



TG World Energy Corp.

Management's Discussion and Analysis

**For the Years Ended
December 31, 2008 and 2007**



The discussion and analysis that follows is intended to provide a summary of the consolidated results of TG World Energy Corp. ("TG World" or the "Company") for the twelve months ended December 31, 2008 and 2007, as well as its consolidated financial position and future plans. It should be read in conjunction with the audited consolidated financial statements for the twelve months ended December 31, 2008 and 2007. All dollar amounts set out in this discussion and analysis are expressed in Canadian currency unless otherwise indicated. The Company's indirect interests in oil and gas properties and prospects in Alaska and Niger are held through wholly owned subsidiaries of the Company -- TG World Energy Inc., a Delaware corporation, in the case of the Alaska interests and TG World Petroleum Limited, a Bahamas company, in the case of the Niger interests. In this management's discussion and analysis, TG World Energy Inc. is referred to as TG Alaska and TG World Petroleum Limited is referred to as TG Niger. Additional information is available on the TG World website at www.tgworldenergy.com or on SEDAR's website at www.sedar.com. Information in this Management Discussion and Analysis ("MD&A") is as of April 27, 2009.

Non-GAAP Measures

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

Description of the Business

TG World is a Calgary-based, junior international oil and gas exploration company. The Company's interests in oil and gas properties and prospects located in Alaska and in the Republic of Niger are held through its wholly-owned subsidiaries TG Alaska and TG Niger, respectively, and operations are conducted by these companies.

Alaska

On March 18, 2006, TG Alaska entered into a joint venture ("JV") agreement with Brooks Range Petroleum Corporation ("BRPC"), a wholly owned subsidiary of Alaska Venture Capital Group, LLC ("AVCG") and AVCG. Under the terms of the JV agreement, TG Alaska acquired a 25–35% interest in a majority of BRPC's existing oil and gas leases located on the Alaska North Slope. The total acreage controlled by the JV is 342,707 gross acres, representing about 25% of exploration leases on State lands within the proven oil fairway. The JV agreement expires in March 2010; however, it may continue thereafter unless terminated by either party. TG Alaska and BRPC have also entered into an exploration JV alliance, covering a defined Area of Mutual Interest, to pursue additional exploration and development opportunities in Alaska.

Winter 2007/2008 Program

The North Shore #1 well, located in the Gwydyr Bay prospect area, was drilled and cased during the 2006/2007 winter program and re-entered on January 10, 2008. The Ivishak and Sag River formations were perforated and completed behind sliding sleeves. The Ivishak Formation was successfully tested and flowed oil for 16 hours. The final five hours of testing recorded a stable oil flow rate of 2,092 barrels of oil per day ("bopd") from a 22 foot interval of completion perforations. The testing of the Sag River formation has not yet been completed due to operational difficulties. Coiled tubing separated and was trapped in the casing; therefore, a full production test was not possible due to restricted access to the perforated section of the Sag River Formation. A limited



flow and pressure build-up test program resulted in an estimated oil flow rate of 2 barrels/hour. Pressure transient analysis and several step-rate pump-in tests indicate that the 22 foot interval of completion perforations was severely damaged. Predicted test rates with no damages to the perforations were calculated to be 500 to 1,000 bopd, consistent with Prudhoe Bay Field wells productive from this zone. The State requires cessation of operations when warm weather emerges – as a result the drilling rig was released on May 7, 2008. The well was suspended after recovery of 700 feet of the tubing, leaving several thousand feet of coiled tubing in the hole. TG Alaska has a 35% working interest in the area and paid 35% of the well costs.

On February 11, 2008, the JV spudded the Tofkat #1 exploratory well, the first of three wells drilled on the Tofkat prospect area. The initial well encountered ten feet of gross and six feet of net oil pay in the Kuparuk formation based on wireline log interpretation and supported by light oil samples recovered with MDT. Three shallower intervals also recovered oil from MDT, but were interpreted as tight reservoirs based on wireline logs. Two offset appraisal wells, Tofkat #1a and Tofkat #1b, were drilled out of the base of the discovery well's surface casing to bottomhole locations to the southwest and northwest of the discovery well, but the Kuparuk was tight in both of these wells. The initial wellbore was plugged back and abandoned without production testing. Under the terms of the JV agreement, TG Alaska paid 35.7% of each of the well costs for its 25% working interest in the complete Tofkat prospect area.

