



TSX:TVI OTCQX:TVIPF

August 19, 2012

TVI PACIFIC INC. ANNOUNCES JOINT VENTURE OPPORTUNITIES AND PROPOSED INVESTMENT IN FOYSON RESOURCES LIMITED

TVI Pacific Inc. ("**TVI**" or the "**Corporation**") (TSX:TVI) (OTCQX:TVIPF) announced today that it has entered into a heads of agreement (the "**HOA**"), dated August 17, 2012, which sets out certain terms of various proposed transactions involving Foyson Resources Limited ("**Foyson**"), an Australian Securities Exchange ("**ASX**") listed issuer (ASX:FRL) operating in the resource industry in Papua New Guinea. The proposed transactions consist of an investment in and joint ventures with Foyson (or affiliates of Foyson). The proposed joint venture arrangements may also involve TVI's Philippine affiliate, TVI Resources Development Phils., Inc. ("**TVIRD**"). In addition, TVI has agreed to make a loan to Foyson, in the amount of A\$400,000. All references to currency in this news release are in Australian dollars unless otherwise stated.

Secured Loan

In the HOA, TVI has agreed to make a loan to Foyson in the principal amount of A\$400,000 (the "**Loan**") pursuant to a commercial loan agreement. The parties have also negotiated Loan security consisting of a charge in favor of TVI over all proceeds from the proposed sale by Foyson of its Myrtle Springs magnesite tenements in Australia ("**Myrtle Springs Interests**"), or failing the sale of the Myrtle Springs Interests prior to October 31, 2012 by a direct charge over the Myrtle Springs Interests. The HOA provides that the Loan will bear interest at the rate of 8% per annum and will be repayable by Foyson in cash on or before November 30, 2012.

Proposed Private Placement

The HOA provides for the acquisition by TVI (or a wholly-owned subsidiary or other affiliate of TVI) of an equity interest in Foyson, by way of private placement (undertaken in two tranches), subject to the receipt of all necessary regulatory approvals and the satisfaction or waiver of various other conditions.

Tranche 1

The HOA contemplates that, in the first tranche of the private placement ("**Tranche 1**"), TVI (or a subsidiary or other affiliate) will purchase 68 million Foyson voting shares ("**Shares**"), representing approximately 9.96% of Foyson's issued capital of 683,403,821, at a purchase price of A\$0.013 per Share (A\$884,000 in the aggregate). Under the HOA, closing of Tranche 1 is subject to the satisfaction or waiver of various conditions, including the execution and delivery of definitive joint venture agreements involving selected Foyson properties (as more particularly described below in this news release).

Foyson has agreed to use its best efforts to convene a meeting of its shareholders to approve arrangements in relation to the interests of Foyson in the Amazon Bay project in Papua New Guinea and certain other matters, with that meeting to be held not later than October 8, 2012. In the event that the resolutions in relation to the Foyson Amazon Bay arrangements (and certain other matters) are not passed on or before October 8, 2012 or a further condition relating to the

extension of an exploration license covering the Amazon Bay tenements is not received on or before October 8, 2012, Foyson will be obligated, under the terms of the HOA, to pay TVI \$204,000, which payment will have the effect of reducing the effective price at which the Tranche 1 Shares are issued to \$0.01 per Share.

Tranche 2

The HOA contemplates that, in the second tranche of the private placement ("**Tranche 2**"), Foyson will, following receipt of Foyson shareholder approval and satisfaction or waiver of certain other conditions, issue to TVI (or a subsidiary or other affiliate) an additional 160 million Shares at a purchase price of A\$0.015 per Share (A\$2.4 million in the aggregate), which will result in TVI (or the applicable subsidiary or other affiliate) owning approximately 25% of Foyson's expanded issued share capital of 911,403,821 Shares (prior to giving effect to the exercise of any options or other convertible securities held by TVI (or the applicable subsidiary or other affiliate) and prior to the issuance of any other Shares that may be issued by Foyson). The HOA also provides that: (i) in connection with the closing of Tranche 2, TVI (or a subsidiary or other affiliate) will also be granted, for nominal aggregate consideration, options (the "**Options**") to subscribe for and purchase up to an additional 140 million Shares of Foyson; and (ii) each Option will entitle the holder to purchase, subject to adjustment in accordance with the terms of the Option, one Share at a price of A\$0.03, at any time and from time to time until June 30, 2015.

