Pacific Inc.

# Interim Consolidated Financial Statements

**For the Three Months Ended**
**March 31, 2019 and 2018**
**(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 March 31, 2019, 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 LLP, 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 Statements of Financial Position
## March 31, 2019
## (in Canadian dollars)

| | Notes | March 31, 2019 | December 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 4 | $ 863,208 | $ 686,875 |
| Accounts receivable | | 23,392 | 22,810 |
| Due from related parties | 6 | 19,303 | 19,664 |
| Prepaid expenses | | 46,238 | 80,389 |
| Derivative financial instrument | 5 | 686,444 | 1,234,500 |
| Investment in equity securities – current portion | 7 | - | 269,556 |
| **Total current assets** | | **1,638,585** | **2,313,794** |
| **Non-current assets:** | | | |
| Investment in equity securities | 7 | 3,563,382 | 4,534,411 |
| Investment in joint venture | 8 | 12,456,032 | 12,842,022 |
| Property and equipment | | 19,525 | 19,795 |
| Other assets | | 3,315 | 3,378 |
| **Total non-current assets** | | **16,042,254** | **17,399,606** |
| **Total assets** | | **$ 17,680,839** | **$ 19,713,400** |
| **Liabilities and Shareholders' Equity** | | | |
| **Current liabilities:** | | | |
| Accounts payable and accrued liabilities | 9 | $ 193,526 | $ 189,438 |
| Due to related parties | 6 | 606,897 | 549,899 |
| **Total current liabilities** | | **800,423** | **739,337** |
| Deferred tax liability | 10 | 1,098,984 | 1,118,214 |
| **Total liabilities** | | **1,899,407** | **1,857,551** |
| **Equity attributable to shareholders of the Company:** | | | |
| Share capital | 11(b) | 32,974,070 | 32,974,070 |
| Contributed surplus | 11(d) | 7,095,205 | 7,095,205 |
| Deficit | | (20,847,622) | (19,030,996) |
| Translation reserves | | (3,440,221) | (3,182,430) |
| **Total equity** | | **15,781,432** | **17,855,849** |
| **Total liabilities and equity** | | **$ 17,680,839** | **$ 19,713,400** |

Commitment (note 16)
Subsequent Events (note 17)

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)**
**March 31, 2019 and 2018**
**(in Canadian dollars)**

| | Notes | Three months ended March 31 2019 | 2018 |
|---|---|---|---|
| **Expenses**: | | | |
| Depreciation expense | | $ 1,509 | $ 2,436 |
| Administrative and general costs | 13 | 338,786 | 343,277 |
| **Total expenses** | | **340,295** | **345,713** |
| **Operating loss** | | **(340,295)** | **(345,713)** |
| **Other income (expenses):** | | | |
| Interest income | | 1,127 | 1,207 |
| Foreign exchange gain (loss) | 15 | (21,964) | 22,670 |
| Other gains (losses) | 5 | (304,184) | 1,313,161 |
| Fair market valuation of equity investment | 7 | (1,240,585) | 6,605,483 |
| Share of gains (losses) of joint venture | 8 | 89,275 | (220,373) |
| **Other income (expenses), net** | | **(1,476,331)** | **7,722,148** |
| Net income (loss) before income tax | | (1,816,626) | 7,376,435 |
| Income tax recovery (expense) | 10 | - | (478,916) |
| **Net income (loss)** | | **$ (1,816,626)** | **$ 6,897,519** |
| **Other comprehensive income (loss):** | | | |
| Items that may be reclassified to profit or loss in subsequent periods: | | | |
| Foreign currency translation adjustment – foreign operations | | 17,184 | 9,240 |
| Foreign currency translation adjustment – associate to equity investment | | - | (6,251) |
| Foreign currency translation adjustment – associates and joint venture | | (274,975) | (302,241) |
| **Comprehensive income (loss)** | | **$ (2,074,417)** | **$ 6,598,267** |
| Basic income (loss) per share | 12 | $ (0.003) | $ 0.011 |
| Diluted income (loss) per share | | (0.003) | 0.011 |
| Weighted average number of common shares | 11(b) | 655,537,039 | 655,537,039 |