With the drilling of the Sak River #1 well in 2007 and the drilling of the three subsequent wells at Tofkat in 2008, TG World has now completed its JV Agreement requirement to drill four wells on a promoted basis – its initial program commitment. Any additional wells drilled in the future will not be promoted.

During January to April 2008, the JV acquired 225 square miles of 3-D seismic data over all of its lease holdings in the Tofkat prospect area and extending to contiguous JV leases to the north and to the south. TG Alaska paid 25% of the survey costs. The seismic data is currently being processed in Calgary by CGG Veritas to pre-stack depth migration format. This is necessary in order to remove the severe distortion caused by permafrost thickness variations, however this process requires extra time and final 3-D volumes are not expected until June 2009. Prospect maturation will be based on AVO analysis – looking for thicker and better reservoir quality locations for those sands that were oil bearing in Tofkat #1, as well as for new prospects.

Outlook

A number of oil accumulation targets have been mapped by 3-D seismic in the Gwydyr area (TG Alaska interest 35%), and the JV has commenced a pre-development study based on these exploration prospects along with the North Shore #1 oil discovery and the Pete's Wicked oil discovery (acquired by the JV in 2008).

Due in large part to the uncertainty created by the world financial crisis and the drop in oil prices, but also pending further analysis of the North Shore #1 well, seismic results and preliminary engineering studies in the area, TG Alaska decided to postpone its participation in the drilling and development programs previously planned for the winter 2008/2009 exploration season in the Gwydyr area (35%). The South Thomson 3D seismic program (TG Alaska interest 25%) planned for the winter 2008/2009 season was cancelled as not all members of the JV approved the program. Winter season 2009/2010 is the next possible operating period for drilling and seismic.

The JV operator has commenced legal action against TG Alaska. Please refer to "*Material Contracts, Commitments and Contingencies*" below.

Petroleum Production Tax Credits

Under the terms of the Alaska Oil and Gas Petroleum Production Tax ("PPT") Credit program, TG Alaska is entitled to a credit in the amount of 45–65% of Qualified Exploration Expenditures ("QEE"). The credits are issued in the form of transferable credit certificates that can be either sold back to the State of Alaska for full value, or transferred to other parties who can utilize them, usually at a negotiated discount. TG Alaska's practice has been to sell all claims back to the State. In its consolidated financial statements, the Company records credits for which there is



strong evidence of collection, such as receipt by TG Alaska of the Government's tax credit certificates.

Claim Date	Reason for claim	Amount (\$US)	Funds Received (\$US)	Date Certificate Issued	Claims Outstanding (\$US)	Expected Receipt Date
June 2007	QEE up to Q2 2007	3,621,696	3,621,696	October 2007	-	
November 2007	Q3 2007 QEE	339,650	169,825	May 2008	169,825	Q2 2009
November 2007	2007 seismic	432,612	432,612	August 2008	-	
March 2008	Q4 2007 QEE and 2007 year end loss	4,260,604	3,346,465	October 2008	914,139	Q3 2009
August 2008	Q1 & Q2 2008 QEE	2,676,509	-	December 2008	2,676,509	50% in each of Q2 2009 & Q2 2010
April 2009	Q3 & Q4 2008 QEE & 2008 year end loss	4,495,949	-	-	4,498,949	50% in each of Q3 2009 & Q3 2010

The claim made in April 2009 has not been recorded in accounts receivable as the Company has yet to receive the Government's tax credit certificate.

Ténéré, Niger

TG Niger has a 20% interest in an Establishment Agreement ("EA") and licenses consisting of 17.3 million acres within the Republic of Niger in the Ténéré area. An 80% interest is retained by CNPC International Ténéré Ltd. ("CNPCIT"), who is the operator of the Ténéré project.

Under a separate agreement signed with CNPCIT in 2004, CNPCIT is obligated to pay 100% of TG Niger's share of costs for the Minimum Work Program of the EA's First Exploration Period, including project related general and administrative costs. The major components of the Program are acquiring, processing, and interpreting a minimum of 1,500 km of seismic data, and drilling three exploration wells. TG Niger was also carried for additional seismic performed up to the completion of the second exploration well. If the project results in petroleum production, TG Niger will be required to repay its carried costs to CNPCIT, without interest, from a portion of its share of future production from the Ténéré Block.

To date, CNPCIT has reprocessed 5,717 km of vintage seismic data located across the Ténéré Block. In addition, CNPCIT acquired 3,965 km of new 2-D seismic data, which was 2,465 km in excess of the minimum commitment. CNPCIT paid all costs as the acquisition was prior to the completion of the second exploration well. CNPCIT has also drilled two of the three required exploration wells – Saha-1 and West Fachi-1. Both wells had hydrocarbon shows and were abandoned.



