



Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2010 and 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

The discussion and analysis that follows is intended to provide a summary of TVI Pacific Inc. ("TVI" or the "Company") results over the three and six months ended June 30, 2010 and 2009, as well as its financial position and future plans. It should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2010 and 2009 in addition to the audited financial statements for the years ended December 31, 2009 and 2008. All numbers in this discussion and analysis are expressed in Canadian dollars unless otherwise indicated. Additional information is available on TVI's website at www.tvipacific.com or on SEDAR's website at www.sedar.com. Information in this MD&A is as of August 12, 2010.

OVERVIEW OF BUSINESS

TVI is a profitable copper producer focused on the production, development, exploration and acquisition of precious and base metal mining projects in the Philippines. TVI owns 40% of TVI Resource Development (Phils.), Inc. ("TVIRD"), which is the main operating affiliate. As TVIRD is considered a variable interest entity, TVI fully consolidates its interest in TVIRD.

TVI is focused on three key areas of growth:

- Maximizing profits through process optimization at the producing Canatuan mine. Commercial operations of the Canatuan Sulphide Project began March 1, 2009 and as of the date of this document, sixteen shipments of copper concentrates have been completed. Construction of the Zinc Circuit began on October 28, 2009 and commissioning began on April 30, 2010.
- Capitalizing on near-term exploration and development properties and expediting exploration on the potentially high-impact Zamboanga Peninsula Tenements. TVI plans to fast-track extension/expansion of near-mine opportunities at Canatuan, accelerate development at the Balabag gold property and expedite exploration at Tamarok. TVI also plans to continue exploration activities on its 1,240 km² tenement package on the Zamboanga Peninsula that has the potential to host significant porphyry copper-gold, massive sulphide and epithermal gold deposits.
- Exploring additional value enhancing joint venture or acquisition opportunities and consider raising additional capital to finance the exploration and development of its diverse portfolio of mining properties and land positions.

PRODUCING PROPERTIES – CANATUAN MINE

The Canatuan Mine is a polymetallic mine located in the Province of Zamboanga del Norte on the island of Mindanao in the Philippines. The Canatuan Mine initially produced gold and silver doré from gossan ore, the oxidized cap of a volcanogenic massive sulphide deposit. The gossan ore was mined using open-pit methods and processed through conventional carbon-in-leach and Merrill Crowe circuits. The underlying primary sulphide portion of the deposit, hosting copper and zinc, was largely exposed during the mining of the gossan deposit.

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

Yulo Perez, Vice President for Philippine Operations of TVIRD, is acting as the Qualified Person in compliance with NI 43-101 reporting requirements with respect to this MD&A. He has prepared and or supervised the preparation of the scientific or technical information in this document and confirms compliance with NI 43-101 requirements.



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Reserves and Resources

In April 2008, TVI received a National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101") technical report on the Canatuan sulphide deposit prepared P.J. Lafleur Geo-Conseil Inc., an independent consulting group. This report was filed with certain securities regulatory authorities in Canada on April 7, 2008, and is available on the SEDAR website at www.sedar.com. The NI 43-101 technical report includes the initial reserves and resources at the beginning of the Canatuan Sulphide Project.

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

Operations

The average daily throughput for the first six months of the year was 2,162 dry metric tonnes per day. TVI is currently targeting an average daily throughput of 2,300 dry metric tonnes per day going forward, which results in a remaining life of mine of approximately three years as at June 30, 2010.

In March 2010, the Company received an amendment to its Environmental Compliance Certificate which increases the daily maximum allowable production rate to 2,500 tonnes per day and a maximum annual extraction rate of 2,500,000 tonnes per year. This allows the Company the capacity to process additional ore from other sources, including the Canatuan Near-Mine Tenements.

As of June 30, 2010, the Company completed the following shipments:

Shipment Number	Shipment Completion Date	Shipped (dry metric tonnes)	Gross Revenue (in US\$)			
			Copper	Gold	Silver	Total
11	January 27, 2010	5,076	6,899,834	637,991	742,416	8,280,241
12	March 4, 2010	5,224	7,015,147	778,392	1,444,089	9,237,628
13	March 20, 2010	5,214	6,941,327	911,393	1,274,188	9,126,908
14	May 5, 2010	5,285	7,433,147	922,340	783,279	9,138,766
15	June 22, 2010	5,248	6,048,503	651,715	511,842	7,212,060
		26,047	34,337,958	3,901,831	4,755,814	42,995,603

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

Shipment Number	Shipment Completion Date	Shipped (dry metric tonnes)	Gross Revenue (in US\$)			
			Copper	Gold	Silver	Total
16	August 7, 2010	5,238	6,509,333	658,125	587,016	7,754,474

The sixteenth shipment is still subject to price adjustments from final concentrate testing relating to the final weight, assays, and market metal prices.

Production during the initial commissioning phase of the zinc circuit yielded unsatisfactory results of copper-zinc separation during flotation. As of the date of this release, TVI has temporarily suspended the zinc circuit operation while additional metallurgical test work is being carried out. It is expected that on-site testing will commence in early Q4.

In the meantime, the Company will continue to produce copper concentrate. Throughput has been increased to approximately 2,200 dry metric tonnes per day which will offset the declining feed grades. Shipping of copper concentrates will remain on schedule approximately every 6 weeks.



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Selected operational highlights:

	Quarter ended June 30, 2010	Quarter ended March 31, 2010	Year to date June 30, 2010
Copper pound equivalent produced	5,035,688	8,841,433	13,877,121
Copper produced (lbs)	4,111,496	6,930,404	11,041,900
Gold produced (oz)	1,184	2,321	3,505
Silver produced (oz)	76,571	220,400	296,971

	Quarter ended June 30, 2010	Quarter ended March 31, 2010	Year to date June 30, 2010
Total tonnes processed	187,845	203,480	391,325
Average tonnes processed per day	2,064	2,261	2,162
Ore copper grade (%)	1.22	1.75	1.50
Copper recovery (%)	81.41	88.14	85.51
Concentrates produced (dry weight - t)	10,110	15,826	25,936
Average daily concentrates produced (dry weight - t)	111	176	143
Concentrate copper grade (%)	18.45	19.86	19.31
Concentrate gold grade (g/t)	3.64	4.56	4.20
Concentrate silver grade (g/t)	235.57	433.15	356.13
Production cash cost per Cu lb eq (US\$) ^{(1) (2)}	1.13	0.56	0.76
Total cash cost per Cu lb eq (US\$) ⁽²⁾	1.58	0.94	1.17
Total cash cost per Cu lb eq, net of by-products (US\$) ⁽²⁾	0.95	0.32	0.55
<u>Offtake</u>			
Copper concentrates shipped (dry weight - t)	10,533	15,514	26,047
Average copper price received (US\$/lb)	3.22	3.28	3.26

(1) Excludes selling expenses.

(2) Production cash cost per copper pound equivalent; Total cash cost per copper pound equivalent; and, Total cash cost per copper pound equivalent, net of by-products are non-GAAP measures. Please see definitions in the "Non-GAAP Measures" section.

RAPU RAPU

The Rapu Rapu mine, located in the province of Albay in the central eastern Philippines, is a polymetallic mining project. In December 1999, the Company assigned the Lafayette Group its mining rights and participating interest in the Rapu Rapu Joint Venture Agreement dated November 1998. As part of the consideration for the assignment, TVIRD was granted a 2.5% Net Smelter Royalty ("NSR").

However, on February 6, 2008, the Lafayette Group filed a petition for Corporate Rehabilitation. As a result, the Pasig City Regional Trial Court issued a Stay Order on all claims against the Lafayette Group. On March 19, 2008, TVIRD filed a Notice of Claim against the Lafayette Group for unpaid NSR.

On September 17, 2009, the Pasig City Regional Trial Court approved the Final Rehabilitation Plan of the Lafayette Group, which recognizes the royalty claims of TVIRD beginning in 2012; however, the Plan does not recognize TVIRD's royalty claims prior 2012. The Company filed an Appeal to have royalty claims prior to 2012 recognized and expects a decision from the Court of Appeals in Q4 2010.



DRILLING OPERATIONS

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

EDCO currently owns seven drill rigs, which are either being used or are scheduled for use on the Company's development and exploration projects.

EXPLORATION

Canatuan Near-Mine Tenements

TVI controls an extensive 352 km² land package that the Company refers to as the Greater Canatuan Tenement area, surrounding the Canatuan Mine. The Canatuan orebody is a volcanogenic massive sulphide orebody and deposits of this type rarely occur in isolation. As such, TVI believes the potential exists for continuing extension developments, or creating "mining camps", within the Canatuan Tenements. Initial exploration on the properties suggests that the land package includes a 40+ kilometre strike length of the type of mineralization that hosts the Canatuan orebody. Management of TVI believes it is likely that similar Canatuan-style deposits exist within the area of the Canatuan Tenements. Any mineable ore located in the area could economically be transported to the existing Canatuan plant for processing, which would extend the life-of-mine beyond the current estimate.

In January 2010, the Company established a partnership and strategic alliance with DMCI-CERI ("DMCI"), a subsidiary of DACON Corporation. DMCI already has long standing forestry and agribusiness operations in the area. They currently maintain the roads and provide security services through their established camps. By partnering with DMCI, the costs on the exploration project going forward are expected to be significantly reduced.

In June 2010, the Company and DMCI finalized the initial work program leading to the exploration, development and production of mineral deposits in the Greater Canatuan Tenement Area. The Partners have initiated three main activities under the work program: (a) obtaining Free Prior Informed Consent from the affected indigenous communities in the area; (b) completing an airborne geophysical survey; and (c) completing the application for the Exploration Permit Application. TVI has successfully secured the endorsement of the local council and municipal authorities for the program. Once the Free Prior Informed Consent process is completed, all requirements will have been fulfilled for the issuance of the Exploration Permit. Helicopter-supported geophysical surveys are planned for September 2010.

Balabag

In addition to the near-mine exploration at Canatuan, the development-stage Balabag gold project is another high priority project. The Balabag property covers an area of approximately 52 km² and is situated approximately 75 kilometres east-northeast of the Canatuan Mine.

In 2008, TVI commissioned Genivar Limited Partnership, an independent mining engineering consulting company, to conduct a scoping study on the Balabag property. Genivar presented TVI with the comprehensive scoping study titled "Scoping Study of the Balabag Project", which was prepared in accordance with NI 43-101. The purpose of the scoping study was to assess the mining potential of a stand-alone commercial scale mining operation centred on the currently delineated Balabag deposit and to provide an order of magnitude of its economic potential. This report was filed with certain securities regulatory authorities in Canada on August 20, 2008, and is available on the SEDAR website at www.sedar.com.

