8 weeks, while zinc concentrate shipments are expected approximately every four months. To date, 26 copper concentrate shipments of approximately 5,000 dry metric tonnes each have been completed and two zinc concentrate shipments totaling 6,739 dry metric tonnes.

During 2011 TVI initiated the fourth and final stage construction of the Sulphide Tailings Storage Facility. This construction will raise the height of the dam to a maximum of 85 meters (279 feet) from the current height of 70 meters (230 feet) and will complete construction of the final spillway. Upon completion of Stage 4, the impoundment will have an estimated storage capacity of 4.6 million cubic meters (162 million cubic feet). Construction activities are expected to be completed in the second quarter of 2012.

### Current Canatuan Operations

Increasing levels of zinc and several penalty elements in the mill feed have affected copper concentrate production this year. In order to produce saleable copper concentrate, chemical consumption had to be increased to lower the levels of zinc (and cadmium and arsenic) in the copper concentrate. This resulted in higher processing costs at the plant.

To increase capacity, construction of additional zinc flotation was completed in Q3 2011. As expected, this additional capacity is increasing zinc recovery. Continuous adjustments will be made to produce the largest volume of concentrates (copper and zinc) with the highest possible saleable grade and metal recovery.

Because of the higher cadmium and arsenic levels in the copper concentrate, the Company's off-take partner had to secure an alternate destination to a smelter that could refine the copper concentrate with the consequence that shipping and refining costs increased. While efforts continue to reduce production costs, it is likely that shipping and refining costs will remain at current levels for the foreseeable future.

## Canatuan Reserves and Resources

In April 2008, TVI received a technical report on the Canatuan sulphide deposit prepared in accordance with NI 43-101. This report is available on the SEDAR website at [www.sedar.com](http://www.sedar.com). The report details the initial reserves and resources at the beginning of the Canatuan Sulphide Project.

### *Current Reserves and Resources*

Based on average daily throughput going forward of 2,600 tonnes per day, mine life, based on the original resources alone, approximates 1.6 years (subject to change in throughput to meet shipping commitments).

Reserves and resources are estimated following established industry practices and in compliance with NI 43-101. Estimates incorporate current geological models, drilling additions and losses, mine and mill production and reconciliations, current and projected operating costs, and mine plans allowing for dilution and mining losses.

Estimates are based on management's best knowledge and judgement of the many variables and assumptions that are imprecise and may change over time. These include, but are not limited to: geological interpretation; mining and processing plans; commodity prices and markets; operating and capital costs.

### Original Reserves – Proven and Probable (December 31, 2011):

	<b>Ore Tonnes</b>	<b>Cu (%)</b>	<b>Zn (%)</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>
Initial reserve, December 31, 2010	2,097,238	1.09	1.26	0.84	28.12
Total ore milled to December 31, 2011	(872,146)	1.18	1.29	0.53	27.74
Stockpile, December 31, 2011	52,621	0.54	1.50	0.33	16.23
Additional ore mined in 2011 <sup>(1)</sup>	365,714	0.55	0.55	0.24	11.34
Block model resource adjustment <sup>(2)</sup>	(152,804)	0.41	0.62	3.27	42.70
Remaining reserve, December 31, 2011	1,490,623	0.95	1.15	0.61	22.02

### Original Resources – Measured (December 31, 2011):

(The resources include the above reserves)

	<b>Ore Tonnes</b>	<b>Cu (%)</b>	<b>Zn (%)</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>
Initial resource, December 31, 2010	2,319,393	0.87	1.14	0.70	22.75
Total ore milled to December 31, 2011	(872,146)	1.18	1.29	0.53	27.74
Additional ore in 2011 <sup>(1)</sup>	227,054	0.31	0.23	0.19	8.32
Additional ore mined in 2011 <sup>(1)</sup>	365,713	0.55	0.55	0.24	11.34
Stockpile, December 31, 2011	52,621	0.54	1.50	0.33	16.23
Block model resource adjustment <sup>(2)</sup>	(374,957)	-0.01	0.00	0.96	0.84
Remaining resource, December 31, 2011	1,717,678	0.87	1.02	0.55	20.46

<sup>(1)</sup> Additional ore identified inside and outside the pit limit by grade control drilling

<sup>(2)</sup> To update the block model according to recent geological findings as well as re-optimized pit design based on recent metallurgical and economic parameters

During 2011, mill throughput averaged 2,389 dry metric tonnes per day totaling 872,146 tonnes. However, as can be seen from the reserves table above, only a portion of original ore reserves was consumed due to the additional material found and mined during the year. This material, primarily mineralized schist, was used as a blending material to optimize mill recoveries and was located both inside and outside the pit shell and not included in the original ore reserves. Detailed metallurgical and ore reserve studies are currently underway to determine future processing scenarios and their potential impacts on the ore reserves and mine life.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

**Canatuan Operations and Production**

For the year ended December 31, 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
23	August 8, 2011	5,982	11,820,906	1,528,478	2,362,225	15,711,609
24	September 26, 2011	5,369	10,021,429	1,681,858	2,544,863	14,248,150
25	November 18, 2011	4,699	7,758,247	1,798,805	1,933,263	11,490,315
26*	December 27, 2011	4,463	7,365,160	1,932,799	1,838,700	11,136,659
		35,799	64,090,114	9,491,055	15,220,939	88,802,108

\* As of December 31, 2011, the 26<sup>th</sup> shipment was still subject to price adjustment.

On July 7, 2011, the Company completed the first zinc concentrate shipment. For the year ended December 31, 2011, the Company completed the following zinc concentrate shipments:

Shipment Number (Zinc)	Shipment Completion Date	Shipped (dry metric tonnes)	Gross Revenue (in US\$)
1	July 7, 2011	1,395	1,370,086
2**	December 18, 2011	5,344	4,658,663
		6,739	6,028,749

\*\* As of December 31, 2011, the 2<sup>nd</sup> shipment was still subject to price adjustment.

The total gross revenue for the year ended December 31, 2011, including the US\$5,118 price adjustment for the 19<sup>th</sup> shipment in 2010, based on the final concentrate testing relating to the final weight, assays and market prices, was US\$94,835,975 (CDN\$93,974,641).

**Canatuan Operational Highlights**

In Q4 2011, average throughput increased from 2,535 to 2,698 dry metric tonnes per day, and despite decreasing copper ore grade, resulted in a 9% increase in copper pound equivalent quarter over quarter (Q4/Q3 2011).

	Quarter ended				Year to date Dec. 31, 2011	Year to date Dec. 31, 2010
	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011		
Copper pound equivalent ("Cu lb eq") produced	4,448,021	6,270,759	7,521,596	8,196,181	26,436,557	25,311,952
Copper produced (lbs)	3,330,593	4,397,136	4,497,398	4,454,607	16,679,734	19,923,057
Gold produced (oz)	1,035	1,378	1,886	2,949	7,248	6,316
Silver produced (oz)	101,380	90,653	139,820	154,173	486,026	514,299
Zinc produced (lbs)	-	1,552,986	2,486,913	4,807,455	8,847,354	-



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

	Quarter ended				Year to date Dec. 31, 2011	Year to date Dec. 31, 2010
	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011		
Total tonnes processed	167,780	222,987	233,201	248,178	872,146	804,435
Average tonnes processed per day	1,864	2,450	2,535	2,698	2,389	2,204
Ore copper grade (%)	1.15	1.24	1.21	1.14	1.18	1.31
<b><u>Copper Concentrate Production:</u></b>						
Copper recovery (%)	78.18	72.28	72.31	71.71	73.23	85.93
Copper concentrate produced (dry weight - t)	7,830	8,703	8,595	8,927	34,055	48,300
Average daily concentrates produced (dry weight - t)	87	96	93	97	93	133
Concentrate copper grade (%)	19.29	22.92	23.74	22.63	22.22	18.71
Concentrate gold grade (g/t)	4.11	4.92	6.83	8.95	6.27	4.07
Concentrate silver grade (g/t)	402.71	323.99	466.85	463.92	414.83	331.19
<b><u>Zinc Concentrate Production:</u></b>						
Zinc recovery (%)	-	23.83	39.51	52.28	40.20	-
Zinc concentrate produced (dry weight - t)	-	1,459	2,183	4,282	7,924	-
Concentrate zinc grade (%)	-	48.28	51.68	50.93	50.65	-
<b><u>Unit costs:</u></b>						
Total cost per Cu lb eq (US\$) <sup>(1) (4)</sup>	2.91	3.13	2.75	2.58	2.81	1.84
Production cash cost per Cu lb eq (US\$) <sup>(2) (4)</sup>	2.01	1.65	1.33	1.30	1.51	0.99
Total cash cost per Cu lb eq (US\$) <sup>(3) (4)</sup>	2.33	2.59	2.28	2.14	2.32	1.39
Total cash cost per Cu lb eq, net of by-products (US\$) <sup>(4)</sup>	1.55	1.70	1.04	0.63	1.16	0.76
<b><u>Off-take:</u></b>						
Copper concentrate shipped (dry weight - t)	4,997	10,289	11,351	9,162	35,799	46,756
Zinc concentrates shipped (dry weight - t)	-	-	1,395	5,344	6,739	-
Cu lb eq shipped (Copper)	2,620,215	6,546,041	8,738,382	8,840,359	26,744,997	24,443,500
Average copper price received (US\$/lb)	4.38	4.19	3.90	3.39	3.90	3.40
Average zinc price received (US\$/lb)	-	-	1.03	0.89	0.92	-

(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.

## DEVELOPMENT PROPERTIES

### Balabag Gold and Silver Project

The pre-development stage Balabag epithermal gold and silver property covers an area of approximately 52 square kilometers (20 square miles) and is situated approximately 75 kilometers (47 miles) east-northeast of the Canatuan mine.



## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

In 2008, TVI filed a NI 43-101 compliant scoping study titled *Scoping Study of the Balabag Project*. This study was based on a previous resource report filed in 2007 titled *NI 43-101 Technical Report for the Mineral Resources at the Balabag Project of TVI Pacific Inc.* Both studies are available on SEDAR at [www.sedar.com](http://www.sedar.com).

During the year ended December 31, 2011, TVI completed 22 infill or extension drill holes for 3,304 meters (10,849 feet), 7 sterilization holes for 568 meters (1,864 feet), and 7 short geotechnical holes for 117 meters (384 feet) to test the tailings storage facility area and its proposed dam foundations. Drilling continues at Balabag with five drilling rigs on site.

To date, including pre-2010 and post-2010 drill programs, a total of 245 holes have been drilled for a total of 25,606 meters (84,009 feet) at Balabag.

While drilling continues at Balabag, other activities include:

- ground preparation;
- environmental impact assessment;
- securing of resolutions of support from the host communities; and
- in-house plant design has been submitted for peer review to an external consultant.

### **Balabag Outlook**

The plan is to deep drill at 3 sites within the planned starter pit area to investigate the deeper/underground resource potential of the area. This will also serve as 'in-fill' production drilling for the defined starter pit limit. Step-out drilling is also planned during the year.

Surface geology exploration at Balabag, west of the current Balabag Hill will also commence during the year. This is part of the overall goal to explore the full potential of the entire MPSA area.

Preparation of an independent NI 43-101 technical report and Feasibility study is underway. A date when the reports will be published is uncertain at this time. Pre-development activities are ongoing as noted directly above.

## **EXPLORATION PROPERTIES**

### **Greater Canatuan Tenement Area (GCTA)**

TVI has an extensive 352 square kilometer (136 square mile) package of tenement applications that surround the Canatuan mine and make up the GCTA. VMS deposits, like Canatuan, rarely occur in isolation. Exploration on the properties suggests the same type of geology that hosts the Canatuan orebody. Management believes that similar Canatuan-style deposits exist within the GCTA. The airborne geophysical survey done in 2011 utilizing the modern VTEM (Versatile Time Domain Electro-Magnetics) has identified potential exploration targets within the GCTA. Ground survey verification and a more detailed geologic surface mapping are currently underway to define potential drilling targets specially at the neighboring, tenement that is within trucking distance to the current Canatuan mine/processing plant. Any mineable ore located in this area could be economically transported to the existing Canatuan plant for processing.



*Malusok and SE Malusok (APSA-0023-IX)*

In January 2012, TVI completed the Free Prior Informed Consent process (FPIC) for a new Mineral Production Sharing Agreement (MPSA) covering the Malusok and SE Malusok prospects. Approval was granted by the National Commission on Indigenous Peoples and all documents were forwarded to the Mines and Geosciences Bureau for review and granting of the MPSA permit. However, the approval process was halted by the moratorium on new permit applications imposed by the Secretary of the Department of the Environment and Natural Resources in 2011; and may be further slowed by the Department's backlog of applications once the President of the Philippines provides the authority to the Secretary to renew the permit granting process. Timing as to the issuance of the permit is therefore uncertain at this time.

TVI previously identified potential mineralization on this property during an early-stage exploration program which included drilling. Once the approved MPSA permit has been issued, TVI will be authorized to carry out an advanced exploration program on the property area. The goal of the program will be to target additional resources, which, if confirmed, could serve as a new ore source to the Canatuan mine.

*Exploration Permit Application 61 (EXPA-000061-IX)*

In January 2010, the Company established a partnership and strategic alliance with DMCI-CERI, a subsidiary of DACON Corporation. In February 2010, the partners signed a joint venture agreement to conduct exploration, development and production of mineral deposits in Exploration Permit Application (EXPA) 61 located within the GCTA.

The Exploration Permit application for EXPA 61 has been submitted to the government to authorize exploration and drilling on the anomalies and prospects identified to date. As for APSA-0023-IX, the application process was halted by the moratorium on new permit applications imposed by the Secretary of the Department of the Environment and Natural Resources in 2011; and may be further slowed by the Department's backlog of applications once the President of the Philippines provides the authority to the Secretary to renew the permit granting process.

**Tamarok Copper and Gold Prospect**

The Tamarok copper and gold exploration prospect is located 60 kilometers (37 miles) north-northeast of TVI's Balabag project and within the Company's North Zamboanga tenement package.

