



TVI Pacific Inc.

Management's Discussion and Analysis

**For the Six Months Ended
June 30, 2007**

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2007****MANAGEMENT'S DISCUSSION AND ANALYSIS**

(All tabular amounts expressed in thousands of Canadian dollars, except per share amounts)

This Management's Discussion and Analysis of the consolidated financial results of TVI Pacific Inc. (the "Company") for the six months ended June 30, 2007 should be read in conjunction with the unaudited interim consolidated financial statements of TVI Pacific Inc. and related notes contained in this interim report, as well as amended Management's Discussion and Analysis, restated audited consolidated financial statements and related notes for the year ended December 31, 2006. Additional information relating to the Company, including the Company's 2006 amended annual information form, has been filed on SEDAR at www.sedar.com or on the Company's web site at www.tvipacific.com. This Management's Discussion and Analysis is as of December 18, 2007.

References to "TVI", "TVI Pacific" or the "Company" refer to TVI Pacific Inc. and its share of consolidated subsidiaries and variable interest entities unless the context indicates otherwise. All dollar references are in thousands of Canadian dollars unless otherwise specifically indicated. References to "US\$" are to United States dollars.

TVI Pacific Inc. is a publicly-traded company whose common shares are listed and traded on the Toronto Stock Exchange under the symbol "TVI". The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are based upon the opinions and expectations of management of the Company as at the effective date of such statements and, in certain cases, information provided or disseminated by third parties. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, and that information obtained from third party sources is reliable, it can give no assurance that those expectations will prove to have been correct. Forward-looking statements are subject to certain risks and uncertainties (known and unknown) that could cause actual outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as the volatility of prices for precious metals and base metals, commodity supply and demand, fluctuations in currency and interest rates, inherent risks associated with the exploration and development of mining properties, ultimate recoverability of mineral reserves, timing, results and costs of exploration and development activities, availability of financial resources or third-party financing, new laws (domestic or foreign), changes in

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administrative practices, and changes in exploration plans or budgets. Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes.

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

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



ACCOUNTING CHANGES

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

Comprehensive Income

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

The cumulative changes in other comprehensive income are summarized in the consolidated statements of accumulated other comprehensive income. Accumulated other comprehensive income is presented as a category within shareholders' equity in the consolidated balance sheets. Accumulated other comprehensive income includes the foreign currency translation adjustment, which was previously presented as a separate category within shareholders' equity.

The Company has adopted the new accounting standard according to the transitional provisions. As at June 30, 2007, the foreign currency translation adjustment of \$3,678,000 (December 31, 2006 - \$3,102,000) has been included in accumulated other comprehensive income and the statement of other comprehensive income for the six months ended June 30, 2007 includes the net change in the foreign currency translation adjustment of \$576,000 during the period.

Financial Instruments

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

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

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

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

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Investments are designated as “available for sale”. Gains or losses arising from a change in the fair value are recognized directly in other comprehensive income. Accordingly, at January 1, 2007, investments increased in fair value by \$57,000. The adoption of the new standard had no effect on the opening retained earnings.

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

Accounting Changes

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

COMPARATIVE AMOUNTS

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

NON-GAAP MEASURES

Earnings before interest, taxes, depreciation and amortization (or “EBITDA”) and operating earnings are non-GAAP measures. The Company calculates EBITDA as revenue less operating expenses, exploration expenses and administrative and general expenses. The Company calculates operating earnings by deducting amortization and accretion expenses from EBITDA. Management believes that EBITDA and operating earnings are useful supplemental measures to analyze operating performance and to provide an indication of the results generated by the Company’s principal business activities prior to the consideration of other income and expenses. EBITDA and operating earnings may not be comparable to similar measures used by other companies.

Cash flow from operations is a non-GAAP measure that represents cash generated from operating activities before changes in non-cash working capital. Cash flow from operating should not be considered an alternative to, or more meaningful than, cash flow from operation activities. Management believes that cash flow 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. Cash flow from operations may not be comparable to similar measures used by other companies.

BUSINESS OF THE COMPANY

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



TVI's strategy is to significantly enhance shareholder value by developing mineral deposits on its own highly-prospective tenements and to pursue opportunities to acquire or participate in additional projects with existing production or near-term development potential. TVI currently reinvests cash flows generated by the Canatuan Mine to finance the exploration and development of its diverse portfolio of mining properties and land positions, including the Canatuan sulphide project and the Balabag exploration project. The Company is currently seeking project financing for the Canatuan Sulphide project. Assuming the financing is in place early in 2008, TVI intends to start full-scale development of the Canatuan sulphide project from which production of copper and zinc concentrates is expected to start in the second half of 2008. TVI plans to proceed with further exploration drilling and feasibility studies at Balabag, which the Company believes has the potential to be developed as a commercial gold mining operation as early as 2010. In addition to the Canatuan sulphide project and the Balabag project, TVI actively explores on other land positions in the Canatuan area as well as other parts of the Philippines.

During the fourth quarter of 2007, the Company reviewed its business strategy and decided to monetize certain non-core assets to take advantage of the strong business climate for mining properties in Asia. In addition to focusing on its Canatuan operations and Philippine exploration properties, the Company plans to apply proceeds from the potential sales of non-core assets to strengthen its balance sheet and fund exploration and development opportunities such as Balabag. The Company is currently seeking expressions of interest to sell any or all of its non-core assets, including its licences and mining exploration tenements in China, its contract drilling business assets outside the Philippines and the Rapu Rapu royalty.

CONSOLIDATION OF VARIABLE INTEREST ENTITIES

TVI Pacific Inc. owns 40% of TVI Resource Development (Phils) Inc. ("TVIRD") through its wholly-owned subsidiary, TVI International Marketing Limited ("TVI Marketing"). TVIRD and TVI Marketing respectively own 60% and 40% of nineteen other Philippine companies. TVI Pacific consolidates TVIRD, TVI Marketing and the rest of the Philippine companies in accordance with Accounting Guideline 15 ("Consolidation of Variable Interest Entities") since TVI Pacific is the primary beneficiary. TVI Pacific will continue to consolidate 100% of these entities until previous losses incurred by these entities are recovered, after which the interests of the shareholders owning the other 60% of TVIRD will be recognized in the consolidated financial statements of TVI Pacific Inc.

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CONSOLIDATED FINANCIAL HIGHLIGHTS (in thousands)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Revenue by segment:				
Canatuan	11,321	11,473	21,552	18,764
Drilling	79	1,959	334	3,385
Exploration	-	63	-	130
Total	11,400	13,495	21,896	22,269
EBITDA by segment:				
Canatuan	4,444	5,976	8,117	8,994
Drilling	(638)	393	(1,017)	916
Exploration	(951)	(877)	(2,522)	(1,476)
Corporate	(1,521)	(2,280)	(2,780)	(2,920)
Total	1,334	3,212	1,798	5,514
Operating earnings by segment:				
Canatuan	3,318	4,281	5,468	5,893
Drilling	(854)	346	(1,368)	763
Exploration	(951)	(866)	(2,522)	(1,476)
Corporate	(1,440)	(2,287)	(2,802)	(2,929)
Total	73	1,474	(1,224)	2,251
Net income (loss) for the period				
	158	1,388	(901)	2,023
Net income (loss) per share:				
Basic	\$0.0004	\$0.0037	(\$0.0023)	\$0.0053
Diluted	\$0.0004	\$0.0036	(\$0.0023)	\$0.0052
Capital expenditures by segment:				
Canatuan	3,972	1,748	6,749	3,175
Drilling	123	404	243	828
Exploration	-	(262)	-	(71)
Corporate	15	4	17	333
Total	4,110	1,894	7,009	4,265

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations for each of TVI's business segments are discussed in more detail later in this management's discussion and analysis.

During the three months ended June 30, 2007, TVI generated consolidated net income of \$0.2 million (\$0.0004 per common share) compared with consolidated net income of \$1.4 million (\$0.0037 per common share) and an improvement of \$1.1 million from the net loss reported in the first quarter. Operating earnings of \$3.3 million from the Canatuan Mine were 23% lower than the same period last year due to higher operating expenses, partially offset by lower amortization and accretion expense. Operating earnings for TVI Drilling decreased by \$1.2 million due to lower revenues.

On a year-to-date basis, TVI reported a consolidated net loss of \$0.9 million during 2007 compared with consolidated net income of \$2.0 million during 2006. Operating earnings from the Canatuan Mine decreased by \$0.4 million due to higher operating expenses, which were partially offset by lower amortization and accretion expenses. Operating earnings from TVI Drilling decreased by \$2.1 million due



to lower revenues. TVI increased exploration expenses by \$1.0 million, primarily due to additional drilling for the Balabag project.

During the second quarter of 2007, revenues decreased by \$2.1 million compared with the same quarter last year. Revenues from the Canatuan Mine were down slightly however revenues from TVI Drilling were down 96% or \$1.9 million because the division was unable to secure new third party contracts until the third quarter. On a year-to-date basis, the Canatuan Mine has increased its revenues by \$2.8 million due to higher gold and silver prices while drilling revenues are down \$3.0 million due to the due the lack of third party contracts.