In February 2010, drilling resumed at the Balabag epithermal gold project focusing on the Tinago vein, the largest of three spatially related vein systems. This drill program was completed on June 17, 2010 with 30 holes drilled for a total of 3,196.25 meters. A second, deeper phase of drilling began on July 26, 2010 to probe for mineralization extension under the Tinago vein. The Miswi and Lalab vein systems will also be drilled to allow closer spaced definition of previously defined mineralization.



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The results of the 30 hole drill program, completed on June 17, 2010, are being compiled for resource estimate upgrade. Consultants GeoSystems International Inc. has been engaged to complete an NI 43-101 compliant Technical Report for this resource upgrade. The target is to define a minimum of 50,000 AuEq Oz in the indicated category at Tinago, allowing for an internal scoping study to define an economical start-up mine development program. Initially, a 500 tonne per day plant would be constructed using some infrastructure from the Company's previous gold project at Canatuan, and then incrementally ramping up production as additional resources are defined through continued drilling. The project is expected to generate surplus cash flows and income, in addition to funding the capital investment required for the phased expansion at Balabag.

The Company expects to release preliminary assay results from the 30 hole drill program, that was completed on June 17, 2010, by the end of August 2010, with a full technical report from GeoSystems International Inc. to be released late September 2010. Social and environmental initiatives and a new phase of drilling continue at Balabag.

Tamarok - Tapisa

The Tamarok copper-gold project and the Tapisa exploration project are located 60 kilometres north-northeast of TVI's Balabag project and are within the Company's 1,240 km² North Zamboanga tenement package.

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

The approval of the MPSA at Tamarok allows TVI to advance exploration activities including geophysical surveys, systematic detailed geological investigations and drilling. A scout drilling program will test subsurface continuity of outcropping porphyry copper-gold mineralization at Malachite Hill; where in an initial exploration program, a 38 metre continuous channel sample produced an average of 0.71% copper and 0.35 grams per tonne gold.

This package of landholdings was assembled with reference to the anticipated geological potential associated with the Sindangan Cotobato fault system which hosts the world-scale Tampakan copper porphyry discovery currently being developed by Sagittarius, a subsidiary of Xstrata.

To identify additional areas of concentration of mineralization for future exploration, the Company plans to conduct an airborne geophysical program over these tenements in September 2010.

Other

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

Bonbon is made up of a series of north-northwest trending quartz veinlets / stockworks spread over a 10 kilometre long by 2 kilometre wide area currently being worked in places by illegal small-scale miners. After completing the required permitting, the Company plans to prepare geological mapping and sampling, as well as geophysical surveys, in order to locate prospective drill targets.

The Company is also considering the opportunity to engage in joint venture relationships across the entire 1,240 km² North Zamboanga tenements. A number of prospects of interest have been identified on these properties under the exploration program carried out by the former property owner. The Company continues to welcome, seek out, and advance opportunities that may present beneficial relationships to advance exploration across its Philippine land package.



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QUARTERLY FINANCIAL INFORMATION

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

	Net Revenue	Net Income (Loss)	Net Income (Loss) per Share	
			Basic	Diluted
June 30, 2010	\$ 16,453	\$ (1,141)	\$ (0.002)	\$ (0.002)
March 31, 2010	26,184	8,390	0.018	0.015
December 31, 2009	22,956	9,743	0.020	0.018
September 30, 2009	25,707	9,917	0.021	0.019
June 30, 2009	11,378	676	0.001	0.001
March 31, 2009	7,063	(2,014)	(0.005)	(0.005)
December 31, 2008	111	(5,220)	(0.013)	(0.013)
September 30, 2008	96	(3,610)	(0.009)	(0.009)

Revenue

The gossan mining and milling operations ceased in April 2008. Revenues in 2008 relate to miscellaneous asset sales and interest revenue.

In Q1 2009, the Company completed its first shipment of copper concentrates from its Canatuan Sulphide Project and recognized the revenue from the sale in the same quarter. This was followed by the second and third shipments, and a portion of the fourth shipment in Q2 2009, resulting in higher revenue for the second quarter. Even greater revenues were realized in Q3 2009 representing the remainder of the fourth shipment plus the fifth to seventh shipments of copper concentrates. Revenue in Q4 2009 was slightly lower since it consists of only three shipments as compared to the previous quarter.

In Q1 2010, three shipments were successfully completed for a total of 15,514 dry metric tonnes at an average copper price of US\$3.28/lb for total gross revenue of US\$26.64 million. These were followed by two additional shipments in Q2 2010 for 10,533 dry metric tonnes at an average copper price of US\$3.22/lb for total gross revenue of US\$16.35 million. This represents a decline in gross revenue of 39% quarter over quarter.

Net Income (Loss)

Throughout 2008, the Company attempted to minimize its general and administrative costs while constructing the Canatuan Sulphide Project. In Q4 2008, the Company incurred additional costs required to commission the sulphide starter plant, which was powered-up as planned by the end of November 2008.

The Company declared commercial operations on the Canatuan Sulphide Project on March 1, 2009 and completed its first shipment in the same month. Through Q2 2009 up to Q1 2010, the Company improved its operating throughput and concentrate production, decreasing its unit production cash costs, while benefiting from increasing metal prices. With its continuous improvement programs, TVI will continue to optimize its throughput in an effort to offset the declining feed grades.

The increase in unit production cash cost in Q2 was mainly due to the commissioning of the zinc circuit as follows:

1. Shutdowns – expected plant shutdowns were necessary to connect and test the circuit resulting in downtime (impacting throughput);
2. Type of Ore –commissioning required the feeding of a high zinc & high copper type of ore to test if separation would occur. Failure to separate the copper from the zinc resulted in a lower metal production (lower recovery); and
3. Copper Grade – The average copper feed grade of the circuit test materials in Q1 was 1.75%, while the average for Q2 was only 1.22%

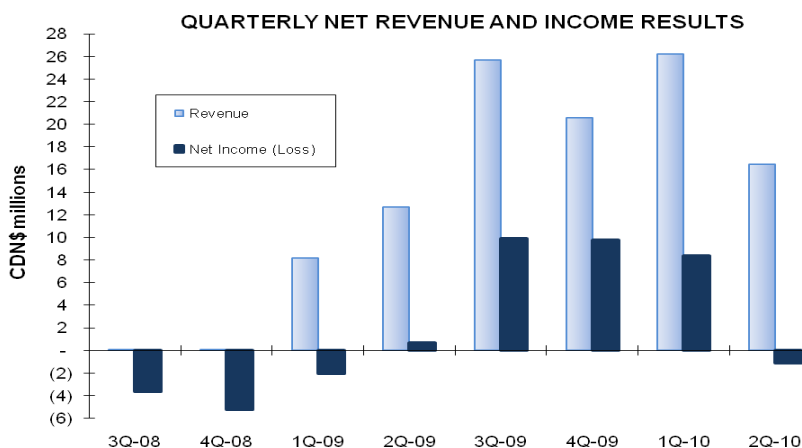
Although metal production declined in Q2, expenditures in the quarter were relatively constant with Q1 resulting in a higher cash cost per unit.

	Average copper price received (US\$/lb)	Production cash cost ⁽¹⁾ (US\$/Cu lb eq)
Q2 2010	3.22	1.13
Q1 2010	3.28	0.56
Q4 2009	3.05	0.63
Q3 2009	2.67	0.55
Q2 2009	2.11	0.58
Q1 2009	1.77	0.76

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

During the first half of 2010, the Company made five voluntary principal payments totalling US\$22.3 million and a scheduled payment of US\$2.0 million. The Company also paid US\$1.1 million in interest gross of tax, US\$7.2 million in prepayment premiums gross of tax and US\$1.3 million in advisory fees. The Term Facility was paid in full in June 2010, which also terminated the Advisory Agreement.

Net income for Q2 was reduced by \$4.9 million as a result of one-time prepayment charges and related interest expense that TVI chose to incur in Q2 in order to retire the Term Facility in full by June 30th. Because there were only two shipments in Q2 compared to three shipments in Q1, a reduction of 39% in revenue was realized quarter over quarter



CONSOLIDATED RESULTS OF OPERATIONS

During the six months ended June 30, 2010, TVI had a consolidated net income of \$7.2 million compared to a net loss of \$1.3 million in the same period of 2009. During the period ended June 30, 2010, the Mining segment produced net income of \$22.9 million. Adding back the non-cash amortization and accretion expense of \$5.4 million, the mine segment produced net income before amortization and accretion expense of \$28.3 million.

During the six months ended June 30, 2010, the Canatuan Mine generated net revenues of \$42.6 million from the Canatuan Sulphide Project consisting of five completed shipments of copper concentrates to TVI's metal offtake partner, with whom the Company has an agreement covering all copper concentrate production of the existing Canatuan Mine. The Company generated \$18.4 million during the same period



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of 2009 representing three shipments and portion of the fourth shipment, which started when the Sulphide operations commenced in March 2009. Net revenues are based upon gross revenues net of treatment, refining, and penalties from the buyer.

Mining, milling, drilling, and selling expenses for the six months ended June 30, 2010 were about \$13.6 million. These expenses do not include treatment, refining, and penalties from the buyer as these costs are netted against revenues. Expenses during the current period are not comparable to those incurred during the same period in 2009 since the expenses from January 1, 2009 to February 28, 2009 were deferred until the start of the commercial operations on March 1, 2009.

During the first half of 2009, the exploration expenses were lower as the Company focused on the completion of the Canatuan Sulphide Project. During the first half of 2010, exploration expenses totalled \$2.5 million due to a more intensive exploration program as highlighted in the above "Exploration" section.

During the six months ended June 30, 2010, administrative and general costs amounted to \$3.8 million which is comparable to \$3.9 million incurred during the same period in 2009.

Amortization and accretion expense were approximately \$5.5 million during the six months ended June 30, 2010 mostly representing the amortization of the sulphide plant, which is recognized on a unit-of-production basis. During the same period in 2009, \$2.6 million was recognized in amortization expense since commercial operations did not begin until March 1, 2009.

During the period ended June 30, 2010, the Company recognized approximately \$9.0 million in interest expense, which is higher than the \$3.5 million incurred during same period in 2009. This is mainly due to the prepayment premiums paid during the voluntary prepayments, which included the final repayment on the term loan facility.