Outlook

TG Niger has approved the drilling of the Facai-1 well, which will be located 100 km to the north of a previous well, Saha-1. Facai-1 will test a different play concept than the previous two wells. The well is planned to be drilled to 3700m to test Cretaceous sandstones in an anticlinal trap. Seismic data AVO analysis shows a hydrocarbon signature at the target reservoir zone. The commencement date of Facai-1 is unknown at this time due to ongoing security concerns in Niger. The well will be at no cost to TG Niger. The Company has been advised by CNPCIT that a rig is on stand-by in the area and can spud Facai-a within 3 months after lifting of the force majeure.

The 2009 approved budget and plan only includes the drilling of the Facai-1 well. The Ténéré license area is still under force majeure, pending government approval to proceed, which is dependent on an improvement in the security situation. Recently, Niger has sent government officials to mediate an end to the unrest.

Selected Quarterly Information

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

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss (gain)	(214)	169	390	142	72	297	463	252
Net loss (gain) per share - basic	(0.002)	0.001	0.003	0.001	0.001	0.004	0.006	0.004
Working capital	17,794	16,325	16,666	16,482	25,184	7,577	6,228	10,057
P&NG assets	33,623	36,124	35,611	35,799	26,806	20,521	21,755	17,874
Total assets	53,324	52,587	52,765	57,790	55,245	31,951	31,970	28,183
Shareholders' equity	52,755	52,222	52,063	52,069	51,803	28,098	27,984	27,932

The following discussion highlights some of the more significant factors that changed results over the past eight quarters ended December 31, 2008:

- Significant movement in the CDN / USD foreign currency exchange rate has resulted in fluctuations in the unrealized foreign exchange account from monetary assets and liabilities, as well as through the translation of integrated foreign subsidiaries.
- Working capital and shareholders' equity increased in the fourth quarter of 2007 due to share issuances in connection with private placement financings. Working capital decreases in other quarters are a result of investment in P&NG assets and general and administrative costs incurred in excess of interest income.
- Total P&NG assets generally increased over each quarter due to continual investment in the Alaska and Niger projects. The slight decreases in the third quarter of 2007 and the second and fourth quarter of 2008, in comparison to prior periods, are the receipt of PPT credits which were netted against P&NG expenditures.

Selected Annual Information

	2008		2007		2006	
Net loss	\$	487,320	\$	1,083,237	\$	1,011,328
Net loss per share – basic and diluted		0.004		0.014		0.018
Share capital		53,651,003		53,603,258		29,486,139
Working capital		17,793,790		25,183,590		15,177,715
Total assets		53,323,711		55,244,660		27,649,021
Shareholders' equity	\$	52,754,708	\$	51,803,139	\$	27,354,761



For the year ending December 31, 2008, the net loss decreased \$595,917 when compared to the comparable period in 2007:

Loss increase (decrease) due to:	\$
Management service charges – wages	80,562
Management service charges – placement fees	31,925
Professional fees	13,511
Stock based compensation expense	(7,247)
General and administrative costs	37,332
Interest income	152,610
Foreign exchange	(904,610)
	<u>(595,917)</u>

Stock based compensation was \$1,420,515 for the twelve months ended December 31, 2008 (2007 - \$1,577,091), of which \$365,313 (2007 – \$514,642) was capitalized. The decrease in total expensed stock-based compensation from comparable periods in 2007 is due to the fulfillment of stock based compensation expense in Q3 2008 on a significant number of options granted in 2005 coupled with 2008 options granted in December 2008 compared to the historical grant dates in Q3 of prior years, resulting in lower stock based compensation expense on newly granted options.

Interest income is lower in 2008 by \$141,757 as a result of lower rates on invested funds.

Foreign exchange is notably higher in 2008 due to the strengthening of the US dollar against the Canadian dollar in 2008.

Changes in other items of expenditure reflect variations in normal levels of business activity and new service contract rates for services provided by related parties approved by the independent directors of the Board. See comments under “*Related Party Transactions*” in this MD&A.