Operating expenses (including labour, materials, supplies and other costs) totalled \$8.3 million during the second quarter of 2007 compared with \$8.0 million during the second quarter of 2006. For the six months ended June 30, 2007, the operating expenses increased by 18% compared to the same period last year. The increase in operating expenses reflects higher costs at the Canatuan Mine, which were partially offset by lower drilling activity in TVI Drilling. Total operating expenses at the Canatuan Mine have increased due to higher mill throughput volumes and higher chemical costs.

During the second quarter, no interest was incurred on long-term debt as the Company's convertible debentures were converted to share capital during the first quarter of 2007, having reported \$0.1 million of long-term debt interest for the first quarter of the year. During 2006 the Company incurred long-term debt interest of \$0.1 million during the second quarter and \$0.2 million during the first half of the year.

Amortization and accretion expenses decreased to \$1.3 million during the second quarter of 2007 from \$1.7 million during the same quarter in 2006. On a year to date basis, amortization and accretion expenses have decreased by \$0.2 million during 2007 compared to the same period last year. The decrease relates primarily to an increase in gossan reserves (based on the Company's expectations during these periods), which lowered amortization rates for assets amortized using the unit of production method.

Administrative and general expenses totalled \$0.8 million during the second quarter, a decrease of \$0.5 million from the second quarter of 2006, primarily due to the timing of expenditures. For the six months ended June 30, 2007, administrative and general expenses of \$1.8 million were comparable to the same period during 2006.

Exploration expenses totalled \$1.0 million during the second quarter of 2007, similar to the same period in 2006. On a year to date basis, exploration expenses of \$2.5 million are 56% higher than last year due to the Balabag exploration program.

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CONSOLIDATED CASH FLOW

in thousands	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Cash flow from operations:				
Before change in non-cash working capital	1,624	3,689	2,198	5,841
Change in non-cash working capital	1,047	(295)	1,002	(307)
After change in non-cash working capital	2,571	3,394	3,200	5,534
Cash flow from investing activities:				
Capital expenditures	(4,110)	(1,895)	(7,009)	(4,265)
Change in non-cash working capital	914	(1,083)	1,775	(1,214)
Cash flow from financing activities:				
Proceeds from shares and warrants issued	2	705	221	880
Amounts due to related parties	388	(344)	517	502

Cash from operating activities before working capital changes amounted to \$1.6 million during the second quarter of 2007, compared with \$3.7 million during the same period last year. On a year-to-date basis, cash from operating activities before working capital changes totalled \$2.2 million compared with \$5.8 million during the first six months of 2006. Year over year, these decreases are primarily attributable to higher operating expenses, due to the lower grade of the gossan ore currently being mined at Canatuan and also due to higher exploration expenditures during the first quarter of 2007.

During 2007, TVI has financed a significant part of capital expenditures for the Canatuan sulphide project from operating cash flow and from non-cash working capital. Non-cash working capital provided \$0.9 million during the second quarter of 2007 and \$1.8 million during the first six months of 2007 as accounts payable and accrued liabilities have increased as a result of the Canatuan sulphide project. During 2006, cash was used to increase non-cash working capital by \$1.1 million during the second quarter and by \$1.2 million for the year-to-date.

Due to the development and construction activity for the Canatuan sulphide project, TVI has increased its capital expenditure program compared with the preceding year. Capital expenditures during the second quarter of 2007 amounted to \$4.1 million compared with \$1.9 million in the same period during 2006. On a year-to-date basis, capital expenditures have increased to \$7.0 million during 2007 compared with \$4.3 million during 2006. Capital expenditures during 2006 included ongoing capital investments to improve productivity at the Canatuan gossan operations.

During the first six months of 2007, TVI has received advances of \$0.5 million from related parties as disclosed in the notes to the interim consolidated financial statements, and \$0.2 million from common shares issued upon the exercise of stock options and warrants. During the same period in 2006, TVI received \$0.9 million from the exercise of stock options and warrants and \$0.5 million from related party advances. During the second quarter of 2006, TVI repaid advances of \$0.3 million from related parties.



CONSOLIDATED FINANCIAL POSITION, LIQUIDITY AND CAPITAL

Results for the Six Months Ended June 30, 2007

Total assets increased to \$23.3 million as at June 30, 2007 compared with \$20.4 million as at December 31, 2006. Most of the increase in total assets is related to TVI's ongoing capital expenditure program, particularly for the Canatuan sulphide project.

Cash decreased to \$0.6 million as at June 30, 2007 from \$1.6 million as at December 31, 2006. Cash from operations provided \$3.2 million which, together with \$0.7 million from shareholder loans and common shares issued, provided most of the \$4.9 million of cash used in investing activities during the period.

Accounts receivable of \$1.3 million at June 30, 2007 was slightly lower than accounts receivable of \$1.5 million as at December 31, 2006. Accounts receivable are comprised, principally, of amounts due from the sale of gold and silver doré.

During the first six months of 2007, inventories increased by \$0.7 million to \$3.1 million as at June 30, 2007. This increase reflects higher inventory levels for certain critical consumables, the timing of doré shipments, and higher work in progress associated with the increase in mill throughput.

Accounts payable and accrued liabilities increased from \$6.4 million as at December 31, 2006 to \$9.7 million as at June 30, 2007, primarily due to capital spending on the Canatuan sulphide plant and other capital projects. At the time capital commitments were made, TVI expected that project financing for the Canatuan sulphide plant would be available during the third quarter.

As at June 30, 2007, the Company had a working capital deficit of \$5.0 million, an increase of \$2.4 million from March 31, 2007, primarily as a result of operating losses incurred by TVI Drilling and capital expenditures for certain components of the Canatuan sulphide project with long lead times. The Company plans to eliminate the working capital deficit through the financing of the sulphide project and other measures which are discussed below and in the "Going Concern" section.

As at June 30, 2007, the Company has received advances of \$0.5 million from corporations owned by the president of the Company. Since then, these related corporations have made further advances to maintain the Company's liquidity. These related party advances are documented by way of unsecured demand promissory notes that bear interest at 12% per annum and have no fixed terms of repayment.

During the first six months of 2007, property and equipment and deferred costs increased by \$3.4 million to \$18.1 million, primarily as a result of capital expenditures totalling \$7.0 million during the period. During the period, TVI recorded amortization, depreciation and accretion of \$3.0 million.

During the first quarter, all of the convertible debentures outstanding as at December 31, 2006, totalling \$1.5 million, were converted to common shares.

Shareholders' equity increased to \$12.3 million as at June 30, 2007 from \$11.7 million as at December 31, 2006, primarily as a result of the conversion of the convertible debentures during the first quarter. Accumulated other comprehensive income relates primarily to the unrealized foreign exchange loss on the Company's investment in its self-sustaining subsidiaries.



Going Concern

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

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

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

Sulphide Financing

As at June 30, 2007, TVI had negotiated a financing proposal to sell a royalty interest in the Canatuan sulphide project. On July 30, 2007, TVI was advised that the investor's board of directors had declined the financing proposal, primarily because the projected six year life of the project did not meet their criteria for stable long-term royalty income streams over a mine life longer than six years.

On August 30, 2007, the Company agreed on business terms with a major international trading company to enter into a strategic relationship for the development of the Canatuan sulphide project and future base metals projects in the Philippines. As part of that relationship, the parties agreed to terms on a US\$20 million financing package, an off-take agreement for all copper concentrates and an agency agreement for all zinc concentrates to be produced from the Canatuan sulphide project, and preferential rights to



enter into similar arrangements for future base metals projects in the Philippines. Following further negotiations and due diligence, the parties signed a heads of agreement on October 6, 2007 that was subject to completion of due diligence and other conditions precedent typical for transactions of this nature. On October 17, 2007, the Company became subject to cease trade orders related to the accounting restatements described in note 3 to the consolidated financial statements. As a result, final board approval and closing of these transactions, initially scheduled for late October 2007, was postponed until the Company's shares resume trading. After extending the heads of agreement several times, the Company allowed the agreement to expire on November 16, 2007 to enable the Company to enter into discussions with other parties to arrange equity or debt financing through the Company's Philippine affiliates. Since that time, the Company has been negotiating with parties in the Far East regarding financing proposals for the Canatuan sulphide project. The Company is focusing on financing alternatives that do not involve securities of TVI Pacific Inc., which are currently subject to cease trade orders. If such financing proposals are not in place at the time cease trade orders are lifted, the Company plans to resume efforts to finance the Canatuan sulphide project through debt and equity securities of TVI Pacific Inc.