CONSOLIDATED FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Position

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Operating cash flow	\$ 1,724,313	\$ 6,229,003	\$ 16,534,884	\$ (528,614)
Change in non-cash working capital	199,025	(3,523,904)	104,079	1,340,593
Operating cash flow before change in non-cash working capital	1,923,338	2,705,099	16,638,963	811,979
Expenditures on property and equipment	(2,478,636)	167,638	(4,986,694)	(1,372,639)
Free cash flow	\$ (555,298)	\$ 2,872,737	\$ 11,652,269	\$ (560,660)
Common shares outstanding	487,502,859	467,108,145	487,502,859	467,108,145
Free cash flow per share	\$ (0.001)	\$ 0.006	\$ 0.024	\$ (0.001)

The surplus of funds from operations for the six months ended June 30, 2010 was attributable to revenue from the copper concentrate shipments during the six months. A portion of the cash flow surplus was used in making the final voluntary prepayment of the Term Facility in June 2010 (as discussed below).

At June 30, 2010, the Company held \$6.2 million in cash from which it can reinvest into further growth in the Company.

Term Facility and Short-term Loans

In June 2010, the Company completed repayment on the US\$30.1 million five-year term loan facility agreement ("Term Facility"), entered into on January 20, 2009 with the LIM Asia Arbitrage Fund Inc. and LIM Asia Special Situations Master Fund Limited (the "Lenders" or "LIM").

The funds borrowed under the Term Facility bore interest at the rate of 10% per annum calculated based on the original principal balance of US\$30.1 million, irrespective of the actual outstanding principal



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balance. However, voluntary prepayments decreased the principal balance on which interest was calculated. Voluntary prepayments were subject to a 25% prepayment premium.

In connection with the Term Facility, the Company entered into an Advisory Agreement with a third party (the "Advisor"). The Advisor was entitled to a fee equal to 10% per year of the original Facility amount of US\$30.1 million. However, voluntary prepayments decreased the principal balance on which the advisory fee was calculated. In addition, the Agreement allowed for profit participation of 40% of any cash surplus in TVIRD commencing December 31, 2010. Voluntary prepayments of principal decreased the percentage of profit participation proportionately.

During the first half of 2010, the Company made five voluntary principal payments totalling US\$22.3 million, made a scheduled payment of US\$2.0 million, paid US\$1.1 million interest gross of tax, paid US\$7.2 million prepayment premiums gross of tax, and paid US\$1.3 million in advisory fees. The Term Facility was paid in full in June 2010, which also terminated the Advisory Agreement.

In order to facilitate the timely repayment of the Term Facility, the Company acquired short-term loans from a major Philippine bank. These loans have annual interest rates much lower than the Term Facility.

Short Term Debt Facilities

Loan Date	Loan Amount (US\$)	Interest Rate (% per annum)	Term	Security
January 8, 2010	6,000,000	3.00	Repaid January 29, 2010	Term deposit
March 31, 2010	6,000,000	3.75	Repaid April 30, 2010	Term deposit
April 20, 2010	3,300,000	4.30	180 days	Offtake agreement
April 29, 2010	3,000,000	4.33	1 year (four equal quarterly payments)	Offtake agreement
June 21, 2010	2,000,000	4.54	1 year	Offtake agreement

- The Company has letter of credit facilities with a major Philippine bank which accrue interest at a combined interest rate of 8.75% per annum and are payable over four equal monthly instalments starting 90 days from the withdrawal dates. The funds are used in the normal course of business operations. The total amount payable to the bank at June 30, 2010 was US\$696,107 (\$720,470).
- In April, 2010, The Company also obtained a US\$3.3 million revolving loan from a major Philippine bank, payable in 180 days, bearing interest at 4.3% per annum. This revolving loan is secured by the Offtake Agreement. The amount owing as of June 30, 2010 was US\$3.3 million (\$3.4 million).
- The Company also obtained two short-term loan facilities from a major Philippine bank. The 1st short-term loan amounting to US\$3.0 million was obtained in April 2010 and is payable over four equal quarterly payments starting 90 days from drawdown date bearing interest at 4.33% per annum. The other short term loan, amounting to US\$2.0 million was obtained in June 2010 and is payable in 360 days, bearing interest of 4.54% per annum. Both of these short-term loans are secured by the Offtake Agreement. The amount owing as of June 30, 2010 was US\$5.0 million (\$5.2 million).
- In April 2010, the Company completely repaid the demand promissory notes to corporations owned by the President of the Company. The Company issued 7,980,889 common shares priced at \$0.12 per share for final settlement of the notes in the amount of \$493,109 and US\$457,462 (\$464,598). The notes earned interest at 12% and 14.12% per annum, respectively, and had no fixed terms of repayment.



Capital Requirements

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

For 2010, the Company's capital expenditure program will be tightly controlled and is currently expected to range between \$8 million and \$10 million. The Company expects the capital expenditure program to be funded by cash provided by operating activities.

OUTLOOK

Balabag

The Balabag gold and silver project drill program was completed on June 17, 2010 with 30 holes drilled for a total of 3,196.25 meters. The results of the program are being compiled for resource estimate upgrade leading to confirmation of the initial target of net recoverable 50,000 AuEqOz at the Tinago vein system. A second, deeper phase of drilling began on July 26, 2010 to probe for mineralization extension under the Tinago vein. Assuming the target is reached, the Company intends to complete an optimization plan to use a "bootstrap" development strategy by the end of 2010. Social and environmental baseline studies are currently underway along with additional metallurgical testing. The Company expects to release preliminary assay results from the 30 hole drill program by the end of August this year, with a full technical report from GeoSystems International Inc. to be released closer to the end of September. Social and environmental initiatives and a new phase of drilling continue at Balabag.

Greater Canatuan Tenement Area

With the finalization of the Joint Venture Agreement with DMCI in February 2010 and finalization of the initial Exploration Work Program and the Environmental work Program in June 2010, exploration activities are expected to ramp up in the Canatuan Near-Mine Tenements. There are various tenements owned by the Company which are within a 15 km trucking distance to the Canatuan plant. These present immediate growth opportunities to extend the current Canatuan mine life.

Preliminary work in preparation for exploration drilling in the Canatuan Near-Mine Tenements continues. These tenements are within an economic trucking distance to the Canatuan plant and present immediate growth opportunities to extend the current Canatuan mine life, which is TVI's top priority. Helicopter-supported geophysical surveys are planned for these tenements in September, 2010.

North Zamboanga Tenement Area

In December, 2009, the MPSA was granted to the original claimholder with whom TVIRD has a contract to acquire full rights to the MPSA at TVIRD's election.

Reviews of regional data surveys previously conducted over the Tamarok-Tapisa tenements show several interesting clusters of combined geochemical and structural anomalies. Helicopter-supported geophysical surveys are planned for these tenements in September, 2010. Exploration Permit applications over the combined anomalies identified by multiple exploration technologies, will be submitted to Department of Environment and Natural Resources - Mines and Geosciences Bureau for processing.

The Company continues to seek out new opportunities, and in this regard, is holding discussions with a number of entities. However, there can be no assurance that any of the current discussions will result in further investments in the Company or its assets or that the consideration of strategic alliances and joint ventures will lead to the establishment of relationships with third-party mining organizations.



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NON-GAAP MEASURES

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

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

Net income before amortization and accretion expense is a non-GAAP measure that represents income before non-cash expenses in amortization and accretion expense. This measure should not be considered an alternative to, or more meaningful than, net income. Management believes that net income before amortization and accretion expense is a useful supplemental measure to analyze the Company's ability to generate cash income. This measure may not be comparable to similar measures used by other companies.

Production cash cost, total cash cost, and total cash cost net of by-products are non-GAAP measures that represent the cash cost to produce a copper pound equivalent. These measures should not be considered alternatives to, or more meaningful than the Mining, milling, drilling and selling expenses income statement line item. Management believes that production cash cost, total cash cost, and total cash cost net of by-products are useful supplemental measures to monitor operating costs and cash profitability. These measures may not be comparable to similar measures used by other companies.

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

	Quarter ended June 30, 2010	Quarter ended March 31, 2010	Year to date June 30, 2010
Copper pound equivalent	5,035,688	8,841,433	13,877,121
Average quarterly rate (CDN\$/US\$)	1.03	1.04	1.03
Mining, milling, drilling, and selling expenses	\$ 6,641,258	\$ 6,938,513	\$ 13,579,771
Adjustment for change in inventory	258,602	142,895	401,497
Indirect administrative costs	468,985	372,380	841,365
Selling expenses	(1,513,007)	(2,308,457)	(3,821,464)
Drilling expenses	5,813	3,884	9,697
Production cash cost	5,861,651	5,149,215	11,010,866
Treatment, refining, and other charges	861,996	1,206,232	2,068,228
Selling expenses	1,513,007	2,308,457	3,821,464
Total cash cost	8,236,654	8,663,904	16,900,558
Gross revenue - gold	(1,632,133)	(2,367,269)	(3,999,402)
Gross revenue - silver	(1,655,505)	(3,344,655)	(5,000,160)
Total cash cost net of by-products	\$ 4,949,016	\$ 2,951,980	\$ 7,900,996
(US\$/Cu lb eq):			
Production cash cost	1.13	0.56	0.76
Total cash cost	1.58	0.94	1.17
Total cash cost, net of by-products	0.95	0.32	0.55



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

	Q1 2010 Average	3/31/10 Closing	Q2 2010 Average	6/30/10 Closing	Year to date Average 6/30/10
Copper (US\$/lb)	3.28	3.55	3.22	2.96	3.26
Gold (US\$/oz)	1,117.79	1,112.50	1,276.48	1,242.25	1,178.06
Silver (US\$/oz)	16.78	17.50	20.76	18.74	17.93

RECENTLY ISSUED ACCOUNTING STANDARDS UNDER CANADIAN GAAP

The following standards will be effective for the Company's year beginning on January 1, 2011:

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

Section 1582 – "Business Combinations", 1601 – "Consolidated Financial Statements", and 1602 – "Non-Controlling Interests" replace Section 1581 – "Business Combinations", and 1600 – "Consolidated Financial Statements". Section 1582 is effective for business combinations for acquisition dates on or after January 1, 2011. Earlier adoption is permitted, provided all three new standards are adopted simultaneously. The new standards are the Canadian equivalent of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". Section 1582 requires equity instruments issued as part of the purchase consideration to be measured at fair value at the acquisition date, rather than the date when the acquisition was agreed to and announced. In addition, most acquisition costs are expensed as incurred, instead of being included in the purchase consideration. The new standard also requires non-controlling interests to be measured at fair value instead of carrying amounts. Section 1602 provides guidance on the treatment of non-controlling interests after acquisition. Section 1601 carries forward existing guidance on the preparation of consolidated financial statements, other than non-controlling interests. The Company is currently assessing the impact the adoption of these standards will have on financial results.