Petroleum and Natural Gas (P&NG) Assets

During the year ended December 31, 2008 a total of \$14.4 million (2007 – \$18.9 million) in expenditures were capitalized, before consideration of the PPT credits of \$7.6 million (2007 - \$4.3 million) that were credited against these expenditures. Below is a summary of the Company's main consolidated capital expenditures in the period:

	2008	2007
Alaska:		
Land acquisitions and lease rentals	\$ 511,760	\$ 416,644
Seismic	2,772,348	3,679,700
Drilling and completion	9,729,598	12,634,406
Capitalized consulting and travel costs	1,051,633	951,473
Stock based compensation	177,674	229,544
Asset retirement cost	(144,647)	346,268
PPT credits	(7,578,755)	(4,262,951)
	<u>\$ 6,519,611</u>	<u>\$ 13,995,084</u>
Niger:		
Seismic	\$ (5,957)	\$ 340,543
Capitalized consulting and travel costs	110,053	37,763
Stock based compensation	187,640	285,098
	<u>\$ 291,736</u>	<u>\$ 663,404</u>

There was a recovery in TG Niger on the Niger seismic acquisition (\$73,561) due to the adjustment of an accrual to reflect final actual costs.



Accounts Receivable

Accounts receivable of \$3.1 million consists primarily of PPT credits (96%) claimed from the State of Alaska for qualified expenditures. The remaining receivable (4%) relates mainly to prepaid expenses and GST receivable on purchases of supplies and services.

Long-term accounts receivable of \$1.6 million consist of PPT credits expected to be collected in 2010.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities decreased \$2.8 million compared to the balance at December 31, 2007. Accruals vary throughout the year depending on drilling activity, typically rising as activity levels peak in the winter months and declining through the spring and summer months. Activity to December 31, 2008 was significantly less than 2007 due to the decision not to proceed with any drilling or new seismic programs in Alaska during the 2008/2009 winter program.

Liquidity and Capital Resources

As at December 31, 2008, the Company had a consolidated working capital surplus of \$17.8 million, including cash and cash equivalents of \$15.0 million, to fund its capital programs. The Company has sufficient cash and excess working capital to fund operations in the foreseeable future. The Company's investment policy is to secure excess cash in low risk US government treasury bills and Canadian Banker's Acceptances. Equity financing is the Company's main source of funds.

The number of common shares and equity instruments outstanding were as follows:

	April 27, 2009	December 31, 2008	December 31, 2007
Common shares issued	122,327,538	122,327,538	122,060,870
Stock options outstanding	8,663,230	9,128,230	6,854,898

During the year ending December 31, 2008, 266,668 options were exercised for cash proceeds of \$26,667.

On December 22, 2008 the Company commenced a normal course issuer bid to purchase for cancellation up to 5% or 6,116,376 common shares. The bid terminates at the earlier of December 21, 2009 or such time as it has acquired the maximum number of shares it is permitted to purchase. On March 23, 2009 the Company determined to suspend purchases until further notice. No shares have been repurchased.

Related Party Transactions

All related party transactions are approved by the independent directors of the Board.

During the year ending December 31, 2008, Seajay Management Enterprises Ltd. ("Seajay") charged the Company \$458,273 (December 31, 2007 - \$378,195) for management, secretarial, and administration services. The increase in the current period is due to the addition of staff members required by the Company. Seajay is a company controlled by an officer of the Company.

For the year ending December 31, 2008, TVI Pacific Inc. ("TVI") charged \$151,035 (December 31, 2007 - \$109,193) for rent and office maintenance costs. An officer and director of TG World is also the President, CEO, Chairman, and a director of TVI.



Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Material Contracts, Commitments, and Contingencies

As a part of the negotiations associated with the JV Agreement on the Alaska properties, TG Alaska agreed to pay to a third party a 2% overriding royalty interest share of TG Alaska's interest in hydrocarbons from the initially awarded oil and gas leases on the Alaska North Slope. In addition, the third party will receive a 1.25% overriding royalty of TG Alaska's interest in hydrocarbons from leases acquired by the JV in the area of mutual interest, subsequent to the initially awarded leases on the Alaska North Slope. The third party has filed a claim against the Company alleging entitlement to 2.5% gross overriding ownership interest of TG Alaska's interest in all leases on the Alaska North Slope. Legal proceedings are at an early stage and it is premature to make any conclusions respecting the final outcome.

TG Niger holds a 20% interest in the CNPCIT operated Ténéré Permit, and CNPCIT is currently committed to carry TG Niger's cost of the Minimum Work Program. However, the Ténéré EA provides options for two additional three year terms that would include additional seismic and exploratory well commitments for which TG Niger would pay its share. The term of the existing Ténéré EA has been extended by the Niger Government due to the prevailing security conditions.