Under the HOA, TVI has the right, but not the obligation, to proceed with Tranche 2. If TVI determines to proceed with Tranche 2, it is required to give a notice to Foyson to such effect no later than October 9, 2012 (the "**Tranche 2 Notice**"). The HOA provides that, if TVI delivers the Tranche 2 Notice, closing of Tranche 2 will be subject to the receipt of all necessary regulatory approvals and satisfaction or waiver of various other conditions agreed to by TVI and Foyson, including (i) conclusion of satisfactory due diligence with respect to Foyson and its affiliated entities, and (ii) receipt of all necessary approvals from the shareholders of Foyson regarding the acquisition and exercise of the AB Option (as defined below), the terms of a definitive agreement among all of the shareholders of Titan Mines Limited ("**TMiL**") regarding the management and control of TMiL and the terms of other agreements between Foyson and other TMiL shareholders in connection with the joint venture arrangements contemplated by the HOA.

TVI has been advised that completion of Tranche 2 will be subject to receipt of approval of the shareholders of Foyson.

Subject to Foyson securing any necessary third party consents and closing of Tranche 2, the HOA provides that TVI will be granted preemptive rights (enabling TVI to maintain its percentage ownership of Foyson voting shares), which will apply in respect of future issuances of shares (or securities convertible into or exchangeable for shares) of Foyson for so long as TVI owns not less than 15% of the total number of issued and outstanding voting shares of Foyson and the strategic relationship between TVI and Foyson continues. In the HOA, Foyson agreed to use its best efforts to obtain any third party consents (including ASX waivers and regulatory consents) that may be required in connection with the grant of such preemptive rights.

Proposed Joint Venture Arrangements

Under the HOA, TVI (either directly or through an affiliate such as TVIRD), has the exclusive right or option to enter into joint venture arrangements with Foyson (and its affiliates) with respect to several projects, as more particularly described below. Subject to the execution and delivery of definitive subscription agreements for Tranche 1 and Tranche 2, the HOA provides that: (i) Foyson will procure the owner of the relevant project assets (whether the owner is Foyson, Titan Metals Limited ("**TMeL**") or TMiL) to enter into the joint venture arrangements described below; (ii) Foyson will either appoint or procure the appointment of TVI or its affiliate, TVIRD, as the operator of each of the proposed joint ventures; (iii) each joint venture will be overseen by a management committee comprised of three representatives from each of the parties; (iv) during the earning

period for each of the proposed joint ventures, TVI will have the casting vote on each applicable management committee with respect to operations and the allocation of funds; and (v) TVI, in its own right or through its wholly-owned drilling subsidiary, Exploration Drilling Company, will also have the right to provide drilling services and technical and commercial services to Foyson or the relevant joint venture on a reasonable commercial basis.

Amazon Bay Iron Sands Project ("AB")

The AB project is located in Papua New Guinea. The HOA contemplates that stage one of the AB project may involve a direct shipping ore operation ("**DSO**") if it is determined to be technically and economically feasible. Stage two may involve full mining and processing of the Iron Sands if it is also determined to be technically and economically feasible.

Stage One – DSO Joint Venture

The HOA also contemplates that: (i) during the earning period of the AB joint venture, the parties will also evaluate the feasibility of early production through a DSO operation intended to generate early cash flow for funding future developments; and (ii) in the event a DSO project is determined to be feasible, TVI will have the option to earn a 51% interest in the DSO project by funding the development of that project to production.

Stage Two – Mining and Processing Operation

The HOA provides that: (i) TVI will earn a 10% interest in AB by making a minimum expenditure of A\$2 million on AB in the twelve months following the date on which all applicable joint venture conditions precedent are satisfied; (ii) TVI will refund to Foyson any expenditures incurred by Foyson in respect of AB since July 1, 2012, to a maximum of A\$200,000 (with such reimbursed amounts being creditable against TVI's spending commitments under the applicable joint venture agreement); and (iii) TVI will have the right to earn a further 20% in AB by spending an additional A\$5.5 million within 12 months following the expiration of the initial earning period.

TVI understands that: (i) Foyson currently holds 50% of the outstanding shares of TmiL, which is a special-purpose investment vehicle holding interests in AB; and (ii) Foyson holds an option (the "**AB Option**"), which entitles it to purchase the shares of TmiL that it does not already own, subject to receipt of Foyson shareholder approval. The HOA does not require Foyson to exercise the AB Option for its own account, but does require Foyson to advise TVI of its intentions with respect to the exercise of the AB Option and, in certain circumstances, exercise the option in favor of TVI or its nominee.

New Britain Gold/Copper ("NB")

The NB project is located in Papua New Guinea.

