



Management's Discussion and Analysis

**For the Three and Nine Months Ended
September 30, 2009 and 2008**



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

The discussion and analysis that follows is intended to provide a summary of TVI Pacific Inc. ("TVI" or the "Company") results for the three and nine months ended September 30, 2009 and 2008, 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 nine months ended September 30, 2009 and 2008, in addition to the audited financial statements for the years ended December 31, 2008 and 2007. All numbers in this discussion and analysis are expressed in Canadian dollars unless otherwise indicated. Additional information is available on TVI's website at www.tvipacific.com or on SEDAR's website at www.sedar.com. Information in this MD&A is as of November 12, 2009.

OVERVIEW OF BUSINESS

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

TVI is currently focusing on two key areas of its growth strategy:

- To maximize profits through process improvements at the producing Canatuan copper mine and monetize the zinc component of the deposit for added revenue streams. Commercial operations of the Canatuan Sulphide Project began March 1, 2009 and as of the date of this document, eight consecutive shipments of copper concentrates have been completed. Construction of the Zinc Circuit began on October 28, 2009, three months ahead of schedule, and is expected to be fully operational by late April 2010. Off-take arrangements are currently being negotiated.
- To capitalize on our near-term gold and copper development properties and expedite exploration at our potentially high-impact large deposit opportunities. TVI plans to fast-track defining expansion opportunities at Canatuan, to accelerate development at the Balabag gold property, and to expedite exploration at Tamarok. In addition, TVIRD 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.

TVI also plans to explore additional value enhancing joint venture or acquisition opportunities as well as 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 previously produced gold and silver doré from gossan ore that was mined using open-pit methods and processed through conventional carbon-in-leach and Merrill Crowe circuit. As the gossan ore of the deposit was mined out, the underlying portion of the deposit was uncovered, exposing the mineralized sulphide zone containing copper and zinc sulphides. TVIRD depleted the gossan resource and ceased mining operations early in the second quarter of 2008.

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

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Sulphide Project

In April 2008, TVI received a National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101") technical report on the Canatuan sulphide deposit prepared by P.J. Lafleur Geo-Conseil Inc., an independent consulting group. Significant information and assumptions from the feasibility study show a net cash flow of US\$107.4 million and a net present value of US\$79.1 million, discounted at 10%. The report assumes copper prices of US\$3.30/lb in 2008, US\$3.15/lb in 2009, US\$3.00/lb in 2010, US\$2.85/lb in 2011, US\$2.70/lb in 2012, and US\$2.55/lb in 2013. Per the London Metal Exchange, the copper price at September 30, 2009 was US\$2.78/lb and US\$2.99/lb on November 11, 2009. The report also assumes a mine life of about six years at an initial mining rate of about 1,300 dry metric tonnes per day and increasing to 1,850 dry metric tonnes per day in the fourth year. For the three months ended September 30, 2009, TVIRD produced an average daily mill throughput of 1,718 dry metric tonnes per day. For additional information, please refer to the technical report titled "43-101 Technical Report for the Sulphide Resources at the Canatuan Project of TVI Pacific Inc". This report was filed with certain securities regulatory authorities in Canada on April 7, 2008, and is available on the SEDAR website at www.sedar.com.

Construction on the Canatuan Sulphide Project was completed in mid-November 2008 (except for the sulphide dam that is expected to be built in stages) and TVIRD then initiated commissioning activities on the plant. Full-scale mining operations and the production of copper concentrates also commenced at this time. Construction of the Sulphide Project was completed on schedule and under budget. Management considers the costs incurred for the project to be extremely competitive when compared with other projects of a similar size and scope.

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

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

As of the date of this document, the Company has completed the following shipments:

Shipment Completion Date	Shipped (dry metric tonnes)	Gross Revenue (in US\$)			
		Copper	Gold	Silver	Total
1 March 27, 2009	5,351	4,254,218	745,964	1,474,301	6,474,483
2 May 2, 2009	3,250	2,430,277	261,105	483,123	3,174,505
3 May 27, 2009	5,240	4,237,497	604,489	752,369	5,594,355
4 July 2, 2009	5,282	4,804,777	601,791	534,889	5,941,457
5 August 6, 2009	5,317	5,501,198	554,610	435,100	6,490,908
6 August 31, 2009	5,264	5,743,889	612,219	500,575	6,856,683
7 September 30, 2009	5,217	5,351,369	739,277	698,248	6,788,894
	34,921	32,323,225	4,119,455	4,878,605	41,321,285

At the end of the second quarter of 2009, the Company had partially completed the fourth shipment. Therefore, revenues from the fourth shipment were split between the second and third quarters of 2009. The seventh shipment is still subject to price adjustments from final concentrate testing relating to the final weight, assays, and market metal prices.

On October 26, 2009, the Company completed its eighth shipment of 5,138 dry metric tonnes for gross revenues of US\$7.2 million, before any adjustments to final assays and prices. The Company expects to complete a shipment every four to six weeks.

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Select operational highlights:

Operations:	Quarter ended March 31, 2009	Quarter ended June 30, 2009	Quarter ended Sept 30, 2009	Year to date Sept 30, 2009
Total tonnes processed	89,884	104,390	158,040	352,314
Average tonnes processed per day	999	1,147	1,718	1,291
Ore copper grade (%)	2.46	2.43	2.13	2.31
Copper recovery (%)	61.80	86.93	90.19	81.43
Concentrates produced (dry weight - t)	6,460	12,229	16,427	35,116
Average daily concentrates produced (dry weight - t)	72	134	179	129
Concentrate copper grade (%)	21.20	18.03	18.50	18.83
Concentrate gold grade (g/t)	4.17	3.82	4.09	4.01
Concentrate silver grade (g/t)	573.86	280.53	229.17	310.46
Production cash cost per Cu lb eq (US\$) ⁽¹⁾	0.76	0.58	0.55	0.61
Offtake				
Copper concentrates shipped (dry weight - t)	5,351	10,136	19,434	34,921
Average copper price received (US\$/lb)	1.77	2.11	2.67	2.36

(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.

In the third quarter, the Canatuan Sulphide Project produced an average of 179 tonnes per day of copper concentrates, at an average daily throughput of 1,718 tonnes. Copper concentrate recovery was in excess of 90% and the production cash cost per pound of copper equivalent produced decreased to US\$0.55 in the third quarter as a result of increased throughputs and higher efficiencies.

Rapu Rapu

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

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

DRILLING OPERATIONS

The Company has made the decision to focus on its core business activities at Canatuan and its exploration tenements in the Philippines; therefore, TVI has sold various portions of its drilling operations. On February 29, 2008, the Company successfully closed the sale of its drilling operations located in the People's Republic of China. In July 2008, the Company sold its drilling assets located in Kyrgyzstan. TVI's remaining contract drilling operations are owned and operated by Exploration Drilling Corporation ("EDCO"), a wholly-owned subsidiary located in the Philippines.

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EXPLORATION

Canatuan Near-Mine Tenements

TVIRD controls an extensive 352 km² land package surrounding the Canatuan Mine that the Company refers to as the Canatuan Tenements. The Canatuan orebody is a volcanogenic massive sulphide orebody and deposits of this type rarely occur in isolation. As such, the management of TVI believes "mining camp" potential exists within the Canatuan Tenements. Initial exploration on the properties suggests that the land package hosts a 40+ kilometre strike length of the schist-formation stratigraphic horizon that hosts the Canatuan orebody. The management of TVI believes it is likely that similar Canatuan-style deposits exist within the area of the Canatuan Tenements and additional exploration is scheduled for areas of particular interest. Any mineable ore located in the area could be shipped to the existing Canatuan plant for processing, which would extend the life-of-mine beyond the current estimate.

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

Through exploration on the Canatuan Tenements, TVIRD hopes to find new commercial mineral deposits in the vicinity to further increase the mineral resource and extend the life of the Canatuan Mine by providing new feedstock for the existing facilities. TVIRD is focusing exploration efforts on previously-discovered mineralized zones within a fifteen kilometre radius of the main deposit, surrounding and along strike of the mine.

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 and immediately adjacent to part of the 1,240 km² North Zamboanga tenement applications filed in 2005.