OUTLOOK (see "Forward-Looking Statements")

TVI's results of operations continue to benefit from robust demand for precious metals, as reflected in the continuing strength of gold and silver prices. Given the outlook for continued high prices for precious metals and base metals, TVI believes that there is significant value in the Canatuan sulphide project and the Balabag project. TVI intends to fund the Balabag and sulphide projects, as well as other exploration activities, from cash flow generated from the Canatuan Mine, future financing of the sulphide project, future equity offerings, and the planned sales of non-core assets. TVI has temporarily suspended development activity on the Canatuan sulphide project and exploration activity at Balabag, until financing can be arranged.

Production for the third quarter was lower than the second quarter due to a lengthy repair shutdown on one of the two ball mills, limited access to higher grade ore during the rainy season, and limited capacity for tailings disposal. The Canatuan Mine is continuing with initiatives to increase mill throughput during 2007. Assuming that the expected increase in mill throughput partially offsets the impact of lower ore grades, TVI expects that fourth quarter production levels for gold and silver will be lower than the third quarter on a gold equivalent basis.

Over the past year, the feed grade has changed because the chalcocite and sulphide content of the gossan ore increases as mining operations approach the massive sulphide zone underlying the gossan reserves. By increasing mill throughput volumes, and by blending gossan ore from different areas within the current pit, TVI has been able to mitigate the impact of these changes in the feed grade on metal production levels.

During the five-week ball mill shutdown early in the third quarter, average daily throughput was reduced by approximately 30%. Despite the ball mill repair shutdown, mill throughput averaged 1,953 dry metric tonnes per day in the third quarter, largely due to achieving record mill throughput volumes approaching 2,400 dry metric tonnes per day after the ball mill repairs were completed. During the third quarter, seasonally heavy precipitation adversely affected haul roads and pit bottoms, particularly in areas where higher grade ore is being mined. As a result, most of the mill feed during the third quarter was taken from lower grade stockpiles, which are ordinarily blended with higher grade ores from active pits. TVI has carefully reviewed the remaining gossan ore reserves at the mine and expects to resume processing of higher grade ore during the fourth quarter. Production was also adversely impacted by limited tailings capacity during the second quarter as the gossan dam approached capacity. TVI had originally planned to begin discharging tailings into the newly constructed sulphide dam, in full compliance with local



environmental standards. After careful consideration, the Company decided to exceed the regulatory requirements and raise the gossan dam as part of its ongoing commitment to protect the environment. The gossan dam lift was completed in the third quarter.

TVI has carefully reviewed the remaining gossan ore reserves at the mine and expects to resume processing of higher grade ore during the fourth quarter. The current gossan reserves are expected to be depleted during quarter of 2008. The Company is actively exploring for additional gossan ore in the immediate vicinity of the mine. As the gossan operations approach the end of reserve life, the Company expects that ore grades will gradually decline and that production volumes will reduce accordingly.

During the third quarter of 2007, TVI initiated a comprehensive cost reduction program for all of its operations and administrative offices. At the Canatuan Mine, TVI is targeting to reduce cash production costs while continuing to increase mill throughput. The Company is actively seeking proposals to sell its exploration tenements and drilling assets outside the Philippines.

TVI has commissioned a scoping study for the Balabag property, situated approximately 75 kilometres northeast of the Canatuan Mine. An independent third party is preparing the scoping study, which is intended to provide key operating, engineering, costing and economic parameters for a stand-alone open-pit mining operation on the Balabag property. TVI plans to commence a second infill and extension drilling program on the Balabag property once financing is in place. Following the scoping study, TVI plans to conduct a full feasibility assessment and begin detailed engineering of the project.

TVI plans to increase exploration activities on its existing properties and to evaluate opportunities to acquire new properties to further expand the Company's portfolio of properties in the Philippines. TVI is currently awaiting approvals on certain exploration applications and has temporarily reduced exploration activity pending receipt of such approvals and availability of funding.

PRODUCING PROPERTIES

Canatuan Mine

The Canatuan Mine is a polymetallic mine located in the Province of Zamboanga del Norte on the island of Mindanao in the Philippines. The Canatuan Mine currently produces gold and silver doré from gossan ore that is mined using open-pit methods and processed through a conventional carbon-in-leach / Merrill Crowe circuit. The Company expects that the gossan mineral reserves will be depleted at the end of the first quarter of 2008.

In early 2007, TVI commenced construction and development of the Canatuan sulphide project. The sulphide project includes construction of a separate plant to process ore from a massive copper-zinc bearing sulphide zone below the gossan zone that is currently being mined. During 2006, TVI received a feasibility study on the Canatuan sulphide deposit prepared by Norwest Corporation and also filed a NI 43-101 technical report. TVI is continuing with efforts to arrange financing for the Canatuan sulphide project.

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

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2007**



Gossan Operations

The following table summarizes operating results for the Canatuan Mine:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Operating results (\$000s):				
Revenue	11,321	11,473	21,552	18,764
Operating expenses	6,877	5,497	13,435	9,770
EBITDA	4,444	5,976	8,117	8,994
Amortization and accretion expense	1,126	1,695	2,649	3,101
Operating earnings	3,318	4,281	5,468	5,893
Capital expenditures	3,972	1,748	6,749	3,175
Operating statistics:				
Production volume (AuEqOz)	15,437	15,636	28,745	27,278
Average realized price (per AuEqOz)	\$669	\$630	\$661	\$599
Operating expenses (per AuEqOz)	\$445	\$351	\$467	\$358
Average benchmark price				
Gold (\$US per oz)	US\$668.58	US\$630.74	US\$659.93	US\$599.42
Silver (\$US per oz)	US\$13.38	US\$12.31	US\$13.37	US\$11.12

Gold equivalent values are based on ratios calculated by dividing combined revenues for gold and silver by the prevailing average gold price at the time of determination.

During the second quarter, the Canatuan Mine generated EBITDA of \$4.4 million from gross revenues of \$11.3 million, compared with EBITDA of \$6.0 million and gross revenues of \$11.5 million during the same period in 2006. Gross revenue was comparable between these periods as the impact of slightly lower production volumes was offset by higher realized prices. Operating expenses increased by \$1.4 million, primarily due to the increase in mill throughput and higher consumption of milling chemicals due to the increasing proportion of higher sulphide ore, offset by lower value added taxes.

On a year to date basis, gross revenue increased by \$2.8 million and EBITDA decreased by \$0.9 million compared to the same period last year. The increase in gross revenue resulted from the combined effect of higher realized prices for gold and silver and the 5% increase in production volume. The increase in operating expenses is primarily due to the changing grade of the gossan ore, in respect of which the mine increased mill throughput volumes by 48% and incurred additional chemical costs to maintain production volumes.

During the second quarter, the Canatuan Mine produced 15,437 gold equivalent ounces ("AuEqOz") of metal, an increase of 16% from the first quarter of 2007 and comparable to the same period during 2006. On a year-to-date basis, the Canatuan Mine has increased production to 28,745 AuEqOz of metal compared with 27,278 AuEqOz produced during the first half of 2006. Production during the second quarter consisted of 10,587 ounces of Gold (Au), up 19% from the first quarter, and 243,296 ounces of Silver (Ag), up 14% from the first quarter.

During the second quarter, the Canatuan Mine set a production record for mill throughput, averaging 2,086 dry metric tonnes per day, while gold recovery reached a record high, averaging 91.08%, and silver recovery averaged 59.10%. The Canatuan Mine plans to continue optimizing mill production and is targeting to achieve record throughput levels by the end of 2007.

During the second quarter of 2007, the average realized price was \$669 per gold equivalent ounce, an increase of 6% from the same quarter in 2006. On a year to date basis, the average realized price increased by 10% compared with the prior year. The increase in realized prices reflects significant



increases in benchmark commodity prices for precious metals, partially offset by the relative strength of the Canadian dollar versus the United States dollar.

As a result of the changing feed grade and the higher mill throughput, the Canatuan Mine produced significantly more silver compared with prior periods, thereby offsetting the decrease in gold production. For the second quarter, the Canatuan Mine produced 243,296 oz of silver, an increase of 57% from the same quarter in 2006, while gold production decreased 16% compared with the prior year.

Operating costs averaged \$453 per gold equivalent ounce during the second quarter, an increase of 29% compared with the same period last year. On a year to date basis, operating expenses per gold equivalent ounce have increased by 32% from the prior year. The increase in operating expenses reflects the decline in feed grade, in respect of which the Company has increased mill throughput rates to maintain production volumes. Chemical costs have increased during 2007 due to the higher sulphide content in the gossan ore, for detoxification of tailings until the gossan dam lift was completed.

During the third quarter of 2007, TVI initiated a cost reduction program for all of its operations and administrative offices. At the Canatuan Mine, TVI is targeting to reduce cash production costs while continuing to increase mill throughput.

When compared with the prior year, amortization and accretion expense decreased by approximately one-third for the second quarter and by 15% for the year to date. These decreases arose because certain assets were fully depreciated and due to lower amortization rates for deferred development costs. Amortization of deferred development costs is calculated on a unit of production base over the remaining reserves, therefore amortization rates are based on expected remaining reserves. Depreciation and amortization of property and equipment reflects the estimated useful lives of such assets.

