



## **Interim Consolidated Financial Statements**

**For the Nine Months Ended  
September 30, 2018 and 2017  
(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of TVI Pacific Inc. for the interim reporting period ended September 30, 2018, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board, and are the responsibility of the Company's management.

The Company's independent auditors, PricewaterhouseCoopers, have not performed a review of these consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

TVI Pacific Inc.  
**Unaudited Interim Consolidated Statement of Financial Position**  
**September 30, 2018**  
**(in Canadian dollars)**



	Notes	September 30, 2018	December 31, 2017
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	\$ 793,594	\$ 882,070
Short-term deposits	4	-	869
Accounts receivable		29,475	22,959
Due from related parties	6	42,247	67,172
Prepaid expenses		80,423	36,196
<b>Total current assets</b>		<b>945,739</b>	<b>1,009,266</b>
<b>Non-current assets:</b>			
Investment in equity securities	7	6,130,134	-
Investment in joint venture	8	11,097,497	11,835,177
Derivative financial instrument	5	2,063,742	664,198
Property and equipment		21,880	27,107
Other assets	9	3,123	79,515
<b>Total non-current assets</b>		<b>19,316,376</b>	<b>12,605,997</b>
<b>Total assets</b>		<b>\$ 20,262,115</b>	<b>\$ 13,615,263</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	10	\$ 183,714	\$ 148,297
Due to related parties	6	531,190	660,764
<b>Total current liabilities</b>		<b>714,904</b>	<b>809,061</b>
Deferred tax liability	11	969,759	465,162
<b>Total liabilities</b>		<b>1,684,663</b>	<b>1,274,223</b>
<b>Equity attributable to shareholders of the Company:</b>			
Share capital	12(b)	32,974,070	32,974,070
Contributed surplus	12(d)	7,095,205	7,079,878
Deficit		(17,210,303)	(24,094,125)
Translation reserves		(4,281,520)	(3,618,783)
<b>Total equity</b>		<b>18,577,452</b>	<b>12,341,040</b>
<b>Total liabilities and equity</b>		<b>\$ 20,262,115</b>	<b>\$ 13,615,263</b>

Commitment (note 18)  
Subsequent Events (note 19)

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

On behalf of the Board:

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

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

TVI Pacific Inc.  
**Unaudited Interim Consolidated Statements of Comprehensive Income (Loss)**  
**September 30, 2017 and 2018**  
**(in Canadian dollars)**



	Notes	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
<b>Expenses:</b>					
Exploration costs		\$ -	\$ 4,074	\$ -	\$ 4,074
Depreciation expense		2,216	2,697	7,014	8,370
Administrative and general costs	15	343,021	265,634	1,044,061	1,079,342
<b>Total expenses</b>		<b>345,237</b>	<b>272,405</b>	<b>1,051,075</b>	<b>1,091,786</b>
<b>Operating loss</b>		<b>(345,237)</b>	<b>(272,405)</b>	<b>(1,051,075)</b>	<b>(1,091,786)</b>
<b>Other income (expenses):</b>					
Interest income		695	478	3,529	1,077
Foreign exchange gain (loss)	17	(25,389)	136,496	(10,694)	(22,200)
Other gains (losses)	5	(559,353)	1,248	1,760,660	(65,979)
Fair market valuation of equity investment	7	(1,596,613)	-	6,391,475	-
Share of gains of associates and joint venture	8	9,305	(250,383)	315,628	152,575
<b>Other income (expenses), net</b>		<b>(2,171,355)</b>	<b>(112,161)</b>	<b>8,460,598</b>	<b>65,473</b>
Net income (loss) before income tax		(2,516,592)	(384,566)	7,409,523	(1,026,313)
Income tax recovery (expense)	11	299,784	(120,109)	(525,701)	(120,109)
<b>Net income (loss)</b>		<b>(2,216,808)</b>	<b>(504,675)</b>	<b>6,883,822</b>	<b>(1,146,422)</b>
<b>Other comprehensive income (loss):</b>					
Items that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation adjustment – foreign operations		2,949	(132,882)	10,732	72,255
Foreign currency translation adjustment – associates to equity investment		-	-	(6,251)	-
Foreign currency translation adjustment – associates and joint venture		(414,533)	120,927	(667,218)	(761,983)
<b>Comprehensive income (loss)</b>		<b>\$ (2,628,392)</b>	<b>\$ 516,630</b>	<b>\$ 6,221,085</b>	<b>\$ (1,836,150)</b>
Basic income (loss) per share	13	\$ (0.003)	\$ (0.001)	\$ 0.011	\$ (0.002)
Diluted income (loss) per share	13	(0.003)	(0.000)	0.010	(0.001)
Weighted average number of common shares	12(b)	655,537,039	655,537,039	655,537,039	655,537,039

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

TVI Pacific Inc.  
 Unaudited Interim Consolidated Statements of Changes to Equity  
 September 30, 2018 and 2017  
 (in Canadian dollars)