CONVERGENCE WITH INTERNATIONAL REPORTING STANDARDS

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. As a result, the Company will report under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated under IFRS. Adoption of IFRS as Canadian GAAP will require the Company to make certain accounting policy choices and could materially impact the reported financial results. The Company's goal is to make policy changes that are compliant with IFRS but also provide the most meaningful information to shareholders. The Company's Philippine affiliates have already implemented convergence with International Reporting Standards as required under local statutory reporting purposes.

The Company has developed a changeover plan which includes the following three phases and sets out activities to be performed in each phase over the life of the project.

- Assessment phase: In this phase, the Company identified high level differences between Canadian GAAP and IFRS that may impact the Company. This phase has been completed.
- Design phase: This phase involves the completion of analyses of the differences between TVI accounting policies and IFRS to provide a basis for accounting policy recommendations, the development of a strategy for dual Canadian GAAP and IFRS reporting during 2010 and changeover to IFRS in 2011, and IFRS training for key finance personnel.
- Implementation phase: Significant implementation phase milestones will include the implementation of our 2010 dual reporting systems strategy, the amendment and testing of internal controls over



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financial reporting and disclosure controls and procedures impacted by accounting policy changes, the implementation of our internal and external communication plans, and the preparation of a January 1, 2010 opening balance sheet and 2010 comparative data under IFRS, with reconciliations from Canadian GAAP.

The Company continues to review the impact of IFRS on its systems, processes and controls. The Company will continue to disclose additional impacts on financial reporting, including expected quantitative impacts, systems and processes and other areas of the business in future MD&A's as they are determined.

Differences between IFRS and Canadian GAAP

The Company has identified the areas noted below as those expected to have the most significant impact on the financial statements. The Company is currently in the process of quantifying these differences in order to prepare an opening balance sheet under IFRS as of January 1, 2010. These areas do not represent a complete list of expected changes. As we progress further into the implementation phase, and as changes to Canadian GAAP and IFRS standards may occur prior to the changeover date, the differences and impacts described below may be subject to change.

Basis of Consolidation

TVI currently consolidates its Philippine affiliates in accordance with Canadian GAAP (Accounting Guideline 15 – Consolidation of Variable Interest Entities). Under IFRS, the consolidation will follow the guidance under International Accounting Standard (“IAS”) 27, *Consolidated and Separate Financial Statements* as to whether control is presumed to exist even if the parent owns half or less of the voting power of the entity. The power to govern the financial and operating policies of the entity and power to appoint or remove a majority of the members of the board are some of the indications of control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity, similar to Canadian GAAP. Therefore, the Company expects that there will be no change in the method of consolidating its Philippine affiliates.

Non-controlling Interests

Canadian GAAP requires losses applicable to the non-controlling interest in subsidiaries exceed the non-controlling interest's carrying value in subsidiaries, the excess and any further losses will be fully absorbed by the Company. The non-controlling interest arising on consolidation will not be recognized until such time as previously absorbed losses of these companies are recovered. Upon adoption of IFRS in 2011, total other comprehensive income attributable to non-controlling interest to be presented as an allocation of comprehensive income for the period. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if this causes the non-controlling interest to be in a deficit position.

Functional Currency

Under Canadian GAAP, there are two types of foreign operations: integrated and self-sustaining. The Company's Philippine affiliates are currently considered self-sustaining foreign operations in the consolidated financial statements. Upon adoption of IFRS in 2011, there will no longer be a distinction between integrated or self-sustaining affiliates. The translation will follow the guidance in IAS 21, *The Effects of Changes in Foreign Exchange Rates*, particularly on the use of presentation currency other than the functional currency, which requires translation of assets and liabilities at the rate on the balance sheet date, and income and expenses at rates on transaction dates. This is similar to the current method for translation of self-sustaining foreign operations under Canadian GAAP, which the consolidated financial statements currently follow. Therefore, there will be no expected change in the method of translating balances for consolidation purposes.

Impairment of property, plant and equipment

Under Canadian GAAP, whenever the estimated future cash flows on an undiscounted basis of a property is less than the carrying amount of the property, an impairment loss is measured and recorded based on fair values. Under IFRS, IAS 36 *Impairment of Assets* requires an impairment charge to be recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use, is less than carrying amount. The impairment charge under IFRS is equal to the amount by which the carrying amount exceeds the recoverable amount. The difference in testing and determining an impairment may result in more frequent impairment charges, where carrying values of assets may have been supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted cash flow basis. IAS 36 also requires the reversal of any previous impairment losses where circumstances requiring the impairment charge have changed and reversed. Canadian GAAP does not permit the reversal of impairment losses in any circumstance.

Financial Instruments

IFRS 7 generally has more comprehensive disclosure requirements than Section 3861. IFRS 7: (i) requires entities to disclose information that enables users of their financial statements to evaluate the significance of financial instruments, rather than specific contractual terms and conditions of financial instruments; (ii) requires disclosures about financial instruments classified into (as well as out of) a fair value classification; (iii) requires specific disclosures about collateral; (iv) requires disclosure of the existence of multiple embedded derivatives whose values are interdependent, when these are contained in an instrument having both a liability and an equity component; (v) does not encourage (or require) disclosures about average aggregate carrying amounts during the year, average aggregate principal during the year, or average aggregate fair value during the year; (vi) requires disclosure of the disposition of any inception profit that might result from the use of a valuation technique used to measure a financial instrument that has no active market price; (vii) requires extensive disclosures about exposures to liquidity, currency and other price risks; and (viii) requires an analysis of the sensitivity of net income to possible changes in market risk factors. The Company expects to disclose these specific items in accordance with IFRS beginning January 1, 2011.

Employee benefits

Under Canadian GAAP, liabilities and expenses for vested past service costs under a defined benefit plan generally are recognized over the expected average remaining service period. Liabilities and expenses for unvested past service costs under a defined benefit plan generally are recognized over the expected average remaining service period. Under IFRS, liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately. Liabilities and expenses for unvested past service costs under a defined benefit plan are recognized over the vesting period. The Company expects to adjust any recorded past service cost upon transition to IFRS.

First time adoption of IFRS

The Company's adoption of IFRS will require the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions and a limited number of optional exemptions.

The following is the mandatory IFRS 1 exemption relevant to the Company and is also expected to be applied by the Company in its first IFRS financial statements:

Non-controlling interests

The exception stipulates that a first-time adopter should apply the following requirements of IAS 27, prospectively from the date of transition to IFRS: (a) total comprehensive income is attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance; (b) the requirements regarding accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and (c) the requirements regarding the

accounting for a loss of control over a subsidiary, and the related requirements in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Company expects to adopt the exemption and follow the IAS 27 requirements prospectively starting January 1, 2010.

The following paragraphs outline the significant optional IFRS 1 exemptions the Company expects to apply in its first IFRS financial statements:

Assets and liabilities of subsidiaries, associates and joint ventures

If a parent becomes a first-time adopter later than its subsidiary, the parent should, in its consolidated financial statements, measure the assets and liabilities of the subsidiary at the same carrying amount as in the financial statements of the subsidiary, after adjusting for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The Philippine subsidiaries have adopted Philippines Accounting Standards ("PAS") in 2005 as required under local statutory reporting purposes. PAS is essentially converged with IFRS. The Company elects this exemption by preparing the consolidated financial statements based on the carrying amount in the subsidiaries' books at the January 1, 2010 transition, adjusted by the consolidated adjusting entries.

Business combinations

IFRS 1 permits companies to apply IFRS 3 Business Combinations ("IFRS 3") prospectively to business combinations occurring on or after the transition date, being January 1, 2010 for the Company. As a result of applying this election, the Company will be required to restate any business combinations effected during the 2010 year which were originally reported under Canadian GAAP, for comparative reporting in 2011. The alternative, retrospective application of IFRS 3, would require the restatement of all business combinations occurring prior to the date of transition to IFRS in addition to those occurring on or after January 1, 2010. The Company expects to elect the business combinations exemption and adopt IFRS 3 prospectively beginning on January 1, 2010. The election of this exemption, however, does not preclude the Company from assessing its assets that were acquired and liabilities assumed through business combinations occurring prior to the Company's transition date to comply with IFRS requirements in establishing the Company's opening balance sheet at January 1, 2010.

Borrowing costs

IFRS 1 permits entities to apply IAS 23 Borrowing Costs ("IAS 23") prospectively from the transition date. The alternative to this election would be to retrospectively restate borrowing costs previously capitalized to comply with IFRS requirements in addition to capitalizing borrowing costs in accordance with IFRS prospectively from the Company's transition date of January 1, 2010. The previously capitalized borrowing costs are from the Philippine entities and were already previously accounted for under IFRS. Therefore, the exemption has no impact to the January 1, 2010 opening balance sheet.

Fair value of revaluation as deemed cost

IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value or under certain circumstances using a previous GAAP revaluation, as opposed to recreating depreciated cost under IFRS. Most of the assets are with the Philippine operating entities which are already presenting separate financial statements in accordance with IFRS. Therefore, the Company expects to continue using the carrying value of assets in its consolidated financial statements.

Foreign exchange

IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with the balance being transferred to opening retained earnings. Future gains or losses on subsequent disposal of any foreign operations shall exclude translation differences arising from periods prior to the date of transition to IFRS. The Company expects to elect this exemption.



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Share-based payment transactions

A first-time adopter has an option not to apply IFRS 2 Share-based Payment retrospectively to equity instruments (equity-settled transactions) granted on or before November 7, 2002. IFRS 1 provides an additional exemption from retrospective application of IFRS 2 for equity instruments that were granted after November 7, 2002 and that vested before the later of (a) the date of transition and (b) January 1, 2005. However, an entity may apply IFRS 2 to such equity instruments if it has previously disclosed publicly the fair value of those equity instruments, determined at measurement date, as defined in IFRS 2. The Company plans to elect this exemption to its January 1, 2010 opening balance sheet.

Employee future benefits

IFRS provides an exemption that allows a company transitioning to IFRS to recognize all unamortized actuarial gains and losses in its opening balance sheet on transition. However, if the parent becomes a first-time adopter later than its subsidiary and the subsidiary has made an unreserved statement of compliance with IFRSs in previous years, that subsidiary's defined benefit corridor cannot be reset to zero for the purposes of the consolidated financial statements. The employee benefits of the Philippine entities are already accounted for under IFRS. Therefore, the exemption has no impact to the January 1, 2010 opening balance sheet.

Other accounting policies

The Company continues to evaluate the impact of IFRS adoption on other areas, such as the accounting for income taxes and decommissioning liabilities (asset retirement obligations), which may result in significant differences from currently adopted accounting policies.