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

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

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



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necessary operating permits and to enable the Company to reach a production decision in a timely manner.

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

Tamarok - Tapisa

In North Zamboanga, TVIRD's applications cover almost all of the targets identified by a prior exploration program, conducted by a major international company, numbering at least 20 epithermal gold, massive sulphide and porphyry copper-gold prospects. The Tamarok copper-gold project and the Tapisa exploration project are located 60 kilometres north-northeast of TVIRD's Balabag project and are within the Company's 1,257 km² North Zamboanga tenement package. Reconnaissance work carried out to date supports historical findings and has discovered new prospects. Notably, a great deal of the mineralization in these areas occurs right on the surface and has been easily accessible to the Company's exploration teams.

The Company has completed all requirements necessary to have the Mineral Production Sharing Agreement ("MPSA") signed by the Secretary of the Department of Energy and Natural Resources of the Republic of the Philippines. Following the signing of the MPSA, TVIRD plans to conduct geophysical surveys, carry out systematic detailed geological investigations, further delineate drill targets on surface, and schedule a diamond drilling program.

Other

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

Bonbon is made up of a series of north-northwest trending quartz veinlets / stockworks spread over a 10 kilometre long by 2 kilometre wide area currently being worked in places by illegal small-scale miners. 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
September 30, 2009	\$ 25,707	\$ 9,917	\$ 0.021	\$ 0.019
June 30, 2009	11,376	676	0.001	0.001
March 31, 2009	7,064	(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)
June 30, 2008	757	(3,238)	(0.008)	(0.008)
March 31, 2008	5,009	(646)	(0.001)	(0.001)
December 31, 2007	5,339	(5,510)	(0.014)	(0.014)

Revenue

Over the quarters in 2007 and 2008, the Company generally experienced declining revenues as a result of the completion of the gossan operations. While there was still a full year of production in 2007, the Company experienced decreasing recoveries, decreasing metal grades, adverse weather conditions, and mechanical breakdown during the last half of 2007. The gossan mining and milling operations ceased early in the second quarter of 2008.

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 quarter. This was followed by the second shipment, third shipment, 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 and the fifth to seventh shipments of copper concentrates. The Company expects to a complete future shipments every four to six weeks.

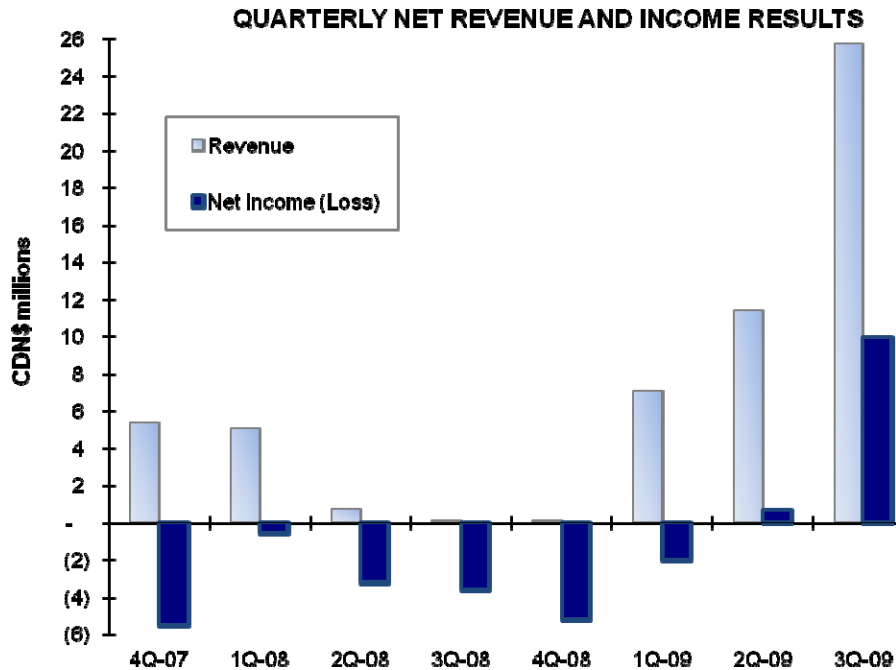
Net Income (Loss)

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

The Company declared commercial operations on the Canatuan Sulphide Project on March 1, 2009. During the second and third quarters of 2009, the Company continued to improve its operating throughput and concentrate production, reduced its unit production cash cost, while benefiting from increasing metal prices.

	Average copper price received (US\$/lb)	Production cash cost (US\$/Cu lb eq)
Q1 2009	1.77	0.76
Q2 2009	2.11	0.58
Q3 2009	2.67	0.55

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CONSOLIDATED RESULTS OF OPERATIONS

During the nine month period ended September 30, 2009, TVI incurred a consolidated net income of \$8.6 million compared to a net loss of \$7.5 million in the comparable period of 2008. Total net concentrate sales revenue increased by \$38.1 million and mining, milling, drilling, and selling expenses increased by about \$12.0 million. During the nine month period ended September 30, 2009, the Canatuan mine segment produced net income of \$20.6 million. Adding back the non-cash amortization and accretion expense of \$4.8 million, the mine segment produced net income before amortization and accretion expense of \$25.4 million.

During the nine months ended September 30, 2009, the Canatuan Mine generated net revenues of \$43.8 million from the Canatuan Sulphide Project compared with \$5.7 million generated in same period of 2008 from the gossan operations which ceased in early April 2008. Revenues from the current period represent seven completed shipments of copper concentrates in accordance with TVIRD's five-year metal offtake agreement. Net revenues are based upon gross revenues net of treatment, refining, and deductions from the buyer.

Mining, milling, drilling, and selling expenses incurred for the Sulphide Project are not comparable to those incurred during the gossan operations as the sulphide ore is more complex and operations are entirely different. These expenses for the three and nine months ended September 30, 2009 were \$8.3 million and \$17.6 million, which do not include treatment, refining, and deductions from the buyer as these costs are netted against revenues. TVI has been able to increase the tonnes of ore processed and concentrates produced, while decreasing unit production cash cost. As discussed under the "Canatuan Mine" section above, the unit production cash costs have improved over the past three quarters of production from the Canatuan sulphide plant.

Exploration expenses totalled \$0.3 million during the nine months ended September 30, 2009, which is a \$0.8 million or 74% drop from the comparable period in 2008. The exploration expenditures in Q3 2009 decreased by around \$0.1 million or 49% in comparison to Q3 2008. The Company's main focus during



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the current period was to increase production at the Canatuan Sulphide Project. The Company plans to expand exploration efforts in the near future through the use of cash flows from operations.

The Company recognized about \$5.6 million in interest expense during the nine months ended September 30, 2009, primarily due to the new term loan signed in January 2009. The Company had signed its bridge financing facility in March 2008, from which the first withdrawal was completed in April 2008; therefore, there was minimal interest in the Q3 2008 period.

Administrative and general expenses increased approximately \$3.1 million during the period mainly due to accrual of advisory fees as a result of the Advisory Agreement with a third party signed in January 2009.

CONSOLIDATED FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Position

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Operating cash flow	\$ 11,396,906	\$ (5,397,614)	\$ 10,868,292	\$ (10,547,688)
Change in non-cash working capital	1,798,209	3,715,163	3,138,802	5,316,643
Funds from operations	13,195,115	(1,682,451)	14,007,094	(5,231,045)
Expenditures on property and equipment	(1,577,956)	(5,026,623)	(2,950,595)	(7,023,667)
Free cash flow	\$ 11,617,159	\$ (6,709,074)	\$ 11,056,499	\$ (12,254,712)

The surplus of funds from operations for the three and nine month periods ended September 30, 2009 was attributable to revenue from the copper concentrate shipments coupled with declining production costs at the Canatuan Sulphide Project. The Company has a surplus of free cash flows from which it can reinvest into further growth in the Company. From operations over the three month period ended September 30, 2009, the Company held \$11.6 million in free cash flow.

At September 30, 2009, the Company held \$8.7 million in cash. This is the balance after the September 28, 2009 voluntary prepayment on the Term Facility (as discussed below) of US\$6.0 million.