During the second quarter of 2007, the Company expected that the remaining gossan reserves would be higher than at December 31, 2006 therefore amortization rates were adjusted accordingly. Based on the Company's expectations at that time regarding remaining reserves and grades, and prevailing operating margins, the Company estimated that fixed assets used in the gossan operations would be recoverable from future cash flows from gossan operations or that such assets would be used in the proposed sulphide project or future gossan projects such as Balabag.

Capital expenditures at the Canatuan Mine during the second quarter of 2007 totalled \$4.0 million compared with \$1.8 million during the same period during 2006. On a year to date basis, capital expenditures of \$6.7 million were more than double those during the first six months of 2006. Most of the capital expenditures during the most recent quarter related to the sulphide project, including \$2.5 million for the sulphide dam and \$0.9 million on plant and equipment, with an additional \$0.5 million spent on mill upgrades for the gossan operations. Year to date capital spending on the sulphide project comprised \$5.8 million of the total capital spending for the period. Most of the capital expenditures during the comparable periods of 2006 related to the gossan operations, including expansion of the gossan dam and upgrades to the mill.

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2007**



	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Mill throughput (dry metric tonnes):				
Total ore processed	189,813	129,758	361,941	243,957
Average daily throughput	2,086	1,426	2,000	1,348
Feed grade (grams per tonne):				
Gold (Au)	1.90	3.39	1.88	3.25
Silver (Ag)	67.46	60.96	71.80	66.24
Production volume (ounces):				
Gold (Au)	10,587	12,613	19,516	21,761
Silver (Ag)	243,296	154,838	457,578	295,565
Gold equivalent ounces (AuEqOz)	15,437	15,636	28,745	27,278
Recoveries				
Gold	91.08	89.17%	89.35%	85.34%
Silver	59.10	60.89%	54.77%	56.89%

During the second quarter, the Canatuan Mine set a production record for mill throughput, averaging 2,086 dry metric tonnes per day (2,000 dry metric tonnes on a year-to-date basis). Compared with the prior year, the Canatuan Mine has increased mill throughput by nearly 50%. The Canatuan Mine is continuing with initiatives to increase mill throughput and reduce costs at the mine for the remainder of 2007. The Canatuan Mine plans to continue optimizing mill production and is targeting to achieve record throughput levels by the end of 2007.

Feed grade during the second quarter of 2007 was 1.90 grams per tonne ("gpt") of gold and 67.46 gpt of silver, compared with 3.39 gpt of gold and 60.96 gpt of silver during the second quarter of 2006. Gold content has been relatively stable over the past three quarters and the silver content during the first six months of 2007 was higher than during 2006. Over the past year, the feed grade has changed because the chalcocite and sulphide content of the gossan ore increases as mining operations approach the massive sulphide zone underlying the gossan reserves. By increasing mill throughput volumes, and by blending gossan ore from different areas within the current pit, TVI has been able to optimize and sustain metal production levels (on a gold equivalent basis) in response to these changes in the feed grade. By increasing mill throughput volumes, and by blending gossan ore from different areas within the current pit (blending material both high and low in chalcocite and sulphides and both higher and lower grades), TVI has, to date, been able to mitigate the impact of these changes in the nature and feed grade of the ore on metal production levels.

Production was adversely impacted by limited tailings capacity during the second quarter as the gossan dam approached capacity. TVI had planned to begin discharging tailings into the newly constructed sulphide dam, in full compliance with local environmental standards. After careful consideration, the Company decided to exceed the regulatory requirements and raise the gossan dam as part of its ongoing commitment to protect the environment. The gossan dam lift was completed in the third quarter and the Company believes that there is sufficient tailings capacity for the remaining life of the gossan reserves at the Canatuan mine.

Gold recovery reached a record high, averaging 91.08%, and silver recovery averaged 59.10% during the second quarter compared with gold recovery of 89.17% and silver recovery of 60.89% during the same period last year. Both gold and silver recoveries have improved compared with the first quarter of 2007 and the Canatuan Mine is targeting to further improve silver recoveries in the near term.

For additional information on the gossan mineral reserves and resources at the Canatuan Mine, please refer to the technical report prepared under National Instrument 43-101 by Geostat Systems International



Inc. that was filed with Canadian securities regulators on August 21, 2006. The Geostat report is available on the SEDAR website at www.sedar.com.

Sulphide Project

At the Canatuan Mine, TVI plans to complete engineering, development and construction of a copper-zinc flotation plant to process ore from a massive sulphide deposit located beneath the current gossan mine. Assuming that financing is available in early 2008, TVI is targeting to have the sulphide plant in operation in the second half of 2008. Based on long-term metal price forecasts, TVI estimates that the sulphide operations will generate cash flow for up to six years, particularly during the initial three years of the mine's projected life. TVI is currently seeking financing for capital expenditures and working capital requirements for the Canatuan sulphide project.

In July 2006, TVI filed an independent technical report on the sulphide project prepared by Norwest Corporation in accordance with National Instrument 43-101. The report estimated the net present value of the sulphide project to be US\$60 million with an internal rate of return of 89% based on metal prices of US\$2.00 per pound for copper, US\$1.04 per pound for zinc, US\$550.00 per ounce for gold, and US\$9.50 per ounce for silver. The metals prices used in the Norwest report are significantly lower than currently prevailing metals prices.

In the Norwest report, the base case economics for the sulphide project assume mining of 3.1 million tonnes of mineral reserves containing an average of 1.49% copper, 1.10% zinc, 0.84 grams of gold and 43.82 grams of silver. TVI is currently planning to operate at 1,300 dry metric tonnes of ore per day during the first three years and increasing to 1,800 dry metric tonnes per day over the remaining mine life. TVI expects that the sulphide plant will produce an average of 22,000 tonnes of copper concentrate and 7,500 tonnes of zinc concentrate per year.

TVI has engaged an independent third party to update the NI 43-101 mineral resource estimate for the Canatuan deposit. The report will incorporate results from an extensive drilling program consisting of 197 drill holes for a total of 8,380 metres that was completed in late 2006, as well as extensive metallurgical testing which is still ongoing. TVI expects that the updated mineral resource and reserve models will facilitate detailed planning and operational optimization for the Canatuan sulphide project.

TVI has financed the initial development and construction of the sulphide project from cash flow generated by the current gossan operations. As at September 30, 2007, TVI has incurred approximately one-quarter of the budgeted US\$23.3 million capital cost for the sulphide project. During the fourth quarter, the Company changed its capital budget to reflect a revised plan under which the remaining costs to complete are reduced to US \$14.4 million by utilizing most of the existing gossan plant. The cost to complete estimate includes overheads and other carrying costs during an expected four month transition period from the gossan operations until the sulphide operations commence. To date, TVI has made considerable progress on the sulphide project, including:

- received approval from Board of Investments for tax concessions comparable to those granted for the gossan operations;
- receiving all permits required for the project;
- updating the computerized geologic block model based on the 2006 drilling program, for which a new NI 43-101 report is underway to update mineral resources and reserves;
- ongoing metallurgical test work for process optimization;
- proceeding with detailed engineering of the process plant by an Australian engineering firm;
- purchasing three used ball mills in 2006, two of which have been refurbished;
- ongoing construction of the tailings dam (currently at a height of 19 metres);



- starting construction of an electrical power line;
- completing construction of an additional administration office building and warehouse; and
- upgrading the assay laboratory for analysis of sulphide mineralization and test work.

Rapu Rapu

The Rapu Rapu mine, located in the province of Albay, central eastern Philippines, is a polymetallic mining project operated by Lafayette Mining Limited ("Lafayette"). TVIRD owns a 2.5% net smelter return royalty in the Rapu Rapu mine. The net smelter royalty also applies to the nearby Hixbar prospect and the remainder of Lafayette's claim block which covers approximately two-thirds of Rapu Rapu Island. Lafayette may adjust royalty payments for hedging losses which is expected to affect the amount of future royalty payments received by TVI.

In November 2005, Lafayette started the commissioning of the base metals flotation treatment plant at the Rapu Rapu mine. During 2006, the Rapu Rapu mine operated under a temporary lifting order due to two unauthorized discharges of wastewater in 2005 and also suspended operations twice due to damage caused by typhoons. No production from the Rapu Rapu mine was sold during 2006. On February 8, 2007, regulatory authorities authorized the Rapu Rapu mine to resume full operations and reinstated all operating permits. The Rapu Rapu mine is currently in operation. For further information regarding the operations at the Rapu Rapu mine, readers should refer to public disclosures made by Lafayette Mining Limited.