The HOA provides that: (i) TVI will commit to a minimum expenditure on NB of A\$1.25 million in the twelve months following the later of the date on which all applicable joint venture conditions are satisfied and the date of the Tranche 1 Closing; (ii) TVI will refund to Foyson any expenditures incurred by Foyson on NB since July 1, 2012, to a maximum of A\$200,000 (with such reimbursed amounts being creditable against TVI's spending commitments under the applicable joint venture agreement); (iii) TVI will earn a 12.5% interest in NB as a result of the initial expenditure; and (iv) TVI will have the right to earn a further 42.5 % interest in NB by spending an additional A\$5.25 million within 12 months following the expiration of the initial earning period.

New Ireland Gold/Copper ("NI")

The NI project is located in Papua New Guinea.

The HOA contemplates that: (i) TVI will commit to spending a minimum of A\$100,000 within six months of the granting of the NI tenements (to conduct a preliminary geological assessment of NI and produce a detailed information memorandum on NI); and (ii) such expenditure will earn TVI the right to match any third party offer to farm into NI received during the period of the expenditure by TVI or during the 12 months following the finalization of the information memorandum on NI.

Massau and Tanga Islands ("MTI")

The MTI project is located in Papua New Guinea.

The HOA contemplates that: (i) TVI will commit to spending a minimum of A\$100,000 within six months from the granting of the MTI tenements (to conduct a preliminary geological assessment of MTI and produce a detailed information memorandum on MTI); and (ii) such expenditure will earn TVI the right to match any third party offer to farm into MTI received during the period of the expenditure by TVI or during the 12 months following the finalization of the information memorandum on MTI.

Right to Develop

The HOA contemplates that: (i) with respect to each of the NB, NI or MTI tenements, in the event that gold or copper (or both) resources are defined, in amounts less than 2 million ounces of recoverable gold and 1 billion pounds of recoverable copper, TVI will have a right of first refusal to develop the resource on behalf of Foyson or the relevant joint venture; (ii) if TVI exercises this right, TVI will solely fund the completion of the necessary technical studies and arrange project development financing using the joint venture assets as security; and (iii) any such costs incurred by TVI will be recovered from the project operation.

Where larger resources are defined on properties, the HOA provides that: (i) the joint venture participants will discuss in good faith the development of those resources by a major mining company; and (ii) if any or all of the NB, NI or MTI tenements are farmed out to a major mining company, the applicable agreements will contain a provision whereby TVI, on behalf of Foyson or the relevant joint venture, will have the right of first refusal to develop the gold or copper resources (or both), where the major mining company declines to develop them on the terms set out in the applicable agreements.

Exclusivity and Due Diligence

Under the HOA, TVI has the exclusive right to conduct due diligence investigations in respect of Foyson until close of business (Sydney, Australia time) on Friday August 24, 2012. Subject to Tranche 1 Closing, the HOA provides that this period of exclusive due diligence will be extended to October 8, 2012. The HOA also provides that if TVI determines to proceed with Tranche 2, the exclusive due diligence period will be extended until November 30, 2012.

Mr. Clifford M. James, TVI's President and Chief Executive Officer noted: "we believe the Foyson projects represent a compelling opportunity to diversify TVI to a new country with a policy environment supportive of mining and to diversify TVI's asset mix."

About Foyson

Foyson is an Australian company engaged in mining exploration in Papua New Guinea. The common shares of Foyson are listed on the Australian Securities Exchange. Foyson trades under the symbol FRL on the ASX. A copy of Foyson's announcement can be accessed on Foyson's website www.milresources.com.

About TVI

TVI is a publicly-traded Canadian company focused on the production, development, exploration and acquisition of resource projects in the Philippines. TVIRD produces copper and zinc concentrates from its Canatuan mine. TVI also has an indirect interest in an offshore Philippine oil property.

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Forward Looking Statements

This news release contains certain forward-looking information (referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "intend", "estimate", "scheduled", "expect", "may", "will", "should", or similar words suggesting future activities or outcomes. The forward-looking statements set out in this news release include information relating to proposed transactions involving Foyson. Forward-looking statements relating to the proposed transactions involving Foyson are based upon the terms and conditions set out in the HOA.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. With respect to the proposed transactions involving Foyson, those risks and uncertainties include a failure to close one or more of the proposed transactions on the terms outlined in this news release due to renegotiation of those terms by the parties prior to closing, or a failure to satisfy one or more conditions, such as conditions relating to the receipt of any necessary regulatory approvals and satisfactory completion by TVI of its due diligence investigations. Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this news release and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes.

The forward-looking statements contained in this news release are made as of the date hereof and TVI does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable Canadian securities law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

The Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.