	Share capital (Note 12b)	Contributed surplus (Note 12d)	Deficit	Accumulated other comprehensive income (loss)	Total equity
<b>January 1, 2018</b>	<b>\$ 32,974,070</b>	<b>\$ 7,079,878</b>	<b>\$ (24,094,125)</b>	<b>\$ (3,618,783)</b>	<b>\$ 12,341,040</b>
<b>Transaction with owners</b>					
Stock-based compensation	-	15,327	-	-	15,327
<b>Total transaction with owners</b>	-	15,327	-	-	15,327
<b>Comprehensive income/(loss)</b>					
Net income	-	-	6,883,822	-	6,883,822
Other comprehensive loss:					
Adjustment of previous OCI	-	-	-	(6,251)	(6,251)
Foreign currency translation adjustment	-	-	-	(656,486)	(656,486)
<b>Total comprehensive income (loss)</b>	-	-	6,874,517	(662,737)	6,221,085
<b>September 30, 2018</b>	<b>\$ 32,974,070</b>	<b>\$ 7,095,205</b>	<b>\$ (17,210,303)</b>	<b>\$ (4,281,520)</b>	<b>\$ 18,577,452</b>
<b>January 1, 2017</b>	<b>\$ 32,974,070</b>	<b>\$ 7,019,600</b>	<b>\$ (23,453,803)</b>	<b>\$ (2,437,886)</b>	<b>\$ 14,101,981</b>
<b>Transaction with owners</b>					
Stock-based compensation	-	54,337	-	-	54,337
<b>Total transaction with owners</b>	-	54,337	-	-	54,337
<b>Comprehensive loss</b>					
Net loss	-	-	(1,146,422)	-	(1,146,422)
Other comprehensive loss:					
Foreign currency translation adjustment	-	-	-	(689,728)	(689,728)
<b>Total comprehensive loss</b>	-	-	(1,146,422)	(689,728)	(1,836,150)
<b>September 30, 2017</b>	<b>\$ 32,974,070</b>	<b>\$ 7,073,937</b>	<b>\$ (24,600,225)</b>	<b>\$ (3,127,614)</b>	<b>\$ 12,320,168</b>

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, 2018 and 2017**  
**(in Canadian dollars)**



	Notes	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income (loss) before income tax		\$ (2,516,592)	\$ (384,566)	\$ 7,400,218	\$ (1,026,313)
Adjustments for:					
Depreciation expense		2,216	2,697	7,014	8,370
Stock based compensation	12 (d)	-	5,984	15,327	54,337
Unrealized foreign exchange loss (gain)		17,869	6,896	18,719	(6,253)
Other losses (gains)	5	966,634	(1,248)	(1,353,379)	65,979
Fair market valuation of equity investment	7	1,596,613	-	(6,391,475)	-
Share of loss (gains) of associates and joint venture	8	(9,305)	250,383	(315,628)	(152,575)
Changes in working capital	16	(719,634)	(111,364)	(532,826)	(178,353)
Distribution from investment in joint venture, net of tax	8	193,621	186,723	386,089	680,594
<b>Net cash used in operating activities</b>		<b>(468,578)</b>	<b>(44,495)</b>	<b>(756,636)</b>	<b>(554,214)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Change in short-term deposits		-	7,924	869	719,243
Expenditures on property and equipment and other assets		-	-	(1,854)	(1,992)
Proceeds on sale of shares of investment in equity securities		440,378	-	669,714	-
<b>Net cash generated from investing activities</b>		<b>440,378</b>	<b>7,924</b>	<b>668,729</b>	<b>717,251</b>
Effect of foreign exchange rates on cash		-	-	(569)	(738)
Net decrease in cash and cash equivalents		(28,200)	(36,571)	(88,476)	162,299
Cash and cash equivalents at beginning of the period		821,794	575,757	882,070	376,887
<b>Cash and cash equivalents at end of the period</b>		<b>\$ 793,594</b>	<b>\$ 539,186</b>	<b>\$ 793,594</b>	<b>\$ 539,186</b>

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



**1. Corporate information, nature of operations and going concern:**

TVI Pacific Inc. ("TVI" or the "Company") is a publicly listed resource company incorporated in Alberta, Canada on January 12, 1987 under the Alberta Business Corporations Act and its shares are listed on the TSX Venture Exchange. TVI is focused on the acquisition of diversified resource projects in the Asia Pacific region and on evaluating and acquiring interests in resource projects that can be rapidly developed and put into production to generate revenue and cash flows. TVI does not presently have an active resource property but holds various equity and joint venture investments in resource companies engaged in production, development and/or exploration activities in the Philippines as well as the commercialization of plastics-to-fuel technology and biomass to fuel and energy conversion technologies in Australia and internationally.

TVI holds a 30.66% interest in TVI Resource Development Phils., Inc. ("TVIRD"). TVIRD's assets include the Canatuan project, the Balabag gold-silver project, a 60% interest in the Agata nickel laterite project and Direct Shipping Ore ("DSO") operations and interests in the Agata processing project and various other exploration properties in the Philippines. At September 30, 2018, TVI also holds a 4.43% equity interest in Integrated Green Energy Solutions Ltd ("IGES") (formerly FOY Group Limited), an ASX listed issuer engaged in the commercialization of technologies related to plastics and biomass to fuel and energy conversion and the construction of waste plastics-to-diesel conversion plants in Australia and internationally, as well as a 14.4% equity interest in Mindoro Resources Ltd. ("Mindoro"), a NEX listed issuer engaged in mining and exploration in the Philippines. At September 30, 2018, TVI is continuing to consider the results of a due diligence work program at the Cirianiu gold project in Fiji for the purpose of making an investment decision on the project once it can secure additional funding to carry out resource acquisition and development activities. TVI has established its principal business address at Suite 806, 505 2<sup>nd</sup> St. SW Calgary, Alberta, Canada T2P 1N8.