TVI DRILLING

TVI's contract drilling operations ("TVI Drilling") are owned and operated by Exploration Drilling Corporation ("EDCO"), a wholly-owned subsidiary of TVI Pacific Inc., and Hunan Pacific Drilling ("HPD"), a division of Hunan Pacific Geological Exploration Incorporated, which is also wholly-owned by TVI Pacific Inc. During 2006, TVI Drilling had maintenance, office and warehouse facilities at Cebu in the Philippines, and at Kunming in the Republic of China. These facilities were an integral part of TVI's initiatives aimed at improving operational and financial results through growth (adding several new drilling rigs), efficiencies in fleet maintenance, health and safety initiatives, and rebuilding existing drilling equipment. During 2007, TVI Drilling diversified its operations into the Kyrgyz Republic and operated several drilling rigs in that country under third party contracts.

TVI Drilling provides comprehensive contract drilling services for TVI's exploration programs and to third parties involved in mineral exploration, energy, civil engineering, environmental and geo-scientific activities. TVI Drilling provides TVI with competitive advantages through priority access to a comprehensive fleet of drilling equipment and expertise at significantly lower costs than third-party contractors. TVI Drilling has a fleet of 21 drill rigs including fully-hydraulic long-stroke drills, mechanical/hydraulic drills suitable for remote areas, light-weight mobile drills that can be manually transported into the most inaccessible of locations, and a multi-purpose drill capable of reverse circulation drilling.

To enable the Company to focus on its core business activities at Canatuan and its own exploration tenements in the Philippines, the Company decided in November 2007 to evaluate opportunities to sell all or part of TVI Drilling. During November 2007, drilling operations in the Kyrgyz Republic were suspended due to winter conditions and the Company also ceased work on third party drilling contracts in the Republic of China.

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FOR THE SIX MONTHS ENDED JUNE 30, 2007**



	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Operating results (\$000s):				
Revenue	79	1,959	334	3,375
Operating expense	717	1,566	1,351	2,459
EBITDA	(638)	393	(1,017)	916
Amortization and accretion expense	216	47	351	153
Operating earnings	(854)	346	(1,368)	763
Capital expenditures	123	404	243	828
Metres drilled:				
TVI projects	-	3,513	4,021	4,299
Third party contracts	270	10,765	1,388	20,347
Total	270	14,278	5,409	24,646
Total				

After making a solid contribution to TVI's operating results during 2006, EBITDA and operating earnings from TVI Drilling were below expectations during the first half of 2007 as several existing contracts were terminated early and several new contracts were delayed. Revenues from TVI Drilling were \$0.1 million during the three months ended June 30, 2007 compared with revenues of \$2.0 million during the same period in 2006. On a year to date, basis, revenues of \$0.3 million were significantly lower than revenues of \$3.4 million for the six months ended June 30, 2006. During the third quarter of 2007, TVI Drilling secured several third party contracts in the Kyrgyz Republic and China.

Operating expenses for TVI Drilling were significantly lower than during the same periods in 2006, due to the lower drilling activity.

Amortization and accretion expense for TVI Drilling was \$169 higher during the third quarter and \$198 higher year to date, primarily due to capital expenditures made for drilling assets during 2006.

EXPLORATION

TVI's exploration properties include its existing land positions in the Philippines and China. Following completion of the Canatuan sulphide project financing, TVI plans to resume its aggressive exploration program in the Philippines, focusing on its Balabag property and on lands near the Canatuan Mine. TVI is currently evaluating several advanced projects in the Philippines that may result in future joint development and operations on these projects.

As part of its strategic review, TVI is actively seeking offers to purchase its licences, exploration tenements and drilling operations in the Republic of China. As a result of recent regulatory changes, TVI believes that its status as a "qualified explorer" and "wholly foreign owned enterprise" in the Republic of China, together with its drilling equipment and exploration tenements, comprise an attractive package for other foreign mining companies seeking to enter or to expand in that country. Following the expected sale of the assets in China, TVI plans to focus its exploration efforts on its Philippine tenements.

During 2007, most of the Company's exploration expenditures relate to the recent Balabag drilling program. Other exploration costs relate to permitting and evaluation of properties in the Philippines and China.



Balabag

The Balabag project is one of TVI's highest exploration priorities. TVIRD holds an option on the Balabag property that was granted under an agreement with Zamboanga Minerals Corporation. The mineral production sharing agreement governing rights to the Balabag property covers an area of approximately 48 km². The property is situated approximately 75 kilometres east-northeast of the Canatuan Mine and immediately adjacent to part of the extensive 1,257 km² tenement applications filed by TVIRD in 2005.

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

In January 2007, TVI completed an exploration drilling program consisting of 58 drill holes totalling approximately 7,000 metres, spaced at 50-metre intervals. The exploration program identified a potential mineral deposit consisting of a series of gold-bearing epithermal vein structures situated near surface and of reasonable grade and potential tonnage to warrant systematic valuation work in 2007. On August 10, 2007, TVI filed a 43-101 technical report for the mineral resources at Balabag, which was prepared by an independent third party. According to the technical report, the Balabag property contains indicated resources of 1.37 million tonnes of ore, averaging 2.9 grams per tonne of gold and 84.3 grams per tonne of silver, and 204,000 ounces of metal on a gold equivalent basis. In addition, the inferred resources at Balabag total 1.964 million tonnes of ore, averaging 2.6 grams per tonne of gold and 55.2 grams per tonne of silver, and 234,000 ounces of metal on a gold equivalent basis. TVI cautions readers that these estimates are very preliminary in nature and simply indicate the potential that a sizeable mineral target exists. At this time, there is no assurance that the mineralization at Balabag will support a commercial mining operation.

Based on these encouraging exploration results and preliminary in-house estimates of the potential mineral resource at Balabag, TVI has initiated a 5,000 metre infill drilling campaign, spaced 25-metre intervals. TVI has completed 75% of the infill drilling program at 25-metre intervals. Additional infill and exploration drilling may be required and is being considered to further substantiate and possibly expand the current mineral resources at Balabag. TVI has also commissioned an independent mining consultant to conduct a scoping study that the Company plans to release in 2008. TVI plans to finish the infill drilling campaign after the Balabag scoping study has been completed and financing has been arranged.

Tamarok - Tapisa

The Tamarok copper – gold project and the Tapisa volcanogenic massive sulphide project are located 60 kilometres north-northeast of TVI's Balabag project. This area is under-explored as modern exploration techniques were not applied until the mid-1990's when the area was explored by a major international mining organization. TVI's applications cover almost all of the targets identified by the prior exploration program, numbering at least 20 epithermal gold, massive sulphide and porphyry copper-gold prospects. Recent TVI exploration efforts support historical findings and have identified additional highly prospective copper and gold occurrences.

TVI is currently negotiating a memorandum of agreement with the indigenous communities in the area, under the Free Prior Informed Consent process, after which the Company may apply to Philippine authorities for permits required to continue exploration. TVI has obtained favourable endorsement and



acceptance from the majority of the local indigenous people and is not aware of any illegal small-scale miners operating in the area. After completing the permitting process, TVI plans to conduct geophysical surveys, carry out systematic detailed geological investigations, further delineate drill targets on surface, and schedule a diamond drilling program. Two major mining companies have expressed interest in possible joint venture arrangements regarding these properties

China

TVI Pacific conducts its business activities in the Republic of China through its wholly-owned subsidiary Hunan Pacific Geological Exploration Inc. ("HPGEI"). Since HPGEI is incorporated as a wholly owned foreign enterprise, the Company has the flexibility to conduct business on its own or to enter into joint ventures with Chinese companies anywhere in China. During 2006, HPGEI established an exploration office in Beijing.

HPGEI has applied for a total of 26 exploration licences in China covering a total of 2,394 km² within the Golden Triangle area, a highly prospective metallogenic region in China's south-western provinces. Of these applications, fourteen are located in Guizhou Province, two in Yunnan Province, and ten in the Tibet autonomous region. HPGEI has received military approval for all 26 applications and approval from China's Ministry of Land & Resources for two of its ten applications in the Tibet autonomous region. During 2006, HPGEI's geologists spent considerable time and effort in Yunnan Province and have identified several technically attractive areas for copper exploration.

To date, HPGEI has expended significant efforts to seek approvals of the exploration licence applications made by the Company during 2005 and 2006. In October 2007, TVI announced that HPGEI had been awarded an exploration licence in the Chinese Golden Triangle for a 5.23 square kilometre area on strike from a producing third party mining operation. The granting of this exploration licence confirms that, under its status as a Wholly Foreign Owned Enterprise, HPGEI can be awarded exploration licences in China. Nevertheless, HPGEI and other foreign-owned companies continue to experience delays in receiving approvals for exploration programs.

HPGEI recently suspended exploration activity in China to conserve cash until the Canatuan sulphide project financing is in place. In November 2007, TVI's board of directors made a decision to evaluate opportunities to sell its exploration and drilling assets in China. TVI believes that HPGEI's status as a Qualified Explorer and as a Wholly Foreign Owned Enterprise, together with its existing tenements and drilling assets, would be attractive to other foreign mining companies as a going concern.