In December 2009, TVI commenced exploration activities at Tamarok that included geophysical surveys and geological investigations. On April 11, 2011, TVI initiated a drill program to test an outcropping zone of porphyry copper-gold mineralization. Results from the initial four holes revealed faulting and dismemberment of the mineralization and it was decided to temporarily suspend further drilling until additional surveys could be undertaken to better define the structural setting.

Since that time, two new zones of porphyry style mineralization have been discovered in outcrop and have been subjected to systematic soil geochemical sampling, geological mapping and magnetic surveying studies. Additional exploration activities for 2012 are currently being evaluated in view of the Zamboanga del Norte Ordinance.

**Siennalynn**

On October 7, 2010, TVI acquired rights to explore and potentially acquire the Siennalynn property on the Zamboanga Peninsula in the Philippines. A reinterpretation of previous exploration data on the property together with field work conducted by TVI had identified two types of exploration targets: near-surface showings that could potentially provide material for the Canatuan mill site, and deeper, hydrothermal deposits. On May 10, 2011, TVI announced that it had concluded its exploration program at the



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

---

Siennalynn prospect, that the copper-gold zones did not produce consistent mineralization to warrant a resource drill out, and decided to terminate its involvement in the property.

## **DRILLING COMPANY**

TVI's drilling operations are owned and operated by Exploration Drilling Corporation (EDCO), a wholly-owned subsidiary located in the Philippines.

As of December 31, 2011, EDCO had 19 rigs in total. Ten rigs were deployed, six rigs were being repaired and/or reconditioned and three rigs were awaiting deployment.

## **PETROLEUM AND NATURAL GAS PROPERTIES**

On March 10, 2011, TVI acquired control of an international petroleum exploration and development company, TG World Energy Corp. (TG World). Its major areas of focus were offshore Philippines, Alaska and Niger.

### **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. The project operator is Nido Petroleum Limited of Perth, Australia (Nido) at 42.4% working interest.

The partners operate under a farmout agreement through which 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 allow the joint venture partners additional time to fully integrate the results of the 3D reprocessing project being undertaken over the block. Integration of this work will provide the basis for developing and implementing the forward strategy for the block 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.

### **Alaska**

TG World had 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 World's working interests varied from 20% to 35% in four distinct areas.

TG World explored for hydrocarbons in Alaska in areas that qualified TG World to apply for Petroleum Production Tax Credits (PPTC) from the State of Alaska. PPTC are cash credits funded by the State for previous exploration and seismic expenditures. These are credited against capital expenditures when it is probable that Government Tax Credit Certificates shall be received. TG World received cash credits amounting to US\$2.3 million during the year ended December 31, 2011. As at December 31, 2011, TG World has recorded a receivable of US\$1.7 million relating to further tax credits expected to be received in 2012.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010

During 2011, TG World received a total of US\$2.96 million representing the payment of insurance proceeds from BRPC to recover certain costs incurred in the well control operations during the drilling of the North Tarn well in Alaska.

On November 7, 2011, The Company announced it had entered into a definitive agreement to sell all of its leasehold interests in Alaska for US\$16 million. The transaction was completed on November 9, 2011 resulting in the recognition of an accounting gain amounting to \$1,516,875. The gain was reduced by a cost of \$825,000 from the proceeds of the sale, as part of the closure of the sale of the Alaskan properties.

From the proceeds of the sale, the Company has fully repaid two loan facilities of TG World totaling US\$6,720,957 (\$6,982,402).

	in US\$
Proceeds from sale of Alaska	16,000,000
Costs related to the closure of the sale	(840,675)
Payment of term loan facilities	(6,720,957)
Payment of interest	(118,907)
Net cash proceeds from sale of Alaska	8,319,461

## Niger

TG World was party to an agreement with Chinese National Petroleum Company International Ténéré Ltd. (CNPCIT) to explore oil and gas properties in the Ténéré Block of Niger, Africa. CNPCIT was the operator and funded 100% of TG World's 20% share of costs.

On August 8, 2011, CNPCIT completed drilling the Facai-1 exploration well in the Ténéré Block. The well encountered two small gas shows during drilling, but wireline logs indicated there were no zones worth testing. This well was the third and final well of the carried program for TG World in the Ténéré Block. The two previous wells were also unsuccessful.

In December 2011, prior to the start of the second phase of the exploration, TG World issued a notice of withdrawal of its interest from the entirety of the Contract Area. The effective date of the withdrawal is January 31, 2012. As a result, the Company has fully impaired the Niger properties resulting in a loss of \$1,157,255 recorded for the year ended December 31, 2011.

## QUARTERLY FINANCIAL INFORMATION

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

	Net Revenue	Net Income (Loss)	Net Income (Loss) per Share <sup>(1)</sup>	
			Basic	Diluted
December 31, 2011	\$ 24,323	\$ 2,313	\$ 0.003	\$ 0.003
September 30, 2011	26,940	2,961	0.004	0.004
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

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



## Revenue

In Q1 2010, the Company completed three shipments of copper concentrate from its Canatuan Sulphide Project, 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 million, 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 tonnes 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 advance 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 tonnes equivalent to US\$25.05 million revenue at an average copper price of US\$4.19. In Q2 2011, gross revenue was 124% 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.

Two shipments of copper concentrate were completed in Q3 2011 for a total of 11,351 dry metric tonnes, which is 10% higher than that of the previous quarter. The Company also completed its first zinc concentrate shipment for a total of US\$1.4 million based on final concentrate weight, assays and market prices. The total gross revenue for the quarter amounted to US\$31.3 million, based on final concentrate weight, assays and market prices. It is 25% higher than the previous quarter's shipments, in spite of the decline in average copper price from US\$4.19 in Q2 2011 to US\$3.90 in Q3 2011.

In Q4, 2011, the Company completed two additional shipments of copper concentrate for a total of 9,162 dry metric tonnes and the first major shipment of zinc concentrate of 5,344 dry metric tonnes. Total gross revenue during the quarter was US\$27.3 million which is 13% lower than that of the previous quarter, mainly due to lower volume sold and a decline in average copper price from US\$3.90 in Q3 2011 to US\$3.39 in Q4 2011.

## 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 was 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010

In Q1 2011, plant availability continued to be affected by the interruptions during the full commissioning of the Zinc Circuit. The delayed 21<sup>st</sup> 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.

In Q3 2011, average throughput was higher with almost the same copper ore grade and recoveries, but significantly higher gold and silver grades compared to the previous quarter. The increase in throughput and gold and silver ore grade resulted in a 20% increase in copper pound equivalent of metals produced quarter over quarter.

During Q4, 2011, average throughput increased from 2,535 to 2,698 dry metric tonnes per day to compensate for the lower copper ore grade. Recoveries are slightly lower than in the previous quarter. As a result, the copper pound equivalent of copper concentrates produced was also slightly lower than in the previous quarter. On the other hand, after the first zinc concentrate shipment in July 2011, the Company continued to produce zinc concentrate, resulting in the first major shipment in December 2011.

With its continuous improvement programs, 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 <sup>(1)</sup> (US\$/Cu lb eq)	Total cost <sup>(2)</sup> (US\$/Cu lb eq)
Q4 2011	3.39	1.30	2.58
Q3 2011	3.90	1.33	2.75
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 unit production cost. The higher production cost was due to higher consumption of materials and other costs required to produce acceptable copper concentrate from the ore feed with increasing zinc content.

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 caused by 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



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

separation process required to produce acceptable copper concentrate 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. However, 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 concentrate and the change in the destination of the copper concentrate shipments.

During Q3 2011, the Company posted a net income of \$3.0 million. There were also two shipments during the quarter, but the gross revenue was higher by 19% compared to the previous quarter because of higher volume of copper concentrate shipped (from 10,289 dry metric tonnes in Q2 2011 to 11,351 dry metric tonnes in Q3 2011).

In Q4, 2011, the Company had realized a net income of \$2.3 million consisting of two shipments of copper concentrate and one shipment of zinc concentrate. Gross revenue was lower compared to Q3 2011 due to lower volume sold and a decline in average copper price but such decrease was offset by the decrease in mining, milling and other expenses. The Company has fully impaired the Niger properties resulting in an accounting loss of \$1.2 million as a result of the withdrawal of its interest on these properties. The Company also paid \$0.8 million costs as part of the closure of Alaskan properties sale. These losses were compensated by the gain on the sale of Alaskan properties and lower interest expense due to the full payment of the term loan of TG World.

### **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 companies that are accounted for as subsidiaries. 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 separately from the Company's equity in the consolidated statement of financial position. 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 that allow for the consolidation of the entity. The Class A shares, held by the Philippine residents 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 \$1,378,510 as at December 31, 2011 replacing previous years share in profits and losses. 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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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**CONSOLIDATED RESULTS OF OPERATIONS**

During the year ended December 31, 2011, TVI had a consolidated net income before tax of \$4.6 million compared to a net income of \$11.3 million in 2010. During the year ended December 31, 2011, the mining segment produced net income of \$10.1 million. Adding back the non-cash depreciation, depletion and accretion expense of \$13.8 million, the mining segment produced net income before depreciation, depletion and accretion expense of \$23.9 million.

During the year ended December 31, 2011, the Canatuan mine generated net revenues of \$83.0 million from the sale of concentrates, net of treatment, refining and penalties and consists of seven completed shipments of copper concentrate, as compared to the \$76.5 million during 2010 representing nine completed shipments.

Average copper price realized during the year ended December 31, 2011, was US\$3.90 which is higher compared to the US\$3.40 realized in 2010. Average price received for gold and silver for the year ended December 31, 2011, were also higher (US\$1,610.62 and US\$34.43) compared to the previous year (US\$1,244.76 and US\$20.97). However, the treatment, refining and other charges deducted from gross revenue increased to 11.6% of the gross revenue for the year, from 4.7% last year.

The increased treatment and refining charges were based on the revised treatment and refining rates and freight charges effective from Q2 2011 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 concentrate shipments. The copper concentrate is 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 year ended December 31, 2011, were \$48.8 million. These expenses were higher compared to the \$27.8 million incurred in 2010. These expenses represent 59% of the 2011 revenue which was higher compared to 36% in 2010. This was mainly due to the consumption of additional and more expensive chemicals to process the complex ore body, to continue to produce saleable copper concentrate. These expenses do not include treatment, refining and penalties from the buyer as these costs are netted against revenues.

During the year ended December 31, 2011, exploration expenses were \$4.7 million which were lower compared to the \$5.7 million during 2010. A more extensive exploration program commenced in the latter part of 2010 and continued through 2011, particularly at the Balabag project. The Balabag expenses started to be capitalized during the second half of 2011 reducing the charges to exploration expenses.

General and administrative costs amounted to \$9.5 million and \$8.9 million for the years ended December 31, 2011 and 2010, respectively. The increase includes higher corporate expenses that include salaries and third party service fees, as well as TG World related expenses that were assumed by TVI as a result of the acquisition of TG World in March 2011.

Depreciation, depletion and accretion expense for the year ended December 31, 2011, was approximately \$13.8 million, higher than the \$12.6 million recognized during 2010. The increase in depreciation, depletion and accretion is due to additional capital expenditures from the previous periods and higher throughput that is used as the basis in computing depreciation.

During the year ended December 31, 2011, the Company recognized approximately \$1.1 million in interest expense, which is significantly lower than the \$9.7 million incurred in 2010. This was due to the prepayment premiums paid in relation to the voluntary prepayments, which included the final repayment of the term loan facility during 2010.

The Company recorded income tax expense of \$1.1 million from its drilling activities and the acquisition and subsequent sale of petroleum and natural gas properties.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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

**Cash Position**

	2011	2010
Operating cash flow	\$ 16,150,922	\$ 28,565,762
Change in working capital	1,272,310	5,348,708
Operating cash flow before change in working capital	17,423,232	33,914,470
Net proceeds (expenditures) on property and equipment	(11,758,469)	(7,677,639)
Net proceeds (expenditures) on exploration and evaluation assets	15,232,566	-
Free cash flow	\$ 20,897,329	\$ 26,236,831
Common share outstanding	622,087,039	559,623,395
Free cash flow per share	\$ 0.034	\$ 0.047

(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 year ended December 31, 2011 was attributable to lower net income during the year. At December 31, 2011, the Company held \$23.7 million in cash compared to \$8.9 million at the end of 2010.

**Loans Payable**

As at December 31, 2011, the Company held short term debt, lines of credit and term loan totaling \$16,197,000 at an average interest rate of 1.96%.

*(a) Letter of Credit Facilities*

The Company has letter of credit facilities with a major Philippine bank which accrue interest of 4.75% per annum and are payable over four equal monthly installments 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 December 31, 2011 was \$258,585 (December 31, 2010 - \$922,491).

*(b) 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 concentrate. As at December 31, 2011, the total principal and interest outstanding was US\$9,323,656 (CDN\$9,529,239).

Loan Date	Principal loan outstanding (US\$)	Interest Rate	Term	Security
January 27, 2011	187,500	2.00%	1 year (four equal quarterly payments)	Off-take agreement
April 20, 2011	375,000	2.00%	1 year (four equal quarterly payments)	Off-take agreement
October 10, 2011	3,300,000	2.00%	180 days	Off-take agreement
November 21, 2011	2,200,000	2.00%	180 days	Off-take agreement
December 27, 2011	2,000,000	2.00%	180 days	Off-take agreement
December 27, 2011	1,250,000	2.00%	180 days	Off-take agreement

*(c) Term Loans*

- (i) In January 2011, the Company acquired two loans from another major Philippine bank for the amount of US\$5.0 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\$625,625). At December 31, 2011, the total principal and interest outstanding was US\$6,271,003 (CDN\$6,409,276).



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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- (ii) As a result of the sale of the Alaska assets on November 9, 2011, TG World has paid in full the two loan facilities outstanding totaling US\$6,720,957 (CDN\$6,982,402) – an 18% per annum facility in the amount of US\$470,957 and a 16% per annum facility in the amount of US\$6,250,000. The net interest expense from the term loans for the year ended December 31, 2011 amounted to \$507,685.

### **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 capital expenditures for its annual maintenance, development of its properties, continuous optimization of its throughput, and completion of the construction of the sulphide tailings storage facility, among others.

For 2012, the Company's combined capital expenditure program for its mining and petroleum and natural gas properties has been tightly controlled and is expected to approximate \$12 million. The Company expects the capital expenditure program to be funded by cash provided through operating activities.