**Going Concern**

These unaudited interim consolidated financial statements ("interim financial statements") have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), as well as Canadian generally accepted accounting principles, on a going concern basis, which contemplates that assets will be realized and liabilities discharged in the normal course of business as they come due.

For the nine months ended September 30, 2018, TVI reported a net income of \$6,883,822 resulting primarily from the revaluation of its investment in IGES (September 30, 2017 - net loss \$1,146,422) and operating cash outflows of \$756,636 (September 30, 2017 - \$554,214). TVI had a working capital surplus of \$230,835 at September 30, 2018 (December 31, 2017 - \$200,205). The Company has no outstanding loans payable nor does it currently have any annual expenditure obligations as at September 30, 2018. As at September 30, 2018, TVI had an ending cash and cash equivalents and short-term deposits balance of \$793,594 (December 31, 2017 - \$882,939).

The ability of TVI to continue as a going concern is dependent on obtaining additional funding to finance ongoing operating activities and to pursue resource projects in the Asia Pacific region that can be rapidly developed and put into production to generate revenue and cash flows. This additional funding is currently provided through the sale of portions of TVI's interest in various equity holdings and possible distributions from its investment in joint venture. There can be no assurances that these funding activities will be successful; and uncertainty exists in relation to events or conditions that may cast significant doubt as to whether TVI will be able to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These interim consolidated financial statements were authorized for issue by the Board of Directors on November 14, 2018.

## 2. Basis of preparation:

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

These consolidated financial statements ("financial statements") have been prepared in accordance with IFRS issued by the International Accounting Standards Board and Interpretations of the IFRIC, as well as generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

These interim financial statements do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

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

These interim financial statements have not been reviewed by the Company's auditor.

### **(b) Changes in accounting policies**

#### *i) IFRS 9, "Financial Instruments"*

Effective January 1, 2018, the Company adopted IFRS 9, "Financial Instruments" ("IFRS 9"), which replaced IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The Company applied the new standard on a Modified Retrospective basis and, in accordance with the transitional provisions, comparative figures have not been restated.

Three principal classification categories are contained in IFRS 9 for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the company's business model for managing the financial asset. Additionally, embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9. Instead, the entire hybrid contract is assessed for classification and measurement. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Investment in Equity Securities has been measured through the application of FVTPL at September 30, 2018. Investment in Equity Securities contains TVI's investment in IGES that had been included in the Company's consolidated financial statements at December 31, 2017 in Investment in Associates. The transition to IFRS 9 at January 1, 2018 and the application of FVTPL, combined with the relisting of IGES on the ASX on January 30, 2018, has had a material impact on the Company's total assets and net income at September 30, 2018.

IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39.

With the transition to IFRS 9, the new classification and measurement of financial instruments did not have a material impact on the Company's opening retained earnings as at January 1, 2018. In addition, the application of the ECL model to financial assets classified as measured at amortized cost did not result in a material adjustment on transition.



## 2. Basis of preparation (continued):

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities.

<b>Financial Instrument</b>	<b>Measurement Category (IAS 39)</b>	<b>Measurement Category (IFRS 9)</b>
Cash and cash equivalents	Loans and receivables (measured at amortized cost)	Amortized cost
Accounts receivables	Loans and receivables (measured at amortized cost)	Amortized cost
Investment in equity securities	Fair value through profit and loss	Fair value through profit and loss
Investment in joint venture	Fair value through profit and loss	Fair value through profit and loss
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss
Accounts payable and accrued liabilities	Financial liabilities (measured at amortized cost)	Amortized cost

Impairment of Financial Assets IFRS 9 requires the application of an ECL model to financial assets measured at amortized cost, contract assets and debt investments measured at fair value through other comprehensive income. The Company has no significant impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities. The Company currently has no financial assets classified as available-for-sale, nor any hedging activities, and does not have any significant accounts receivable and therefore the impact of the ECL model has not had a significant impact on the Company upon adoption. There has also been no impact on the accounting for financial liabilities, as the Company does not have financial liabilities that are designated at fair value through profit or loss.

### *ii) IFRS 15, "Revenue from Contracts with Customers"*

The Company adopted IFRS 15 effective January 1, 2018, which replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

The standard was adopted using the Modified Retrospective approach. The Company elected to apply IFRS 15 retrospectively only to contracts that were not completed as at January 1, 2018 and, for modified contracts, elected to evaluate the original contract together with any contract modifications at the date of initial application.

The adoption of IFRS 15 did not materially impact the timing or measurement of revenue and did not result in an adjustment to the balance of Retained Earnings at January 1, 2018.

## 3. Financial risk management:

The Company's activities expose it to a variety of financial risks: market risk (currency risk and interest rate risk), liquidity risk and credit risk.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with TVI's audited consolidated financial statements for the year ended December 31, 2017.

### 3. Financial risk management (continued):

#### a) Financial risk management

##### i) Currency risk

For the nine months ended September 30, 2018, the impact on net income (loss) if the US Dollar moved by 5% against the Canadian Dollar, with all other variables held constant, would be \$21,658.

The impact on net income (loss) if the Australian Dollar moved by 5% against the Canadian Dollar, with all other variables held constant would be \$409,694.

The impact on net income (loss) if the Philippine Peso moved by 5% against the Canadian Dollar, with all other variables held constant would be \$1,313.

The impact on net income (loss) of other currencies with all other variables held constant is not material for disclosure.