**MANAGEMENTS DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2007**



QUARTERLY FINANCIAL INFORMATION

	Revenue	Net Income (Loss)	Net Income (Loss) per Share Basic	Net Income (Loss) per Share Diluted
June 30, 2007	11,403	158	\$0.0004	\$0.0004
March 31, 2007 ⁽¹⁾	10,489	(1,060)	(\$0.0027)	(\$0.0027)
December 31, 2006 ⁽¹⁾	10,887	(705)	(\$0.0018)	(\$0.0018)
September 30, 2006 ⁽¹⁾	11,292	488	\$0.0013	\$0.0012
June 30, 2006 ⁽¹⁾	13,495	1,388	\$0.0037	\$0.0036
March 31, 2006 ⁽¹⁾	8,776	635	\$0.0017	\$0.0016
December 31, 2005 ⁽¹⁾	6,547	(1,386)	(\$0.004)	(\$0.004)
September 30, 2005	4,693	(191)	(\$0.001)	(\$0.001)

⁽¹⁾ restated

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

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

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

EIC 164 – Convertible and Other Debt Instruments with Embedded Derivatives

In March 2007, the Emerging Issues Committee of the CICA issued EIC-164 "Convertible and other debt instruments with embedded derivatives." EIC-164 provides guidance on how the issuer should account for and the financial statement presentation of the instrument, embedded derivatives within the hybrid instrument, the future tax aspects of the instrument and how the instrument is to be treated in earnings per share computation. The adoption of this abstract did not have an impact on the interim consolidated financial statements.

EIC 165 – Accounting by an Investor upon a Loss of Significant Influence

In April 2007, the Emerging Issues Committee of the CICA issued EIC 165, "Accounting by an Investor upon a Loss of Significant Influence". This guidance provides that if the company no longer has a significant influence over an equity method accounted investee, but continues to be an equity investor, then as part of discontinuing the equity method of accounting, the company would derecognize its portion of investee Other Comprehensive Income, with an offset to the carrying value of the investment. Prior



periods are restated as if significant influence had never been in place. EIC 165 will be effective for the Company on July 1, 2007. The Company is currently evaluating the impact of adopting this guidance.

Inventories

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

Convergence with International Reporting Standards

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates are deemed critical when the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. The Company's significant accounting policies, including critical accounting policies that require critical accounting estimates are discussed in notes to the audited consolidated financial statements for the year ended December 31, 2006.

The following are the critical accounting estimates used by the Company in preparing its financial statements:

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



OFF BALANCE SHEET ARRANGEMENTS

Financial Instruments

As at June 30, 2007, the Company had no outstanding foreign exchange or commodity options, futures or forward contracts.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended June 30, 2007, the Company entered into the following transactions with related parties on arms-length terms and conditions:

- The Company paid or accrued management fees of \$231,000 (2006 - \$343,000) to a corporation owned by the President of the Company for the services of the President, investor relations staff and other support staff. At June 30, 2007, \$65,000 of such management fees were unpaid;
- The Company accrued or paid director fees of \$73,000. The unpaid fees accrue interest at 12% per annum and have no fixed terms of repayment.
- The Company issued demand promissory notes totaling \$467,000 to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% per annum and have no fixed terms of repayment. The Company accrued interest expense of \$6,000 on the demand promissory notes.
- The Company paid or accrued \$82,000 (2006 - \$102,000) to a corporation controlled by a director and officer of a Philippine subsidiary for an apartment, use of a vehicle, secretarial services, utilities and meals;
- The Company was invoiced legal fees of \$5,000 by a Philippine law firm which one of the directors and shareholders of an affiliated Philippine entity is associated with.

During the three months ended June 30, 2007, the Company entered into the following transactions with related parties on arms-length terms and conditions:

- The Company paid or accrued management fees of \$135,000 (2006 - \$172,000) to a corporation owned by the President of the Company for the services of the President, investor relations staff and other support staff. At June 30, 2007, \$65,000 of such management fees were unpaid;
- The Company paid or accrued \$80,000 (2006 - \$78,000) to a corporation controlled by a Director and officer of a Philippine subsidiary for an apartment, use of a vehicle, secretarial services, utilities and meals;
- The Company accrued or paid director fees of \$36. The unpaid fees accrue interest at 12% per annum and have no fixed terms of repayment.
- The Company was invoiced legal fees of \$4,000 by a Philippine law firm which one of the directors and shareholders of an affiliated Philippine entity is associated with.

ADDITIONAL INFORMATION

Share Capital

The Company's outstanding common shares totaled 405.5 million common shares as at June 30, 2007 compared with 387.7 million common shares at December 31, 2006. The weighted average number of common shares issued and outstanding during the six months ended June 30, 2007 and June 30, 2006 were 400.3 million common shares and 379.6 million common shares respectively.



CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of June 30, 2007, of the Company's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that (except for the material weaknesses internal control over financial reporting noted below) such disclosure controls and procedures are effective and designed to ensure that material information relating to the Company and its subsidiaries is known to them by others within those entities.

Internal Controls over Financial Reporting

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

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



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Toronto Stock Exchange Symbol: TVI

Auditors:

PricewaterhouseCoopers LLP
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TVI Pacific Inc.

Consolidated Financial Statements

**For the Six Months Ended
June 30, 2007
(Unaudited)**

TVI PACIFIC INC.
Consolidated Balance Sheets
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



	June 30, 2007	December 31, 2006
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 594	\$ 1,566
Accounts receivable	1,251	1,455
Inventories	3,079	2,351
Prepaid expenses	246	294
Investments	12	70
	5,182	5,736
Property and equipment and deferred costs (note 5)	18,120	14,683
	\$ 23,302	\$ 20,419
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,650	\$ 6,427
Due to related parties (note 9)	531	14
	10,181	6,441
Convertible debentures (note 6)	-	1,470
Asset retirement obligations (note 7)	845	812
	11,026	8,723
Shareholders' equity		
Share capital (note 8)	20,892	18,967
Warrants (note 8)	-	23
Contributed surplus (note 8)	3,194	3,039
	24,086	22,029
Deficit	(8,132)	(7,231)
Accumulated other comprehensive income	(3,678)	(3,102)
	(11,810)	(10,333)
	12,276	11,696
	\$ 23,302	\$ 20,419
Going concern (note 1)		

See accompanying notes to consolidated financial statements

TVI PACIFIC INC.
Consolidated Statements of Operations
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



	Three months ended June 30		Six months ended June 30	
	2007	2006 Restated (Note 3)	2007	2006 Restated (Note 3)
	(in thousands)		(in thousands)	
Revenues				
Sales	\$ 11,400	\$ 13,495	\$ 21,886	\$ 22,269
Interest	3	3	6	5
	11,403	13,498	21,892	22,274
Expenses				
Operating costs	8,323	7,991	15,804	13,348
Foreign exchange loss (gain)	(79)	(14)	(96)	31
Interest on convertible debentures	-	102	62	202
Amortization, depreciation and accretion	1,261	1,737	3,022	3,263
Administrative and general costs	791	1,354	1,762	1,799
Exploration costs	951	940	2,522	1,608
Loss (gain) on sale of equipment	3	-	(226)	-
Gain on sale of investment	(6)	-	(7)	-
Gain on sale of property	-	-	(50)	-
	11,244	12,110	22,793	20,251
Net income (loss) for the period	\$ 159	\$ 1,388	\$ (901)	\$ 2,023
Net income (loss) per share (note 11)				
Basic	\$ 0.0004	\$ 0.0037	\$ (0.0023)	\$ 0.0053
Diluted	\$ 0.0004	\$ 0.0036	\$ (0.0023)	\$ 0.0052

Going concern (note 1)

See accompanying notes to consolidated financial statements.

TVI PACIFIC INC.
Consolidated Statements of Deficit, Comprehensive Income and Accumulated
Other Comprehensive Income
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



	Three months ended June 30		Six months ended June 30	
	2007	2006 Restated	2007	2006 Restated
	(in thousands)		(in thousands)	
Consolidated Statements of Deficit				
Deficit at beginning of period	\$ (8,291)	\$ (8,402)	\$ (7,231)	\$ (9,037)
Net income (loss) for the period	159	1,388	(901)	2,023
Deficit at end of period	\$ (8,132)	\$ (7,014)	\$ (8,132)	\$ (7,014)
Consolidated Statements of Comprehensive Income				
Net income (loss)	159	1,388	(901)	2,023
Other comprehensive income, net of tax				
Change in fair value of investments	(8)	-	(57)	-
Foreign currency translation adjustment	(574)	(978)	(576)	(541)
Comprehensive income (loss) for the period	\$ (423)	\$ 410	\$ (1,534)	\$ 1,482
Consolidated Statements of Accumulated Other Comprehensive Income (Loss)				
Accumulated other comprehensive income (loss) at beginning of period	\$ (3,096)	\$ (3,563)	\$ (3,102)	\$ (4,000)
Foreign currency translation adjustment	(574)	(978)	(576)	(541)
Impact of change in accounting policy (note 4)	-	-	57	-
Change in fair value of investments	(8)	-	(57)	-
Accumulated other comprehensive income (loss) at end of period	\$ (3,678)	\$ (4,541)	\$ (3,678)	\$ (4,541)

See accompanying notes to consolidated financial statements.