### **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.*

### **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. TVI'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 loans 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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

*(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 TVI 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, 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 December 31, 2011, the Company has a \$17.1 million working capital surplus (December 31, 2010 - \$6.4 million) mainly due to higher cash balance and accounts receivable.

*(e) Credit risk*

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalent, 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 is 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 an allowance for impairment as these receivables are considered collectible.

The other receivables are mostly composed of Petroleum Production Tax Credits (PPTC) due from government agencies. The timing of cash receipts from the State of Alaska will be more difficult to determine as the Department of Revenue has recently altered its procedures for issuing PPTC. Previously, the State had 120 days to conduct an audit of qualified expenditures subject to tax credit and issue the Tax Credit Certificate, whereas they will now issue Tax Credit Certificates in advance of extensive audits without a limitation on when the audit must be completed. PPTC will be issued upon completion of audits. Additionally, the State will only accept one PPTC application per quarter, which will also impact the timing of cash receipts. Based on past history, PPTC applications are generally accepted with minimal dispute by the State and paid to the Company with minimal adjustment. The Company views amounts in accounts receivable as current in nature.

The carrying amounts of cash and cash equivalent and accounts receivable at December 31, 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**

On November 6, 2011, the Provincial Board of the Province of Zamboanga del Norte passed An Ordinance to Protect and Conserve the Integrity of the Land and Water Resources in the Province. This Ordinance gave sweeping new powers to the Provincial Governor to regulate the mining application process. It empowered non-governmental organizations to make citizens' arrests and it imposed a ban on open pit mining (but not on any other form of mining). Existing open pit operations, such as the Canatuan mine, were given one year to operate to November 2012 and would then be required to begin the closure and rehabilitation process.

In response to the Ordinance, TVI filed a series of legal actions in the Dipolog, Zamboanga del Norte, Regional Trial Court to prevent the implementation of the Ordinance. On January 6, 2012, TVI was granted a preliminary injunction against the Ordinance. The Court Order stops the implementation of the Ordinance and allows TVI to continue its operations without legal impediment while the main case (the legality of the Ordinance) is being litigated in the Court.

TVI's external legal counsel believes that the powers assumed by the province and Provincial Governor under the Ordinance are in direct contravention of Philippine laws passed by the National Congress, including the Philippine Mining Act of 1995 and the Local Government Code of 1991, and are therefore unconstitutional.

At the time of writing, the Court is hearing submissions from the parties on a joint Motion for Reconsideration filed by the Provincial Board and the Province. While there are no new legal grounds presented to the Court on which to base a rescission of the Injunction, there is a risk that the Court may do so and the Ordinance would resume its effectiveness.

In the event the Court does not grant the Motion for Reconsideration and the Injunction remains in force, it will then begin to conduct hearings on the legality of the Ordinance. It is anticipated that the hearings will involve a lengthy process. There is no assurance that any litigation commenced by TVIRD in the Philippines courts or negotiations with Zamboanga del Norte officials will result in nullification or retraction of the Ordinance or otherwise mitigate the effects of the Ordinance on the operations of TVI at Canatuan.

### **Government Regulation and Potential Changes in Philippine Law**

Mining operations and exploration activities are subject to governmental laws and regulations. The Company has obtained, or is in the process of obtaining and / or renewing all authorizations currently required to conduct its activities. Amendments to current laws and regulations governing operations and activities of mining companies, or more stringent implementation thereof could have an adverse impact on the Company. Obtaining the required permits from applicable regulatory agencies and complying with laws and regulations may be more onerous, time consuming, and more costly than originally anticipated by the Company.

#### ***Regulatory Risk***

In early 2011 the Philippine Government initiated a review of existing mining tenement applications with the stated objective of denying all long-inactive applications. At the same time, the then new Government applied a moratorium on the granting of all new tenement applications and the conversion of applications into new licences to explore or operate.

Certain criteria were set for determining whether a tenement would be judged "inactive". Over 2,000 tenement applications, country-wide, received Notices of Denial, despite the failure of the government to issue what TVIRD believes were legally required notices of warning, giving a period of time to "cure".

Three of TVIRD's exploration application tenements were initially denied and the company filed Motions for Reconsideration based on the lack of warning letters, and on the substantial progress that had been made in fulfilling the criteria. TVIRD was assured verbally by a senior government executive that in cases where substantial progress was made in reaching the criteria, the denial would be reconsidered and reversed. In all three cases, APSA 39, AFTA 13 and AFTA 14, the reason for denial was failure to complete the Free Prior Informed Consent (FPIC) process within a specified time period.

TVIRD achieved substantial progress in obtaining FPIC during the review period, but then the National Commission on Indigenous People (NCIP), which is required to supervise the process, imposed a suspension of all FPIC activity in the Zamboanga Peninsula for internal reasons not related to TVIRD. There is a risk that the NCIP may not restart the FPIC process in a timely manner and/or that the government may not accept Motions for Reconsideration with regard to the three tenements, resulting in their definitive denial. At this time TVIRD will have the option of pursuing legal action after the government's failure to follow its own procedures; or the company may compete to reapply for the tenements.

### ***Political and Fiscal Risk***

In September 2011 the government stated that the review period had been completed with the exception of those tenement denials that had been appealed. However, the Government also stated that following recommendations made by the Department of the Environment and Natural Resources (DENR) to impose Mineral Reservations for all mining areas and projects, the President had launched a review of the Mining Act and the new Administration's policy toward mining with a view to making amendments to existing policy through an Executive Order.

A Study Group was appointed, consisting of the Secretary of the DENR, the Presidential Advisor on Environmental Protection, the Presidential Advisor on Climate Change and the Secretary of the Climate Change Commission.

Initially, the Study Group was to present its recommendations by the end of 2011. In the event, the disaster response effort applied after the damage wrought in Mindanao by the typhoon "Sendong" in December 2011 and then the policy debate that emerged in January and February, 2012, have delayed the finalization of the policy recommendations to the President. The policy review is continuing at the time of writing. In effect, the moratorium on granting tenement applications and exploration permits has continued during this review period.

There have been several leaked drafts of documents and policy recommendations being presented to the policy makers. Consultations have also been undertaken by the Study Group with a variety of affected stakeholders including representatives of industry, the Joint Foreign Chambers of Commerce, the public sector and civil society groups including environmental and anti-mining lobby groups as well as the Catholic Church, which has been mounting a campaign against further mining development in the country.

At this time it is believed that the Government is considering all policy options being presented to it, but has not elected which ones to adopt.

Those being discussed, which would have an impact on TVIRD's project and future business opportunities, include (but are not limited to):

- Increase government revenues through one or more of: an increase in the excise tax from 2% to 5%; the application of a 5% Royalty through the imposition of Mineral Reservations;
- Public bidding of new, denied and non-moving applications, to replace the current, first-come-first-served system;



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

- Close additional areas to mining (those declared as agricultural or eco-tourism zones) in addition to areas already closed;
- Conduct a Total Economic Valuation (TEV) of areas open to mining and of mining projects, before allowing projects to proceed. The TEV process takes into account the environmental impact costs, environmental input factor costs (air, water, etc.) and opportunity costs as well as revenues and benefits.
- Suspend all applications until a TEV has been completed;
- Programmatic Environmental Impact Statement;
- Review of all existing mining Contracts and revision of those deemed unfair to the State
- Establish a Task Force to deal with Illegal Mining;
- Designate Minahang Bayans (mining areas) where legal small-scale ;
- Create a One-Stop Shop within Government to manage mining;
- Develop downstream Industries and ban the export of unprocessed minerals after 3 years;

While some of these proposals, if accepted, could be positive for the company – such as the One Stop Shop, the formation of a Task Force to deal with Illegal Mining – the remainder contain risks that may negatively affect the company's existing projects, future projects, or tenement applications.

Two additional risks are present in the political system in the country:

- A draft bill has been presented for discussion in the Philippine Senate that would raise the Excise Tax on mineral production to 7% from 2%. The bill has also been passed to the Secretary of the Department of Environment and Natural Resources for further review.
- A recent petition for Writ of Kalikasan ("Writ of Nature") has been filed with the Supreme Court of the Philippines by third parties seeking cancellation of all mining tenement applications in Region IX (Zamboanga Peninsula) and amendment of the Implementing Rules and Regulations to the Philippine Mining Act of 1995. TVIRD is not named as a respondent to the aforesaid petition, but a risk exists that it may be impleaded into the case, and/or it may be impacted should an adverse ruling issue from the court. The Supreme Court has remanded the case to the Court of Appeals for the gathering of evidence, which the petitioners have now been required to produce by November 9, 2011. TVIRD legal counsel is monitoring the case

### ***Social and Economic Environment***

The Company's operations and investments may be adversely affected if the political and economic environment of the Philippines becomes unstable.

Although the Company has obtained a title opinion with respect to its Philippine properties, there is no guarantee that title to such mining rights will not be challenged or impugned. As with most projects of this nature, indigenous peoples' rights may be claimed on properties for which the Company currently holds title.

### ***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% 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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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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.

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.

TVI's petition to be included as one of the creditors of Lafayette Group is pending with the Court of Appeals. The case has been submitted for decision which is expected to be received within the year.

On October 23, 2011, the Regional Trial Court approved the Motion of Lafayette/Rapu-Rapu for an early exit from Rehabilitation since it has already fully paid its commitments under said plan. Thus, Lafayette/Rapu-Rapu is now out of corporate rehabilitation and back to normal operations. TVIRD and Lafayette/Rapu-Rapu have opened discussions with a view to the possibility of negotiating a compromise settlement for this dispute acceptable to both parties.

#### **Replacement of Depleted Reserves Risk**

TVI must continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature (see "Future Exploration and Development Activities may not be Successful" above). TVI's exploration projects involve many risks and may be unsuccessful. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base of TVI may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine life, based on current production rates.

Reserve and resource figures are estimates and no assurances can be given that the indicated levels of precious or base metals will be produced or that the Company will receive the price assumed in determining its reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the reserve and resource estimates included are well established and reflect management's best estimates, by their nature, reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable. Furthermore, fluctuations in the market price, as well as increased capital or production costs or reduced recovery rates may render the Company's reserves uneconomic and may ultimately result in a reduction of reserves.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. No assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

If the Company's reserve or resource figures are inaccurate or are reduced in the future, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

**Ore grade decline risk**

As expected over the life of the mine, the Copper feed grade will continue to decline. This is the result of the declining natural grade distribution of the mineral deposit as TVI mines deeper into the pit and follows its mining plan. The unavoidable entry of the zinc and other penalty elements in the copper concentrate may have an adverse impact on the efficiency of recovering the Copper and as a result, the overall metal recovery will likely decline. This is not uncommon with polymetallic VMS complex ores like that of Canatuan. TVI is attempting to compensate for these inefficiencies, however, grades will continue to decline and there can be no assurances of the timing of the decline. The economics to produce saleable copper concentrates could also be adversely impacted by the increasing cost of removing the zinc and other penalty elements in the feed.

**Future Exploration and Development Activities may not be Successful**

Exploration for and development of precious and base metal properties involve significant financial risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of minerals or metals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, connecting to a reliable infrastructure, developing metallurgical processes and extracting the minerals or metals. The Company cannot ensure that its current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically.

The economic feasibility of development projects is based upon many factors, including but not limited to the accuracy of reserve/resource estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting, and environmental protection; and market prices. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing. Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. The Company also conducts feasibility studies that derive estimates of capital and operating costs based upon many factors, including anticipated tonnage and grades of minerals or metals to be mined and processed; ground and mining conditions; expected recovery rates; and anticipated social, environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from the Company's best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated or experience higher operating costs. These uncertainties could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.



## **Funding and Liquidity**

Future development and exploration depends upon the Company's ability to obtain funding through project and mining cash flows, joint ventures, debt financing, equity financing and other means. Failure to obtain additional funding when needed or on terms acceptable or favourable to TVI may cause the Company to postpone its exploration and development plans, forfeit rights in some or all of its properties, or reduce or terminate some or all of its operations. This could have a material adverse effect on the Company.

The ability to make scheduled payments or to refinance debt obligations depends on the financial condition and operating performance of the Company, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond its control. The lenders have security over assets of the Company and if the Company becomes unable to make scheduled payments or otherwise commits an event of default, such as bankruptcy, the lenders may foreclose on or sell the assets. Although the Company believes that current project cash inflows provide sufficient financing to meet immediate requirements, there can be no assurance that the amount will be adequate for the future financial obligations of the Company.

## **Non-Controlling Interests**

The consolidated financial statements include non-controlling interests in less than wholly-owned subsidiaries of the Company that 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.

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 a cumulative preferred dividend equal to 20% of their investment per annum and retain their ownership and voting rights.

Although there has been no official pronouncement with respect to changes to the foreign ownership rule, if there were, a restructuring of the ownership of TVIRD could have a material adverse effect on TVI, including an inability on the part of TVI to account for TVIRD on a consolidated basis and an inability to direct the financial and operating policies of TVIRD.

## **Price Volatility**

Even if the Company discovers commercial quantities of mineral resources, there is no assurance that a profitable market will exist for the sale of such resources. Factors beyond the control of the Company may affect the marketability of any minerals discovered. There are several factors that may impact the volatility of metal prices including, but not limited to: international economic and political trends; global weather or geological disruptions; expectations of inflation; global and regional demand and consumption patterns; currency exchange fluctuations; speculative activities; and increased production due to improved mining and production methods.

## **Production and Cost Estimates may be Inaccurate**

The Company prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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of ores, such as hardness and presence or absence of particular metallurgical characteristics; equipment and mechanical availability; labour availability; access to the mine; facilities and infrastructure; sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out the Company's activities. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. Actual production and costs may vary from estimates for a variety of reasons, including actual precious or base metals mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the mineral reserves, such as the need for sequential development of ore bodies and the processing of new or different grades; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages. Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Property Competition**

There are large and well established mining companies with technical and financial resources in the worldwide market. Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result, the Company may be unable to acquire the rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

### **Environmental Hazards**

The mining business is subject to a variety of risks such as ground fall, explosions and other accidents, flooding, environmental hazards and the discharge of toxic chemicals. The Company may or may not be able to insure against these hazards. This may result in destruction of mines and other facilities, damage to life and property, environmental damage, delayed production, increased production and exploration costs, and possible legal liability for any and all damages. Such liabilities may have a material adverse effect on the Company's financial position.