IFRS recent pronouncements – Joint Arrangements

The International Accounting Standards Board ("IASB") has issued Exposure Draft 9, Joint Arrangements ("ED 9") which proposes to require that all jointly controlled entities be accounted for using the equity method of accounting. ED 9 would replace the current IFRS standard which allows for a policy choice to account for jointly controlled entities using either proportionate consolidation, which is consistent with Canadian GAAP, or the equity method of accounting. ED 9 is expected to result in the issue of a final IFRS standard in 2010, which the Company will be required to adopt during a period subsequent to its transition to IFRS. The Company is currently evaluating the impact that ED 9 is expected to have on its consolidated financial statements.

Other

The Company has done a preliminary assessment that the adoption of IFRS will have on internal controls over financial reporting, disclosure controls and procedures, business activities, and IT systems. TVI does not expect any material changes to these areas since the main operations and majority of material transactions occur at the TVIRD level. TVIRD is a Philippine affiliate that implemented conversion to PAS in 2005 which is essentially converged with IFRS; therefore, the Company expects that all controls, procedures, activities, and systems have already been designed to ensure the Company is in accordance with IFRS. The Company continues to perform more detailed assessments to determine whether there will be any changes to these areas once IFRS has been adopted.

COMPARATIVE AMOUNTS

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS
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CRITICAL ACCOUNTING ESTIMATES

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

- The recorded amortization expense is based on the estimated useful lives of long-lived assets. The estimate that most significantly affects the measurement of amortization is quantities of measured and probable mineral reserves, which is used in the computation of amortization expense based on the unit-of-production method. The estimation of quantities of mineral reserves is complex, requiring significant subjective assumptions that arise from the evaluation of geological, geophysical, engineering and economic data for a given ore body. This data could change over time as a result of numerous factors, including new information gained from development activities, evolving production history and a reassessment of the viability of production under different economic conditions.
- The carrying values of mining assets are based on whether or not the value is greater than the future undiscounted cash flows to be generated from the assets. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are written off against current earnings. Estimates must be made in establishing the depletion and depreciation of property, plant and equipment as well as assessing the fair value of the liability for asset retirement obligations relating to the Canatuan Mine.
- The Company applies the fair value method, using the Black-Scholes option pricing model, when stock options are granted to employees and directors under the share option plan. Management must estimate the volatility, expected life, and risk-free interest rates in using the model to assess the fair value of stock options.
- Asset retirement obligations arise from the acquisition, development, construction and normal operation of mining property and equipment due to government controls and regulations that protect the environment and public safety on the closure and reclamation of mining properties. Management must estimate the timing and expected cash flows when retirement obligations are incurred, which are updated to reflect changes in facts and circumstances

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

The Company has completely repaid the demand promissory notes owing to two companies owned by the President of the Company (as discussed under "Short Term Debt Facilities" above).

During the three and six months ended June 30, 2010, Seajay charged the Company \$111,636 and \$252,818 for management fees for services of the President and support staff. At the end of the period, the amount payable to Seajay was \$49,089.



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CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

In February 2010, TVIRD signed a Joint Venture Agreement ("JVA") with DMCI to conduct exploration, development and production of mineral deposits in the area known as The Greater Canatuan Tenement. This area is within a 15 km radius trucking distance to the current Canatuan sulphide plant. Under the JVA, TVIRD will hold a 70% interest, while DMCI will hold 30% interest. TVIRD will act as the operator. The partners will fund an exploration program for a period of two years amounting to a maximum of US\$2 million, to be shared in accordance with their interests in the Joint Venture.

The Company rents its office premises on a five-year term lease. Total rent payments amount to \$123,840 for the period 2010 to 2015, net of short-term sub-leasing arrangements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer and interim Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that they are aware of all material information relating to the Company and its subsidiaries.

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting ("ICOFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Management has evaluated the design of ICOFR as of June 30, 2010 and plans to update the evaluation of operating effectiveness of internal controls over financial reporting throughout the year. Management concluded that there has been no change in the Company's internal control over financial reporting during the six month period ended June 30, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that while the Company's Chief Executive Officer and interim Chief Financial Officer believe that ICOFR provide a reasonable level of assurance, they do not expect that the ICOFR would prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable assurance that the objectives of the control system are met.

ADDITIONAL INFORMATION

The Company's outstanding common shares as at June 30, 2010 and August 12, 2010 were 487,502,859 and 487,502,859 respectively. The basic weighted average number of common shares issued and outstanding for the three and six months ended June 30, 2010 were 485,904,733 and 482,444,680 (three and six months ended June 30, 2009 - 466,816,004 and 450,047,462). The diluted weighted average number of common shares issued and outstanding for the six months ended June 30, 2010 was 567,350,468. No adjustments were required to the weighted average number of common shares in computing diluted per share amounts for the three months ended June 30, 2010 and the six months ended June 30, 2009 because the Company was in a loss position. For the three months ended June 30, 2009, the diluted weighted average number of common shares issued and outstanding was 510,803,332.



IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain information set out in this MD&A constitutes forward-looking information. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "intend", "could", "might", "should", "believe", "schedule" and similar expressions.

Forward-looking statements are based upon the opinions and expectations of management of the Company as at the effective date of such statements and, in certain cases, information received from or disseminated by third parties. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from or disseminated by third parties is reliable, it can give no assurance that those expectations will prove to have been correct. Forward-looking statements are subject to certain risks and uncertainties (known and unknown) that could cause actual outcomes to differ materially from those anticipated or implied by such forward-looking statements. **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.**

Examples of forward-looking information in this MD&A:

- future operating information for the sulphide (copper/zinc) operation at Canatuan
- the nature and timing of zinc production at Canatuan and its impact on revenue streams
- estimates regarding reserves and resources
- the use of cash generated from the sulphide operation at Canatuan to support exploration and development of other TVI projects
- the nature and timing of exploration activities surrounding the Canatuan Mine and the potential for mine life extension
- potential reduction of exploration costs through the partnership with DMCI
- the nature and timing of exploration activities and results for Balabag, Tamarok, Tapisa, EXPA 61, Bonbon and the Company's other tenements
- the nature and timing of airborne geophysical surveys
- the nature and timing of development activities at Balabag, as well as the potential production and cash flows to be generated by the project
- the nature and timing of claims filed with the Rehabilitation Court for the Rapu Rapu royalty
- the evaluation of joint venture and acquisition opportunities
- funds expected to be received from the sixteenth shipment of copper concentrates
- timing for future shipments of copper concentrates
- the impact of cost reduction initiatives
- the Company's ability to raise capital and to continually add to mineral reserves through acquisitions, exploration and development
- estimates regarding the Company's capital requirements and potential financing initiatives

Material risks

- 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
- accuracy of production and cost estimates
- timing, results and costs of exploration and development activities
- availability of financial resources or third-party financing
- new laws (domestic or foreign)
- changes in administrative practices



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- changes in exploration plans or budgets
- availability of equipment and personnel
- fluctuations in the global financial condition
- environmental and social hazards
- the political, social and economic environment

Material factors

- current mining and processing activities at Canatuan
- current throughput of the sulphide plant and planned expansions in throughput
- anticipated throughput capacity of the zinc circuit
- management's prior experiences with mining and processing at Canatuan
- management's experience during the construction of the gossan and sulphide plants at Canatuan
- the estimated copper and zinc mineralization of the sulphide zone at Canatuan
- current development and operating plan for Canatuan
- anticipated production and sales of concentrates at Canatuan
- funds received from previously completed shipments of copper concentrates
- the Company's evaluation of the content of the concentrate shipments and initial estimates received from MRI regarding the content of the concentrate shipments
- experience gained during past concentrate shipments with MRI
- discussions held to date with and advice from third parties
- management's cost targets and reductions implemented to date
- the results of prior and current exploration activities
- timing of regulatory approvals from government authorities in the Philippines
- free, prior and informed consent approvals from local indigenous communities
- timing of mobilization of equipment to the Philippines
- the Company's experience in the Philippines
- discussions held to date with third parties regarding potential joint venture or acquisition projects and the due diligence carried out to date
- the Company's overall plans, budget and strategy, which are all subject to change

The forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement.

Subject to applicable securities laws, the Company does not undertake any obligation to publicly revise the forward-looking statements included in this MD&A to reflect subsequent events or circumstances, except as required by law.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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JUNE 30, 2010 AND 2009

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Toronto Stock Exchange Symbol: TVI

Auditors:

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Interim Consolidated Financial Statements

**For the Six Months Ended
June 30, 2010 and 2009
(Unaudited)**

TVI Pacific Inc.
Unaudited Interim Consolidated Balance Sheets
June 30, 2010
(in Canadian dollars)



	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash	\$ 6,194,061	\$ 13,978,620
Accounts receivable (note 3)	2,703,332	5,108,372
Advances to suppliers	581,681	639,448
Inventories (note 4)	4,034,721	2,578,954
Prepaid expenses	661,296	425,961
	14,175,091	22,731,355
Restricted cash (note 5)	118,227	118,582
Investment (note 6)	223,494	-
Property and equipment (note 7)	26,883,488	27,378,127
	\$ 41,400,300	\$ 50,228,064
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,767,987	\$ 5,494,263
Letter of credit facilities (note 8a)	720,470	323,751
Short-term loan facilities (note 8b)	8,609,280	-
Current portion of term facility (note 8c)	-	7,477,095
Current portion of asset retirement obligation (note 9)	489,153	506,979
Due to related parties (note 10)	123,866	1,229,820
	14,710,756	15,031,908
Term facility (note 8c)	-	16,846,305
Pension obligation (note 11)	786,291	725,573
Asset retirement obligation (note 9)	2,016,992	2,087,686
	17,514,039	34,691,472
Shareholders' equity:		
Share capital (note 12b)	22,979,702	22,004,269
Warrants (note 12d)	2,403,496	2,403,496
Contributed surplus (note 12e)	5,007,774	4,708,982
Deficit	(5,413,504)	(12,661,637)
Accumulated other comprehensive loss	(1,091,207)	(918,518)
	23,886,261	15,536,592
	\$ 41,400,300	\$ 50,228,064

Commitments (note 16)
Subsequent events (notes 3 and 14)

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

On behalf of the Board:

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

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

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Operations and
Comprehensive Income (Loss)
June 30, 2010 and 2009
(in Canadian dollars)