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

	Average rate		Spot rate	
	Six months ended September 30, 2018	Year ended December 31, 2017	September 30, 2018	December 31, 2017
Canadian Dollar/US Dollar	1.2876	1.2986	1.2945	1.2545
Canadian Dollar/ Australian Dollar	0.9757	0.9951	0.9356	0.9801
Canadian Dollar/ Philippine Peso	0.0245	0.0258	0.0240	0.0252

##### ii) Interest rate risk

The Company reviews its exposure to interest rate risk through ongoing monitoring of actual interest rates with market interest rates. The Company has no significant exposure to interest rate risk as it has no loans payable and no significant investments in short-term deposits while cash in banks earns interest at the prevailing bank deposit rates.

##### iii) Liquidity risk

As at September 30, 2018, the Company has a \$0.2 million working capital surplus, as compared to an equivalent working capital surplus of \$0.2 million at December 31, 2017.

The table below summarizes the Company's financial liabilities by relevant maturity groupings based on contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not considered to be significant.

	September 30, 2018	December 31, 2017
Due within 12 months:		
Accounts payable and accrued liabilities	\$ 183,714	\$ 148,297
Due to related parties	531,190	660,764
	<u>\$ 714,904</u>	<u>\$ 809,061</u>

The Company remains focused upon conserving cash through reducing expenditures and expects also possible distributions from its investment in joint venture and the sale of portions of its interest in various equity holdings to help settle liabilities and be a source of funding to help the Company pursue resource projects that can be rapidly developed and put into production to generate revenue and cash flows. Risk nonetheless exists that the Company may not be successful in its various cash raising efforts.

Note 10 includes a further breakdown and explanation of accounts payable and accrued liabilities.

### 3. Financial risk management (continued):

#### iv) Credit risk

The carrying amounts of cash and cash equivalents, short-term deposits, accounts receivable, due from related parties, derivative financial instruments, and other assets at September 30, 2018 and December 31, 2017 represent the Company's maximum credit risk exposure.

#### b) Fair value measurements recognized in the statement of financial position

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

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value disclosed for the derivative financial instrument (note 5) and option to purchase TVIRD shares (note 9) were classified under Level 3.

During the nine months ended September 30, 2018, there were no transfers between levels in the fair value hierarchy of any fair value measurements nor were there changes in valuation techniques.

The carrying value of the Company's financial assets and liabilities consisting of cash and cash equivalents, short-term deposits, accounts receivable, due from and to related parties and accounts payable and accrued liabilities, approximate their fair values at September 30, 2018 and December 31, 2017 due to their short-term nature.

#### c) Capital risk management

The Company monitors capital on the basis of the debt-to-equity ratio and the debt-to-assets ratio. Debt is composed of accounts payable and accrued liabilities and due to related parties. Equity comprises all components of equity other than amounts in accumulated other comprehensive income. Assets are defined as the Company's total current and non-current assets. The Company's strategy is to improve the debt to equity ratio in order to secure access to financing at a reasonable cost by maintaining a good credit rating.

	September 30, 2018		December 31, 2017	
Debt	\$	714,904	\$	809,061
Equity		22,849,667		15,959,823
Assets		20,667,343		13,615,263
Debt-to-equity		3%		5%
Debt-to-assets		3%		6%

### 4. Cash and cash equivalents and short-term deposits:

Cash and cash equivalents and short-term deposits consist of:

	September 30, 2018		December 31, 2017	
Cash on hand	\$	700	\$	729
Cash in banks		496,794		881,341
Money market		296,100		-
Total cash on hand and in banks		793,594		882,070
Short-term deposits		-		869
	\$	793,594	\$	882,939

**4. Cash and cash equivalents and short-term deposits (continued):**

Cash in banks and short-term deposits earn interest at the prevailing bank deposit rates. The carrying amounts of cash and cash equivalents approximate their fair value.

Cash and cash equivalents and short-term deposits are denominated in the following currencies (Canadian Dollar equivalents):

	September 30, 2018		December 31, 2017	
Canadian Dollars	\$	326,067	\$	83,803
US Dollars		433,478		762,963
Philippine Pesos		34,049		36,173
	\$	793,594	\$	882,939

Cash and cash equivalents and short-term deposits are held in the following countries:

	September 30, 2018		December 31, 2017	
Canada	\$	638,362	\$	761,202
Philippines		110,797		78,453
Others		44,435		43,284
	\$	793,594	\$	882,939

**5. Derivative financial instrument:**

As at September 30, 2018, TVI holds a total of 9,158,621 options to purchase IGES shares with a conversion price of A\$0.20 and expiry date of December 31, 2019.

The conversion options are accounted for as a derivative financial instrument and are separately accounted for at fair value. The conversion options are as follows:

	September 30, 2018		December 31, 2017	
Beginning balance	\$	664,198	\$	798,705
Gain (loss) on revaluation		1,429,701		(142,241)
Foreign currency translation		(30,157)		7,734
	\$	2,063,742	\$	664,198

IGES relisted on the ASX on January 30, 2018 and conversion options at September 30, 2018 reflect the market value of IGES securities after consideration of conversion price.