Term Facility

In March 2008, the Company secured a bridge financing facility with LIM Asia Arbitrage Fund Inc. and LIM Asia Special Situations Master Fund Limited (the "Lenders" or "LIM") at a rate of 14% per annum compounded monthly. The Company drew down a total of US\$25.2 million under the bridge facility. On January 20, 2009, the Company signed a US\$30.1 million five-year term loan facility agreement ("Term Facility") with the Lenders and converted its bridge financing facility into a term loan on February 6, 2009. In connection with the execution of the Term Facility, the Company issued to the Lenders share purchase warrants in the capital of TVI and paid a fixed arrangement fee in the amount of US\$195,000. The Term Facility is secured by a charge on all of the present and after acquired assets of TVIRD.

On July 19, 2009, the Company made its first scheduled interest payment of US\$1.5 million. On September 28, 2009, the Company made a voluntary prepayment on the Term Facility in the amount of US\$6.0 million, which includes US\$3.1 million in principal, US\$0.1 million in accrued interest, US\$2.0 million in accrued advisory fees, and US\$0.8 million premium for the right to make the prepayment.

The funds borrowed under the Term Facility bear interest at the rate of 10% per year calculated on the original principal balance of US\$30.1 million, irrespective of the actual outstanding principal balance. However, the voluntary principal prepayment has decreased such principal balance to US\$27.0 million. On October 19, 2009, the Company made its scheduled payment of principal in the amount of US\$2.7 million and interest in the amount of US\$0.2 million, both based upon the revised principal balance. By

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making the voluntary prepayment, the Company has been able to reduce its future cash interest expense on the Term Facility.

Based upon revised future cash payments on the Term Facility, the Company re-calculated the effective annual interest rate on the loan to be approximately 25.96%. The related interest expense is recognized over the life of the loan. At September 30, 2009, the total principal outstanding under the term loan facility was US\$27.0 million (\$29.3 million).

TVIRD has engaged a Manila-based private investment and advisory firm to assist in efforts to refinance the Term Facility, which was negotiated and implemented in late 2008 and early 2009 when access to capital was severely limited. Tight credit markets resulted in elevated financing costs. There can be no assurance that TVIRD's efforts to refinance the Term Facility will be successful or that additional financing will be available to TVIRD on terms acceptable to it.

Although TVIRD's free cash flow is more than sufficient to service the current interest, advisory fee and principal payment schedule, management believes that securing lower-cost alternatives to the current facility would better enable TVIRD to accelerate growth plans which are expected to add value for shareholders.

Other Debt Facilities

- The Company has outstanding demand promissory notes from Seajay Management Enterprises Ltd. "Seajay", a corporation owned by the President of the Company. The demand promissory note bears interest at 12% per annum and has no fixed terms of repayment. During the period, the Company retired \$666,276 through a private placement of common shares from treasury. The remaining outstanding principal balance owing to Seajay at September 30, 2009 was \$465,269.
- The Company has outstanding demand promissory notes from Regent Parkway 3202 Management Inc. "Regent", a corporation owned by the President of the Company. The demand promissory note bears interest at 14.12% per annum and has no fixed terms of repayment. During the period, the Company retired US\$361,680 (\$425,275) through a private placement of common shares from treasury. The remaining outstanding principal balance owing to Regent at September 30, 2009 was US\$431,631.
- The Company has lines of credit with the Bank of the Philippine Islands which accrue interest between 8.75% and 9.50% per annum and are payable over four equal monthly instalments starting 90 days from the withdrawal dates. The total amount payable to the bank at September 30, 2009 was \$634,144.

Going Concern

The Company's ability to continue as a going concern and the recoverability of amounts recorded for property and equipment depends upon maintaining the profitability of the Canatuan operations and stable commodity prices. The Company is continuing its efforts to improve its financial position and operating efficiencies.

Circumstances such as the Company's deficit position as at September 30, 2009, volatile commodity prices, and the possibility of not achieving mine plan metallic grades or minimum required tonnage for shipment all lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.



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OUTLOOK

TVI continues to produce copper concentrates for shipment every four to six weeks. Over the past three quarters, the Company has been able to increase efficiencies and throughput at the Canatuan Sulphide Project, realizing declining unit production cash costs. For the three months ended September 30, 2009 alone, the Company realized free cash flows of \$11.6 million.

The Company plans to proceed with the following:

- The Company began construction of the Zinc Circuit in October 2009, three months ahead of schedule. Management anticipates the Zinc Circuit to be fully operational by late April 2010 which is expected to monetize the zinc component of the deposit for added revenue streams.
- TVIRD plans to advance its development plan on the Balabag gold and silver project. The Company intends to complete an optimization plan to use a "bootstrap" development strategy. Social and environmental baseline studies are currently underway along with additional metallurgical testing.
- 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 should help extend the current mine life.
- Following the signing of the MPSA, exploration activities are expected to resume on the Tamarok-Tapisa porphyry copper-gold prospect.

TVI is also considering strategic alliances or joint ventures with other mining companies to benefit from economies of scale. There can be no assurance that any of the current discussions will result in further investments in the Company or that the consideration of strategic alliances and joint ventures will lead to the establishment of relationships with third-party mining organizations.

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 is a non-GAAP measure that represents the cash cost to produce a copper pound equivalent. This measure should not be considered an alternative to, or more meaningful than the Mining,

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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milling, drilling and Selling expenses income statement line item. Management believes that production cash cost is a useful supplemental measure to monitor operating costs and profitability. This measure may not be comparable to similar measures used by other companies.

The following table shows a reconciliation of the calculation of production cash cost:

	Quarter ended March 31, 2009	Quarter ended June 30, 2009	Quarter ended Sept 30, 2009	Year to date Sept 30, 2009
Mining, milling, drilling, and selling expenses	\$ 4,363,218	\$ 4,937,497	\$ 8,301,415	\$ 17,602,130
Adjustment for change in inventory	231,327	445,422	(1,225,472)	(548,723)
Indirect administrative costs	250,565	300,029	484,794	1,035,388
Selling expenses	(721,336)	(1,439,481)	(2,465,222)	(4,626,039)
Drilling expenses	-	(29,610)	(89,355)	(118,965)
Production cash cost	\$ 4,123,774	\$ 4,213,857	\$ 5,006,160	\$ 13,343,791
Copper pound equivalent	4,358,340	6,156,053	8,205,118	18,719,511
Production cash cost per pound	\$ 0.95	\$ 0.68	\$ 0.61	\$ 0.71
Average quarterly rate (CDN\$/US\$)	1.24	1.18	1.11	1.17
Production cash cost per pound (US\$)	0.76	0.58	0.55	0.61

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

	Q1 2009	Mar 31, 2009	Q2 2009	Jun 30, 2009	Q3 2009	Sept 30, 2009	Year to date Sept 30, 2009
Copper (US\$/lb)	1.77	1.83	2.11	2.32	2.67	2.78	2.36
Gold (US\$/oz)	932.95	917.50	913.52	937.75	989.82	998.50	959.11
Silver (US\$/oz)	13.45	13.11	13.42	13.94	15.99	16.45	14.39

NEW ACCOUNTING PRONOUNCEMENTS

Convergence with International Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles, as used by public companies, being converged with International Financial Reporting Standards over a transitional period of about five years. The convergence will take effect on January 1, 2011. The impact of this transition on the Company's consolidated financial statements has not yet been determined; however, management continues to monitor these regulatory developments. The Company's Philippine affiliates have already implemented convergence with International Reporting Standards as required under local statutory reporting purposes.

COMPARATIVE AMOUNTS

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

CRITICAL ACCOUNTING ESTIMATES

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

- Management assumes that the Company will continue to be a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
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- 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 units-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 promissory notes owing to two companies owned by the President of the Company (as discussed under "Other Debt Facilities" above).

During the three and nine months ending September 30, 2009, Seajay charged the Company \$378,715 and \$697,424 for management fees for services of the President, the Chief Financial Officer, one accounting staff, two investor relations staff, and two administrative staff. At the end of the period, the amount payable to Seajay was \$309,854.

CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

In March 2008, the Company was named in a proceeding alleging impropriety in relation to the Company's historical share option granting practices and misrepresentations in prior financial statements that were restated in 2007. The Company finalized the settlement in June 2009. Legal fees and settlement amounts are paid by the Company's insurance company, less a retention amount which the Company paid in 2008.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

On January 20, 2009, the Company entered into an Advisory Agreement with a third party (the "Advisor"). The Advisory Agreement requires that the Advisor provide services to TVI in relation to TVI's mining development projects, including Canatuan and Balabag. Such services include brainstorming different financing and funding structures, assisting in the preparation of financial models, preparing write-ups and overseeing the implementation and monitoring of the financing of projects, and advising in connection with fund outsourcing and hedging. The Advisor will be entitled to a fee equal to 10% per year of the original Term Facility principal of US\$30.1 million. However, the voluntary principal prepayment made in September 2009 decreased such principal balance to US\$27.0 million. Along with the voluntary prepayment made in September 2009, the Company paid US\$2.0 million in advisory fees accrued up to the date of the prepayment. In October 2009, the Company made its scheduled payment of advisory fees, in the amount of US\$0.2 million, based upon the revised principal balance.

In addition, commencing December 31, 2010, the Advisor will be entitled to profit participation of 40% of any cash surplus in TVIRD. The Advisory Agreement expires with the repayment of the Term Facility.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

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

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting ("ICOFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Management has evaluated the design of ICOFR as of September 30, 2009 and plans to update the evaluation of operating effectiveness of internal controls over financial reporting throughout the year.

During the quarter, the Company completed a comprehensive review of its consolidation procedures and redesigned its ICOFR related to the translation of foreign currencies; therefore, the Company has removed the previously identified material weakness disclosed in prior periods. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that ICOFR provide a reasonable level of assurance, they do not expect that the ICOFR would prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable assurance that the objectives of the control system are met.

ADDITIONAL INFORMATION

The Company's outstanding common shares as at September 30, 2009 and November 12, 2009 were 478,946,181. The basic weighted average number of common shares issued and outstanding for the three and nine months ended September 30, 2009 was 467,108,145 and 455,796,850 (three and nine months ended September 30, 2008 - 406,240,640). The diluted weighted average number of common shares issued and outstanding for the three and nine months ended September 30, 2009 was 523,640,679 and 498,628,369. No adjustments were required to the weighted average number of common shares in computing diluted per share amounts for the three and nine months ended September 30, 2008 as the Company was in a loss position for these periods.

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IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

- anticipated future operating information concerning the sulphide operation at Canatuan (including the anticipated processing of zinc concentrates in the future);
- the use of cash generated from the sulphide operation at Canatuan to support exploration and development of other TVI projects in the Philippines;
- funds expected to be received for the seventh shipment of copper concentrates;
- timing for future shipments of copper concentrates;
- the completion date for construction of the zinc circuit;
- the expected impact of the zinc component on revenue streams;
- the expected signing of the Mineral Production Sharing Agreement for the Tamarok property;
- the Company's efforts to have its claims recognized by the Rehabilitation Court in regards to the Rapu Rapu royalty;
- planned cost reduction initiatives;
- the nature and timing of anticipated exploration activities at Balabag, Tamarok-Tapisa, Bonbon and the Company's other properties in the Philippines;
- the nature and timing of future development activities at Balabag; and
- expectations regarding the Company's ability to raise capital and to continually add to mineral reserves through acquisitions, exploration, and development.

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

Forward-looking information respecting future operating information concerning the sulphide operation at Canatuan (including the anticipated processing of zinc concentrates in the future) is based upon current mining and processing activities at Canatuan, the current throughput of the sulphide plant, anticipated expansions in the throughput capacity of the sulphide plant, prior experiences of management with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at Canatuan, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking information respecting the use of cash generated from the sulphide operation at Canatuan to support exploration and development of other TVI projects in the Philippines is based upon anticipated production and sales of copper concentrates at Canatuan, current mining and processing activities at Canatuan, the current throughput of the sulphide plant, anticipated expansions in the throughput capacity



**MANAGEMENT'S DISCUSSION AND ANALYSIS
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SEPTEMBER 30, 2009 AND 2008**

of the sulphide plant, prior experiences of management with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at Canatuan, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking information regarding the funds expected to be received from the seventh shipment of copper concentrates are based on the funds received from previously completed shipments of copper concentrates from the Canatuan mine, the Company's evaluation of the content of the concentrate shipment and initial estimates received from MRI regarding the content of the concentrates shipment. Forward-looking information regarding the frequency of future shipments of copper concentrates to MRI is based on discussions held to date with MRI, experience gained during the first eight concentrate shipments with MRI, the current throughput of the sulphide plant, anticipated expansions in the throughput capacity of the sulphide plant, prior experiences of management with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at Canatuan, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking statements regarding the construction completion date for the zinc circuit at the Canatuan mine are based on management's experience during the construction of the previous gossan plant at the Canatuan mine site, the construction of the Canatuan sulphide plant, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking statements regarding the expected impact of the zinc component on revenue streams is based on experience gained during the first eight copper concentrate shipments with MRI, the current throughput of the sulphide plant, anticipated throughput capacity of the zinc circuit, prior experiences of management with mining and processing at Canatuan, the estimated copper and zinc mineralization of the sulphide zone at Canatuan, the current development and operating plan for Canatuan, and the Company's current budget and overall strategy for Canatuan, which plans, budget and strategy are all subject to change. Forward-looking statements regarding the expected signing of the Mineral Production Sharing Agreement for the Tamarok property are based on management's previous experiences with mining permits in the Philippines and discussions carried out to date with the Philippine government and its respective representatives. In this case, the anticipated timing of exploration activities on the Tamarok property is dependent upon the receipt of regulatory approvals from government authorities in the Philippines. Forward-looking statements regarding dialogue with the Rehabilitation Receiver in connection with Rapu Rapu are based on discussions held to date. Forward-looking statements regarding cost reduction initiatives are based on management's cost targets and the reductions implemented to date. Forward-looking statements regarding the potential sales of non-core assets are based on the expectations of management and expressions of interest received to this point. Forward-looking information relating to the anticipated exploration activities at Balabag, Tamarok, Tapisa, Bonbon and the Company's other tenements in the Philippines are based upon the results of prior exploration activities, current mining and exploration activities, and the Company's current budget and overall strategy, all of which are subject to change. In certain cases, the anticipated timing of exploration activities in the Philippines is dependent upon the receipt of regulatory approvals from government authorities in the Philippines. Forward-looking information regarding nature and timing of future development activities at Balabag is based on information in NI 43-101 compliant technical reports, opportunities for project financing, as well as management's previous experience with the construction and operation of the gossan and sulphide operations at Canatuan. Forward-looking statements regarding the Company's ability to raise capital and to continually add to mineral reserves through acquisitions, exploration and development is based on the Company's experience in the Philippines, previous financing endeavours, exploration and due diligence completed to date, and the Company's experiences exploring, constructing and developing the Canatuan gossan and sulphide projects. The forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2009 AND 2008**

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Registrar and Transfer Agent:

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600, 530–8th Avenue SW
Calgary, Alberta, Canada T2P 3S8
Telephone: (403) 267-6800

Share Listing:

Toronto Stock Exchange Symbol: TVI

Auditors:

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

**For the Three and Nine Months Ended
September 30, 2009 and 2008
(Unaudited)**

TVI Pacific Inc.
Unaudited Interim Consolidated Balance Sheets
September 30, 2009
(in Canadian dollars)



	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,735,293	\$ 2,754,102
Accounts receivable (note 4)	4,919,548	931,328
Advances to suppliers	359,538	100,271
Inventories (note 5)	2,572,419	2,373,803
Prepaid expenses	449,917	267,260
	17,036,715	6,426,764
Restricted cash (note 6)	119,953	501,547
Property and equipment (note 7)	27,979,843	32,745,708
	\$ 45,136,511	\$ 39,674,019
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,956,972	\$ 7,322,685
Current loan payable (note 8)	10,788,333	4,882,027
Current portion of asset retirement obligation (note 10)	1,369,181	1,357,787
Due to related parties (note 14)	1,474,588	1,789,249
	19,589,074	15,351,748
Long term payable	-	367,380
Due to related parties	-	591,834
Loan payable (note 8)	17,450,131	27,623,417
Pension obligation (note 9)	781,809	690,996
Asset retirement obligation (note 10)	1,220,268	1,445,432
	39,041,282	46,070,807
Shareholders' equity:		
Share capital (note 11b)	22,012,000	21,017,205
Warrants (note 11d)	2,403,496	-
Contributed surplus (note 11e)	4,535,257	3,666,827
Deficit	(22,404,722)	(30,983,982)
Accumulated other comprehensive loss	(450,802)	(96,838)
	6,095,229	(6,396,788)
	\$ 45,136,511	\$ 39,674,019