### **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 exploration and evaluation assets. 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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

Net income before depreciation, depletion and accretion expense is a measure that is not in accordance with IFRS. It represents income before non-cash expenses in depreciation, depletion and accretion expense. This measure should not be considered an alternative to, or more meaningful than, net income. Management believes that net income before depreciation, depletion 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 concentrate. 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 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				Year to date
	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	Dec. 31, 2011
Copper pound equivalent	4,448,021	6,270,759	7,521,596	8,196,181	26,436,557
Average quarterly rate (CDN\$/US\$)	0.99	1.04	1.01	0.98	1.01
Mining, milling and other expenses	3,831,292	14,725,691	16,649,301	13,620,242	48,826,526
Adjustment for change in inventory	5,284,081	(2,281,961)	(3,986,319)	(258,274)	(1,242,473)
Indirect administrative costs	511,371	454,578	520,727	704,251	2,190,927
Selling expenses	(880,358)	(2,814,644)	(3,361,978)	(3,208,158)	(10,265,138)
Drilling expenses	63,480	(63,480)	-	-	-
Production cash cost	8,809,866	10,020,184	9,821,731	10,858,061	39,509,842
Treatment, refining and other charges	528,569	2,869,147	3,663,786	3,879,287	10,940,789
Selling expenses	880,358	2,814,644	3,361,978	3,208,158	10,265,138
Amortization expenses	2,565,268	3,221,354	3,434,475	3,678,244	12,899,341
Total cost	12,784,061	18,925,329	20,281,970	21,623,750	73,615,110
Amortization expenses	(2,565,268)	(3,221,354)	(3,434,475)	(3,678,244)	(12,899,341)
Total cash cost	10,218,793	15,703,975	16,847,495	17,945,506	60,715,769
Gross revenue - gold	(841,743)	(1,654,761)	(3,127,683)	(3,785,284)	(9,409,471)
Gross revenue - silver	(2,574,793)	(3,738,821)	(4,639,452)	(4,279,653)	(15,232,719)
Gross revenue - zinc	-	-	(1,335,510)	(4,490,385)	(5,825,895)
Total cash cost net of by-products	6,802,257	10,310,393	7,744,850	5,390,184	30,247,684
(US\$/lb):					
Production cash cost	2.01	1.65	1.33	1.30	1.51
Total cost	2.91	3.13	2.75	2.58	2.81
Total cash cost	2.33	2.59	2.28	2.14	2.32
Total cash cost, net of by-products	1.55	1.70	1.04	0.63	1.16

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	Q3 2011 Average	9/30/11 Closing	Q4 2011 Average	12/31/11 Closing	12/31/11 Year-to-date Average
Copper (US\$/lb)	4.38	4.26	4.19	4.22	3.90	3.23	3.39	3.43	3.90
Gold (US\$/oz)	1,336.65	1,435.00	1,541.06	1,506.75	1,773.49	1,624.50	1,583.12	1,574.50	1,610.62
Silver (US\$/oz)	28.31	37.87	43.73	35.02	38.14	30.45	26.31	28.18	34.43
Zinc (US\$/lb)	-	-	-	-	1.03	0.86	0.89	0.83	0.92



## 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 AND JUDGEMENTS

Management is responsible for applying judgement 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 judgements. The following are significant accounting estimates:

- The recorded amortization expense is based on the estimated useful lives of long-lived assets. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that the future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these circumstances.

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 commodity prices for an extended period of time, significant downward revision of reserves, significant adverse changes in economic or legal environment, evidence of obsolescence or physical damage, significant changes in the manner the asset is used, among others. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
- The Corporation is required to review the carrying value of its exploration and evaluation properties for potential impairment. Once impairment is indicated, the amount by which the carrying value of exploration and evaluation properties exceeds their estimated recoverable value is charged to the statements of comprehensive income. Evaluating for recoverability during the exploration and evaluation phase requires judgement in determining whether it is likely that future economic benefits from future exploitation, sale or otherwise are likely.
- 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. The present value of the asset retirement obligation is measured by discounting the expected cash flows using a discount factor that reflects the risk-free rate of interest. Management must estimate the timing and



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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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.
- 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.
- The State of Alaska process for remitting PPTC makes the timing of receipt and estimating the fair value less certain.
- Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off balance sheet arrangements.

#### **TRANSACTIONS WITH RELATED PARTIES**

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

During the year ended December 31, 2011, Seajay Management Enterprises Ltd. ("Seajay") charged the Company \$1,001,719 (2010 - \$756,564). Management fees are paid to a corporation owned by the President of the Company for the services of the President and support staff. As at December 31, 2011, the amount payable to Seajay was \$70,567.

During the year ended December 31, 2011, the Company paid or accrued \$278,767 (2010 - \$229,323) respectively, to corporations controlled by a director and officer of TVIRD for administrative expenses. The Company owed the corporations \$13,854 at December 31, 2011.

#### **CONTINGENCIES AND CONTRACTUAL OBLIGATIONS**

In January 2010, the Company established a partnership and strategic alliance with DMCI-CERI, a subsidiary of DACON Corporation. In February 2010, the partners signed a joint venture agreement to conduct exploration, development and production of mineral deposits in EXPA 61 located within the Greater Canatuan Tenement Area. Potential prospects identified lie within a 15 kilometer (9.3 mile) radius trucking distance of the current Canatuan sulphide plant. Under the joint venture agreement, TVIRD holds a 70% interest and acts as the operator, while DMCI-CERI holds the remaining 30% interest. 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.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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The Company rents its office premises on a five-year term lease. Total rent payments amount to \$57,819 for the period 2012 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 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 December 31, 2011, and has concluded that the Company's ICOFR were designed and operating effectively as at December 31, 2011, with no material weaknesses related to operations existing as at December 31, 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 March 19, 2012, were unchanged from the 622,087,039 recorded at December 31, 2011. The basic weighted average number of common shares issued and outstanding for the year ended December 31, 2011, was 610,136,631 (2010 - 485,303,502). The diluted weighted average number of common shares issued and outstanding for the year ended December 31, 2011, was 626,763,546 (2010 - 510,091,365).

## **IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

*Certain statements in this MD&A constitute 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 TVI 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. These factors include, but are not limited to, such things as general economic conditions in Canada, 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 and development of oil and gas properties; ultimate recoverability of*



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010

reserves; production, timing, results and costs of exploration and development activities; political or civil unrest; 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 personnel and equipment (including mechanical problems). **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 completion date of construction on the sulphide tailings dam are based on construction activities completed to date and advice received from third parties. Forward-looking statements regarding forward production costs and shipping and refining costs are based on current and previous mineral reserve and resource estimates, current mining and processing activities, prior experiences of management with mining and processing activities, the current development and operating plan, efficiency and effectiveness of the sulphide plant, and the Company's overall plans, budget and strategy for Canatuan (which are all subject to change). Forward-looking statements regarding the remaining mine life and resources/reserves of the Canatuan deposit are based on current and previous mineral reserve and resource estimates, current mining and processing activities, prior experiences of management with mining and processing activities, the current development and operating plan, efficiency and effectiveness of the sulphide plant, and the Company's overall plans, budget and strategy for Canatuan (which are all subject to change). Forward-looking statements respecting the copper and zinc concentrate shipping volumes and the timing of future shipments are based on the Company's previous experience with concentrate shipments, current mining and processing activities, current and previous mineral reserve and resource estimates, discussions to date with the off-take partner, efficiency and effectiveness of the sulphide plant, and the Company's overall plans, budget and strategy for Canatuan (which are all subject to change). Forward-looking statements regarding the timing and nature of exploration and drilling activities in the Greater Canatuan Tenement Area (including EXPA 61, Malusok and SE Malusok), Tamarok and the Company's other tenements in the Philippines are based upon current and previous exploration activities, management's experience 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 free prior informed consent from indigenous communities and regulatory approvals from the government of the Philippines. Forward-looking statements regarding expectations that the Company will be able to find additional ore in the Greater Canatuan Tenement Area (including EXPA 61, Malusok and SE Malusok) 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 current and previous experience with 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 and feasibility study for Balabag are based upon current and previous exploration activities, discussions with third-parties, and the Company's overall plans, budget and strategy for Balabag (which are all subject to change). Forward-looking statements regarding the Company's expected metal production and capital expenditures for 2012, 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, 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 TVI 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, 2011, which was filed on SEDAR on March 20, 2012, and is available at [www.SEDAR.com](http://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 YEARS ENDED  
DECEMBER 31, 2011 AND 2010

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Calgary, Alberta, Canada T2P 3S8  
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**Share Listing:**

Toronto Stock Exchange Symbol: TVI

**Auditors:**

PricewaterhouseCoopers LLP  
3100, 111-5<sup>th</sup> Avenue SW  
Calgary, Alberta, Canada T2P 5L3  
Telephone: (403) 509-7500



## **Consolidated Financial Statements**

**For the Years Ended  
December 31, 2011 and 2010**



March 20, 2012

## **Independent Auditor's Report**

### **To the Shareholders of TVI Pacific Inc.**

We have audited the accompanying consolidated financial statements of TVI Pacific Inc and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2011 and December 31, 2010 and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flow for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TVI Pacific Inc. and its subsidiaries as at December 31, 2011 and December 31, 2010 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

**Chartered Accountants  
Calgary, Alberta**

**TVI Pacific Inc.**  
**Consolidated Statement of Financial Position**  
**December 31, 2011 and 2010**  
**(in Canadian dollars)**



	2011	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalent (note 7)	\$ 23,732,002	\$ 8,941,964
Accounts receivable (note 8)	7,386,044	6,016,942
Note receivable (note 9)	-	1,179,005
Advances to suppliers	918,872	807,907
Inventories (note 10)	7,055,770	7,139,311
Prepaid expenses	857,586	652,005
<b>Total current assets</b>	<b>39,950,274</b>	<b>24,737,134</b>
Non-current assets:		
Restricted cash (note 11)	2,120,396	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)	15,996,462	20,066,519
Exploration and evaluation assets (note 15)	3,797,255	-
Mining claims and deferred exploration costs (note 16)	6,961,094	3,949,658
Other assets	160,360	258,566
<b>Total non-current assets</b>	<b>29,035,567</b>	<b>27,245,840</b>
<b>Total assets</b>	<b>\$ 68,985,841</b>	<b>\$ 51,982,974</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 17)	\$ 6,815,051	\$ 5,963,010
Letter of credit facilities (note 18a)	258,585	922,491
Short-term loan facilities (note 18b)	9,529,239	10,499,759
Current portion of term facilities (note 18c)	5,131,714	-
Current portion of asset retirement obligation (note 19)	431,739	617,793
Due to related parties (note 20)	156,745	343,151
Income tax payable (note 22)	506,074	-
<b>Total current liabilities</b>	<b>22,829,147</b>	<b>18,346,204</b>
Non-current liabilities:		
Term facilities (note 18c)	1,277,562	-
Deferred income tax liability (note 22)	422,533	-
Pension obligation (note 21)	401,001	1,493,909
Asset retirement obligation (note 19)	3,014,172	2,546,588
<b>Total non-current liabilities</b>	<b>5,115,268</b>	<b>4,040,497</b>
<b>Total liabilities</b>	<b>27,944,415</b>	<b>22,386,701</b>
Equity attributable to shareholders of the Company:		
Share capital (note 23b)	32,263,957	26,081,020
Warrants (note 23d)	487,034	487,034
Contributed surplus (note 23e)	5,562,123	5,114,161
Retained earnings (deficit)	745,645	(2,168,859)
Accumulated other comprehensive income (loss)	604,157	(736,103)
	39,662,916	28,777,253
Non-controlling interests (note 24)	1,378,510	819,020
<b>Total equity</b>	<b>41,041,426</b>	<b>29,596,273</b>
<b>Total liabilities and equity</b>	<b>\$ 68,985,841</b>	<b>\$ 51,982,974</b>

The accompanying notes are an integral part of these 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.**  
**Consolidated Statements of Comprehensive Income**  
**December 31, 2011 and 2010**  
**(in Canadian dollars)**



	2011	2010
Revenues		
Concentrate sales (note 26)	\$ 83,033,851	\$ 76,496,555
Other revenues	290,335	236,237
Total revenues	83,324,186	76,732,792
Expenses		
Mining, milling and other expenses	48,826,526	27,762,028
Exploration costs	4,703,213	5,712,877
Administrative and general costs	9,532,172	8,854,078
Depreciation, depletion and accretion	13,840,798	12,609,400
Impairment losses	1,157,255	-
Other operating expense (income)	(339,390)	47,517
Total expenses	77,720,574	54,985,900
Operating income	5,603,612	21,746,892
Other income (expense)		
Interest income	157,792	40,709
Interest expense	(1,101,130)	(293,204)
Loss on debt extinguishment	-	(9,386,774)
Foreign exchange loss	(223,824)	(720,061)
Other gains (losses)	139,497	(107,933)
Other expense, net	(1,027,665)	(10,467,263)
Net income before income tax	4,575,947	11,279,629
Income tax expense (note 22)	(1,101,953)	-
Net income	3,473,994	11,279,629
Other comprehensive income:		
Foreign currency translation adjustment	1,340,260	182,415
Comprehensive income	\$ 4,814,254	\$ 11,462,044
Net income attributable to:		
Shareholders of the Company	\$ 2,914,504	\$ 10,460,609
Non-controlling interests	559,490	819,020
	\$ 3,473,994	\$ 11,279,629
Comprehensive income attributable to:		
Shareholders of the Company	\$ 4,254,764	\$ 10,643,024
Non-controlling interests	559,490	819,020
	\$ 4,814,254	\$ 11,462,044
Net income per share attributable to shareholders of the Company:		
Basic	\$ 0.005	\$ 0.022
Diluted	0.005	0.021
Weighted average number of common shares:		
Basic (note 25)	610,136,631	485,303,502
Diluted (note 25)	626,763,546	510,091,365