Adjustments in the fair value of the options to purchase IGES shares have contributed to Other Gains (Losses) as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revaluation of derivative financial instrument	\$ (660,533)	\$ 1,248	\$ 1,429,701	\$ (65,979)
Gain on sale of investment in IGES	177,502	-	407,281	-
Write-off TVIRD option to purchase	(76,322)	-	(76,322)	-
	\$ (559,353)	\$ 1,248	\$ 1,760,660	\$ (65,979)

**6. Related party transactions:**

The interim consolidated financial statements include the financial statements of TVI and the following subsidiaries, affiliates, associates and joint venture:

	Country of Incorporation	% Equity interest (Direct and Indirect)	
		September 30, 2018	December 31, 2017
Subsidiaries of TVI:			
TVI Limited	Anguilla	100%	100%
TG World Energy Corp	Canada	100%	100%
TVI Asia-Pacific Resources Corporation	Philippines	100%	100%
TVI International Marketing Limited	Hong Kong	100%	100%
TVI Minerals Processing Inc.	Philippines	90%	90%
TG World (BVI) Corporation	British Virgin Islands	100%	100%
TG World Petroleum Limited	Bahamas	100%	100%
TG World Energy Inc.	United States	100%	100%

	Country of Incorporation	% Equity interest (Direct and Indirect)	
		September 30, 2018	December 31, 2017
Associates/Joint Venture:			
TVIRD and affiliates	Philippines	30.66%	30.66%
IGES <sup>(1)</sup>	Australia	4.43%	19.54%
Mindoro	Canada	14.40%	14.40%

(1) IGES was reclassified at March 31, 2018 to Investment in Equity Securities following the dilution of TVI's interest in IGES to 5.14 % as a result of a capital raise by IGES at the time of its relisting on the ASX in January 2018. As such, IGES is no longer considered an Associate.

Transactions with related parties are entered into at the exchange amounts which are the amounts established and agreed to by the parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

**(a) Due from related parties**

	September 30, 2018	December 31, 2017
TVIRD	\$ 27,742	\$ 28,646
IGES	-	31,368
Seajay Management Enterprises Ltd. ("Seajay Management")	13,496	4,381
Regent Parkway 3202 Management Inc. ("Regent Parkway")	1,009	2,777
	\$ 42,247	\$ 67,172

The Company's receivable from TVIRD relates to reimbursable expenses and services provided by TVI Pacific to TVIRD, while the receivable from IGES relates to outstanding interest on previously provided loans that was received in full by TVI through 2018. The receivable from Seajay Management, a corporation owned by the President of the Company, represents an advance payment for management fees, travel costs and support staff.

During the three and nine months ended September 30, 2018, the Company also incurred expenses of \$49,121 and \$137,397 (September 30, 2017 - \$46,138 and \$149,402) for administrative services provided by Regent Parkway, a corporation controlled by a director and officer of TVIRD. The receivable from Regent Parkway represents an advance payment of \$1,009 as at September 30, 2018 (December 31, 2017 - \$2,777) due back to TVI.

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

**(b) Due to related parties**

	September 30, 2018	December 31, 2017
Seajay Management	\$ 280,875	\$ 307,625
Director's fee	246,125	348,750
TVIRD	4,190	4,389
	<b>\$ 531,190</b>	<b>\$ 660,764</b>

Commencing February 1, 2016, payment of management fees related to services of the President, and as charged by Seajay Management, were deferred as the Company is actively working to conserve cash. Management fees related to calendar year 2016 were settled in 2018 while the balance of past year and current year charges continue to be deferred.

Commencing January 1, 2016, also, payment of directors' fees was deferred as the Company is actively working to conserve cash. Deferred directors' fees include \$26,125 and \$95,375 incurred during the three and nine months ended September 30, 2018 (September 30, 2017 - \$26,125 and \$120,625). Directors' fees related to calendar year 2016 were settled in 2018 while the balance of past year and current year charges continue to be deferred.

**7. Investment in equity securities:**

**(a) Investment in Integrated Green Energy Solutions Ltd (formerly FOY Group)**

IGES is a publicly listed company incorporated in Australia, with shares listed on the ASX. Its annual reporting period ends at June 30. TVI holds 16,098,496 shares as at September 30, 2018, representing a 4.43% holding as compared to a 19.54% interest at December 31, 2017. TVI also holds a total of 9,158,621 options to purchase IGES shares with a conversion price of A\$0.20 and expiry date of December 31, 2019.

TVI's interest in IGES was diluted to 5.22% at the time of IGES' relisting on the ASX in January 2018 as a result of a A\$6.447 million (\$6.3 million) capital raise completed by IGES and the issue of 32,235,000 shares to participants in the prospectus as well as the issue of 209,700,000 shares to the IGE shareholder's nominees as consideration for the business assets defined in their Business Sale Agreement with Integrated Green Energy Limited ("IGE"). The issue of a further 26,817,265 shares by IGES through 2018 to raise additional working capital and to fund business development, together with the part divestment of interest previously held by TVI, has diluted TVI's interest further to 4.43% at September 30, 2018. The ASX has advised that all shares and unlisted options held by TVI are not subject to any ASX restrictions.

The Investment in equity securities related to IGES is calculated as follows:

	IGES	Mindoro	Total
January 1, 2017	\$ 636,801	\$ -	\$ 636,801
Share of net loss	(1,388,766)	-	(1,388,766)
Dilution gain on investment in associate	751,965	-	751,965
December 31, 2017	\$ -	\$ -	\$ -
Gain on recognition of equity investment and revaluation	6,385,224	-	6,385,224
Sale of 1,494,412 shares	(255,090)	-	(255,090)
September 30, 2018	<b>\$ 6,130,134</b>	<b>\$ -</b>	<b>\$ 6,130,134</b>

- TVI adopted IFRS 9 'Financial Instruments' on January 1, 2018, that introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39 (see Changes in Accounting Policies). This has had the effect at September 30, 2018 of reporting TVI's investment in IGES, reclassified at September 30, 2018 from Investment in Associate to Investment in Equity Securities, through application of FVTPL (note 2(b)).