TVI PACIFIC INC.
Consolidated Statements of Cash Flows
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



	Three months ended June 30		Six months ended June 30	
	2007	2006 Restated (Note 3)	2007	2006 Restated (Note 3)
	(in thousands)		(in thousands)	
Cash provided by (used in):				
Operations				
Net income (loss) for the period	\$ 159	\$ 1,388	\$ (901)	\$ 2,023
Items not involving cash:				
Amortization and accretion	1,261	1,737	3,022	3,263
Accretion on convertible debentures	-	51	30	102
Stock based compensation	235	515	337	481
Bad debt recovery provision	(28)	-	(28)	(30)
Gain (loss) on sale of equipment	3	-	(226)	-
Gain on sale of investment	(6)	-	(7)	-
Gain on sale of property	-	-	(50)	-
Unrealized foreign exchange loss (gain)	2	(2)	21	2
	1,624	3,689	2,198	5,841
Changes in non cash working capital	1,047	(295)	1,002	(307)
	2,571	3,394	3,200	5,534
Financing				
Shares and warrants issued	2	705	221	880
Due to related parties	388	(344)	517	502
	390	(361)	738	1,382
Investing				
Expenditures on property and equipment and deferred costs	(4,110)	(1,895)	(7,009)	(4,265)
Proceeds on disposal of equipment	47	-	276	-
Proceeds on sale of investments	65	-	66	-
	(3,998)	(1,895)	(6,667)	(4,265)
Changes in non cash working capital	914	(1,083)	1,775	(1,214)
	(3,084)	(2,978)	(4,892)	(5,479)
Effect on foreign exchange rates on cash	(32)	(93)	(19)	(70)
Increase (decrease) in cash	(155)	684	(972)	1,367
Cash and cash equivalents, beginning of period	749	1,159	1,566	476
Cash and cash equivalents, end of period	\$ 594	\$ 1,843	\$ 594	\$ 1,843

See accompanying notes to consolidated financial statements.



1. Going Concern

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

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

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

2. Basis of presentation:

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

TVI PACIFIC INC.
Consolidated Balance Sheets
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



3. Restatement:

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

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

Restatement of results for six months ended June 30, 2006

The Company has restated its results of operations and cash flows for the six months ended June 30, 2006 to:

- reflect the impact of the restatement of results for the year ended December 31, 2005 on (i) property and equipment and deferred costs; (ii) foreign currency translation adjustment; (iii) deficit at beginning of period and (iv) amortization and accretion expense;
- reclassify foreign exchange losses of \$89 incorrectly included in the foreign currency translation adjustment;
- reclassify value added taxes of \$1,102 included in the foreign currency translation adjustment, resulting in an increase of \$241 in property and equipment and deferred costs and an increase of \$861 in materials, supplies, transportation and other costs;
- reduce property and equipment and deferred costs by \$273 in respect of intercompany transactions that were credited to the foreign currency translation adjustment account rather than being eliminated upon consolidation;
- to reclassify other amounts, the net impact of which results in an increase of \$33 in asset retirement obligations, a reduction of \$115 in property and equipment and deferred costs and an increase of \$85 in materials, supplies, transportation and other costs, with a corresponding net impact on the foreign currency translation adjustment; and
- to reduce amortization and accretion expense and increase property and equipment and deferred costs by \$882 to correct the calculation of amortization and accretion expense.

TVI PACIFIC INC.
Consolidated Balance Sheets
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



3. Restatement (continued):

The effect of the restatement on the consolidated statements of operations and cash flows for the six months ended June 30, 2006 is shown below.

Six months ended June 30, 2006	As previously reported	Restatement	As Restated
Consolidated Statement of Operations and Deficit:			
Expenses			
Operating costs	\$ 12,402	\$ 946	\$ 13,348
Foreign exchange loss (gain)	(58)	89	31
Amortization and accretion	4,145	(882)	3,263
Net income (loss) for the period	2,176	(153)	2,023
Consolidated Statement of Cash Flows:			
Cash provided by (used in):			
Operations	\$ 7,138	\$ (1,604)	\$ 5,534
Financing	817	565	1,382
Investing	(6,518)	1,039	(5,479)
Effect of foreign exchange rates on cash	(70)	-	(70)
Increase (decrease) in cash	1,367	-	1,367
Cash, end of period	1,843	-	1,843

4. Changes in accounting policies:

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

Comprehensive Income

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

The cumulative changes in other comprehensive income are summarized in the consolidated statements of accumulated other comprehensive income. Accumulated other comprehensive income is presented as a category within shareholders' equity in the consolidated balance sheets. Accumulated other comprehensive income includes the foreign currency translation adjustment, which was previously presented as a separate category within shareholders' equity.

The Company has adopted the new accounting standard according to the transitional provisions. As at June 30, 2007, the foreign currency translation adjustment of \$3,678 (December 31, 2006 - \$3,102) has been included in accumulated other comprehensive income and the statement of other comprehensive income for the six months ended June 30, 2007 includes the net change in the foreign currency translation adjustment of \$576 during the period.



4. Changes in accounting policies (continued):

Financial Instruments

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

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

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

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

Investments are designated as "available for sale". Gains or losses arising from a change in the fair value are recognized directly in other comprehensive income. Accordingly, at January 1, 2007, investments increased in fair value by \$57. The adoption of the new standard had no effect on the opening retained earnings.

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

Accounting Changes

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

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

In December 2006, the CICA issued three new accounting standards: Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". Section 1535 establishes guidelines for the disclosure of information regarding a company's capital and how it is managed. Enhanced disclosure with respect to the objective, policies, and processes for managing capital and quantitative disclosure about what a company regards as capital are required. Section 3862 and Section 3863 replace 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between

TVI PACIFIC INC.
Consolidated Balance Sheets
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



4. Changes in accounting policies (continued):

liabilities and equity. These standards are effective for fiscal years beginning on or after October 1, 2007 and therefore the Company will implement them in the first quarter of 2008.

Inventories

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

5. Property and equipment and deferred costs:

	June 30, 2007			December 31, 2006 Restated
	Cost	Accumulated amortization	Net book value	
	(in thousands)			(in thousands)
Canatuan mine:				
Property and equipment	\$ 31,477	\$ (17,306)	\$ 14,171	\$ 9,331
Deferred development costs	21,300	(18,710)	2,590	3,680
	52,777	(36,016)	16,761	13,011
Drilling and other operations:				
Drilling rigs and equipment	8,131	(6,772)	1,359	1,672
	\$ 60,908	\$ (42,788)	\$ 18,120	\$ 14,683

Deferred development costs associated with the proposed Canatuan sulphide project will be amortized on a unit of production basis after commercial production starts. At June 30, 2007, the Company had deferred costs totaling \$1,323 (\$1,405 at December 31, 2006) and property and equipment of \$7,251 (\$1,668 as at December 31, 2006) related to the sulphide project.

Property and equipment includes restricted cash balances held for statutory reclamation obligations of \$135 (2006 - \$139).

6. Convertible debentures:

In February 2005, the Company issued convertible debentures in the amount of \$1,500. The convertible debentures were issued bearing interest at the highest of Royal Bank of Canada prime plus 8% per annum or 12% per annum. The debentures were convertible by the holder into common shares at a conversion price of \$0.10 per common share until February 24, 2007. The warrants attached to the convertible debentures were exercisable at \$0.105 per common share until February 24, 2006 and \$0.12 per common share until February 24, 2007.

On February 24, 2007, all of the convertible debentures were converted to common shares at the conversion price and an additional 500 shares were issued as a result of the warrants being exercised.

TVI PACIFIC INC.
Consolidated Balance Sheets
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



7. Asset retirement obligations:

	June 30 2007	December 31 2006
	(in thousands)	
Balance beginning of period	\$ 812	\$ 664
Foreign currency translation adjustment	(27)	60
Accretion expense	60	88
Balance end of period	\$ 845	\$ 812

8. Shareholders' equity:

Common shares:

During the six months ended June 30, 2007:

- the Company issued 15,000 common shares upon conversion of convertible debentures with a face value of \$1,500 and a discounted value of \$1,432 calculated in February 2005 when the convertible debentures were issued using a discount rate of 16%. The difference of \$68 was charged to contributed surplus and transferred to share capital when the convertible debentures were converted to common shares;
- the Company issued 2,327 common shares upon the exercise of share options for net proceeds of \$161 and a transfer of \$114 from contributed surplus; and
- the Company issued 500 common shares upon the exercise of warrants for cash of \$60 and a transfer of \$23 from warrants.

Share options:

As at June 30, 2007, the average remaining life of the share options was 2.7 years, compared to 3.2 years as at December 31, 2006.