Going concern (note 1)
Commitments (note 16)
Contingencies (note 17)
Subsequent events (notes 1, 4, 8, and 16)

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)
September 30, 2009 and 2008
(in Canadian dollars)



	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenues:				
Net concentrate sales (note 13)	\$ 25,502,106	\$ 13,152	\$ 43,800,970	\$ 5,739,012
Other revenues	172,543	77,593	246,625	109,391
Interest revenue	32,218	5,354	99,965	14,096
	25,706,867	96,099	44,147,560	5,862,499
Expenses:				
Mining, milling, drilling, and selling expenses	8,301,415	137,237	17,602,130	5,553,537
Exploration costs	112,348	221,722	293,077	1,110,048
Administrative and general costs	3,145,084	1,211,353	6,999,199	3,879,212
Amortization, accretion and impairment	2,293,307	872,093	4,870,026	1,894,532
Interest expense	2,090,253	440,674	5,563,517	983,168
Foreign exchange loss (gain)	(172,071)	1,531,672	407,389	2,209,714
Loss (gain) on sale of assets	19,477	(708,375)	(167,038)	(2,370,547)
	15,789,813	3,706,376	35,568,300	13,259,664
Net income (loss) from continuing operations	9,917,054	(3,610,277)	8,579,260	(7,397,165)
Net loss from discontinued operations	-	-	-	(97,149)
Net income (loss)	9,917,054	(3,610,277)	8,579,260	(7,494,314)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(486,548)	894,944	(353,964)	1,114,011
	(486,548)	894,944	(353,964)	1,114,011
Comprehensive income (loss)	\$ 9,430,506	\$ (2,715,333)	\$ 8,225,296	\$ (6,380,303)
Net income (loss) per share:				
Basic – continuing operations	\$ 0.021	\$ (0.009)	\$ 0.019	\$ (0.018)
Basic – discontinued operations	-	-	-	(0.000)
Diluted – continuing operations	0.019	(0.009)	0.017	(0.018)
Diluted – discontinued operations	-	-	-	(0.000)
Weighted average number of common shares:				
Basic (note 12)	467,108,145	406,240,640	455,796,850	406,240,640
Diluted (note 12)	523,640,679	406,240,640	498,628,369	406,240,640

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 Loss**
September 30, 2009 and 2008
(in Canadian dollars)



	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Deficit, beginning of period	\$ (32,321,776)	\$ (22,153,740)	\$ (30,983,982)	\$ (18,269,703)
Net income (loss)	9,917,054	(3,610,277)	8,579,260	(7,494,314)
Deficit, end of period	\$ (22,404,722)	\$ (25,764,017)	\$ (22,404,722)	\$ (25,764,017)
Accumulated other comprehensive income (loss), beginning of period	\$ 35,746	\$ (2,789,987)	\$ (96,838)	\$ (3,009,054)
Other comprehensive income (loss)	(486,548)	894,944	(353,964)	1,114,011
Accumulated other comprehensive loss, end of period	\$ (450,802)	\$ (1,895,043)	\$ (450,802)	\$ (1,895,043)

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

TVI Pacific Inc.
Unaudited Interim Consolidated Statements of Cash Flows
September 30, 2009 and 2008
(in Canadian dollars)



	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating:				
Net income (loss) from continuing operations	\$ 9,917,054	\$ (3,610,277)	\$ 8,579,260	\$ (7,397,165)
Items not involving cash:				
Amortization, accretion and impairment	2,293,307	872,093	4,870,026	1,894,532
Amortization of deferred financing costs	413,381	-	693,279	-
Stock based compensation	575,588	53,639	876,122	86,878
Unrealized foreign exchange loss (gain)	(56,474)	1,594,573	(935,368)	2,427,115
Loss (gain) on sale of property and equipment	19,477	(708,375)	(167,038)	(718,237)
Gain on sale of investment	-	-	-	(1,652,310)
Pension obligation	32,782	115,896	90,813	128,142
	13,195,115	(1,682,451)	14,007,094	(5,231,045)
Change in non-cash working capital	(1,798,209)	(3,715,163)	(3,138,802)	(5,316,643)
	11,396,906	(5,397,614)	10,868,292	(10,547,688)
Loss from discontinued operations	-	-	-	(97,149)
Change in non-cash working capital	-	-	-	(2,708)
	-	-	-	(99,857)
Financing:				
Debt facilities (repaid) issued	(4,104,460)	10,479,375	(832,184)	16,156,730
Shares issued in private placement	12,500	-	12,500	-
Share issue cost	-	-	(10,580)	-
Due to (from) related parties	352,209	(108,015)	292,518	(822,704)
	(3,739,751)	10,371,360	(537,746)	15,334,026
Change in non-cash working capital	(2,441,899)	-	1,101,204	-
	(6,181,650)	10,371,360	563,458	15,334,026
Investing:				
Change in restricted cash	321,675	-	321,230	(305,580)
Expenditures on property and equipment	(1,577,956)	(5,026,623)	(2,950,595)	(7,023,667)
Proceeds on disposal of property and equipment	-	903,543	188,428	994,313
Proceeds on sale of investment	-	-	-	1,942,491
Realized foreign exchange in net investment	(171,764)	64,713	(18,408)	152,310
	(1,428,045)	(4,058,367)	(2,459,345)	(4,240,133)
Change in non-cash working capital	228,078	(34,089)	(2,296,903)	(347,709)
	(1,199,967)	(4,092,456)	(4,756,248)	(4,587,842)
Effect of foreign exchange rates on cash	(385,063)	(20,582)	(694,311)	(48,593)
Increase in cash	3,630,226	860,708	5,981,191	50,046
Cash and cash equivalents, beginning of period	5,105,067	218,171	2,754,102	1,028,833
Cash and cash equivalents, end of period	\$ 8,735,293	\$ 1,078,879	\$ 8,735,293	\$ 1,078,879
Supplemental cash flow information:				
Interest paid	\$ 2,607,786	\$ 61,971	\$ 2,672,634	\$ 255,382
Interest received	7,121	5,205	14,296	13,920

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



1. Going concern:

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

At September 30, 2009, the Company's working capital deficiency was \$2.6 million, which has decreased \$6.3 million since December 31, 2008. In January 2009, the Company signed a US\$30.1 million five-year term loan facility. The Company made a voluntary prepayment on the facility in September 2009 from free cash flows from operations, reducing its principal balance owing by US\$3.1 million or 10%.

Between the months of March 2009 to September 2009, the Company completed seven shipments of copper concentrates for gross revenues of about US\$41.3 million. Subsequent to the period, the Company completed its eighth shipment in October 2009 for estimated gross revenues of US\$7.2 million. The Company expects to complete a shipment every four to six weeks. Cash from operating activities was \$11.4 million and \$10.9 million for the three and nine months ended September 30, 2009, respectively.

The Company's ability to continue as a going concern and the recoverability of amounts recorded for property and equipment depends upon maintaining the profitability of the Canatuan operations and stable commodity prices. The Company is continuing its efforts to improve the financial position and operating efficiencies.

Circumstances such as the Company's deficit position as at September 30, 2009, volatile commodity prices, and the possibility of not achieving mine plan metallic grades or minimum required tonnage for shipment all lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

2. Nature of operations:

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

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

3. Significant accounting policies:

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

Accordingly, these consolidated financial statements should be read in conjunction with those audited consolidated financial statements for the year ended December 31, 2008.