**7. Investment in equity securities (continued):**

The Company has determined that its significant influence ceased to exist as a result of the resignation of the TVI representative from the IGES Board in September 2017 and the dilution of TVI's equity interest in IGES that resulted from IGES' successful capital raise in January 2018 following its relisting on the ASX.

Adjustments in the fair value of the Investment in IGES have contributed to Other Gains (Losses) as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Fair market value financial instrument	\$ (1,596,613)	\$ -	\$ 6,385,224	\$ -
Reclassification of cumulative OCI previous years	-	-	6,251	-
	\$ (1,596,613)	\$ -	\$ 6,391,475	\$ -

**(b) Investment in Mindoro**

Mindoro is a publicly listed company incorporated in Canada with shares listed on the NEX. The annual reporting period of Mindoro ends as at December 31.

As at September 30, 2018, TVI holds 42,779,353 common shares of Mindoro, representing a 14.4% holding in the capital of Mindoro.

The book value of the Company's investment in Mindoro was reduced to \$nil in March 2014 as a result of recording TVI's proportionate share of net losses since having acquired the investment. As at December 31, 2017, a further proportionate share of net losses of \$3,453,128 had been incurred by Mindoro and will offset any future proportionate share of net income that Mindoro may realize. Mindoro has not yet published financial statements for the period ending September 30, 2018 as at the date of these consolidated financial statements of TVI and any further accrued net losses are therefore unknown.

**8. Investment in joint venture:**

	September 30, 2018	
Investment in joint venture at January 1, 2017	\$	12,837,563
Share of net income		1,457,170
Share of other comprehensive income (loss)		(48,798)
Foreign exchange revaluation of other comprehensive income		(1,174,700)
Cash distribution from joint venture received, net of taxes of \$218,128		(1,236,058)
Investment in joint venture at December 31, 2017		11,835,177
Share of net income		315,628
Share of other comprehensive income (loss)		(667,218)
Cash distribution from joint venture received, net of taxes of \$68,133		(386,090)
Investment in joint venture at September 30, 2018	\$	11,097,497

TVI continues to hold 30.66% of the issued and outstanding shares of TVIRD (through TVI Marketing). TVIRD continues to be the operator of the Agata joint ventures.

## 8. Investment in joint venture (continued):

TVIRD has issued the following cash dividends through 2018, all of which have been received by TVI Marketing as the direct shareholder of TVIRD:

Date Received	Total TVIRD Dividend Declared		Total TVI International Marketing Share			
			Prior to Philippine Dividend Tax		Net of Philippine Dividend Tax	
	PHP (millions)	\$CAD (thousands)	PHP (millions)	\$CAD (thousands)	PHP (millions)	\$CAD (thousands)
Apr. 20, 2018	30.0	\$ 737.1	9.2	\$ 226.0	7.8	\$ 192.1
July 19, 2018	30.0	\$ 743.0	9.2	\$ 228.0	7.8	\$ 194.0
<b>Total Dividend</b>	<b>60.0</b>	<b>\$ 1,480.1</b>	<b>18.4</b>	<b>\$ 454.0</b>	<b>15.6</b>	<b>\$ 386.1</b>

## 9. Other assets:

Other assets are composed of:

	September 30, 2018		December 31, 2017	
Option to purchase TVIRD shares	\$	-	\$	76,322
Others		3,123		3,193
	\$	3,123	\$	79,515

TVI entered into an Option Agreement in April 2014 to acquire the remaining Class B shares of TVIRD held by a non-controlling interest holder, representing a 0.92% interest in TVIRD, upon execution of TVIRD's listing on the PSE. The option requires the listing of TVIRD to take place no later than five (5) years from the execution date of the option, or by March 31, 2019, and the sale and purchase to be completed within 30 days from date of listing on the PSE. The total net purchase price is US \$500,000, of which \$232,000 has been paid.

TVI has assessed the probability of TVIRD being able to complete a listing on the PSE prior to the March 31, 2019 expiry date of the Option and has considered the time by which a listing could be achieved extends beyond this date. As such, TVI has written-down the remaining carrying value of the Option to nil at September 30, 2018, resulting in \$76,322 being carried into the Income Statement for the period.

## 10. Accounts payable and accrued liabilities:

Account consists of the following:

	September 30, 2018		December 31, 2017	
Trade payables	\$	88,104	\$	52,926
Other accrued expenses		95,610		95,371
	\$	183,714	\$	148,297

Accrued expenses include accruals of personnel expenses, consultancy and other professional fees.

## 11. Income taxes:

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
Current tax expense (recovery)	\$	-	\$	-
Deferred tax expense (recovery)		525,701		120,109
	\$	525,701	\$	120,109





**11. Income tax (continued):**

During the nine months ended September 30, 2018 TVI Pacific recognized deferred tax expense of \$525,701 (September 30, 2017 – \$120,109) pertaining to Canadian capital gains tax payable in relation to the gain on fair value of investment in equity securities (note 2(b) and note 7) and the derivative financial instrument (note 5), which has been offset by the full previously unrecorded capital loss carryforward of \$0.9 million and calculated at a tax rate of 28%.