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

**TVI Pacific Inc.**  
**Consolidated Statements of Changes in Equity**  
**December 31, 2011 and 2010**  
**(in Canadian dollars)**

	Attributable to shareholders of the Company					Subtotal	Non-controlling interests (note 24)	Total Equity
	Share capital (Note 23b)	Warrants (Note 23d)	Contributed surplus (Note 23e)	Retained Earnings (Deficit)	Other comprehensive income (loss)			
<b>January 1, 2011</b>	<b>\$26,081,020</b>	<b>\$ 487,034</b>	<b>\$ 5,114,161</b>	<b>\$ (2,168,859)</b>	<b>\$ (736,103)</b>	<b>\$28,777,253</b>	<b>\$ 819,020</b>	<b>\$29,596,273</b>
<b>Transactions with owners</b>								
Shares and options issued on acquisition of subsidiary (note 6)	6,152,583	-	184,852	-	-	6,337,435	-	6,337,435
Share issue costs	(17,140)	-	-	-	-	(17,140)	-	(17,140)
Stock-based compensation	-	-	296,853	-	-	296,853	-	296,853
Options forfeited	-	-	(11,672)	-	-	(11,672)	-	(11,672)
Exercise of options	47,494	-	(22,071)	-	-	25,423	-	25,423
<b>Transactions with owners</b>	<b>6,182,937</b>	<b>-</b>	<b>447,962</b>	<b>-</b>	<b>-</b>	<b>6,630,899</b>	<b>-</b>	<b>6,630,899</b>
<b>Comprehensive income</b>								
Net income	-	-	-	2,914,504	-	2,914,504	559,490	3,473,994
Other comprehensive income								
Foreign currency translation adjustment	-	-	-	-	1,340,260	1,340,260	-	1,340,260
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,914,504</b>	<b>1,340,260</b>	<b>4,254,764</b>	<b>559,490</b>	<b>4,814,254</b>
<b>December 31, 2011</b>	<b>\$32,263,957</b>	<b>\$ 487,034</b>	<b>\$ 5,562,123</b>	<b>\$ 745,645</b>	<b>\$ 604,157</b>	<b>\$39,662,916</b>	<b>\$ 1,378,510</b>	<b>\$41,041,426</b>
<b>January 1, 2010</b>	<b>\$22,004,269</b>	<b>\$2,403,496</b>	<b>\$ 4,676,813</b>	<b>\$(17,687,123)</b>	<b>\$ (1,516,191)</b>	<b>\$ 9,881,264</b>	<b>\$5,655,328</b>	<b>\$15,536,592</b>
<b>Transactions with owners</b>								
Shares issued in exchange for debt obligation	957,707	-	-	-	-	957,707	-	957,707
Share issue cost	(3,619)	-	-	-	-	(3,619)	-	(3,619)
Exercise of warrants	3,063,498	(1,916,462)	-	-	-	1,147,036	-	1,147,036
Stock-based compensation	-	-	503,991	-	-	503,991	-	503,991
Options forfeited	-	-	(41,110)	-	-	(41,110)	-	(41,110)
Exercise of options	59,165	-	(25,533)	-	-	33,632	-	33,632
<b>Transactions with owners</b>	<b>4,076,751</b>	<b>(1,916,462)</b>	<b>437,348</b>	<b>-</b>	<b>-</b>	<b>2,597,637</b>	<b>-</b>	<b>2,597,637</b>
<b>Comprehensive income (loss)</b>								
Net income	-	-	-	10,460,609	-	10,460,609	819,020	11,279,629
Reversal of non-controlling interests	-	-	-	5,057,655	597,673	5,655,328	(5,655,328)	-
Other comprehensive income (loss)								
Foreign currency translation adjustment	-	-	-	-	182,415	182,415	-	182,415
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,518,264</b>	<b>780,088</b>	<b>16,298,352</b>	<b>(4,836,308)</b>	<b>11,462,044</b>
<b>December 31, 2010</b>	<b>\$26,081,020</b>	<b>\$ 487,034</b>	<b>\$ 5,114,161</b>	<b>\$ (2,168,859)</b>	<b>\$ (736,103)</b>	<b>\$28,777,253</b>	<b>\$ 819,020</b>	<b>\$29,596,273</b>

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

**TVI Pacific Inc.**  
**Consolidated Statements of Cash Flows**  
**December 31, 2011 and 2010**  
**(in Canadian dollars)**



	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 4,575,947	\$ 11,279,629
Adjustments for:		
Depreciation, depletion and accretion	13,840,798	12,609,400
Loss (gain) on sale of assets	(1,516,875)	47,517
Impairment loss	1,157,255	-
Interest income	(157,792)	(40,709)
Fair value loss (gain) on investment	(138,495)	138,495
Interest expense	1,101,130	293,204
Loss on debt extinguishment	-	9,386,774
Pension expense	774,346	768,336
Stock based compensation	285,181	462,881
Unrealized foreign exchange loss (gain)	170,460	(155,420)
Operating income before working capital changes	20,091,955	34,790,107
Contribution to pension funding	(1,638,754)	-
Asset retirement obligation paid	(911,241)	(916,346)
Change in working capital (note 27)	(1,272,310)	(5,348,708)
Cash generated from operating activities	16,269,650	28,525,053
Interest received	119,891	40,709
Income taxes paid	(238,619)	-
Net cash generated from operating activities	16,150,922	28,565,762
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Letter of credit facilities utilized (repaid)	(671,898)	595,760
Short-term loan facilities utilized (repaid)	(1,324,004)	10,576,435
Term facilities repaid	(636,457)	(24,726,907)
Interest and financing costs paid	(1,355,745)	(2,225,157)
Prepayment premium paid	-	(7,374,278)
Proceeds from shares issued	25,423	1,180,668
Share issue costs	(17,140)	(3,619)
Net cash used in financing activities	(3,979,821)	(21,977,098)
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Change on note receivable	(487,800)	(1,317,500)
Change in restricted cash	(814,494)	(1,142,078)
Expenditure on available-for-sale financial asset	-	(227,937)
Expenditure on investment in an associate	-	(1,482,500)
Acquisition of a subsidiary (note 6)	178,531	-
Proceeds on disposal of property and equipment	-	6,631
Expenditures on property and equipment	(11,758,469)	(7,677,639)
Proceeds on exploration and evaluation assets	15,825,600	-
Expenditures on exploration and evaluation assets	(593,034)	-
Net cash generated from (used in) investing activities	2,350,334	(11,841,023)
Effect of foreign exchange rates on cash	268,603	215,703
Net increase (decrease) in cash and cash equivalent	14,790,038	(5,036,656)
Cash and cash equivalent at beginning of year	8,941,964	13,978,620
Cash and cash equivalent at end of year	\$ 23,732,002	\$ 8,941,964

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 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 also engages in the exploration of petroleum and natural gas properties, through its subsidiary, TG World Energy Corp. ("TG World").

TVI is the ultimate parent 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 in pre-development at its Balabag gold property and is carrying out an exploration program at its Greater Canatuan Tenement Area and 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, TVI acquired control of TG World, engaged in the business of international petroleum exploration and development with the major area of focus in the Philippines, through its wholly owned subsidiary TG World (BVI) Corp ("TG BVI"). TG World Energy Inc. ("TG Inc."), another wholly-owned subsidiary, sold its leasehold interest in Alaska in November 2011, while TG World Petroleum Limited ("TG Petroleum"), also a wholly-owned subsidiary, decided to withdraw its interest in Niger in December 2011 (note 15). The consolidated financial statements at December 31, 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 March 19, 2012.

## **2. Basis of preparation:**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), as of December 31, 2011.

### **(b) Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value (Note 5f). In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

## 2. Basis of preparation (continued):

### (c) *Adoption of new and revised IFRS*

The following are relevant new IFRIC interpretation and amendment to IFRS that are effective for the first time for the financial year beginning on or after January 1, 2011. These interpretation and amendment are assessed to have no material impact on the Company:

#### (i) *IFRS 3, Business Combinations (effective July 1, 2010)*

The amendment 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.

#### (ii) *Amendments to IFRS 7 Financial Instruments (effective January 1, 2011)*

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.

### (d) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011*

The Company is required to adopt *IFRS 9, "Financial Instruments"*, effective January 1, 2015, with earlier adoption permitted. IFRS 9 replaces existing requirements included in IAS 39, "Financial Instruments - Recognition and Measurement". The new standard requires financial assets to be classified at initial recognition into two measurement categories: those measured as at fair value and those measured at amortized cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Under IFRS 9, fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The IASB also issued the following new and relevant accounting standards, amendments and interpretation:

#### (i) *Amendment to IAS 1, Financial statement presentation regarding other comprehensive income (effective July 1, 2012)*

The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

#### (ii) *Amendments to IAS 19, Employee benefits (effective January 1, 2013)*

The amendments eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

#### (iii) *IFRS 10, Consolidated financial statements (effective January 1, 2013)*

The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

## **2. Basis of preparation (continued):**

### *(iv) IFRS 11, Joint arrangements (effective January 1, 2013)*

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. The standard prescribes the accounting treatment for each joint arrangement – recognition of the proportionate interest in the assets, liabilities, revenue and expenses; and equity accounting, respectively.

### *(v) IFRS 12, Disclosures of interests in other entities (effective January 1, 2013)*

It includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

### *(vi) IFRS 13, Fair value measurement (effective January 1, 2013)*

The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs.

### *(vii) IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (effective January 1, 2013)*

IFRIC 20 provides guidance on the accounting for the costs of stripping activity (waste removal) in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory (inventory asset) and improved access to further quantities of material (stripping activity asset) that will be mined in future periods.

The Company is currently assessing the impact of the above new and amended standards and interpretations on its consolidated financial statements. The Company does not plan to early adopt the above noted standards and interpretations.

## **3. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

### **(a) Principles of consolidation**

#### **(i) Subsidiaries**

The consolidated financial statements include the accounts of the Company and its subsidiaries and affiliates that it controls as of the reporting date. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where there is loss of control of a subsidiary, or restructuring of the subsidiaries equity accounts, the consolidated financial statements include the results for the part of the reporting year during which the Company has control.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries TVI Limited, TVI International Marketing Limited (“TVI Marketing”), EDCO, TVI Minerals Processing Inc. (“TVI Minerals”), TG World, TG BVI, TG Inc. and TG Petroleum, including its interest in TVIRD and nineteen inactive Philippine subsidiaries, which are controlled by the Company, as it has the ability 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 nineteen inactive 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.

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

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 within equity in the consolidated statement of financial position, separately from the Company's equity. Losses applicable to the non-controlling interest in excess of their interest in the subsidiaries' equity are allocated against the non-controlling interest even if that results in a deficit balance.

All intercompany balances and transactions have been eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### (ii) Joint ventures

The Company's exploration activities in petroleum and natural gas properties are conducted in joint participation with others, where the Company has a direct ownership interest in jointly controlled assets. The revenue, expenses, assets and liabilities related to the jointly controlled assets are included in the consolidated financial statements in proportion to the Company's interest.

#### **(b) Cash and cash equivalent**

Cash and cash equivalent are carried at face amount or at nominal amount in the consolidated statement of financial position and includes cash on hand, deposits held at call with banks and short-term placements with maturities of three months or less.

#### **(c) Environmental trust funds**

Regular contributions are made to the Company's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the Company's mines. Contributions are determined on the basis of the estimated environmental obligation over the life of the mine. Income earned from environmental trust funds deposited in banks is accounted for as interest income. The deposits in trust funds are included under restricted cash in the consolidated statement of financial position.

#### **(d) Inventories**

Inventories are stated at the lower of their cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete and applicable variable selling expenses. Inventories consist of consumable drilling parts, drilling supplies, and mineral processing supplies valued using the moving average method with provision for obsolete and slow-moving items; and finished products, and stockpile ore recorded based on a first in first out method.

For finished goods, all direct production costs and related production overheads are included in determining the cost. Stockpiled ore inventory includes the cost of extraction and hauling.

#### **(e) Mining claims and exploration costs**

The Company expenses all exploration costs as incurred until it determines that the exploration property is capable of achieving commercial production at which time all further pre-production costs are capitalized at cost. Such costs include acquisition, exploration, operating, other related costs and administration expenditures net of any mineral revenues received. When a property is brought into production, the costs will be amortized using the unit-of-production method based on that property's estimated ore reserves. If a property is abandoned, capitalized costs are charged to operations in the year of abandonment. The Company classifies mining claims and deferred exploration costs as tangible or intangible according to the nature of the asset acquired or cost incurred and applies the classification consistently. Certain deferred exploration costs are treated as intangible (e.g. license and legal fees), whereas others are tangible (e.g. vehicles). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset.

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

Mining claims and deferred exploration costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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.

#### **(f) Exploration and evaluation assets**

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.

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 and probable 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.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

#### **(g) Property and equipment**

Property and equipment are recorded at cost less subsequent depreciation and impairment. Costs include the amount of consideration given up to acquire, construct, develop, or better an item of property and equipment and include all costs directly attributable to the acquisition, construction, development or betterment of the asset.

The costs of construction-in-progress are accumulated in the accounts until the project is completed and put into operational use upon which they are classified to the appropriate property accounts and depreciated accordingly. Construction-in-progress is stated at cost, which includes cost of construction, equipment and other direct costs.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

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

Mine development costs are deferred until the property is brought into commercial production, at which time the costs are amortized using the unit-of-production method based on that property's estimated ore reserves. The deferral of expenditures cease when a facility commences commercial operations. If a property is abandoned, previously capitalized costs are charged to operations in the year of abandonment.

Depreciation of these assets is provided at rates designed to amortize their cost over their estimated useful lives:

	Method	Years
Canatuan sulphide plant:		
Property and equipment	Unit-of-production	Estimated ore reserves
Sulphide dam	Unit-of-production	Estimated ore reserves
Drilling and other assets:		
Buildings and leasehold improvements	Straight-line	5 years
Communication and computer equipment, office furniture and equipment	Straight-line	2-5 years
Transportation equipment	Straight-line	5 years
Field and geological equipment	Straight-line	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

#### **(h) Impairment of long-lived assets**

The Company evaluates the property and equipment for impairment when events or changes in circumstances indicate, in management's judgment, 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 commodity prices for an extended period of time, significant downward revision of reserves, significant adverse changes in economic or legal environment, evidence of obsolescence or physical damage, significant changes in the manner the asset is used, among others. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Assets that do not generate cash inflows largely independent of those from other groups of assets are being combined with all other assets to form an asset group for impairment assessment.