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

**(in Canadian dollars)**

| | Share capital (Note 11b) | Contributed surplus (Note 11d) | Deficit | Accumulated other comprehensive income (loss) | Total equity |
|---|---|---|---|---|---|
| **January 1, 2019** | **$ 32,974,070** | **$ 7,095,205** | **$ (19,030,996)** | **$ (3,182,430)** | **$ 17,855,849** |
| **Transaction with owners** | | | | | |
| Stock-based compensation | - | - | - | - | - |
| **Total transaction with owners** | - | - | - | - | - |
| **Comprehensive income/(loss)** | | | | | |
| Net loss | - | - | (1,816,626) | - | (1,816,626) |
| Other comprehensive loss: | | | | | |
| Foreign currency translation adjustment | - | - | - | (257,791) | (257,791) |
| **Total comprehensive income (loss)** | - | - | (1,816,626) | (257,791) | (2,074,417) |
| **March 31, 2019** | **$ 32,974,070** | **$ 7,095,205** | **$ (20,847,622)** | **$ (3,440,221)** | **$ 15,781,432** |
| **January 1, 2018** | **$ 32,974,070** | **$ 7,079,878** | **$ (24,094,125)** | **$ (3,618,783)** | **$ 12,341,040** |
| **Transaction with owners** | | | | | |
| Stock-based compensation | - | 5,533 | - | - | 5,533 |
| **Total transaction with owners** | - | 5,533 | - | - | 5,533 |
| **Comprehensive income/(loss)** | | | | | |
| Net income | - | - | 6,897,519 | - | 6,897,519 |
| Other comprehensive loss: | | | | | |
| Adjustment of previous OCI | - | - | - | (6,251) | (6,251) |
| Foreign currency translation adjustment | - | - | - | (293,001) | (293,001) |
| **Total comprehensive income (loss)** | - | - | 6,897,519 | (299,252) | 6,598,267 |
| **March 31, 2018** | **$ 32,974,070** | **$ 7,085,411** | **$ (17,196,606)** | **$ (3,918,035)** | **$ 18,944,840** |

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

**TVI Pacific Inc.**
**Unaudited Interim Consolidated Statements of Cash Flows**
**March 31, 2019 and 2018**
**(in Canadian dollars)**

| | Notes | Three months ended March 31 2019 | | 2018 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net income (loss) before income tax | $ | (1,816,626) | $ | 7,376,435 |
| Adjustments for: | | | | |
| Depreciation expense | | 1,509 | | 2,436 |
| Stock based compensation | 11(d) | - | | 5,533 |
| Unrealized foreign exchange loss (gain) | | 18,551 | | (7,395) |
| Other losses (gain) | 5 | 304,184 | | (1,313,604) |
| Fair market valuation of equity investments | | 1,240,585 | | (6,605,483) |
| Share of losses (gains) of joint venture | 8 | (89,275) | | 220,373 |
| Changes in working capital | 14 | 315,566 | | 133,552 |
| Distribution from investment in joint venture, net of tax | | 200,290 | | - |
| **Net cash used in operating activities** | | **174,784** | | **(187,710)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Change in short-term deposits | | - | | 869 |
| Expenditures on property and equipment and other assets | | (1,239) | | (2,219) |
| **Net cash generated from investing activities** | | **(1,239)** | | **(1,350)** |
| Effect of foreign exchange rates on cash | | 2,788 | | (569) |
| Net decrease in cash and cash equivalents | | 176,333 | | (189,629) |
| Cash and cash equivalents at beginning of the period | | 686,875 | | 882,070 |
| **Cash and cash equivalents at end of the period** | **$** | **863,208** | **$** | **692,441** |

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 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 March 31, 2019, TVI also holds a 3.72% equity interest and options to acquire additional equity interests in Integrated Green Energy Solutions Ltd ("IGES"), an ASX listed issuer engaged in the commercialization of technologies related to plastics and biomass to fuel and energy conversion and the construction of a waste plastics-to-diesel conversion plant 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 March 31, 2019, TVI continues to carry out 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 2nd St. SW Calgary, Alberta, Canada T2P 1N8.

### Going Concern

These consolidated 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 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.

For the three months ended March 31, 2019, TVI reported a net loss of $1,816,626 (March 31, 2018 - net income $6,897,519) resulting primarily from a decrease in the fair value of equity investments and derivative assets offset by operating cash inflows of $174,784 (March 31, 2018 – operating cash outflow $208,875). TVI had a working capital surplus of $838,162 at March 31, 2019 (December 31, 2018 – $1,574,457). The Company has no outstanding loans payable nor does it currently have any annual expenditure obligations as at March 31, 2019. As at March 31, 2019, TVI had an ending cash and cash equivalents balance of $863,208 (December 31, 2018 - $686,875).