In December 2008 TG Alaska was served with a complaint for breach of contract from its Alaska operator for an alleged failure to adhere to specific obligations within the JV Agreement. In January 2009 TG Alaska filed an answer and counterclaim, to which the Plaintiffs replied on January 27, 2009. A court ordered mediation was held in March 2009. The mediation failed to produce a settlement and TG Alaska is now engaged in the trial process. Legal proceedings are at an early stage and therefore it is premature to make any conclusions respecting the final outcome.

In April 2009 TG Alaska applied to the State of Alaska for PPT credits of US\$4,498,949 for the 2008 year end loss and qualifying expenditures from the third and fourth quarters of 2008. TG Alaska expects the application to be approved as submitted and approval is anticipated during the third quarter of 2009.

Critical Accounting Estimates and Policies

Certain estimates are necessary until amounts are finalized pursuant to transactional or legal proceedings. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods could differ significantly from those estimates.

- The Company and its subsidiaries are subject to various legal proceedings and claims that arise in the ordinary course of business operations. The Company periodically reviews these claims to determine if amounts should be accrued in its consolidated financial statements or if specific disclosure is warranted.
- The carrying values of P&NG assets are based on whether or not the value is greater than the future expected return from the property. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are written off against current earnings. Estimates must be made in establishing future revenues and the depletion and depreciation of property, plant and equipment as well as assessing the fair value of the liability for asset retirement obligations relating to the Alaska wells.
- The State of Alaska has recently altered its process for remitting PPT Credits. These changes make the timing of receipt less certain and therefore estimating the current fair value of those receivables is more uncertain.



- The Company applies the fair value method, using the Black-Scholes option pricing model, when stock options are granted to employees, consultants and directors under the share option plan. Management must estimate the volatility, expected life and risk-free interest rates in using the model to assess the fair value of stock options.
- Income taxes are calculated based on management's best estimates and interpretation of the Income Tax Act. These taxes are subject to assessment by the Canada Revenue Agency and Alberta Finance, which may affect the financial statements in future years.

Integrity of Disclosure

The Company's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited financial statements. The Board of Directors approves the annual audited financial statements and MD&A on the recommendation of the Audit Committee. The annual financial statements and MD&A are audited by the Company's independent auditors and approved by the Audit Committee.

The Company has approved and distributed to all staff a series of policy papers that include Code of Business Conduct and Ethics, Whistle Blower Policy and Procedures, Insider Trading and Reporting Guidelines, Disclosure Policy, and Board Control System. The Terms of References define Audit Committee, Compensation and Governance Committee, and Disclosure Committee. The Company has a defined Board Mandate. Management prepares a top down risk analysis that identifies level of risk and potential impact.

The Company's Chief Executive Officer and Chief Financial Officer has concluded, based on his evaluation as of December 31, 2008, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is made known to him by others within the company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believes that disclosure controls and procedures provide a reasonable level of assurance, he does not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Business Risks and Uncertainties

The Company's business is subject to risks inherent in oil and gas exploration and development operations. In addition, there are risks associated with the current and future operations in the foreign jurisdictions in which the Company's subsidiaries operate. The Company has identified certain risks pertinent to its business including:

- Exploration and Reserve Risk** - Exploration, appraisal and development of oil and gas reserves are speculative and involve a significant degree of risk. There are no guarantees that exploration or appraisal of the properties in which the subsidiaries hold rights will be successful. The subsidiaries are partners with operators who are well established in the regions we operate and those operators have successful management teams and experience in the regions of operation.
- Drilling and Operating Risk** - Exploration and development activities may be delayed or adversely affected by factors beyond the control of the Company. These include adverse climate conditions, availability of materials and competent labour to perform services, the



performance of JV partners on whom the subsidiaries may be reliant, and compliance with current and future government regulations, Drilling may result in dry holes or wells that do not produce sufficiently to justify commercial production.

In Alaska TG Alaska is confined to a winter operating program typically between the months of January and April. A late freeze up and/ or early breakup could have a negative impact on TG Alaska's exploration program however, with exploration success and proper infrastructure in place activities can then proceed year round.

- c) *Costs and Availability of Materials and Services*** – The regions in which the Company operates can create difficulties in obtaining adequate materials and services at an economic price. The Alaskan region is very competitive and some producers, larger than TG Alaska, may have greater access to materials and services. The Niger region faces security concerns and availability of materials and services in the region could be an issue.
- d) *Environmental Risk*** – The oil and gas industry is subject to extensive environmental regulations within each of the jurisdictions it operates. As a non-operator the Company is reliant on each of its jurisdictional operators to ensure environmental concerns are addressed according to government standards. The Company regularly discusses the environmental practices of its operators at partnership meetings to ensure compliance is maintained. The Company believes it fully complies with existing regulations; however, it cannot predict any changes to existing regulations and the impact they could have on the Company.