	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues:				
Net concentrate sales (note 14)	\$ 16,335,147	\$ 11,267,406	\$ 42,485,239	\$ 18,298,863
Other revenues	110,016	45,423	129,867	74,083
Interest revenue	7,866	65,132	22,122	67,747
	16,453,029	11,377,961	42,637,228	18,440,693
Expenses:				
Mining, milling, drilling, and selling expenses	6,641,258	4,937,497	13,579,771	9,300,715
Exploration costs	775,300	72,323	2,462,518	180,729
Administrative and general costs	1,766,790	2,068,431	3,791,855	3,854,115
Amortization, accretion, and impairment	2,746,067	1,967,553	5,472,081	2,576,719
Interest expense	5,181,751	1,944,786	8,992,044	3,473,264
Foreign exchange loss (gain)	459,755	(135,012)	1,067,240	579,460
Loss (gain) on sale of assets	23,586	(153,531)	23,586	(186,515)
	17,594,507	10,702,047	35,389,095	19,778,487
Net income (loss)	(1,141,478)	675,914	7,248,133	(1,337,794)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(195,834)	243,890	(172,689)	132,584
	(195,834)	243,890	(172,689)	132,584
Comprehensive income (loss)	\$ (1,337,312)	\$ 919,804	\$ 7,075,444	\$ (1,205,210)
Net income (loss) per share:				
Basic	\$ (0.002)	\$ 0.001	\$ 0.015	\$ (0.003)
Diluted	(0.002)	0.001	0.013	(0.003)
Weighted average number of common shares:				
Basic (note 13)	485,904,733	466,816,004	482,444,680	450,047,462
Diluted (note 13)	485,904,733	510,803,332	567,350,468	450,047,462

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

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Deficit and
Accumulated Other Comprehensive Income (Loss)
June 30, 2010 and 2009
(in Canadian dollars)



	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Deficit, beginning of period	\$ (4,272,026)	\$ (32,997,690)	\$ (12,661,637)	\$ (30,983,982)
Net income (loss)	(1,141,478)	675,914	7,248,133	(1,337,794)
Deficit, end of period	\$ (5,413,504)	\$ (32,321,776)	\$ (5,413,504)	\$ (32,321,776)
Accumulated other comprehensive loss, beginning of period	\$ (895,373)	\$ (208,144)	\$ (918,518)	\$ (96,838)
Other comprehensive income (loss)	(195,834)	243,890	(172,689)	132,584
Accumulated other comprehensive income (loss), end of period	\$ (1,091,207)	\$ 35,746	\$ (1,091,207)	\$ 35,746

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

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Cash Flows
June 30, 2010 and 2009
(in Canadian dollars)



	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Cash provided by (used in):				
Operating:				
Net income (loss)	\$ (1,141,478)	\$ 675,914	\$ 7,248,133	\$ (1,337,794)
Items not involving cash:				
Loss on debt extinguishment	-	-	2,803,650	-
Amortization, accretion, and impairment	2,746,067	1,967,553	5,472,081	2,576,719
Unrealized foreign exchange loss (gain)	134,750	(152,088)	722,174	(878,894)
Stock based compensation	159,225	76,041	308,621	300,534
Pension obligation	1,188	11,312	60,718	58,031
Loss (gain) on sale of property and equipment	23,586	(153,531)	23,586	(186,515)
Amortization of deferred financing costs	-	279,898	-	279,898
	1,923,338	2,705,099	16,638,963	811,979
Change in non-cash working capital	(199,025)	3,523,904	(104,079)	(1,340,593)
	1,724,313	6,229,003	16,534,884	(528,614)
Financing:				
Letter of credit facilities utilized (repaid)	(351,296)	292,186	403,139	(174,967)
Short-term loan facilities utilized	8,385,685	-	8,385,685	-
Term facility utilized (repaid)	(16,850,719)	-	(25,372,116)	3,447,243
Due from related parties	64,707	(249,789)	13,572	(59,691)
Share issue cost	(3,619)	-	(3,619)	(10,580)
	(8,755,242)	42,397	(16,573,339)	3,202,005
Change in non-cash working capital	(440,194)	1,311,896	(2,008,496)	3,543,103
	(9,195,436)	1,354,293	(18,581,835)	6,745,108
Investing:				
Expenditure on investment	-	-	(225,476)	-
Expenditures on property and equipment	(2,478,636)	167,638	(4,986,694)	(1,372,639)
Proceeds on disposal of property and equipment	-	153,532	1,332	188,428
Change in restricted cash	355	(445)	355	(445)
Realized foreign exchange in net investment	1,234	87,857	1,352	153,356
	(2,477,047)	408,582	(5,209,131)	(1,031,300)
Change in non-cash working capital	(671,774)	(3,060,235)	(534,578)	(2,524,981)
	(3,148,821)	(2,651,653)	(5,743,709)	(3,556,281)
Effect of foreign exchange rates on cash	(4,386)	(358,348)	6,101	(309,248)
Increase (decrease) in cash	(10,624,330)	4,573,295	(7,784,559)	2,350,965
Cash, beginning of period	16,818,391	531,772	13,978,620	2,754,102
Cash, end of period	\$ 6,194,061	\$ 5,105,067	\$ 6,194,061	\$ 5,105,067
Supplemental cash flow information:				
Interest paid	\$ 6,417,876	\$ 33,096	\$ 8,769,663	\$ 64,848
Interest received	7,854	7,143	22,102	7,175

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



1. Nature of operations:

TVI Pacific Inc. (“TVI” or the “Company”) is a mining company focused on the acquisition, exploration, and development of polymetallic mineral deposits in the Philippines. The Company’s interests in its Philippine assets are held through its affiliate, TVI Resource Development Phils., Inc. (“TVIRD”). In March 2009, the Company declared commercial production of its current Canatuan sulphide project, which produces copper.

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

2. Significant accounting policies:

These unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2009, except as disclosed below. The unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements and do not contain all the explanatory notes, descriptions of accounting policies or other disclosures required by Canadian GAAP for annual financial statements. Accordingly, these consolidated financial statements should be read in conjunction with those audited consolidated financial statements for the year ended December 31, 2009.

(a) Principles of consolidation

CICA Handbook Sections 1601, “Consolidations” and Section 1602, “Non-Controlling Interests” replace Section 1600, “Consolidated Financial Statements”. The standards apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of these standards.

(b) International financial reporting standards

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

(c) Comparative figures

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

3. Accounts receivable:

	June 30, 2010	December 31, 2009
Receivable from concentrate sales	\$ 1,627,079	\$ 4,146,280
Receivable from sale of assets	636,360	627,960
Other receivables	439,893	334,132
	\$ 2,703,332	\$ 5,108,372

Subsequent to the period, the Company received 100% of the receivables from concentrate sales and US\$3.6 million representing advanced payment for the sixteenth shipment.



4. Inventories:

	June 30, 2010	December 31, 2009
Consumable drilling parts and supplies	\$ 329,204	\$ 333,735
Mineral processing supplies	2,505,204	1,490,834
Metal inventory:		
Finished goods	1,125,659	733,026
Stockpiled ore	74,654	21,359
	<u>\$ 4,034,721</u>	<u>\$ 2,578,954</u>

During the six months ended June 30, 2010, the Company recognized \$5,078,114 (June 30, 2009 - \$7,889,776) of inventory as expense under Mining, milling, drilling, and selling expenses. These expenses include materials and supplies and direct finished good costs. The Company did not recognize a provision for inventory obsolescence during the periods ended June 30, 2010 and 2009.

5. Restricted cash:

The Company holds \$118,227 (December 31, 2009 - \$118,582) in restricted cash related to deposits in environmental trust funds at June 30, 2010.

6. Investments:

In February 2010, the Company invested in a fixed income fund that invests in money market instruments. Such investment is being carried at market value and classified as an available for sale financial asset. The total amount of investment at June 30, 2010 is \$223,494, which will be used to fund the Company's pension obligation.

7. Property and equipment:

	June 30, 2010			December 31, 2009	
	Cost	Accumulated amortization	Net book value	Net book value	
Canatuan sulphide plant:					
Property and equipment	\$ 25,046,655	\$ (9,671,805)	\$ 15,374,850	\$ 17,310,772	
Construction in progress:					
Sulphide dam	11,802,764	(4,828,308)	6,974,456	8,345,293	
Zinc circuit	3,386,366	-	3,386,366	501,213	
Others	684,907	-	684,907	746,354	
Drilling and other operations	2,388,008	(1,925,099)	462,909	474,495	
	<u>\$ 43,308,700</u>	<u>\$ (16,425,212)</u>	<u>\$ 26,883,488</u>	<u>\$ 27,378,127</u>	

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

During the fourth quarter of 2009, the Company started the construction of the zinc circuit which continues in its commissioning stage.

During the period, the Company did not capitalize any interest (December 31, 2009 - \$400,194) related to financing.

For the periods ended June 30, 2010 and 2009, the Company did not identify any triggering events which would indicate an impairment over the valuation of its property and equipment.

8. Loan instruments:

- (a) The Company has letter of credit facilities with a major Philippine bank which accrue interest of 8.75% per annum and are payable over four equal monthly installments starting 90 days from the withdrawal dates. The total amount payable to the bank at June 30, 2010 was \$720,470 (December 31, 2009 - \$323,751).
- (b) On April 20, 2010, the Company obtained a US\$3.3 million revolving loan from a major Philippine bank, payable in 180 days, bearing an interest at 4.3% per annum.

On April 29, 2010, the Company obtained a US\$3.0 million loan payable in four equal quarterly payments starting 90 days from drawdown date bearing interest at 4.33% per annum. In June 2010, the Company obtained an additional loan of US\$2 million with the same major Philippine bank, payable in 360 days, bearing an interest of 4.54% per annum.

The proceeds of these loans were all used to fund the voluntary principal prepayment on the Term Facility (note 8c), which had a significantly higher effective interest rate. These loans are secured by the metal offtake agreement. At June 30, 2010, the total principal outstanding was US\$8,300,000 (\$8,609,280).

- (c) In June 2010, the Company completed repayment of the US\$30.1 million five-year term loan facility agreement ("Term Facility"), signed in January 2009 with LIM Asia Arbitrage Fund Inc. and LIM Asia Special Situations Master Fund Limited (the "Lenders"). The funds borrowed under the Term Facility bore interest at the rate of 10% per annum calculated based on the original principal balance, irrespective of the actual outstanding principal balance. However, voluntary prepayments decreased the principal balance on which interest was calculated. The Company recognized the related interest expense based upon the calculated the effective annual rate of interest on the loan of approximately 23.4%.

During 2009, the Company made one scheduled payment and one voluntary principal prepayment, reducing the Term Facility to US\$24.3 million. As a result of the voluntary principal prepayment, the Company re-calculated the effective annual interest rate on the loan to be approximately 25.96%.

During the six month period ended June 30, 2010, the Company made five more voluntary principal payments totaling US\$22.3 million and a scheduled payment of US\$2.0 million, fully paying off the Term Facility. The interest expense from the term loan, for the same period, was \$8.6 million, \$7.4 million of which represents prepayment premiums.