These circumstances 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. During the three months ended March 31, 2019, TVI received $0.2 million (March 31, 2018 – $nil) in dividends (net of Philippine dividend withholding tax) from TVIRD and gross proceeds of $876,000 from the sale of a portion of its investment in IGES shares (March 31, 2018 - $38,234). The Company's ability to continue as a going concern is presently dependent on the sale of portions of its interest in IGES shares and possible distributions from its joint venture investment in TVIRD, which the Company does not control, to continue its operations and to fund expenses. These undertakings, while significant, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations and, accordingly, management is pursuing other financing alternatives to fund the Company's operations and to pursue interests in resource projects in the Asia Pacific region that can be rapidly developed and put into production to generate revenue and cash flows so it can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful.

## 1. Corporate information, nature of operations and going concern (continued):

These interim consolidated financial statements were authorized for issue by the Board of Directors on May 22, 2019.

## 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, 2018.These interim financial statements have not been reviewed by the Company’s auditor.

### *(b) Basis of measurement*

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value (note 5 and note 7). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

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

*i) IFRS 16 “Leases”*

IFRS 16, “Leases” replaces IAS 17 and related interpretations. It introduces a new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases. It brings most leases on-balance sheet for lessees, eliminating the distinction between operating and finance leases. However, lessor accounting remains similar to previous guidance and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019.

Under IFRS 16 lessees may elect not to recognise assets and liabilities for leases with a lease term of 12 months or less. In such cases a lessee recognises the lease payments in profit or loss on a straight-line basis over the lease term. The exemption is required to be applied by class of underlying assets.

The Company’s current lease is for only a twelve month period and does not contain any purchase option and therefore continues to be recognized as an operating lease.

The adoption of IFRS 16 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, 2019.

**(in Canadian dollars)**

## 3. Financial risk management:

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

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, 2018.

a) *Financial risk management*

*i) Currency risk*

For the three months ended March 31, 2019:

(a) 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 $21,191.

(b) 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 $212,491.

(c) 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 $1,211.

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** | |
|---|---|---|---|---|
| | **Three months ended March 31, 2019** | **Year ended December 31, 2018** | **March 31, 2019** | **December 31, 2018** |
| Canadian Dollar/US Dollar | 1.3295 | 1.2957 | 1.3363 | 1.3642 |
| Canadian Dollar/ Australian Dollar | 0.9471 | 0.9687 | 0.9483 | 0.9616 |
| Canadian Dollar/ Philippine Peso | 0.0254 | 0.0246 | 0.0255 | 0.0258 |

*ii) Interest rate risk*

Interest rate risk relates to interest rates on cash and cash equivalents as well as to the risk of change in the borrowing rates of the Company. The Company has no outstanding loans payable, nor does it currently have any annual expenditure obligations as at March 31, 2019 and therefore the risk of a change in borrowing rates is currently irrelevant. The Company reviews its exposure to interest rate risk through regular monitoring of actual interest rates with market interest rates.

*iii) Price risk*

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments in the market or a market segment. Exposure to other price risk is primarily in investment in equity securities of IGES and derivative financial instruments where changes in quoted prices on investments in equity securities impact the underlying value of the investment and derivatives.

*iv) Liquidity risk*

As at March 31, 2019, the Company has a $0.8 million working capital surplus, as compared to a working capital surplus of $1.6 million at December 31, 2018.

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.

**(in Canadian dollars)**

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

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

| | | March 31, 2018 | | December 31, 2018 |
|---|---|---|---|---|
| Due within 12 months: | | | | |
| Accounts payable and accrued liabilities | $ | 193,526 | $ | 189,438 |
| Due to related parties | | 606,897 | | 549,899 |
| | $ | 800,423 | $ | 739,337 |

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

*v) Credit risk*

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, money market funds, derivative financial instrument, accounts receivable, due from related parties and other assets. The Company manages credit risk associated with cash by maintaining its cash and money market funds in accounts with creditworthy banks, which were approved by the Board of Directors.

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 quote 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) is classified under Level 3.

During the three months ended March 31, 2019, there were no transfers between levels in the fair value hierarchy of any fair value measurements. nor were there any changes in valuation techniques.