Using the Black-Scholes method, the Company has valued the total share options granted during the six months ended June 30, 2007 at \$789 (\$0.08 per option), compared to \$1,515 (\$0.12 per option) during the six months ended June 30, 2006. The following table sets out the assumptions used to value share options using the Black-Scholes method:

	June 30 2007	December 31 2006
Risk free interest rate – average	4.53%	3.98%
Expected life (in years)	5	5
Expected volatility	60.5%	94%
Dividend yield	0%	0%

TVI PACIFIC INC.
Consolidated Balance Sheets
(unaudited)
June 30, 2007
(in thousands of Canadian dollars except per share amounts)



8. Shareholders' Equity (continued):

	Six months ended June 30, 2007		Year ended December 31, 2006	
	Shares	Amount	Shares	Amount
	(in thousands)		(in thousands)	
Common shares:				
Balance – beginning of period	387,697	\$ 18,967	371,588	\$ 16,478
Shares issued:				
In exchange for debt obligation	15,000	1,568	1,594	300
On exercise of share options	2,327	274	6,508	847
On exercise of warrants	500	83	8,007	1,342
Balance – end of period	405,524	\$ 20,892	387,697	\$ 18,967
	Options	Average Price	Options	Average Price
	(in thousands)		(in thousands)	
Share options:				
Balance – beginning of period	32,518	\$ 0.121	31,168	\$ 0.097
Granted	9,342	0.166	13,079	0.172
Exercised	(2,327)	0.069	(4,721)	0.151
Cancelled	(1,104)	0.152	(500)	0.190
Expired unexercised	(534)	0.168	(6,508)	0.080
Balance – end of period	37,895	\$ 0.134	32,518	\$ 0.121
Exercisable	22,273	\$ 0.120	17,171	\$ 0.104
	Amount		Amount	
	(in thousands)		(in thousands)	
Contributed surplus:				
Balance – beginning of period	\$ 3,039		\$1,907	
Stock-based compensation	422		945	
Options cancelled	(85)		(119)	
Convertible debentures	(68)		-	
Warrants expired	-		635	
Transfer to share capital on exercise of options	(114)		(329)	
Balance – end of period	\$ 3,194		\$3,039	

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8. Shareholders' Equity (continued):

	Six months ended June 30, 2007		Year ended December 31, 2006	
	Warrants (in thousands)	Average Price	Warrants (in thousands)	Average Price
Warrants:				
Balance – beginning of period	500	\$ 0.120	17,028	\$ 0.164
Exercised	(500)	0.120	(8,007)	\$ 0.118
Cancelled	-	-	(8,521)	\$ 0.075
Balance – end of period	-	\$ -	500	\$ 0.120
	Amount (in thousands)		Amount (in thousands)	
Warrants:				
Balance – beginning of period	\$ 23		\$ 1,053	
Warrants expired	-		(635)	
Warrants exercised	(23)		(395)	
Balance – end of period	-		\$ 23	

9. Related party transactions:

During the six months ended June 30, 2007, the Company entered into the following transactions with related parties on arms-length terms and conditions:

- The Company paid or accrued management fees of \$231 (2006 - \$343) to a corporation owned by the President of the Company for the services of the President, investor relations staff and other support staff. At June 30, 2007, \$65 of such management fees were unpaid;
- The Company accrued or paid director fees of \$73. The unpaid fees accrue interest at 12% per annum and have no fixed terms of repayment.
- The Company issued demand promissory notes totaling \$467 to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% per annum and have no fixed terms of repayment. The Company accrued interest expense of \$6 on the demand promissory notes. Accrued interest is included in administrative and general costs.
- The Company paid or accrued \$82 (2006 - \$102) to a corporation controlled by a director and officer of a Philippine subsidiary for an apartment, use of a vehicle, secretarial services, utilities and meals;
- The Company was invoiced legal fees of \$5 by a Philippine law firm which one of the directors and shareholders of an affiliated Philippine entity is associated with.

During the three months ended June 30, 2007, the Company entered into the following transactions with related parties on arms-length terms and conditions:

- The Company paid or accrued management fees of \$135 (2006 - \$172) to a corporation owned by the President of the Company for the services of the President, investor relations staff and other support staff. At June 30, 2007, \$65 of such management fees were unpaid;

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9. Related party transactions (continued):

- The Company accrued or paid director fees of \$36. The unpaid fees accrue interest at 12% per annum and have no fixed terms of repayment.
- The Company issued demand promissory notes totaling \$467 to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% per annum and have no fixed terms of repayment. The Company accrued interest expense of \$6 on the demand promissory notes. Accrued interest is included in administrative and general costs.
- The Company paid or accrued \$80 (2006 - \$78) to a corporation controlled by a Director and officer of a Philippine subsidiary for an apartment, use of a vehicle, secretarial services, utilities and meals;
- The Company was invoiced legal fees of \$4 by a Philippine law firm which one of the directors and shareholders of an affiliated Philippine entity is associated with.

10. Segmented information:

	Canatuan Mine	Drilling	Exploration	Corporate	Total
Three months ended June 30, 2007					
Revenues	11,321	79	-	-	11,400
Expenses before the undernoted	(6,877)	(717)	(951)	(1,521)	(10,066)
Amortization and accretion	4,444	(638)	(951)	(1,521)	1,334
	(1,126)	(216)	-	81	(1,261)
	3,318	(854)	(951)	(1,440)	73
Gains on sales of assets					3
Interest income					3
Foreign exchange gain (loss)					79
Net income for the period					158
Total assets	20,175	2,961		166	23,302
Capital expenditures	3,972	123		15	4,110
Three months ended June 30, 2006 (restated – Note 3)					
Revenues	11,473	1,959	63	-	13,495
Expenses before the undernoted	(5,497)	(1,566)	(940)	(2,280)	(10,283)
Amortization and accretion	5,976	393	(877)	(2,280)	3,212
	(1,695)	(47)	11	(7)	(1,738)
	4,281	346	(866)	(2,287)	1,474
Gains on sales of assets					-
Interest income					3
Convertible debenture interest					(103)
Foreign exchange gain (loss)					14
Net income for the period					1,388
Total assets	13,196	3,540	70	744	17,550
Capital expenditures	1,748	404	(262)	4	1,894

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10. Segmented Information (continued):

	Canatuan Mine	Drilling	Exploration	Corporate	Total
Six months ended June 30, 2007					
Revenues	21,552	334	-	-	21,886
Expenses before the undernoted	(13,435)	(1,351)	(2,522)	(2,780)	(20,088)
	8,117	(1,017)	(2,522)	(2,780)	1,798
Amortization and accretion	(2,649)	(351)	-	(22)	(3,022)
	5,468	(1,368)	(2,522)	(2,802)	(1,224)
Gains on sales of assets					283
Interest income					6
Convertible debenture interest					(62)
Foreign exchange gain (loss)					96
Net income for the period					(901)
Total assets	20,175	2,961		166	23,302
Capital expenditures	6,749	243		17	7,009
Six months ended June 30, 2006 (restated – Note 3)					
Revenues	18,764	3,375	130	-	22,269
Expenses before the undernoted	(9,770)	(2,459)	(1,606)	(2,920)	(16,755)
	8,994	916	(1,476)	(2,920)	5,514
Amortization and accretion	(3,101)	(153)	-	(9)	(3,263)
	5,893	763	(1,476)	(2,929)	2,251
Gains on sales of assets					-
Interest income					5
Convertible debenture interest					(202)
Foreign exchange gain (loss)					(31)
Net income for the period					2,023
Total assets	13,196	3,540	70	744	17,550
Capital expenditures	3,175	828	(71)	333	4,265

11. Per share data:

The Company's outstanding common shares totaled 405,524 common shares as at June 30, 2007 compared with 387,697 common shares at December 31, 2006. The weighted average number of common shares issued and outstanding during the six months ended June 30, 2007 and June 30, 2006 were 400,276 common shares and 379,642 common shares respectively. No adjustments were required to the weighted average number of common shares or reported net loss in computing diluted per share amounts for the periods ended June 30, 2007. For the six months ended June 30, 2006, the number of common shares on a diluted basis totaled 390,092 common shares.

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12 Income taxes:

The Company operates in Canada, China and the Philippines and is subject to income taxes in these countries. Currently, the Company receives tax concessions on its mining income in the Philippines and has tax losses available to shelter its taxable income in Canada, China and the Philippines.

13. Financial instruments:

Foreign currency exchange risk:

The Company is exposed to currency risk from revenue, expenses, accounts receivable and accounts payable denominated in foreign currencies, including United States dollars, Philippine pesos and Republic of China renminbi. The Company does not hedge its foreign currency risk.

Price risk:

The Company currently produces gold and silver dore, which is sold at market prices based on commodity prices for precious metals. The Company does not engage in forward sales or hedging of commodity prices.

Credit risk:

The Company's accounts receivable are subject to normal credit risks.

14. Subsequent events:

Assets held for sale

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

Advances from related parties

Since June 30, 2007, the Company issued demand promissory notes totaling \$1,164 and US\$870 to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% per annum and have no fixed terms of repayment.



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