3. Significant accounting policies (continued):

(a) International financial reporting standards

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

(b) Transaction costs

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

(c) Comparative figures

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

4. Accounts receivable:

	September 30, 2009	December 31, 2008
Receivable from concentrate sales	\$ 3,863,848	\$ -
Receivable from sale of assets	643,320	734,760
Other receivables	412,380	196,568
	\$ 4,919,548	\$ 931,328

Provisional payments for 90% of the estimated value of concentrate shipments are receivable upon delivery of concentrates. The remaining 10% of the shipment value is due once the final details relating to the weight, assays, and prices are determined. Subsequent to the period, the Company received US\$2.9 million related to the concentrate sales.

5. Inventories:

	September 30, 2009	December 31, 2008
Consumable drilling parts and supplies	\$ 357,945	\$ 518,522
Mineral processing supplies	1,562,711	904,632
Metal inventory:		
Work in progress and finished goods	588,714	942,070
Stockpiled ore	63,049	8,579
	\$ 2,572,419	\$ 2,373,803

During the nine month period ended September 30, 2009, the Company recognized \$7,318,963 (nine month period ended September 30, 2008 – \$2,392,266) 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 identify any obsolete inventory requiring a provision during the periods ended September 30, 2009 and September 30, 2008.



6. Restricted cash:

On February 29, 2008, the Company sold its 100% share ownership of its Chinese subsidiaries to an arms length party for proceeds of US\$1,980,000 (\$1,942,491), of which US\$300,000 was held in escrow and classified as restricted cash. In September 2009, the arms length party retained US\$50,000 which was written off to bad debts expense included in the Administrative and general costs, and the Company collected the remaining US\$250,000.

The Company holds \$119,953 (December 31, 2008 – \$134,167) in restricted cash related to deposits in environmental trust funds.

7. Property and equipment:

	September 30, 2009			December 31, 2008	
	Cost	Accumulated amortization	Net book value	Net book value	
Canatuan sulphide plant:					
Property and equipment	\$ 27,836,086	\$ 6,578,522	\$ 21,257,564	\$	25,416,209
Construction in progress	6,978,779	776,326	6,202,453		6,572,267
Drilling & other operations	2,316,194	1,796,368	519,826		757,232
	\$ 37,131,059	\$ 9,151,216	\$ 27,979,843	\$	32,745,708

During the first quarter of 2009, the Company wrote-off all fully amortized assets no longer in use. The Company has capitalized a total of \$407,861 in interest (December 31, 2008 – \$902,107) related to financing funds to construct the Canatuan sulphide plant during its commissioning stage. The Canatuan sulphide plant began commercial operations on March 1, 2009.

For the period ended September 30, 2009, the Company did not identify any triggering events which would indicate an impairment over the valuation of its property and equipment (September 30, 2008 – \$669,259).

8. Loan instruments:

(a) A bridge financing facility was signed with LIM Asia Arbitrage Fund Inc. and LIM Asia Special Situations Master Fund Limited (the "Lenders") in March 2008.

On January 20, 2009, the Company signed a US\$30.1 million five-year term loan facility agreement ("Term Facility") with the Lenders and converted its bridge financing facility into a term loan on February 6, 2009. In connection with the execution of the Term Facility, the Company issued to the Lenders share purchase warrants in the capital of TVI (note 11d) and paid a fixed arrangement fee in the amount of US\$195,000. The Term Facility is secured by a charge on all of the present and after acquired assets of TVIRD.

On July 19, 2009, the Company made its first scheduled interest payment of US\$1.5 million. On September 28, 2009, the Company made a voluntary principal prepayment of US\$3.1 million from operating cash flows, reducing the principal outstanding to US\$27.0 million. In addition to the principal prepayment amount, the Company paid US\$0.1 million in interest, US\$2.0 million in advisory fees (note 16), and a US\$0.8 million premium for the right to make the prepayment for a total payment of US\$6.0 million. The prepayment premium has been classified as part of deferred financing costs which will be amortized over the remaining life of the term loan.

The funds borrowed under the Term Facility bear interest at the rate of 10% per year calculated on the original principal balance of US\$30.1 million, irrespective of the actual outstanding principal balance. However, the voluntary principal prepayment has decreased such principal balance to US\$27.0 million. On October 19, 2009, the Company made its scheduled payment of principal in the amount of US\$2.7 million and interest in the amount of US\$0.2 million, both based upon the revised principal balance.



8. Loan instruments (continued):

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%. The related interest expense is recognized over the life of the loan.

At September 30, 2009, the total principal outstanding under the Term Facility was US\$27,000,000 (\$29,316,584):

September 30, 2009	
Current loan payable:	
Principal	\$ 8,794,975
Accrued interest	1,359,214
	\$ 10,154,189
September 30, 2009	
Non-current loan payable:	
October 1, 2010 – September 30, 2011	\$ 5,130,402
October 1, 2011 – September 30, 2012	5,130,402
October 1, 2012 – September 30, 2013	5,130,402
October 1, 2013 – January 20, 2014	5,130,403
Deferred transaction costs	(3,071,478)
	\$ 17,450,131

(b) The Company has lines of credit with the Bank of the Philippine Islands which accrue interest between 8.75% and 9.50% per annum and are payable over four equal monthly installments starting 90 days from the withdrawal dates. The total amount payable to the bank at September 30, 2009 was \$634,144 (December 31, 2008 – \$1,069,393).

9. Pension obligation:

	September 30, 2009		December 31, 2008
Present value of unfunded obligations	\$ 431,073	\$	286,218
Unrecognized actuarial loss	350,736		404,778
Pension obligation	\$ 781,809	\$	690,996

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

	September 30, 2009		December 31, 2008
Balance beginning of period	\$ 690,996	\$	424,534
Total expense	90,813		266,462
Balance end of period	\$ 781,809	\$	690,996

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

	September 30, 2009		December 31, 2008
Current service cost	\$ 161,763	\$	178,930
Interest cost and foreign currency translation	(60,280)		85,791
Amortization of unrecognized actuarial losses (gains)	(10,670)		1,741
Total included in administrative and general costs	\$ 90,813	\$	266,462

The actuarial assumption for the discount rate was 13.1% and the future salary rate increase was 10.0% for both periods ended September 30, 2009 and December 31, 2008. The pension plan continues to be unfunded as of September 30, 2009.



10. Asset retirement obligation:

	Nine months ended September 30, 2009	Year ended December 31, 2008
Canatuan property:		
Beginning balance	\$ 2,803,219	\$ 1,999,970
Additions – sulphide	-	199,074
Revision of estimate – gossan	-	231,687
Accretion expense – capitalized	26,778	124,739
Accretion expense	214,339	122,922
Liability paid	(142,877)	(77,129)
Foreign currency translation	(312,010)	201,956
Ending balance	\$ 2,589,449	\$ 2,803,219
Current portion	1,369,181	1,357,787
Non-current portion	1,220,268	1,445,432

11. Share capital:

(a) Authorized

Unlimited common voting shares without nominal or par value.

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

(b) Issued

	Nine months ended September 30, 2009		Year ended December 31, 2008	
Common shares	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	406,240,640	\$ 21,017,205	406,240,640	\$ 21,017,205
Shares issued:				
Private placement	290,698	12,500	-	-
In exchange for debt obligation	71,964,253	1,463,206	-	-
Share issue cost	-	(497,614)	-	-
On exercise of options	450,590	16,703	-	-
Balance, end of period	478,946,181	\$ 22,012,000	406,240,640	\$ 21,017,205

During the period, the Company issued from treasury 48,735,809 common shares to related parties in satisfaction of \$666,276 and US\$361,680 (\$425,275) of indebtedness owing to them by the Company (note 14). There were 37,188,471 shares priced at \$0.016 issued on February 19, 2009 and 11,547,338 shares priced at \$0.043 issued on September 30, 2009.

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 from treasury.



11. Share capital (continued):

(c) *Share options*

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

In January, May, and September 2009, the Company granted stock options to directors and employees of the Company. On June 1, 2009, all of the directors and a majority of employees voluntarily cancelled their options because their exercise prices were significantly in excess of the current trading price of the Company's common shares.