The carrying value of the Company's financial assets and liabilities consisting of cash and cash equivalents, money market funds, accounts receivable, due from and to related parties and accounts payable and accrued liabilities, approximate their fair values at March 31, 2019 and December 31, 2018 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 (loss). Assets are defined as the Company's total current and non-current assets. The Company's

**(in Canadian dollars)**

## 3. Financial risk management (continued):

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.

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Debt | $ | 800,423 | $ | 739,337 |
| Equity | | 19,221,653 | | 21,038,279 |
| Assets | | 17,680,839 | | 19,713,400 |
| Debt-to-equity | | 4% | | 4% |
| Debt-to-assets | | 5% | | 4% |

## 4. Cash and cash equivalents:

Cash and cash equivalents consist of:

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Cash on hand | $ | 735 | $ | 745 |
| Cash in banks | | 514,558 | | 364,600 |
| Money market | | 347,915 | | 321,530 |
| Total cash on hand and in banks | | 863,208 | | 686,875 |

Cash in banks and money market funds earn interest at the prevailing market rates. The carrying amounts of cash and cash equivalents approximate their fair value.

Cash and cash equivalents are denominated in the following currencies (Canadian Dollar equivalents):

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Canadian Dollars | $ | 406,964 | $ | 417,283 |
| US Dollars | | 424,073 | | 239,025 |
| Philippine Pesos | | 32,171 | | 30,567 |
| | $ | 863,208 | $ | 686,875 |

Cash and cash equivalents are held in the following countries:

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Canada | $ | 704,838 | $ | 522,762 |
| Philippines | | 112,619 | | 117,346 |
| Others | | 45,751 | | 46,767 |
| | $ | 863,208 | $ | 686,875 |

## 5. Derivative financial instrument:

As at March 31, 2019, 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 instrument and are separately accounted for at fair value. The conversion options are as follows:

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Beginning balance | $ | 1,234,500 | $ | 664,198 |
| Gain (loss) on revaluation | | (530,981) | | 582,839 |
| Foreign currency translation | | (17,075) | | (12,537) |
| Ending balance | $ | 686,444 | $ | 1,234,500 |

**(in Canadian dollars)**

## 5. Derivative financial instrument (continued):

IGES conversion options at March 31, 2019 reflect the market value of IGES securities after consideration of conversion price. The conversion options at March 31, 2019 were fair valued using a Black-Scholes option pricing model. At March 31, 2019, the Company used an A$0.26 IGES share price and 55% volatility as assumptions in the conversion option valuation.

Adjustments in the fair value of the options to purchase IGES shares, gain on sale of IGES shares and revaluation of the TVIRD option to purchase have contributed to Other gains (losses) as follows:

| | | Three months ended March 31, 2019 | | Three months ended March 31, 2018 |
|---|---|---|---|---|
| Revaluation of derivative financial instrument | $ | (530,982) | $ | 1,291,553 |
| Gain on sale of investment in IGES | | 226,798 | | 21,608 |
| | $ | (304,184) | $ | 1,313,161 |

## 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) | |
|---|---|---|---|
| | | March 31, 2019 | December 31, 2018 |
| 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) | |
|---|---|---|---|
| | | March 31, 2019 | December 31, 2018 |
| Associates/Joint Venture: | | | |
| TVIRD and affiliates | Philippines | 30.66% | 30.66% |
| IGES (1) | Australia | 3.72% | 3.94% |
| Mindoro | Canada | 14.40% | 14.40% |

(1) IGES was reclassified in January 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.

(in Canadian dollars)

## 6. Related party transactions (continued):

### *(a) Due from related parties*

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| TVIRD | $ | 19,303 | $ | 19,664 |

The Company's receivable from TVIRD relates to reimbursable expenses and services provided by TVI Pacific to TVIRD.

### *(b) Due to related parties*

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Seajay Management | $ | 299,910 | $ | 266,350 |
| Director's fee | | 302,375 | | 279,250 |
| Exploration Drilling Corporation | | 3,478 | | 3,527 |
| Regent Parkway | | 1,134 | | 772 |
| | $ | 606,897 | $ | 549,899 |

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 has been deferred as the Company is actively working to conserve cash. Deferred directors' fees include $23,125 incurred during the three months ended March 31, 2019 (March 31, 2018 - $23,125). 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.