Judgments and assumptions are inherent in management's estimate of the undiscounted future cash flows used to determine recoverability of an asset and the estimate of an asset's fair value used to calculate the amount of any impairment.

#### **(i) Defined benefit plan**

The employees in the Philippine subsidiaries of the Company are entitled to a defined benefit plan that defines an amount of pension benefit that the employee will receive upon retirement, usually dependent on one or more factors, such as age, years of service, and compensation. The liability recognized is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

#### (j) Foreign currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

##### (i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

##### (ii) Foreign operations

The assets and liabilities of the Philippine and other foreign subsidiaries are translated into Canadian dollars from the functional currencies using period-end exchange rates, with revenues and expenses translated using average rates for the period. Unrealized gains and losses arising on the translation of these operations are included in the foreign currency translation adjustment within other comprehensive income.

When a foreign operation is disposed of, the relevant amount of the cumulative translation adjustment within other comprehensive income is transferred to net income as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to net income.

#### (k) Revenue recognition

##### (i) Sale of precious metals

Revenues from commercial mineral operations are recorded when title passes on the sale and delivery of gold and silver from the Canatuan gossan plant to the refiner, and copper and zinc concentrates from the Canatuan sulphide plant to the ship's rail. Revenues from copper and zinc concentrates are recorded based on either provisional prices or basis fixed prices. The Company does not engage in forward selling or hedging of mineral production.

##### (ii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues accreting the discount as interest income.

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

(iii) Other revenue

Other revenue is recognized when earned or realized.

**(l) Share option plan**

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. Under this method, compensation expense of stock options, measured at the grant date, is recognized as a charge to earnings over the vesting period with a corresponding credit to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The effects of forfeitures are estimated on initial measurement with subsequent adjustments so that the expense reflects what has actually vested in the period.

**(m) Borrowings and borrowing costs**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Borrowings are derecognized when it is extinguished, that is, when the obligation is discharged, cancelled or expired. Any substantial modification to the terms of the loan are accounted as an extinguishment of the original liability and recognition of a new liability

Borrowing costs incurred for the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**(n) Leases**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of income on a straight-line basis over the period of the lease.

**(o) Income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

The Company uses the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on “temporary differences” (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, or interests in joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **(p) Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. The increase in provision due to passage of time is recognized as amortization expense.

The fair value of asset retirement obligations (“ARO”) associated with the retirement of long-lived assets is recognized as liabilities in the period when they can be reasonably determined. The fair value approximates the cost a third party would charge in performing the tasks necessary to retire such assets and is recognized at the present value of expected future cash flows using a discount factor that reflects the risk-free rate of interest. ARO's are added to the carrying value of the associated asset and depreciated over the asset's useful life. The corresponding liability is accreted over time through charges to earnings and is reduced by actual costs of decommissioning and reclamation. The estimates of the timing and amounts of expected cash flows are prepared when an ARO is incurred, which are updated to reflect changes in facts and circumstances. The Company's estimates of retirement costs could change as a result of changes in cost estimates and regulatory requirements.

#### **(q) Per share amounts**

Net income (loss) per common share is computed by dividing net income (loss) attributable to shareholders of the Company by the weighted average number of common shares outstanding for the year.

Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

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

#### (r) Segment reporting

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

#### (s) Financial instruments and other comprehensive income

##### *Financial instruments*

The Company classifies its financial assets in the following categories: (a) at fair value through profit or loss, (b) loans and receivables, (c) held-to-maturity investments and (d) available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Financial assets available-for-sale are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder.

Cash and cash equivalent is comprised of cash balances, call deposits and short-term placements with original maturities of three months or less. Cash and cash equivalent, restricted cash, accounts receivable, and advances to suppliers with fixed or determinable payments that are not quoted in an active market are designated as "loans and receivables". The convertible note receivable is classified as financial asset at fair value through profit or loss while the investment in money market instruments is classified as available-for-sale financial asset. Accounts payable and accrued liabilities, short-term debt, long-term liabilities and due to related parties are designated as "other financial liabilities".

##### *Initial recognition, subsequent measurement and derecognition*

Regular-way purchases and sales of financial assets are recognized on trade-date (the date on which the Company commits to purchase or sell the asset). All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

Financial assets at fair value through profit or loss are measured at fair value with changes in those fair values recognized in net income. Financial assets “held-to maturity”, “loans and receivables” and “other financial liabilities” are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these are measured at amortized cost using the effective interest rate method of amortization, net of any impairment. Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income. The methods used by the Company in determining fair value of financial instruments are unchanged during the year.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

#### *Impairment*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### *Risk management*

The financial instruments standard establishes the presentation of financial instruments and non-financial derivatives and classification of financial instruments, from the perspective of the issuer, between liabilities and equity. The Company discloses the nature and extent of risks associated with financial instruments and how these risks are managed.

#### *Comprehensive income*

The Company’s consolidated financial statements include a consolidated statement of comprehensive income, which includes net income and other comprehensive income. The Company’s other comprehensive income is currently comprised of the changes in the foreign currency translation adjustment of foreign operations and unrealized changes in the fair market values of financial instruments.

The cumulative changes in other comprehensive income are summarized in the consolidated statements of changes in equity. Accumulated other comprehensive income is presented as a category within shareholders’ equity in the consolidated statement of financial position.

#### **(t) Capital disclosures**

The Company discloses information regarding the Company’s capital and how it is managed. The Company discloses the objective, policies, and processes for managing capital and quantitative disclosure about what the Company regards as capital.

#### **(u) Accounting changes**

Accounting changes are applied retrospectively unless otherwise permitted or required by the transitional provisions of IFRS or where impracticable to determine. As well, voluntary changes in accounting policy are made only when the change results in more relevant and reliable information.

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

#### (v) *Comparative figures*

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

#### (w) *Events after the reporting date*

Events after the reporting date are evaluated up to the date the financial statements are authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

### 4. Critical accounting estimates and judgments:

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of timely financial statements necessitates the use of judgments, estimates and assumptions that will affect assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. Such estimates are based on informed judgments made by management. Actual results could differ materially from those estimated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### (a) *Critical accounting estimates and assumptions*

##### *Pension obligation*

The present value of the pension obligation 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, as disclosed in note 21, include the discount rate, expected returns on plan assets and salary increase rates. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit obligation. In determining the long-term rates of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. Other key assumptions for pension obligations are based in part on current market conditions.

While the Company's management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in our assumptions may materially affect the pension obligation and employee benefits. The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding these actuarial assumptions at the reporting date.

##### *Amortization of non-financial assets*

The recorded amortization expense is based on the estimated useful economic lives of long-lived assets. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that the future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these circumstances.

#### 4. Critical accounting estimates and judgments (continued):

The estimate that most significantly affects the measurement of amortization is quantities of proven mineral reserves, which is used in the computation of amortization expense based on the units-of-production method.

Mineral reserves are estimates, thus, there is a risk that actual metals production could differ from expected metals production from our reserves. Factors that could cause actual metals production to differ include adverse changes in metal prices, which could make the reserve uneconomic to mine; and variations in actual ore grade and metal recovery rates from estimates.

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 ore body. This economic 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. Changes in data and/or assumptions could cause reserve estimates to substantially change from period to period thus the Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding these estimation.

##### *Asset retirement obligations*

The present value of the asset retirement obligation is measured by discounting the expected cash flows using a discount factor that reflects the risk-free rate of interest. The estimates of the timing and amounts of expected cash flows are prepared when an asset retirement obligation is incurred, which are updated to reflect changes in facts and circumstances.

The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding these changes in estimates of the timing and amount of expected cash flows when the liability is actually incurred. One or more of the assumptions may differ significantly and as a result, the actuarial present value of the asset retirement obligation estimated at the reporting date may differ significantly from amount reported. Additional information is disclosed in note 19.

##### *Share options*

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. The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding these estimation.

##### *Valuation of embedded derivatives*

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. Revenue would be an estimated \$50,558 lower or higher were the metal prices used in the computation of revenue differ by 10% from the Company's estimates.

#### **(b) Critical judgments in applying accounting policies**

##### *Recoverability of property and equipment, and mining claims and deferred exploration costs*

The Company reviews and tests the carrying amounts of capitalized mining claims and deferred exploration costs whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred (as discussed in note 2), the amount by which the carrying value of assets exceeds their estimated recoverable value is charged to the statements of comprehensive income.

#### 4. Critical accounting estimates and judgments (continued):

##### *Recoverability of the carrying value of exploration and evaluation assets*

The Corporation is required to review the carrying value of its exploration and evaluation properties for potential impairment. Once impairment is indicated, the amount by which the carrying value of exploration and evaluation properties exceeds their estimated recoverable value is charged to the statements of comprehensive income. Evaluating for recoverability during the exploration and evaluation phase requires judgement in determining whether it is likely that future economic benefits from future exploitation, sale or otherwise are likely. During the year ended December 31, 2011, the Company recognized an impairment loss of 1,157,255 related to its interest in petroleum and natural gas properties located in Niger (note 15).

##### *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Additional information is disclosed in Note 22.

#### 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 loans 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 year ended December 31, 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 \$2,991 mainly as a result of foreign exchange gains/losses on translation of US dollar denominated cash and cash equivalent, trade receivables and loans payable.

**5. Financial Risk Management (continued):**

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

	Average rate		Spot rate	
	2011	2010	2011	2010
US Dollar	0.9891	1.0299	1.0170	0.9946
Philippine Peso	0.02285	0.02285	0.02331	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.

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 December 31, 2011 and 2010 the Company has a \$17.1 and \$6.4 million working capital surplus, respectively.

The following are the contractual maturities of financial obligations.

	Due within 12 months	Due between 13 to 60 months
Accounts payable and accrued liabilities	\$ 6,815,051	\$ -
Letter of credit facilities	258,585	-
Short-term loan facilities	9,529,239	-
Term facilities	5,131,714	1,277,562
Due to related parties	156,745	-
	\$ 21,891,334	\$ 1,277,562

For the year ended and as at December 31, 2011, the Company has the following loans payable at fixed interest rates.

	Principal outstanding	Interest outstanding	Effective annual interest rate	Interest expense	Maturity date
Letter of credit facilities	257,999	586	4.75%	21,890	June 2012
Current loan payable A	9,517,837	11,402	2.00%	225,140	January to June 2012
Term loan A	6,387,810	21,466	1.80%	136,780	January 2013

**5. Financial Risk Management (continued):**

*(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 and cash equivalent, 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:

	2011	2010
Receivable from concentrate sales	68%	93%
Petroleum Production Tax Credits receivable	23%	-
Other receivables	9%	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 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 other receivables are mostly composed of Petroleum Production Tax Credits (PPTC) due from the State of Alaska. This also potentially exposes the Company to credit risk mainly because of the uncertainty in the timing of cash receipts. Additionally, the State will only accept one PPTC application per quarter, which will also impact the timing of cash receipts. Based on past history, PPTC applications are generally accepted with minimal dispute by the State and paid to the Company with minimal adjustment. The Company views amounts in accounts receivable as current in nature.

The carrying amounts of cash and cash equivalent and accounts receivable at December 31, 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 values 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.

- *Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.*
- *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)*
- *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 December 31, 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 December 31, 2011 due to their short term nature. The Company's non-current loan payable also approximates its fair value at December 31, 2011 as interest rates are at market values.

**5. Financial Risk Management (continued):**

*(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.

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, exploration and evaluation assets, 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.

	<b>2011</b>	<b>2010</b>
Debt	\$ 24,097,503	\$ 17,728,411
Equity	39,058,759	29,513,356
Assets	68,128,255	51,330,969
Debt-to-equity	0.62	0.60
Debt-to-assets	0.35	0.35

**6. 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 9) in connection with the plan of arrangement.

## 6. Business Combination (continued):

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 9)		1,317,500
Accrued interest on convertible note		37,901
Stock options issued		184,852
<b>Total consideration transferred</b>	<b>\$</b>	<b>9,175,336</b>
Cash	\$	178,531
Property and equipment		12,437
Exploration and evaluation assets		18,539,134
Other working capital		(1,610,085)
Term facilities and accrued interest		(7,727,384)
Asset retirement obligations		(217,297)
<b>Net identifiable assets acquired and liabilities assumed</b>	<b>\$</b>	<b>9,175,336</b>

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 recorded the acquired exploration and evaluation assets at fair value which is less than the book value by \$2,307,654, allocated between the assets held in Alaska and Niger for \$584,695 and \$1,722,959, respectively.

The acquired business contributed net loss of \$1,882,586 to the Company for the period from March 11 to December 31, 2011. The net loss was included in the consolidated statement of comprehensive income. If the acquisition had occurred on January 1, 2011, the Company revenue would have been \$83,324,186, and net income would have been \$3,727,021.

The costs incurred related to the acquisition of TG World amounted to \$204,051 recorded under administrative and general costs for the year ended December 31, 2011 (December 31, 2010 - \$236,642).

## 7. Cash and cash equivalent:

Cash and cash equivalent consists of:

	2011		2010	
Cash on hand	\$	53,590	\$	42,248
Cash in bank		13,378,894		4,401,645
Short term placements		10,299,518		4,498,071
	<b>\$</b>	<b>23,732,002</b>	<b>\$</b>	<b>8,941,964</b>

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

Cash and cash equivalent is denominated in the following currencies:

	2011		2010	
Canadian Dollars	\$	10,485,572	\$	1,162,146
US Dollars		11,130,502		6,471,696
Philippine Peso		2,115,928		1,308,122
	<b>\$</b>	<b>23,732,002</b>	<b>\$</b>	<b>8,941,964</b>

**7. Cash and cash equivalent (continued):**

Cash and cash equivalent is distributed in the following countries:

	2011		2010
Canada	\$ 10,618,643	\$	1,166,665
Philippines	13,112,283		7,774,125
Others	1,076		1,174
	\$ 23,732,002	\$	8,941,964

**8. Accounts receivable:**

Accounts receivable consists of:

	2011		2010
Receivable from concentrate sales	\$ 4,995,276	\$	5,615,276
PPTC receivable	1,676,337		-
Other receivables	714,431		401,666
	\$ 7,386,044	\$	6,016,942

TG World accrued PPTC's of US\$1,648,316 at December 31, 2011 (note 15).