9. Asset retirement obligation:

At June 30, 2010, the estimated total undiscounted inflation adjusted amount required to settle the asset retirement obligations was \$4.4 million. These obligations will be settled based on the useful lives of the underlying assets between the years of 2010 to 2018. This amount has been discounted using the credit-adjusted risk free rate of 12%.

Changes to the asset retirement obligations were as follows:

	Six months ended June 30, 2010	Year ended December 31, 2009
Canatuan property:		
Beginning balance	\$ 2,594,665	\$ 2,803,219
Accretion expense – capitalized	-	26,274
Accretion expense	176,947	289,171
Liability paid	(250,668)	(173,480)
Foreign currency translation	(14,799)	(350,519)
Ending balance	\$ 2,506,145	\$ 2,594,665



9. Asset retirement obligation (continued):

	Six months ended June 30, 2010	Year ended December 31, 2009
Current portion	\$ 489,153	\$ 506,979
Non-current portion	2,016,992	2,087,686
	\$ 2,506,145	\$ 2,594,665

10. Related party transactions:

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

- During the three and six months ended June 30, 2010, the Company paid or accrued management fees of \$111,636 and \$252,818 (for the three and six months ended June 30, 2009 – \$153,356 and \$318,709). Management fees are paid to a corporation owned by the President of the Company for the services of the President and support staff. At June 30, 2010, the amount payable to the corporation was \$49,089 (December 31, 2009 - \$63,534).
- In April 2010, the Company completely repaid the demand promissory notes to corporations owned by the President of the Company. The Company issued 7,980,889 common shares priced at \$0.12 per share for final settlement of the notes in the amount of \$493,109 and US\$457,462 (\$464,598). During 2009, the Company retired \$666,276 and US\$361,680 (\$425,275) through private placements of common shares (note 12b). The notes earned interest at 12% and 14.12% per annum, respectively, and had no fixed terms of repayment.
- In March 2009, an officer of TVIRD loaned the Company demand loans totaling US\$150,000 (\$174,375) bearing interest at 20% per annum. The amount was fully repaid in early April 2009.
- During the three and six months ended June 30, 2010, the Company incurred director fees of \$64,500 and \$109,750 (for the three and six months ended June 30, 2009 – \$40,000 and \$78,125). During the period, the Company paid \$169,185 for directors' fees. At June 30, 2010, the fees payable to directors was \$64,500 (December 31, 2009 - \$166,022), which were paid in July 2010.
- During the three and six months ended June 30, 2010, the Company paid \$46,072 and \$97,872 (for the three and six months ended June 30, 2009 – \$31,043 and \$128,768) to corporations controlled by a director and officer of TVIRD for administrative expenses. The Company owed the corporations \$11,754 at June 30, 2010 (December 31, 2009 - \$24,430).

11. Pension obligation:

During the three and six months ended June 30, 2010, the Company recognized \$1,188 and \$60,718 (for the three and six months ended June 30, 2009 - \$11,312 and \$58,031) pension costs recorded under administrative and general costs in the Consolidated Statement of Operations.

12. Share capital:

(a) Authorized

Unlimited common voting shares without nominal or par value.

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



12. Share capital (continued):

(b) Issued

Common shares	Six months ended June 30, 2010		Year ended December 31, 2009	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	478,946,181	\$ 22,004,269	406,240,640	\$ 21,017,205
Shares issued:				
Private placement	-	-	290,698	12,500
In exchange for debt obligation	7,980,889	957,707	71,964,253	1,463,206
Share issue cost	-	(3,619)	-	(505,345)
On exercise of options	575,789	21,345	450,590	16,703
Balance, end of period	487,502,859	\$ 22,979,702	478,946,181	\$ 22,004,269

During 2009, the Company issued 48,735,809 common shares to related parties to settle \$666,276 and US\$361,680 (\$425,275) of indebtedness owing to them by the Company (note 10). There were 37,188,471 shares priced at \$0.016 per share issued on February 19, 2009 and 11,547,338 shares priced at \$0.043 per share issued on September 30, 2009. In April 2010, the Company issued 7,980,889 common shares priced at \$0.12 per share to related parties of the Company for final settlement of promissory notes payable to them in the amount of \$493,109 and US\$457,462 (\$464,598) (note 10).

On February 19, 2009, the Company issued 23,228,444 common shares to Zamboanga Minerals Corporation to retire US\$300,000 (\$371,655) payable for the acquisition of the rights and obligations of the Balabag property. The shares were issued at a price of \$0.016.

(c) Share options

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

On June 1, 2009, several of the directors and employees voluntarily cancelled their options because their exercise prices were significantly in excess of the current trading price of the Company's common shares. Stock options were granted to various parties in January, May, and September 2009 as well as April 2010.

	Six months ended June 30, 2010		Year ended December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	43,579,074	\$ 0.047	20,101,670	\$ 0.145
Granted	500,000	0.120	43,780,831	0.046
Exercised	(575,789)	0.020	(450,590)	0.020
Forfeited	(512,722)	0.059	(446,442)	0.067
Expired	-	-	(694,724)	0.192
Cancelled	-	-	(18,711,671)	0.145
Options outstanding, end of period	42,990,563	\$ 0.048	43,579,074	\$ 0.047
Options exercisable, end of period	20,246,831	\$ 0.041	16,757,740	\$ 0.045

12. Share capital (continued):

Price range	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$ 0.020 – 0.029	18,740,564	3.57	11,600,999
0.030 – 0.044	750,000	3.87	250,000
0.045 – 0.067	500,000	2.72	333,333
0.068 – 0.100	22,437,500	4.22	8,000,000
0.101 – 0.151	500,000	4.79	-
0.152 – 0.190	62,499	1.88	62,499
\$ 0.020 – 0.190	42,990,563	3.91	20,246,831

(d) Warrants

	Number of warrants	Weighted average exercise price	Fair value
Warrants outstanding, January 1, 2009	-	\$ -	\$ -
Granted – January 20, 2009	71,689,734	0.016	1,916,462
Granted – September 30, 2009	8,399,683	0.043	487,034
Warrants outstanding, December 31, 2009	80,089,417	0.019	2,403,496
Warrants outstanding, June 30, 2010	80,089,417	\$ 0.019	\$ 2,403,496

In conjunction with the Term Facility signed on January 20, 2009, the Company issued to the Lenders 71,689,734 warrants to purchase common shares of the Company at a purchase price of \$0.016 per share. The warrants have a five-year term and expire on January 20, 2014. The recorded fair value of the warrants issued was \$1,916,462 and was recorded as a part of deferred transaction costs in 2009.

In conjunction with the common shares issued on September 30, 2009 (note 10), the Company issued 8,399,683 warrants to purchase common shares of the Company at a purchase price of \$0.043 per share. The warrants have a three-year term and expire on September 30, 2012. The recorded fair value of the warrants issued was \$487,034 and was recorded to share issue costs in 2009.

	Six months ended June 30, 2010	Year ended December 31, 2009
Risk free interest rate – average	-	1.6%
Expected life (in years)	-	5
Expected volatility	-	127.5%
Average fair value per warrant	-	0.030

(e) Stock-based compensation and contributed surplus

The weighted average fair value of stock options granted for the three and six months ended June 30, 2010 was \$0.106 for both periods (three and six months ended June 30, 2009 – \$0.031 and \$0.018 respectively). The following table sets out the assumptions used in applying the Black-Scholes model:

	Six months ended June 30, 2010	Year ended December 31, 2009
Risk free interest rate – average	2.8%	2.1%
Expected life (in years)	5	5
Expected volatility	136.5%	133.0%
Expected dividend	-	-

During the three and six months ended June 30, 2010, a net of \$159,224 and \$308,621 (for the three and six months ended June 30, 2009 – \$76,041 and \$300,534) of stock-based compensation was charged to the Consolidated Statement of Operations.



12. Share capital (continued):

Contributed surplus

	Six months ended June 30, 2010		Year ended December 31, 2009	
Balance beginning of period	\$	4,708,982	\$	3,666,827
Stock-based compensation		314,915		1,058,572
Options forfeited		(6,294)		(8,725)
Options exercised		(9,829)		(7,692)
Balance end of period	\$	5,007,774	\$	4,708,982

13. Per share data:

The basic weighted average number of common shares issued and outstanding for the three and six months ended June 30, 2010 was 485,904,733 and 482,444,680 (three and six months ended June 30, 2009 - 466,816,004 and 450,047,462). The diluted weighted average number of common shares issued and outstanding for the six months ended June 30, 2010 567,350,468. No adjustments were required to the weighted average number of common shares in computing diluted per share amounts for the three months ended June 30, 2010 and the six months ended June 30, 2009 because the Company was in a loss position. For the three months ended June 30, 2009, the diluted weighted average number of common shares issued and outstanding was 510,803,332.

14. Revenues from concentrate sales:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenues from:				
Copper	\$ 13,909,505	\$ 9,797,005	\$ 35,553,905	\$ 15,033,457
Gold	1,632,133	1,171,633	3,999,402	2,176,850
Silver	1,655,505	1,578,127	5,000,160	3,465,896
Gross revenues	17,197,143	12,546,765	44,553,467	20,676,203
Treatment, refining, and other charges	(861,996)	(1,279,359)	(2,068,228)	(2,377,340)
Net revenues	\$ 16,335,147	\$ 11,267,406	\$ 42,485,239	\$ 18,298,863

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

Subsequent to the period, the Company completed another shipment for gross revenues of US\$7.8 million.



15. Segmented information:

The Company has three operating units: mining activities in the Philippines, exploration in the Philippines, and corporate offices in Canada and in the Philippines.