During the three months ended March 31, 2019, the Company also incurred expenses of $50,055 (March 31, 2018 - $44,808) for administrative services provided by Regent Parkway, a corporation controlled by a director and officer of TVIRD.

## 7. Investment in equity securities:

### *(a) Investment in Integrated Green Solutions Ltd*

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 14,735,894 shares as at March 31, 2019, representing a 3.72% holding as compared to a 3.94% interest at December 31, 2018. 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 capital raise and issue of shares completed by IGES, together with the part divestment of an equity interest previously held by TVI, which has diluted TVI's interest further to 3.72% at March 31, 2019. The ASX has advised that all shares and unlisted options held by TVI are not subject to any ASX restrictions.

**(in Canadian dollars)**

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

TVI adopted IFRS 9 'Financial Instruments' on January 1, 2018, which introduced 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. This has had the effect of TVI reporting its investment in IGES as an investment in equity securities in 2018, measured at fair value through profit or loss ("FVTPL").

Adjustments in the fair value of the investment in equity securities of IGES have contributed to Other Gains (Loss) as follows:

| | | IGES |
|---|---|---|
| January 1, 2018 | $ | nil |
| Fair market valuation of equity investment | | 4,803,967 |
| December 31, 2018 | $ | 4,803,967 |
| Fair market valuation of equity investment | | (1,240,585) |
| March 31, 2019 | $ | 3,563,382 |

The Company's investment in IGES was reclassified from Investment in associate following the dilution of TVI's equity interest in IGES that resulted from IGES' successful capital raise in January 2018 after its relisting on the ASX. During 2017, the Company's remaining investment in associate was fully written-down to nil due to recognition of the Company's share of IGES' losses during the period.

### *(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 March 31, 2019, 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 March 31, 2019, a proportionate share of net losses in excess of $3.5 million had been incurred by Mindoro and will offset any future proportionate share of net income that Mindoro may realize at a future date.

## 8. Investment in joint venture:

| | | March 31, 2019 |
|---|---|---|
| Investment in joint venture at January 1, 2018 | $ | 11,835,177 |
| Share of net income | | 915,385 |
| Share of other comprehensive income (loss) | | (26,058) |
| Foreign exchange revaluation of other comprehensive income | | 503,608 |
| Cash distribution from joint venture received, net of taxes of $68,133 | | (386,090) |
| Investment in joint venture at December 31, 2018 | | 12,842,022 |
| Share of net loss | | 89,275 |
| Share of other comprehensive income (loss) | | (274,975) |
| Cash distribution from joint venture received, net of taxes of $35,345 | | (200,290) |
| Investment in joint venture at March 31, 2019 | $ | 12,456,032 |

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 on March 25, 2019, 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 Withholding Tax | | Net of Philippine Dividend Withholding Tax | |
| | PHP (millions) | $CAD (thousands) | PHP (millions) | $CAD (thousands) | PHP (millions) | $CAD (thousands) |
| Mar. 25, 2019 | 30.0 | $ 768.4 | 9.2 | $ 235.6 | 7.8 | $ 200.3 |

## 9. Accounts payable and accrued liabilities:

Account consists of the following:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade payables | $ 102,960 | $ 87,449 |
| Other accrued expenses | 90,566 | 101,989 |
| | $ 193,526 | $ 189,438 |

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

## 10. Income taxes:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Current tax expense (recovery) | $ | $ - |
| Deferred tax expense (recovery) | - | 478,916 |
| | $ - | $ 478,916 |

The deferred tax expense recognized for the three months ended March 31, 2018 relates to a deferred income tax liability arising from the initial recognition of TVI's investment in equity securities at fair value, calculated at a tax rate of 28% and offset by the full previously unrecorded capital loss carryforward of $0.9 million.

Deferred tax liability of $1,098,984 at March 31, 2019 (December 31, 2018 - $1,118,214) as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| TVI Minerals | $ 550,550 | $ 558,334 |
| TVI Asia-Pacific Resources Corp | 645 | 654 |
| TG World BVI Corp | 547,789 | 559,226 |
| | $ 1,098,984 | $ 1,118,214 |

## 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.

**(in Canadian dollars)**

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

***(b) Issued and fully paid***

The total number of common shares since January 1, 2019 up to March 31, 2019 was 655,537,039 (March 31, 2018 – 655,537,039 common shares) in the amount of $32,974,070 (March 31, 2018 - $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 years and expire no more than 5 years from the date of grant.