**9. 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 6). The face value of the note at March 10, 2011 was \$1,317,500 (note 6).

**10. Inventories:**

	2011		2010
At cost:			
Finished goods	\$ 2,265,319	\$	3,454,252
Stockpiled ore	118,200		39,373
Consumable drilling parts and supplies	1,170,948		820,556
At net realizable value			
Mineral processing supplies	3,501,303		2,825,130
	\$ 7,055,770	\$	7,139,311

Finished goods consist of copper concentrates produced from the Canatuan sulphide plant. During the year ended December 31, 2011, the Company recognized \$24,707,632 (December 31, 2010 - \$9,841,536) of inventory as expense under Mining, milling and other expenses. These expenses include materials and supplies and direct finished good costs. During the year ended December 31, 2011, the Company recognized a provision for inventory obsolescence amounting to \$26,066.

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

	2011		2010
Beginning balance	\$ 140,897	\$	139,025
Provision for inventory obsolescence	26,066		-
Foreign currency translation	3,740		1,872
Ending Balance	\$ 170,703	\$	140,897

**11. Restricted cash:**

The Company holds \$2,120,396 (December 31, 2010 - \$1,260,660) in restricted cash related to deposits in environmental trust funds at December 31, 2011.

**12. Available-for-sale financial asset:**

In February 2010, the Company invested in a fixed income fund that invests in money market instruments. Such investment was 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. This was transferred to the pension fund during the year ended December 31, 2011.

**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 9). On March 10, 2011, TVI acquired a further 82% of the equity and gained control of TG World (note 6). 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:

December 31, 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
<b>Cost</b>									
<b>At January 1, 2011</b>	<b>\$ 907,715</b>	<b>\$ 39,606</b>	<b>\$ 856,811</b>	<b>\$ 194,028</b>	<b>\$ 121,938</b>	<b>\$ 2,098,607</b>	<b>\$ 21,881,710</b>	<b>\$ 12,235,311</b>	<b>\$ 38,335,726</b>
Additions	314,988	5,905	165,583	192,371	5,308	31,074	304,504	5,410,396	6,430,129
Acquisition of a subsidiary (note 6)	-	-	12,437	-	-	-	-	-	12,437
Reclassification	-	-	-	-	-	21,184	79,072	(100,256)	-
Disposal	(182,927)	(80)	(3,594)	-	-	(22,008)	(199,296)	-	(407,905)
Foreign currency translation	23,365	1,021	17,998	8,322	2,421	46,646	502,441	386,492	988,706
<b>At December 31, 2011</b>	<b>1,063,141</b>	<b>46,452</b>	<b>1,049,235</b>	<b>394,721</b>	<b>129,667</b>	<b>2,175,503</b>	<b>22,568,431</b>	<b>17,931,943</b>	<b>45,359,093</b>
<b>Accumulated Depreciation</b>									
<b>At January 1, 2011</b>	<b>(418,619)</b>	<b>(27,959)</b>	<b>(711,393)</b>	<b>(67,295)</b>	<b>(103,955)</b>	<b>(1,030,109)</b>	<b>(8,637,261)</b>	<b>(7,272,616)</b>	<b>(18,269,207)</b>
Depreciation	(273,675)	(6,449)	(109,522)	(59,286)	(9,946)	(544,948)	(5,377,085)	(4,465,877)	(10,846,788)
Disposal	153,969	7	2,933	-	-	22,008	199,296	-	378,213
Foreign currency translation	(11,967)	(768)	(15,472)	(2,735)	(2,210)	(33,616)	(301,807)	(256,274)	(624,849)
<b>At December 31, 2011</b>	<b>(550,292)</b>	<b>(35,169)</b>	<b>(833,454)</b>	<b>(129,316)</b>	<b>(116,111)</b>	<b>(1,586,665)</b>	<b>(14,116,857)</b>	<b>(11,994,767)</b>	<b>(29,362,631)</b>
<b>Net book value</b>	<b>\$ 512,849</b>	<b>\$ 11,283</b>	<b>\$ 215,781</b>	<b>\$ 265,405</b>	<b>\$ 13,556</b>	<b>\$ 588,838</b>	<b>\$ 8,451,574</b>	<b>\$ 5,937,176</b>	<b>\$ 15,996,462</b>



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
<b>Cost</b>									
<b>At January 1, 2010</b>	\$ 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
<b>At December 31, 2010</b>	<b>907,715</b>	<b>39,606</b>	<b>856,811</b>	<b>194,028</b>	<b>121,938</b>	<b>2,098,607</b>	<b>21,881,710</b>	<b>12,235,311</b>	<b>38,335,726</b>
<b>Accumulated Depreciation</b>									
<b>At January 1, 2010</b>	(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)
<b>At December 31, 2010</b>	<b>(418,619)</b>	<b>(27,959)</b>	<b>(711,393)</b>	<b>(67,295)</b>	<b>(103,955)</b>	<b>(1,030,109)</b>	<b>(8,637,261)</b>	<b>(7,272,616)</b>	<b>(18,269,207)</b>
<b>Net book value</b>	<b>\$ 489,096</b>	<b>\$ 11,647</b>	<b>\$ 145,418</b>	<b>\$ 126,733</b>	<b>\$ 17,983</b>	<b>\$ 1,068,498</b>	<b>\$ 13,244,449</b>	<b>\$ 4,962,695</b>	<b>\$ 20,066,519</b>

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 method.

For the years ended December 31, 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 year ended December 31, 2011

## 15. Exploration and evaluation assets:

In relation to the acquisition of TG World on March 10, 2011 (note 6), the Company acquired petroleum and natural gas exploration and evaluation assets. The carrying amount and the related movement are as follows:

	2011
Beginning balance at January 1, 2011	\$ -
Acquisition of subsidiary, net	18,539,134
Additions net of PPTC's	503,717
Sale of Alaskan properties	(14,308,725)
Impairment of Niger properties	(1,157,255)
Foreign currency translation	220,384
Ending Balance	\$ 3,797,255

The balance at December 31, 2011 consists of properties located only in the Philippines.

### Philippines

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. The project operator is Nido Petroleum Limited of Perth, Australia (Nido) at 42.4% working interest.

The partners operate under a farmout agreement under which 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 World had 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 World's working interests varied from 20% to 35% in four distinct areas.

TG World explored for hydrocarbons in Alaska in areas that qualified TG World to apply for PPTC from the State of Alaska. PPTC are cash credits funded by the State for previous exploration and seismic expenditures. These are credited against capital expenditures when it is probable that Government Tax Credit Certificates shall be received. TG World received cash credits amounting US\$2.3 million during the year ended December 31, 2011. As at December 31, 2011, TG World has recorded a receivable of US\$1.7 million relating to further tax credits expected to be received in 2012.

During 2011, TG World received a total of US\$2.96 million representing the payment of insurance proceeds from BRPC to recover certain costs incurred in the well control operations during the drilling of North Tarn well in Alaska. The proceeds were credited against the capitalized expenditures.

On November 7, 2011, The Company announced it had entered into a definitive agreement to sell all of its leasehold interests in Alaska, for US\$16 million. The transaction was completed on November 9, 2011 resulting in the recognition of a gain amounting to \$1,516,875 presented as part of other operating income (expense) in the statements of comprehensive income. The gain was reduced by a cost of \$825,000 from the proceeds of the sale, as part of the closure of the sale of the Alaskan properties. Such payment also formed part of other operating income (expense) in the statements of comprehensive income.

As a result of the sale of the Alaska assets, the two loan facilities of TG World amounting to US\$6,720,957 (\$6,982,402) were repaid in full (note 18).

**15. Exploration and evaluation assets (continued):**

**Niger**

TG World was party to an agreement with Chinese National Petroleum Company International Ténéré Ltd. (CNPCIT) to explore oil and gas properties in the Ténéré Block of Niger, Africa. CNPCIT was the operator and funded 100% of TG World's 20% share of costs.

On August 8, 2011, CNPCIT completed drilling the Facai-1 exploration well in the Ténéré Block. The well encountered two small gas shows during drilling, but wireline logs indicated there were no zones worth testing. This well was the third and final well of the carried program for TG World in the Ténéré Block. The two previous wells were also unsuccessful.

In December 2011, prior to the start of the second phase of the exploration, TG World issued a notice of withdrawal of its interest from the entirety of the Contract Area. The effective date of the withdrawal is January 31, 2012. As a result, the Company has fully impaired the Niger properties resulting in a loss of \$1,157,255 recorded for the year ended December 31, 2011.

**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:

	<b>2011</b>		<b>2010</b>	
Beginning balance	\$	3,949,658	\$	5,659,041
Additions		4,865,927		239,459
Amortization		(2,002,548)		(2,031,026)
Foreign currency translation		148,057		82,184
Ending Balance	\$	6,961,094	\$	3,949,658

The Balabag expenses started to be capitalized during the second half of 2011. During the year ended December 31, 2011, the Company capitalized interest amounting to \$29,635 related to financing for the qualifying assets in the Balabag property during the year. Interest was capitalized at the weighted average rate of 1.95% of its general borrowings.

**17. Accounts payable and accrued liabilities:**

Account consists of the following:

	<b>2011</b>		<b>2010</b>	
Trade payables	\$	4,382,751	\$	3,910,985
Accrued expenses		2,359,742		2,052,025
Deferred revenue		72,558		-
	\$	6,815,051	\$	5,963,010

**18. Loan instruments:**

- (a) The Company has letter of credit facilities from a major Philippine bank which accrue interest of 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 December 31, 2011 was \$258,585 (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 December 31, 2011, the total principal and interest outstanding were US\$9,323,656 (\$9,529,239), (December 31, 2010 - US\$10,507,375 (\$10,499,759)).

Loan Date	Principal loan outstanding (US\$)	Interest Rate	Term
January 27, 2011	187,500	2.00%	1 year (four equal quarterly payments)
April 20, 2011	375,000	2.00%	1 year (four equal quarterly payments)
October 10, 2011	3,300,000	2.00%	180 days
November 21, 2011	2,200,000	2.00%	180 days
December 27, 2011	2,000,000	2.00%	180 days
December 27, 2011	1,250,000	2.00%	180 days

- (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 (\$625,625). At December 31, 2011, the total principal and interest outstanding was US\$6,271,003 (\$6,409,276):

		2011
Current loan payable		
Principal	\$	5,110,248
Accrued interest		21,466
		\$ 5,131,714
Non-current loan payable		\$ 1,277,562

- (d) As a result of the sale of the Alaska assets on November 9, 2011 (note 15), TG World has paid in full the two loan facilities outstanding totaling US\$6,720,957 (\$6,982,402) – an 18% per annum facility in the amount of US\$470,957 (\$489,277) and a 16% per annum facility in the amount of US\$6,250,000 (\$6,493,125). The net interest expense from the term loans for the year ended December 31, 2011 amounted to \$507,685.

**19. Asset retirement obligation:**

At December 31, 2011, the estimated total undiscounted amount required to settle the asset retirement obligations was \$4.4 million. These obligations will be settled based on the useful lives of the underlying assets between the years of 2012 to 2018. This amount has been discounted using the risk free rate of 2%.

**19. Asset retirement obligation (continued):**

Changes to the asset retirement obligations were as follows:

	2011	2010
Canatuan property:		
Beginning balance	\$ 3,164,381	\$ 2,594,665
Acquisition of subsidiary (note 6)	217,297	-
Accretion expense	78,206	246,378
Capitalized accretion	2,298	-
Revision of estimate	818,690	1,205,347
Liability settled	(911,241)	(916,346)
Foreign currency translation	76,280	34,337
Ending balance	\$ 3,445,911	\$ 3,164,381
Current portion	431,739	617,793
Non-current portion	3,014,172	2,546,588
	\$ 3,445,911	\$ 3,164,381

**20. Related party transactions:**

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

	Country of Incorporation	% Equity interest	
		2011	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 year ended December 31, 2011, the Company paid or accrued management fees of \$1,001,719 (2010 - \$756,564). Management fees are paid to a corporation owned by the President of the Company for the services of the President and support staff. At December 31, 2011, the amount payable to the corporation was \$70,567 (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 year ended December 31, 2011, the Company incurred directors and special committee fees of \$493,170 (2010 - \$452,750). During the year, the Company paid \$741,342 (2010 - \$271,706) for director fees and Q1 2011 special committee fees. At December 31, 2011, the fees payable to directors was \$73,937 (December 31, 2010 - \$263,188).

**20. Related party transactions (continued):**

- During the year ended December 31, 2011, the Company paid \$278,767 (2010 - \$229,323) to corporations controlled by a director and officer of TVIRD for administrative expenses. The Company owed the corporations \$13,854 at December 31, 2011 (December 31, 2010 - \$21,227).