	Nine months ended September 30, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	20,101,670	\$ 0.145	34,440,106	\$ 0.133
Granted	43,780,831	0.046	500,000	0.050
Exercised	(450,590)	0.020	-	-
Forfeited	(426,442)	0.067	(3,129,725)	0.172
Expired	(694,724)	0.188	(11,708,711)	0.101
Cancelled	(18,711,671)	0.145	-	-
Options outstanding, end of period	43,599,074	\$ 0.047	20,101,670	\$ 0.145
Options exercisable, end of period	16,757,740	\$ 0.045	15,230,545	\$ 0.141

Price range	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$ 0.020 – 0.029	19,431,575	4.32	8,549,410
0.030 – 0.044	750,000	4.62	-
0.045 – 0.067	500,000	3.46	166,666
0.068 – 0.100	22,855,000	4.96	8,000,000
0.101 – 0.151	-	-	-
0.152 – 0.190	62,499	2.63	41,664
\$ 0.020 – 0.190	43,599,074	4.65	16,757,740

(d) *Warrants*

In conjunction with the Term Facility signed on January 20, 2009 (note 8a), the Company issued to the Lenders 71,689,734 warrants to purchase common shares of the Company at a purchase price of \$0.016. 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 conjunction with the common shares issued on September 30, 2009 (note 14), the Company issued 8,399,683 warrants to purchase common shares of the Company at a purchase price of \$0.043. 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.

	Nine months ended September 30, 2009
Risk free interest rate	1.6%
Expected life (in years)	4.8
Expected volatility	127.5%
Weighted average fair value	0.030



11. Share capital (continued):

(e) Stock-based compensation and contributed surplus

The weighted average fair value of stock options granted was \$0.041 (2008 - \$0.033) per share during the nine-month period ended September 30, 2009. The following table sets out the assumptions used in applying the Black-Scholes model:

	Nine months ended September 30, 2009	Year ended December 31, 2008
Risk free interest rate	2.1%	2.9%
Expected life (in years)	5.0	5.0
Expected volatility	133.0%	79.8%
<i>Contributed surplus</i>		
	Nine months ended September 30, 2009	Year ended December 31, 2008
Balance beginning of period	\$ 3,666,827	\$ 3,592,382
Stock-based compensation	884,847	285,549
Options forfeited	(8,725)	(211,104)
Options exercised	(7,692)	-
Balance end of period	\$ 4,535,257	\$ 3,666,827

12. Per share data:

The basic weighted average number of common shares issued and outstanding for the three and nine months ended September 30, 2009 was 467,108,145 and 455,796,850 (three and nine months ended September 30, 2008 - 406,240,640). The diluted weighted average number of common shares issued and outstanding for the three and nine months ended September 30, 2009 was 523,640,679 and 498,628,369. No adjustments were required to the weighted average number of common shares in computing diluted per share amounts for the three and nine months ended September 30, 2008 as the Company was in a loss position for these periods

13. Revenues from concentrate sales:

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenues from:				
Copper	\$ 22,989,338	\$ -	\$ 38,022,796	\$ -
Gold	2,665,309	13,152	4,842,158	5,739,012
Silver	2,271,166	-	5,737,063	-
Gross revenues	27,925,813	13,152	48,602,017	5,739,012
Treatment, refining, and other charges	(2,423,707)	-	(4,801,047)	-
Net revenues	\$ 25,502,106	\$ 13,152	\$ 43,800,970	\$ 5,739,012

Revenues from concentrate sales are recorded at the time of delivery based on forward prices for the expected date of the final settlement. Subsequent variations in price and metal content are recognized as price adjustments in the period the variations are finalized. The Company receives 100% of its revenues from one metal trading house.



14. Related party transactions:

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

- During the three and nine months ended September 30, 2009, the Company incurred management fees of \$378,715 and \$697,424 (three and nine months ended September 30, 2008 – \$134,999 and \$414,382). Management fees are paid to a corporation owned by the President of the Company for the services of the President, Chief Financial Officer, and support staff. At September 30, 2009, the amount payable to the corporation was \$309,854 (December 31, 2008 – \$66,406).
- At the end of the third quarter, the Company had demand promissory notes totaling \$465,269 (December 31, 2008 – \$1,069,778) and US\$431,631 (December 31, 2008 – US\$750,000) to corporations owned by the President of the Company. The demand promissory notes bear interest at 12% and 14.12% per annum, respectively, and have no fixed terms of repayment. During the period, the Company retired \$666,276 and US\$361,680 (\$425,275) through a private placement of common shares (note 11b). Including accrued interest, the total amount in promissory notes outstanding at September 30, 2009 was \$928,040 (December 31, 2008 – \$1,998,659).
- 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 nine months ended September 30, 2009, the Company incurred director fees of \$53,041 and \$131,166 (three and nine months ended September 30, 2008 – \$31,000 and \$113,250). In August 2009, the Company paid \$155,375 for unpaid fees from 2007 and 2008. At September 30, 2009, the fees payable to directors was \$205,541.
- During the three and nine months ended September 30, 2009, the Company paid \$37,069 and \$165,837 (three and nine months ended September 30, 2008 – \$155,400 and \$190,898) to corporations controlled by a director and officer of TVIRD for administrative expenses. The Company owed the corporations \$3,536 at September 30, 2009.

15. Segmented information:

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

Three months ended September 30, 2009	Canatuan Mine	Drilling	Exploration	Corporate	Total
Net concentrate sales	\$ 25,502,106	\$ -	\$ -	\$ -	\$ 25,502,106
Other revenues	16,210	156,333	-	-	172,543
Interest income	5,322	25,087	1,799	10	32,218
	25,523,638	181,420	1,799	10	25,706,867
Operating expenses	(8,696,854)	(138,554)	-	(2,611,091)	(11,446,499)
Exploration costs	-	-	(112,348)	-	(112,348)
	16,826,784	42,866	(110,549)	(2,611,081)	14,148,020
Amortization & accretion	(2,272,712)	(12,760)	-	(7,835)	(2,293,307)
	14,554,072	30,106	(110,549)	(2,618,916)	11,854,713
Loss on sale of property	-	(6,048)	-	(13,429)	(19,477)
Interest expense	-	-	-	(2,090,253)	(2,090,253)
Foreign exchange gain	-	-	-	172,071	172,071
Net income (loss)	\$ 14,554,072	\$ 24,058	\$ (110,549)	\$ (4,550,527)	\$ 9,917,054
Assets	42,775,126	1,469,211	-	892,174	45,136,511
Capital expenditures	1,532,618	-	-	45,338	1,577,956



15. Segmented information (continued):

Three months ended September 30, 2008	Canatuan Mine	Drilling	Exploration	Corporate	Total
Net gold sales	\$ 13,152	\$ -	\$ -	\$ -	\$ 13,152
Other revenues	77,610	(17)	-	-	77,593
Interest income	4,661	141	544	8	5,354
	95,423	124	544	8	96,099
Operating expenses	(129,686)	(88,478)	-	(1,130,426)	(1,348,590)
Exploration costs	-	-	(221,722)	-	(221,722)
	(34,263)	(88,354)	(221,178)	(1,130,418)	(1,474,213)
Amortization & accretion	(40,746)	(29,739)	-	(132,349)	(202,834)
Impairment loss	(669,259)	-	-	-	(669,259)
	(744,268)	(118,093)	(221,178)	(1,262,767)	(2,346,306)
Gain (loss) on sale of property	-	718,237	-	(9,862)	708,375
Interest expense	-	-	-	(440,674)	(440,674)
Foreign exchange loss	-	-	-	(1,531,672)	(1,531,672)
Net income (loss)	\$ (744,268)	\$ 600,144	\$ (221,178)	\$ (3,244,975)	\$ (3,610,277)
Assets	24,132,502	1,285,509	-	935,442	26,353,453
Capital expenditures	4,986,594	2,987	-	37,042	5,026,623