Three months ended June 30, 2010	Mining	Exploration	Corporate	Total
Net concentrate sales	\$ 16,335,147	\$ -	\$ -	\$ 16,335,147
Other revenues	110,016	-	-	110,016
Interest revenue	7,853	-	13	7,866
	16,453,016	-	13	16,453,029
Operating expenses	(7,012,792)	-	(1,395,256)	(8,408,048)
Exploration costs	-	(775,300)	-	(775,300)
	9,440,224	(775,300)	(1,395,243)	7,269,681
Amortization, accretion, and impairment	(2,739,458)	-	(6,609)	(2,746,067)
	6,700,766	(775,300)	(1,401,852)	4,523,614
Gain on sale of assets	-	-	(23,586)	(23,586)
Interest expense	-	-	(5,181,751)	(5,181,751)
Foreign exchange loss	-	-	(459,755)	(459,755)
Net income (loss)	\$ 6,700,766	\$ (775,300)	\$ (7,066,944)	\$ (1,141,478)
Assets	\$ 40,633,810	\$ -	\$ 766,490	\$ 41,400,300
Capital expenditures	2,478,636	-	-	2,478,636

Three months ended June 30, 2009	Mining	Exploration	Corporate	Total
Net concentrate sales	\$ 11,267,406	\$ -	\$ -	\$ 11,267,406
Other revenues	45,423	-	-	45,423
Interest revenue	65,119	-	13	65,132
	11,377,948	-	13	11,377,961
Operating expenses	(5,287,189)	-	(1,718,739)	(7,005,928)
Exploration costs	-	(72,323)	-	(72,323)
	6,090,759	(72,323)	(1,718,726)	4,299,710
Amortization, accretion, and impairment	(1,959,392)	-	(8,161)	(1,967,553)
	4,131,367	(72,323)	(1,726,887)	2,332,157
Gain on sale of assets	153,531	-	-	153,531
Interest expense	-	-	(1,944,786)	(1,944,786)
Foreign exchange gain	-	-	135,012	135,012
Net income (loss)	\$ 4,284,898	\$ (72,323)	\$ (3,536,661)	\$ 675,914
Assets	\$ 43,291,197	\$ -	\$ 776,291	\$ 44,067,488
Capital expenditures	154,934	-	12,704	167,638



15. Segmented information (continued):

Six months ended June 30, 2010	Mining	Exploration	Corporate	Total
Net concentrate sales	\$ 42,485,239	\$ -	\$ -	\$ 42,485,239
Other revenues	129,867	-	-	129,867
Interest revenue	22,102	-	20	22,122
	42,637,208	-	20	42,637,228
Operating expenses	(14,325,792)	-	(3,045,834)	(17,371,626)
Exploration costs	-	(2,462,518)	-	(2,462,518)
	28,311,416	(2,462,518)	(3,045,814)	22,803,084
Amortization, accretion, and impairment	(5,458,901)	-	(13,180)	(5,472,081)
	22,852,515	(2,462,518)	(3,058,994)	17,331,003
Gain on sale of assets	-	-	(23,586)	(23,586)
Interest expense	-	-	(8,992,044)	(8,992,044)
Foreign exchange loss	-	-	(1,067,240)	(1,067,240)
Net income (loss)	\$ 22,852,515	\$ (2,462,518)	\$ (13,141,864)	\$ 7,248,133
Assets	\$ 40,633,810	\$ -	\$ 766,490	\$ 41,400,300
Capital expenditures	4,986,694	-	-	4,986,694

Six months ended June 30, 2009	Mining	Exploration	Corporate	Total
Net concentrate sales	\$ 18,298,863	\$ -	\$ -	\$ 18,298,863
Other revenues	74,083	-	-	74,083
Interest revenue	67,687	32	28	67,747
	18,440,633	32	28	18,440,693
Operating expenses	(9,944,136)	-	(3,210,694)	(13,154,830)
Exploration costs	-	(180,729)	-	(180,729)
	8,496,497	(180,697)	(3,210,666)	5,105,134
Amortization, accretion, and impairment	(2,560,024)	-	(16,695)	(2,576,719)
	5,936,473	(180,697)	(3,227,361)	2,528,415
Gain on sale of assets	186,515	-	-	186,515
Interest expense	-	-	(3,473,264)	(3,473,264)
Foreign exchange loss	-	-	(579,460)	(579,460)
Net income (loss)	\$ 6,122,988	\$ (180,697)	\$ (7,280,085)	\$ (1,337,794)
Assets	\$ 43,291,197	\$ -	\$ 776,291	\$ 44,067,488
Capital expenditures	1,352,988	-	19,651	1,372,639

16. Commitments:

(a) Joint venture agreement - Philippines

In February 2010, TVIRD signed a Joint Venture Agreement (“JVA”) with DMCI-CERI, an unrelated party and a subsidiary of DACON Corporation, to conduct exploration, development and production of mineral deposits in the area known as The Greater Canatuan Tenement. This area is within a 15 km radius trucking distance to the current Canatuan sulphide plant. Under the JVA, TVIRD will hold a 70% interest, while DMCI-CERI will hold 30% interest. TVIRD will act as the operator. The partners will fund an exploration program for a period of two years amounting to a maximum of US\$2 million, to be shared in accordance with their interests in the Joint Venture.

(b) Corporate - Canada

The Company rents its office premises on a five-year term lease. Total rent payments amount to \$123,840 for the period 2010 to 2015, net of short-term sub-leasing arrangements.

17. Financial instruments:

(a) Analysis of financial assets and financial liabilities

The tables below set out the Company’s classification for each of its financial assets and liabilities at June 30, 2010.

	Financial assets held for trading	Available for sale	Loans and receivables	Other financial liabilities	Total carrying value
Cash	\$ 6,194,061	\$ -	\$ -	\$ -	\$ 6,194,061
Restricted cash	118,227	-	-	-	118,227
Accounts receivable	-	-	2,703,332	-	2,703,332
Investment	-	223,494	-	-	223,494
Advances to suppliers	-	-	581,681	-	581,681
Accounts payable and accrued liabilities	-	-	-	(4,767,987)	(4,767,987)
Letter of credit facilities	-	-	-	(720,470)	(720,470)
Short-term loan facilities	-	-	-	(8,609,280)	(8,609,280)
Due to related parties	-	-	-	(123,866)	(123,866)
	\$ 6,312,288	\$ 223,494	\$ 3,285,013	\$ (14,221,603)	\$ (4,400,808)

(b) Fair values of financial assets and financial liabilities

The carrying value of the Company’s financial assets and liabilities consisting of cash, restricted cash, accounts receivable, advances to suppliers, accounts payable and accrued liabilities, letter of credit facilities, short-term loan facilities, and due to related parties approximate their fair values at June 30, 2010 due to their short term nature. The Company’s investment also approximates its fair value at June 30, 2010 as it is recorded at market value.

(c) Financial risk management

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

(i) Currency risk

The Company faces currency risks mainly due to the substantial cross-border element of its operations. The Company has offices in Canada (Canadian dollar) and in the Republic of the Philippines (Peso). The Company sells its mineral deposits at prevailing market prices in the US dollar currency. In addition, the company borrows money and settles loan in the US dollar currency.



17. Financial instruments (continued):

Upon receipt, the Company converts these funds into the functional currencies of individual entities to finance operational and administrative expenses. There are no forward sales, and the Company does not engage in currency hedging activities. The Company minimizes risks by carefully planning the timing of settlement of foreign currency denominated balances and closely monitoring changes in foreign exchange rates.

For the six month period ended June 30, 2010, the pro forma impact on net income if the Philippine peso moved by 1% against the US dollar currency, with all other variables held constant, would be \$21,149 mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated cash, trade receivables and loans.

The Company publishes its consolidated financial statements in the Canadian dollar and as a result, it is subject to foreign currency exchange translation risk in respect of the results and underlying net assets of its foreign operations. At June 30, 2010, the pro forma impact on other comprehensive income from a 1% movement in the Canadian dollar exchange with the Philippine peso would be \$85,834.

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

	Average rate		Spot rate	
	Six months ended	Year ended	June 30, 2010	December 31, 2009
	June 30, 2010	December 31, 2009		
US Dollar	1.0338	1.1420	1.0606	1.0466
Philippine Peso	0.0226	0.0240	0.0223	0.0225

(ii) Price risk

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

At June 30, 2010, if the market copper price per pound moved by US\$0.4 per pound with all variables held constant, the pro forma impact on net income would be \$3.9 million.

(iii) Interest rate risk

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

(iv) Liquidity risk

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

As at June 30, 2010, the Company has a \$0.5 million working capital deficiency. The Company intends to manage its obligations on a gradual settlement basis.



17. Financial instruments (continued):

The financial obligations as at June 30, 2010 have contractual maturities of 12 months or less. Balances equal their carrying amounts as the impact of discounting is not significant. Included are demand loans, as the timing of repayment is uncertain.

	Due within 12 months
Accounts payable and accrued liabilities	\$ 4,767,987
Letter of credit facilities	720,470
Short-term loan facilities	8,609,280
Due to related parties	123,866
	\$ 14,221,603

For the six months ended and as at June 30, 2010, the Company has letter of credit facilities and loans payable at fixed interest rates.

	Principal outstanding	Effective annual interest rate	Interest expense	Maturity date
Letter of credit facilities	720,470	8.75%	32,474	July to December 2010
Short-term loan facilities	8,590,493	4.3% to 4.54%	84,931	October 2010 to June 2011

(v) Credit risk

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

As at June 30, 2010, 60% of total receivables relate to concentrate sales, 24% represents receivable from sale of assets and only 16% pertain to other miscellaneous receivables. The receivable from concentrate sales are concentrated on one customer and any material failure of the customer to fulfill its obligation under the off-take agreement would impair the ability of the Company to meet its existing and future obligations. Such receivable is on the terms operating in the commodity industry, which usually require settlement not exceeding three months of the shipment date. The customer has no history of default and the Company did not provide allowance for impairment as these receivables are considered highly collectible. The Company is currently taking measures to collect the receivable from the sale of assets or to recover the collateral consisting of the rigs and inventories. The collection or recovery is expected to happen in the second half of the year.

The carrying amount of cash, restricted cash, investments, and accounts receivable at June 30, 2010 represents the Company's maximum credit exposure. Management believes that the credit risk with respect to these financial instruments is remote. The Company currently does not have a policy to mitigate credit risk.

(d) Sales and purchase contracts

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



18. Capital disclosures:

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

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

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

	June 30, 2010		December 31, 2009	
Debt	\$	14,221,603	\$	31,371,234
Equity		24,977,468		16,455,110
Assets	\$	40,739,004	\$	49,802,103
Debt-to-equity		0.57		1.91
Debt-to-assets		0.35		0.63

The Company also measures financial performance on the basis of free cash flow calculated as operating cash flow before working capital less cash spent on capital expenditures. It represents cash flow available after laying out all the expenditures necessary to maintain or expand its asset base. Free cash flow per share is computed by dividing free cash flow by the total number of shares outstanding.

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Operating cash flow	\$ 1,724,313	\$ 6,229,003	\$ 16,534,884	\$ (528,614)
Change in non-cash working capital	199,025	(3,523,904)	104,079	1,340,593
Operating cash flow before change in non-cash working capital	1,923,338	2,705,099	16,638,963	811,979
Expenditures on property and equipment	(2,478,636)	167,638	(4,986,694)	(1,372,639)
Free cash flow	\$ (555,298)	\$ 2,872,737	\$ 11,652,269	\$ (560,660)
Common shares outstanding	487,502,859	467,108,145	487,502,859	467,108,145
Free cash flow per share	\$ (0.001)	\$ 0.006	\$ 0.024	\$ (0.001)

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