Deferred tax liability of \$969,759 at September 30, 2018 pertains to TVI Minerals' deferred tax on unrealized foreign exchange gains from intercompany accounts \$444,058 (December 31, 2017 - \$465,162) and capital gains arising from TVI Pacific's revaluation of IGES (investment in equity securities) and derivative financial instrument \$525,701, (December 31, 2017 - \$nil).

**12. Share capital:**

**(a) Authorized**

Unlimited common voting shares without nominal or par value.

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

**(b) Issued and fully paid**

The total number of common shares since January 1, 2018 up to September 30, 2018 was 655,537,039 (September 30, 2017 – 655,537,039 common shares) in the amount of \$32,974,070 (September 30, 2017 - \$32,974,070).

**(c) Share options**

The Company has a share option plan pursuant to which options may be granted to directors, officers, and employees of the Company. The options generally vest over a period of up to three (3) years and expire no more than five (5) years from the date of grant.

There were no share options granted during the nine months ended September 30, 2018, and no share options granted during the twelve months ended December 31, 2017.

	September 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	43,450,000	\$ 0.015	57,600,000	\$ 0.018
Issued	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	(1,333,335)	0.016
Expired	-	-	(12,816,665)	0.026
Options outstanding, end of period	43,450,000	\$ 0.015	43,450,000	\$ 0.015
Options exercisable, end of period	43,450,000	\$ 0.015	38,449,997	\$ 0.015

Price range	Number outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$ 0.015 to 0.020	43,450,000	0.015	43,450,000

## 12. Share capital (continued):

### (d) *Stock-based compensation and contributed surplus*

During the three and nine months ended September 30, 2018, \$nil and \$15,327 (September 30, 2017 - \$5,984 and \$54,337) of stock-based compensation was charged to the consolidated statement of comprehensive income.

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
Contributed surplus, beginning of period	\$	7,079,878	\$	7,019,600
Stock-based compensation		15,327		66,815
Options forfeited		-		(12,478)
Contributed surplus, end of period	\$	7,095,205	\$	7,073,937

## 13. Per share data:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net income (loss)	\$ (2,216,808)	\$ (504,675)	\$ 6,883,822	\$ (1,146,422)
Weighted average number of shares, basic	655,537,039	655,537,039	655,537,039	655,537,039
Weighted average numbers of shares, diluted	699,037,039	707,337,039	699,037,039	707,337,039
Basic income (loss) per share	(0.003)	(0.000)	0.011	(0.001)
Diluted income (loss) per share	(0.003)	(0.000)	0.010	(0.001)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares consisting of share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

## 14. Segmented information:

The Company's revenue from mining, extraction, production and selling of metal concentrates is indirectly recognized within the Company's investment in joint venture, through the application of the equity method. The Company's segmented information is reported in the same way as internal reporting provided to TVI's executive management to make decisions about resource allocation and performance assessment of the operating segments.

The Company has two reporting segments:

- mining exploration in Fiji and investments in associates and joint venture with mining activities in the Philippines and Papua New Guinea; and
- petroleum exploration in the Philippines.

The Company's corporate operations do not earn revenue and incurs expenses that are considered incidental to the activities of the Company and therefore do not meet the definition of an operating segment as defined in IFRS 8, *Operating Segments*.



14. Segmented information (continued):

Geographic information:

	Revenues		Property and equipment assets	
	Nine months ended September 30, 2018	Nine months ended September 30, 2017	September 30, 2018	December 31, 2017
Philippines	\$ -	\$ -	\$ -	\$ -
Papua New Guinea	-	-	-	-
Canada	-	-	21,880	27,107
	\$ -	\$ -	\$ 21,880	\$ 27,107

The mining segment's operating results in the table below include TVI's 30.66% interest in TVIRD for which summarized financial information is presented in note 8, interest in IGES and Mindoro (note 7), as well as exploration costs incurred in Fiji.

**TVI Pacific Inc.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**September 30, 2018 and 2017**  
**(in Canadian dollars)**



	Three months ended September 30, 2018				Three months ended September 30, 2017			
	Mining	Petroleum Exploration	Corporate	Total	Mining	Petroleum Exploration	Corporate	Total
Administrative and general costs	\$ -	\$ (12,301)	\$ (330,720)	\$ (343,021)	\$ -	\$ (9,295)	\$ (256,339)	\$ (265,634)
Exploration costs	-	-	-	-	(4,074)	-	-	(4,074)
Depreciation expense	-	-	(2,216)	(2,216)	-	(40)	(2,657)	(2,697)
	-	(12,301)	(332,936)	(345,237)	(4,074)	(9,335)	(258,996)	(272,405)
Interest income	-	26	669	695	-	57	421	478
Foreign exchange gains (loss)	-	(371)	(25,018)	(25,389)	-	163,442	(26,946)	136,496
Other gains (losses)	(483,031)	-	(76,322)	(559,353)	1,248	-	-	1,248
Fair valuation of equity investment	(1,596,613)	-	-	(1,596,613)	-	-	-	-
Share of gains of associates and joint venture	9,305	-	-	9,305	(250,383)	-	-	(250,383)
Net income (loss) before income tax	\$ (2,070,339)	\$ (12,646)	\$ (433,607)	\$ (2,516,592)	\$ (253,209)	\$ 154,164	\$ (285,521)	\$ (384,566)
Income tax expense	299,784	-	-	299,784	-	-	(120,109)	(120,109)
Net income (loss)	\$ (1,770,555)	\$ (12,646)	\$ (434,607)	\$ (2,216,808)	\$ (253,209)	\$ 154,164	\$ (405,630)	\$ (504,675)
Assets	\$ 17,227,631	\$ 140,849	\$ 2,893,635	\$ 20,262,115	\$ 12,064,252	\$ 145,832	\$ 1,530,391	\$ 13,740,475
Liabilities	-	-	1,684,663	1,684,663	-	-	1,420,837	1,420,837
Capital expenditures	-	-	1,854	1,854	-	-	-	-