Nine months ended September 30, 2009	Canatuan Mine	Drilling	Exploration	Corporate	Total
Net concentrate sales	\$ 43,800,970	\$ -	\$ -	\$ -	\$ 43,800,970
Other revenues	62,130	184,495	-	-	246,625
Interest income	12,465	85,631	1,831	38	99,965
	43,875,565	270,126	1,831	38	44,147,560
Operating expenses	(18,518,553)	(260,991)	-	(5,821,785)	(24,601,329)
Exploration costs	-	-	(293,077)	-	(293,077)
	25,357,012	9,135	(291,246)	(5,821,747)	19,253,154
Amortization & accretion	(4,794,921)	(50,575)	-	(24,530)	(4,870,026)
	20,562,091	(41,440)	(291,246)	(5,846,277)	14,383,128
Gain (loss) on sale of property	-	180,467	-	(13,429)	167,038
Interest expense	-	-	-	(5,563,517)	(5,563,517)
Foreign exchange loss	-	-	-	(407,389)	(407,389)
Net income (loss)	\$ 20,562,091	\$ 139,027	\$ (291,246)	\$ (11,830,612)	\$ 8,579,260
Assets	42,775,126	1,469,211	-	892,174	45,136,511
Capital expenditures	2,885,606	-	-	64,989	2,950,595



15. Segmented information (continued):

Nine months ended September 30, 2008	Canatuan Mine	Drilling	Exploration	Corporate	Total
Net gold sales	\$ 5,739,012	\$ -	\$ -	\$ -	\$ 5,739,012
Other revenues	108,335	1,056	-	-	109,391
Interest income	11,732	141	2,197	26	14,096
	5,859,079	1,197	2,197	26	5,862,499
Operating expenses	(6,023,682)	(261,825)	-	(3,147,242)	(9,432,749)
Exploration costs	-	-	(1,110,048)	-	(1,110,048)
	(164,603)	(260,628)	(1,107,851)	(3,147,216)	(4,680,298)
Amortization & accretion	(746,296)	(240,958)	-	(238,019)	(1,225,273)
Impairment loss	(669,259)	-	-	-	(669,259)
	(1,580,158)	(501,586)	(1,107,851)	(3,385,235)	(6,574,830)
Gain on sale of property	-	718,237	-	1,652,310	2,370,547
Interest expense	-	-	-	(983,168)	(983,168)
Foreign exchange loss	-	-	-	(2,209,714)	(2,209,714)
Net income (loss), continuing operations	(1,580,158)	216,651	(1,107,851)	(4,925,807)	(7,397,165)
Net loss, discontinued operations	-	(26,620)	(56,743)	(13,786)	(97,149)
Net income (loss)	\$ (1,580,158)	\$ 190,031	\$ (1,164,594)	\$ (4,939,593)	\$ (7,494,314)
Assets	24,132,502	1,285,509	-	935,442	26,353,453
Capital expenditures	6,901,790	(6,110)	-	127,987	7,023,667

16. Commitments:

On January 20, 2009, the Company entered into an Advisory Agreement with a third party (the "Advisor"). The Advisor will be entitled to a fee equal to 10% per year of the original Term Facility principal of US\$30.1 million (note 8a). However, the voluntary principal prepayment made in September 2009 decreased such principal balance to US\$27.0 million. Along with the voluntary prepayment made in September 2009 (note 8a), the Company paid US\$2.0 million in advisory fees accrued up to the date of the prepayment. In October 2009, the Company made its scheduled payment of advisory fees in the amount of US\$0.2 million, based upon the revised principal balance.

In addition, commencing December 31, 2010, the Advisor will be entitled to profit participation of 40% of any cash surplus in TVIRD. The Advisory Agreement expires with the repayment of the Term Facility.

17. Contingencies:

In March 2008, the Company was named in a proceeding alleging impropriety in relation to the Company's historical share option granting practices and misrepresentations in prior financial statements that were restated in 2007. The Company finalized the settlement in June 2009. Legal fees and settlement amounts were paid by the Company's insurance company, less a retention amount which the Company paid in 2008.



18. Financial instruments:

(a) Analysis of financial assets and financial liabilities

The Company's classification for each of its financial assets and liabilities at September 30, 2009 are as follows:

	Financial assets held for trading	Loans and receivables	Other financial Liabilities	Total carrying value
Cash and cash equivalents	\$ 8,735,293	\$ -	\$ -	\$ 8,735,293
Restricted cash	-	119,953	-	119,953
Accounts receivable	-	4,919,548	-	4,919,548
Advances to suppliers	-	359,538	-	359,538
Accounts payable and accrued liabilities	-	-	(5,956,972)	(5,956,972)
Loan payable	-	-	(28,238,464)	(28,238,464)
Due to related parties	-	-	(1,474,588)	(1,474,588)
	\$ 8,735,293	\$ 5,399,039	\$ (35,670,024)	\$ (21,535,692)

(b) Fair values of financial assets and financial liabilities

The carrying value of the Company's financial assets and liabilities consisting of cash and cash equivalents, restricted cash, accounts receivable, advances to suppliers, accounts payable and accrued liabilities, current loan payable, and due to related parties approximate their fair values at September 30, 2009 due to their short term nature. The Company's non-current loan payable also approximates its fair value at September 30, 2009 as interest rates are at market values.

(c) Financial risk management

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

(i) Currency risk

The Company faces currency risks mainly due to the substantial cross-border element of its operations. The Company has offices in Canada (Canadian dollar) and in the Republic of the Philippines (Peso). The Company sells its mineral deposits at prevailing market prices in the US dollar currency. In addition, the company borrows money in the US dollar currency. Upon receipt, the Company converts these funds into the functional currencies of individual entities to finance operational and administrative expenses. There are no forward sales, and the Company does not engage in currency hedging activities.

The Company publishes its consolidated financial statements in the Canadian dollar and as a result, it is also subject to foreign currency exchange translation risk in respect of the results and underlying net assets of its foreign operations. For the nine-month period ended September 30, 2009, the pro forma impact on net income from a 5% movement in the Canadian dollar exchange with the Philippine peso would be \$554,225.



18. Financial instruments (continued):

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

	Average rate		Spot rate	
	Nine months ended September 30, 2009	Year ended December 31, 2008	Nine months ended September 30, 2009	Year ended December 31, 2008
US Dollar	1.1701	1.0660	1.0722	1.2246
Philippine Peso	0.0245	0.0240	0.0228	0.0256

(ii) Price risk

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

(iii) Interest rate risk

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

(iv) Liquidity risk

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

As at September 30, 2009, the Company has a \$2.6 million working capital deficiency. The Company intends to manage its obligations on a gradual settlement basis. As at September 30, 2009, the Company has a loan payable and loans from related parties at fixed interest rates.

	Principal outstanding at September 30, 2009	Effective annual interest rate	Interest during the period ended September 30, 2009	Maturity date
Loan payable A	29,316,584	25.96%	4,470,334	January 20, 2014
Current loan payable B	634,144	8.75% to 9.50%	108,210	October 2009 to January 2010
Related party loan A	465,269	12.00%	72,670	Demand
Related party loan B	462,771	14.12%	70,145	Demand

(v) Credit risk

The Company does not have a significant concentration of credit risk on its outstanding receivables as there is a ready market for mineral deposits. The Company maintains its cash and investments in accounts from highly reputable banks, which are approved by the Board of Directors. The Company currently does not have a policy to mitigate credit risk.



19. 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, current and non-current loan payable, and due to related parties. Equity comprises all components of equity other than amounts in accumulated other comprehensive income. Assets are defined as cash and cash equivalents, accounts receivable, advances to suppliers, inventories, restricted cash, and property and equipment.

	September 30, 2009		December 31, 2008	
Debt	\$	35,670,024	\$	42,576,592
Equity		6,546,031		(6,299,950)
Assets		44,686,594		39,406,759
Debt-to-equity		5.45		(6.76)
Debt-to-assets		0.80		1.08

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		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Operating cash flow	\$ 11,396,906	\$ (5,397,614)	\$ 10,868,292	\$ (10,547,688)
Change in non-cash working capital	1,798,209	3,715,163	3,138,802	5,316,643
Operating cash flow before change in non-cash working capital	13,195,115	(1,682,451)	14,007,094	(5,231,045)
Expenditures on property and equipment	(1,577,956)	(5,026,623)	(2,950,595)	(7,023,667)
Free cash flow	\$ 11,617,159	\$ (6,709,074)	\$ 11,056,499	\$ (12,254,712)
Common shares outstanding	478,946,181	406,240,640	478,946,181	406,240,640
Free cash flow per share	\$ 0.024	\$ (0.017)	\$ 0.023	\$ (0.030)



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