Compensation of key management personnel composed of the officers of the Company:

	2011		2010	
Short-term employee benefits	\$	3,414,220	\$	2,308,354
Stock options expense		264,785		256,023
	\$	3,679,005	\$	2,564,377

**21. Pension obligation:**

The following are details of the Company's retirement obligations:

	2011		2010	
Present value of unfunded obligations	\$	3,261,654	\$	1,699,391
Fair value of plan assets		(1,962,890)		-
Unrecognized actuarial loss		(823,996)		(60,879)
Unrecognized past service cost		(73,767)		(144,603)
Pension obligation	\$	401,001	\$	1,493,909

Changes in the present value of the defined benefit obligation are as follows:

	2011		2010		2009		2008	
Balance beginning of year	\$	1,699,391	\$	392,239	\$	286,218	\$	436,535
Current service cost		539,400		404,957		106,234		178,930
Past service cost		-		388,600		-		-
Benefits paid		(82,485)		-		-		-
Interest cost and foreign currency translation		214,062		125,922		(57,188)		85,791
Actuarial losses (gains)		891,286		387,673		56,975		(415,038)
Balance end of year	\$	3,261,654	\$	1,699,391	\$	392,239	\$	286,218

Changes in the fair value of plan assets are as follows:

	2011	
Balance beginning of year	\$	-
Total contribution to pension funding		1,850,850
Benefits paid		(66,080)
Actuarial losses (gains) and foreign currency translation		178,120
Balance end of year	\$	1,962,890

The movement in the liability recognized in the consolidated statement of financial position is as follows:

	2011		2010	
Balance beginning of year	\$	1,493,909	\$	725,573
Total expense		774,347		768,336
Total contribution to pension funding		(1,850,850)		-
Benefits paid		(16,405)		-
Balance end of year	\$	401,001	\$	1,493,909

## 21. Pension obligation (continued):

Pension costs recognized in the consolidated statement of comprehensive income are as follows:

	2011	2010
Current service cost	\$ 539,400	\$ 404,957
Amortization of past service cost	72,302	243,997
Interest cost and foreign currency translation	162,645	125,922
Amortization of unrecognized actuarial losses (gains)	-	(6,540)
Total included in administrative and general costs	\$ 774,347	\$ 768,336

The principal annual actuarial assumptions used were as follows:

	2011	2010
Discount rate	5.97%	8.9%
Future salary increases	10.0%	10.0%
Average remaining working life in years	23	23

## 22. Income taxes:

	2011
Current tax expense for the year	\$ 679,420
Deferred tax expense	422,533
Income tax expense	1,101,953

The deferred tax liability initially recognized in 2011, related to the acquisition and sale of Alaskan properties, is expected to be reversed in 2012.

The provision for income taxes differs from that which would be expected by applying the combined federal and provincial corporate statutory rates as follows:

	2011	2010
Effective income tax rate	35.6%	28.0%
Net income (loss) before income tax	\$ 4,575,947	\$ 11,279,629
Expected expense (recovery)	\$ 1,630,155	\$ 3,158,296
Change to income taxes resulting from:		
Net adjusted tax effect of the acquisition and subsequent sale of the Alaskan properties	(1,776,925)	-
Insurance proceeds net of other capitalized expenses	1,141,762	-
PPTC	1,029,828	-
Dividend withholding on intercompany fund transfers	205,382	-
Unrecognized tax credit for losses	3,909,008	735,245
Rate change on valuation allowance	69,052	88,230
Nondeductible expenses	817,080	250,253
Non-taxable income	(34,215)	-
Other	90,617	163,109
Income eligible for Philippines tax holiday	(5,979,791)	(4,395,133)
Income tax expense	\$ 1,101,953	\$ -

The Company did not recognize deferred income tax in respect of the Company's future income tax assets, majority of which relates to property and equipment, exploration and development expenses and non-capital losses.

## 22. Income taxes (continued):

The effective income tax rate was 35.6% (2010: 28.0%). The increase is mainly caused by additional tax expense from the petroleum and natural gas properties acquired in March 2011.

At December 31, 2011, the Company has US and Canadian non-capital losses available for income tax purposes of approximately \$49.3 million (2010 - \$15.9 million), which may be applied to reduce taxable income in future taxation years, the benefit of which has not been recorded in these consolidated financial statements. Of these losses, \$1.6 million and \$2.2 million will expire in 2014 and 2015 respectively. The remaining losses expire commencing 2026 through 2031.

The Company has been awarded a tax holiday on its sulphide mining operation by the Philippine Government and covers January 2009 to December 2014. At December 31, 2011, the Company has tax losses available for income tax purposes in the Philippines of approximately Php1.4 billion (\$31.4 million) and minimum corporate taxes of Php1.1 million (\$25,605), which will reduce future tax liabilities. Out of these, Php147 million (\$3.4 million) of the tax losses and Php64,191 (\$1,467) of the minimum corporate taxes will expire in 2012 while the remaining losses will expire in 2013 to 2015. The benefit of these tax credits has not been recorded in these consolidated financial statements.

The aggregate outside basis differences, being the difference between the carrying amount of investment in subsidiaries and their tax bases, as of December 31, 2011 and 2010 amounted to \$10.5 million and \$21.8 million, respectively. No temporary differences have been recorded in the consolidated financial statements.

## 23. 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 and fully paid

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

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.

In March 2011, the Company issued 61,525,829 shares to acquire ownership and control of TG World common shares (note 6). The shares were issued at a price of \$0.10 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.

### 23. Share capital (continued):

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 6). Such shares are fully vested and exercisable. In August 2011, some of the holders of these options agreed to terminate their options.

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	41,059,760	\$ 0.048	43,579,074	\$ 0.145
Granted	5,461,750	0.157	500,000	0.120
Exercised	(937,815)	0.028	(1,006,591)	0.033
Forfeited	(769,145)	0.070	(2,012,723)	0.057
Expired	(1,014,948)	0.250	-	-
Cancelled	(538,150)	0.260	-	-
Options outstanding, end of year	43,261,452	\$ 0.050	41,059,760	\$ 0.048
Options exercisable, end of year	32,518,286	\$ 0.050	24,295,183	\$ 0.046

Price range	Number outstanding	Weighted average remaining contractual life (years)		Exercisable
\$ 0.020 – 0.029	17,701,134	2.07	14,340,486	
0.030 – 0.044	500,000	2.36	250,000	
0.045 – 0.067	-	-	-	
0.068 – 0.100	23,522,502	2.89	16,723,318	
0.101 – 0.151	500,000	3.29	166,666	
0.152 – 0.227	41,666	0.38	41,666	
0.228 – 0.341	996,150	2.47	996,150	
\$ 0.020 – 0.341	43,261,452	2.54	32,518,286	

#### (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, December 31, 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 year ended December 31, 2011.

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

**(e) Stock-based compensation and contributed surplus**

The weighted average fair value of stock options granted for the year ended December 31, 2011 was \$0.067. The following table sets out the assumptions used in applying the Black-Scholes model at the dates of issuance:

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%

In 2011, a net of \$285,181 (2010 - \$462,881) of stock-based compensation was charged to the consolidated statement of comprehensive income.

*Contributed surplus*

	2011	2010
Balance beginning of year	\$ 5,114,161	\$ 4,676,813
Options issued on acquisition of subsidiary (note 6)	184,852	-
Stock-based compensation	296,853	503,991
Options forfeited	(11,672)	(41,110)
Options exercised	(22,071)	(25,533)
Balance end of year	\$ 5,562,123	\$ 5,114,161

**24. Non-controlling interests:**

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 is entitled to cumulative preferred dividend equivalent to 20% of their investment per annum and retained 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 \$1,378,510 as at December 31, 2011 replacing previous years share in profits and losses. Class B shares, largely owned by TVI Marketing that is indirectly wholly owned by the Company, is entitled to any remaining profits after allocating the share of non-controlling interests.

**25. Per share data:**

	2011	2010
Net income attributable to shareholders of the Company	\$ 2,914,504	\$ 10,460,609
Weighted average number of shares, basic	610,136,631	485,303,502
Dilutive securities – options and warrants	16,626,915	24,787,863
Weighted average number of shares, diluted	626,763,546	510,091,365
Net income per share attributable to shareholders of the Company:		
Basic	\$ 0.005	\$ 0.022
Diluted	0.005	0.021

**26. Revenues from concentrate sales:**

	2011	2010
Revenues from:		
Copper	\$ 63,506,556	\$ 63,797,788
Gold	9,409,471	7,137,149
Silver	15,232,719	9,341,239
Zinc	5,825,895	-
Gross revenues	93,974,641	80,276,176
Treatment, refining, and other charges	(10,940,790)	(3,779,621)
Net revenues	\$ 83,033,851	\$ 76,496,555

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.

**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*.

	Mining	Petroleum Exploration and Development	Corporate	Total
<b>2011</b>				
Revenues from concentrate sales	\$ 83,033,851	\$ -	\$ -	\$ 83,033,851
Other revenues	290,335	-	-	290,335
	83,324,186	-	-	83,324,186
Operating expenses	(53,888,944)	(1,157,877)	(4,129,742)	(59,176,563)
Exploration costs	(4,703,213)	-	-	(4,703,213)
	24,732,029	(1,157,877)	(4,129,742)	19,444,410
Depreciation, depletion and accretion	(13,804,781)	(4,193)	(31,824)	(13,840,798)
	10,927,248	(1,162,070)	(4,161,566)	5,603,612
Interest income	116,495	103	41,194	157,792
Interest expense	(579,330)	(561,747)	39,947	(1,101,130)
Foreign exchange gain (loss)	(84,556)	(224,144)	84,876	(223,824)
Other gain			139,497	139,497
Net income (loss) before income tax	10,379,857	(1,947,858)	(3,856,052)	4,575,947
Income tax expense	(277,088)	(824,865)		(1,101,953)
Net income (loss)	\$ 10,102,769	\$ (2,772,723)	\$ (3,856,052)	\$ 3,473,994
Assets	\$ 52,068,328	\$ 5,764,219	\$ 11,153,294	\$ 68,985,841
Liabilities	26,528,555	924,400	491,460	27,944,415
Capital expenditures	11,699,398	593,034	59,071	12,351,503

27. Segmented information (continued):

	Mining	Exploration	Corporate	Total
<b>2010</b>				
Revenues from concentrate sales	\$ 76,496,555	\$ -	\$ -	\$ 76,496,555
Other revenues	236,237	-	-	236,237
	76,732,792	-	-	76,732,792
Operating expenses	(30,087,538)	-	(6,528,568)	(36,616,106)
Exploration costs	-	(5,712,877)	-	(5,712,877)
	46,645,254	(5,712,877)	(6,528,568)	34,403,809
Depreciation, depletion and accretion	(12,586,337)	-	(23,063)	(12,609,400)
	34,058,917	(5,712,877)	(6,551,631)	21,794,409
Gain on sale of assets	6,631	-	(54,148)	(47,517)
Interest income	40,668	-	41	40,709
Interest expense, net of reversal, and loss on debt extinguishment	(9,679,978)	-	-	(9,679,978)
Foreign exchange loss	-	-	(720,061)	(720,061)
Other losses	-	-	(107,933)	(107,933)
Net income (loss)	\$ 24,426,238	(5,712,877)	(7,433,732)	11,279,629
Assets	\$ 47,847,541	\$ -	\$ 4,135,433	\$ 51,982,974
Liabilities	21,431,813	-	954,888	22,386,701
Capital expenditures	\$ 7,588,620	\$ -	\$ 89,019	\$ 7,677,639

Geographic information:

	Net revenues		Property and equipment	
	2011	2010	December 31, 2011	December 31, 2010
Philippines	\$ 83,324,186	\$ 76,732,792	\$ 15,835,794	\$ 19,928,904
Canada	-	-	160,668	137,615
	\$ 83,324,186	\$ 76,732,792	\$ 15,996,462	\$ 20,066,519

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

28. Expenses by nature:

	2011	2010
Materials and supplies	\$ 24,880,023	\$ 9,938,570
Personnel costs	10,466,206	9,145,907
Contracted services	5,607,982	5,095,484
Freight	5,883,257	2,972,507
Excise tax and royalty expenses	3,809,032	3,076,306
Advertising and investor relations	1,972,340	1,199,506
Rent	1,406,916	790,029
Professional fees	1,375,504	826,846
Repairs and maintenance	1,113,473	1,196,573
Travel and transportation	517,164	467,345
Insurance	442,512	479,573
Taxes and licenses	299,091	245,711
Utilities	279,501	249,972
Advisory fee	-	820,991
Others	305,697	110,786
Total mining, milling and other expenses and administrative and general costs	\$ 58,358,698	\$ 36,616,106

**29. Changes in working capital:**

	2011	2010
Accounts receivable	\$ (1,348,092)	\$ (1,453,717)
Advances to suppliers	(90,713)	(160,066)
Inventories	241,360	(4,536,096)
Prepaid expenses	(156,026)	(222,357)
Trade accounts payables and accrued liabilities	304,768	875,317
Due to related parties	(223,607)	148,211
	<b>\$ (1,272,310)</b>	<b>\$ (5,348,708)</b>

**30. Commitments:**

**(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. Potential prospects identified lie 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.

**(b) Corporate - Canada**

The Company rents its office premises on a five-year term lease. Total rent payments, net of short-term sub-leasing arrangements are the following:

	2011	2010
Not later than 1 year	25,433	48,015
More than 1 year and not later than 5 years	32,386	57,819

**31. Financial instruments:**

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

The tables below set out the classification for each of its financial assets and liabilities at December 31.

	2011	2010
<b>Loans and receivables:</b>		
Cash	\$ 23,732,002	\$ 8,941,964
Restricted cash	2,120,396	1,260,660
Accounts receivable	7,386,044	6,016,942
Advances to suppliers	918,872	807,907
Total loans and receivables	34,157,314	17,027,473
<b>Held for trading</b>		
Note receivable	-	1,179,005
Available-for-sale	-	227,937
	<b>\$ 34,157,314</b>	<b>\$ 18,434,415</b>
<b>Other financial liabilities:</b>		
Accounts payable and accrued liabilities	\$ (6,815,051)	\$ (5,963,010)
Loan payable	(16,197,100)	(11,422,250)
Due to related parties	(156,745)	(343,151)
	<b>\$ (23,168,896)</b>	<b>\$ (17,728,411)</b>

### 32. Events after reporting date:

#### ***(a) Open-pit mining ban***

On January 6, 2012, TVIRD was granted a preliminary injunction against an Ordinance that would ban open pit mining in Zamboanga del Norte. The Court Order effectively stops the implementation of the Ordinance and allows TVIRD to continue its operations without legal impediment while the main case (the legality of the Ordinance) is being litigated in the Court.

The Court is hearing submissions from the parties on the legality of the Ordinance. There is no assurance that any litigation commenced by TVIRD in the Philippines courts or negotiations with Zamboanga del Norte officials will result in nullification or retraction of the Ordinance or otherwise mitigate the effects of the Ordinance on the operations of TVIRD at Canatuan.

#### ***(b) Withdrawal of Niger***

The Company has made the decision to not participate in the second exploration phase of the Ténéré Block in Niger, Africa, with partner CNPCIT. After analyzing the final well data and reports from the Facai-1 exploration well drilled in August 2011, TVI has withdrawn entirely from the contract area effective January 31, 2012.

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