	Nine months ended September 30, 2018				Nine months ended September 30, 2017			
	Mining	Petroleum Exploration	Corporate	Total	Mining	Petroleum Exploration	Corporate	Total
Administrative and general costs	\$ -	\$ (35,870)	\$ (1,008,191)	\$ (1,044,061)	\$ -	\$ (33,479)	\$ (1,045,863)	\$ (1,079,342)
Exploration costs	-	-	-	-	(4,074)	-	-	(4,074)
Depreciation expense	-	-	(7,014)	(7,014)	-	(120)	(8,250)	(8,370)
	-	(35,870)	(1,015,205)	(1,051,075)	(4,074)	(33,599)	(1,054,113)	(1,091,786)
Interest income	-	63	3,466	3,529	-	108	969	1,077
Foreign exchange gains (loss)	-	1,609	(12,303)	(10,694)	-	(6,840)	(15,360)	(22,200)
Other gains (losses)	1,836,982	-	(76,322)	1,760,660	(65,979)	-	-	(65,979)
Fair valuation of equity investment	6,391,475	-	-	6,391,475	-	-	-	-
Share of gains of associates and joint venture	315,628	-	-	315,628	152,575	-	-	152,575
Net income (loss) before income tax	\$ 8,544,085	\$ (34,198)	\$ (1,100,364)	\$ 7,409,523	\$ 82,522	\$ (40,331)	\$ (1,068,504)	\$ (1,026,313)
Income tax expense	(525,701)	-	-	(525,701)	-	-	(120,109)	(120,109)
Net income (loss)	\$ 8,018,384	\$ (34,198)	\$ (1,100,364)	\$ 6,883,822	\$ 82,522	\$ (40,331)	\$ (1,118,613)	\$ (1,146,422)
Assets	\$ 17,227,631	\$ 140,849	\$ 2,893,635	\$ 20,262,115	\$ 12,064,252	\$ 145,832	\$ 1,530,391	\$ 13,740,475
Liabilities	-	-	1,684,663	1,684,663	-	-	1,420,837	1,420,837
Capital expenditures	-	-	1,854	1,854	-	-	-	-



**15. Administrative & General expenses by nature:**

	Nine months ended September 30	
	2018	2017
Personnel costs	\$ 448,360	\$ 401,882
Professional fees	164,116	149,091
Contracted services	154,021	180,230
Travel and transportation	83,073	90,660
Rent	67,534	72,120
Insurance	48,022	44,780
Advertising and investor relations	38,557	60,146
Stock-based compensation	15,327	54,337
Taxes and licenses	8,494	11,624
Utilities	7,879	7,441
Materials and freight	2,643	(1,161)
Others	6,035	8,192
<b>Total administrative and general costs</b>	<b>\$ 1,044,061</b>	<b>\$ 1,079,342</b>

**16. Changes in working capital:**

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Accounts receivable	\$ (7,415)	\$ (1,439)	\$ (6,516)	\$ 1,067
Investment in equity securities	(551,239)	-	(408,374)	-
Prepaid expenses	30,686	30,607	(42,579)	(5,296)
Trade accounts payables and accrued liabilities	49,830	(188,424)	17,853	(414,003)
Due to/from related parties	(241,496)	47,892	(93,210)	239,879
	\$ (719,634)	\$ 111,364	\$ (532,826)	\$ 178,353

**17. Foreign exchange gain:**

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Unrealized foreign exchange gain (loss)	\$ (7,519)	\$ 145,958	\$ 8,024	\$ (13,140)
Realized foreign exchange gain (loss)	(17,870)	(9,462)	(18,718)	(9,060)
	\$ (25,389)	\$ 136,496	\$ (10,694)	\$ (22,200)

The unrealized foreign exchange gain (loss) during the period ended September 30, 2018 and 2017 pertains mainly to the revaluation of derivative financial instrument while realized foreign exchange gain during the period ended September 30, 2018 and 2017 pertains mainly to the conversion of \$US bank accounts.



**18. Commitment:**

The Company has entered into a lease contract with respect to its corporate office premises that has commenced on April 1, 2015. The initial lease was for a three-year term through to March 31, 2018 but has been extended under the same terms to December 31, 2018. The remaining total rent payments up to the end of the lease contract in December 2018 amounts to \$14,385, inclusive of base rent, estimated operating expense and taxes. The Company has sublet a portion of its corporate office premises through to the date of expiration of its extended lease contract at December 31, 2018 as it continues to focus to reduce expenditures and to conserve cash.

**19. Subsequent Events:**

TVI divested of a further 105,000 shares of IGES through November 14, 2018 at an average share price of A\$0.404 (\$0.381) to generate net proceeds of approximately \$39,686, reducing TVI's equity interest in IGES to 4.19%, when considering also the further issue of 14,964,862 ordinary securities by IGES on October 11, 2018 for the purpose of providing working capital to fund continuing business development in China, Hong Kong and the UK.



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TSX Venture Exchange Symbol : TVI

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