There were no share options granted during the three months ended March 31, 2019, and no share options granted during the twelve months ended December 31, 2018.

| | March 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Number of options | Weighted average exercise price | | Number of options | Weighted average exercise price | |
| Options outstanding, beginning of period | 43,450,000 | $ | 0.015 | 43,450,000 | $ | 0.015 |
| Issued | - | | - | - | | - |
| Exercised | - | | - | - | | - |
| Forfeited | - | | - | - | | - |
| Expired | - | | - | - | | - |
| 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 | 43,450,000 | $ | 0.015 |

| Price range | | Number outstanding | Weighted average remaining contractual life (years) | Number Exercisable |
|---|---|---|---|---|
| $ | 0.015 | 43,450,000 | 0.549 | 43,450,000 |

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

During the three months ended March 31, 2019, $nil (March 31, 2018 - $5,533) of stock-based compensation was charged to the consolidated statement of comprehensive income.

| | Three months ended March 31, 2019 | | Three months ended March 31, 2018 | |
|---|---|---|---|---|
| Contributed surplus, beginning of period | $ | 7,095,205 | $ | 7,079,878 |
| Stock-based compensation | | - | | 5,533 |
| Contributed surplus, end of period | $ | 7,095,205 | $ | 7,085,411 |

**12. Per share data:**

| | Three months ended March 31, 2019 | | Three months ended March 31, 2018 | |
|---|---|---|---|---|
| Net income (loss) | $ | (1,816,626) | $ | 6,897,519 |
| Weighted average number of shares, basic | | 655,537,039 | | 655,537,039 |
| Weighted average numbers of shares, diluted | | 655,537,039 | | 655,537,039 |
| Basic income (loss) per share | | (0.003) | | 0.011 |
| Diluted income (loss) per share | | (0.003) | | 0.011 |

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

(in Canadian dollars)

## 12. Per share data (continued):

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.

## 13. Expenses by nature:

| | Three months ended March 31 2019 | | 2018 | |
|---|---|---|---|---|
| Personnel costs | $ | 135,701 | $ | 168,713 |
| Contracted services | | 63,096 | | 49,936 |
| Professional fees | | 35,206 | | 31,665 |
| Travel and transportation | | 34,257 | | 27,601 |
| Rent | | 23,578 | | 23,189 |
| Insurance | | 17,383 | | 14,280 |
| Investor relations | | 18,459 | | 11,871 |
| Stock-based compensation | | - | | 5,533 |
| Taxes and licenses | | 4,786 | | 5,381 |
| Utilities | | 3,149 | | 2,108 |
| Materials and supplies | | 1,136 | | 848 |
| Others | | 2,035 | | 2,152 |
| Total administrative and general costs | $ | 338,786 | $ | 343,277 |

## 14. Changes in working capital:

| | Three months ended March 31 2019 | | 2018 | |
|---|---|---|---|---|
| Accounts receivable | $ | (582) | $ | 93 |
| Prepaid expenses | | 34,170 | | 9,384 |
| Investment in equity securities | | 226,798 | | 44,486 |
| Trade accounts payables and accrued liabilities | | (703) | | 25,886 |
| Due to/from related parties | | 55,883 | | 53,703 |
| | $ | 315,566 | $ | 133,552 |

## 15. Foreign exchange gain:

| | Three months ended March 31 2019 | | 2018 | |
|---|---|---|---|---|
| Unrealized foreign exchange gain (loss) | $ | (18,551) | $ | 7,395 |
| Realized foreign exchange gain (loss) | | (3,413) | | 15,275 |
| | $ | (21,964) | $ | 22,670 |

The unrealized foreign exchange gain (loss) during the period ended March 31, 2019 and 2018 pertains mainly to the revaluation of derivative financial instrument while realized foreign exchange gain during the period ended March 31, 2019 and 2018 pertains mainly to the conversion of $US bank accounts.

## 16. 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, 2019. The remaining total rent payments up to the end of the lease contract in December 2019 amounts to $45,311 inclusive of base rent, estimated operating expenses and taxes. The Company has sublet a portion of its corporate office premises through to the date of expiration of its extended lease contract of December 31, 2019 as it continues its focus to reduce expenditures and to conserve cash.

## 17. Subsequent Events:

None to report.

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TSX Venture Exchange Symbol : TVI

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