To mitigate risk further, in Alaska TG Alaska contracts independent drilling specialists to review the operator's well design and it is also mandatory that all operators belong to the Clean Seas Emergency Spill Consortium to ensure quick response in the event of an oil spill.

- e) *Capital Markets and the Requirement for Additional Capital*** - The Company's main source of financing has been through capital markets. The Company currently has access to sufficient capital to finance future operations; however, should the need arise to gain access to additional capital the tightening within the capital markets over the past two years could negatively impact the Company's ability to raise additional sources of funds to finance future projects.
- f) *Loss of or Changes to Production Sharing, Joint Venture or Related Agreements*** – The Company and its subsidiaries are subject to changes in JV or related agreements that could have a positive or negative impact on operations. Changes could result from actions of other JV partners or from the Company and its subsidiaries itself as a result of non-performance related to financial obligations or participation in JV activities. Management will accept changes that are in the best interests of the Company and its subsidiaries.
- g) *Economic, Political and Legal Risk*** – TG World's operations are in foreign jurisdictions where there may be a number of risks over which it has no control. These risks may include economic, social or political instability or change, terrorism, hyperinflation, change of laws affecting existing programs or foreign ownership, government participation, taxation, profit repatriation, working conditions, exploration licensing and petroleum export licensing and export duties.

In Alaska TG Alaska depends on the continuation of the PPT credit program to assist in financing on-going operations; therefore, the elimination of this program would have a significant effect on TG Alaska. There are no indications this program will be eliminated.



One of the jurisdictions in which TG World operates could have less developed legal system than jurisdictions with more established economies which may result in risks such as: (i) effective legal redress in the courts of such jurisdiction, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. There can be no assurance that joint ventures, licenses, license applications or other such legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness for and enforcement of such arrangements in this jurisdiction cannot be assured.

- h) Reliance on JV Partner Relationships** – In conducting business, the Company and its subsidiaries will rely on continuing existing strategic relationships and possibly forming new ones with other entities. The Company and its subsidiaries could be materially affected by changes to such relationships or difficulties in forming new ones.

Additionally, the Company and its subsidiaries rely on the relationships our JV partners have with the local governments to which our business operates. Adverse relationships between these parties could have a significant effect on future operations of the Company.

- i) Market Risk** – In the event of successful development of oil and gas reserves, the marketing of TG World subsidiaries prospective production of oil and gas from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including roads, access to ports, shipping facilities, pipelines and the pipeline capacity at economic tariff rates which TG World subsidiaries may have limited or no control.

In Niger TG Niger will be dependent on the ability of CNPCIT and the Niger government to negotiate international agreements for pipeline construction and operation.

- j) Volatility of Future Oil and Gas Prices** - The demand for, and price of, oil and gas is highly dependent on a variety of factors beyond the control of the Company, such as international supply and demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil and gas prices have fluctuated widely in recent years and may continue similar patterns going forward. The changes in these commodity prices will have an effect on future earnings as well as impact future business decisions in determining what programs to proceed with. The Company has not entered into any forward contracts to protect itself from fluctuations in oil and gas prices as it has not had any production revenue to date.

- k) Foreign Currency Risk** – The Company's operations are exposed to fluctuations in foreign currency exchange rates. Variations in the foreign currency exchange rates could have a significant positive or negative impact. The Company manages its foreign currency exchange risk by maintaining foreign currency bank accounts and receivable accounts to offset foreign currency payables and planned expenditures. The Company does not engage in hedges to protect itself further from foreign currency exchange rate fluctuations.

- l) Dependence on Key Personnel** – The Company relies extensively on the expertise of specific management personnel. The loss of key personnel could have a materially adverse effect on the Company. Additionally, the Company must rely on the



management efficiencies and technical skills of its JV partners BRPC and CNPCIT as operators of the Alaska and Ténéré projects respectively.

New Accounting Pronouncements

In December 2006, the CICA issued three new accounting standards: Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". Section 1535 establishes guidelines for the disclosure of information regarding a company's capital and how it is managed. Enhanced disclosure with respect to the objective, policies and processes for managing capital and quantitative disclosure about what a company regards as capital are required. Section 3862 and Section 3863 replace 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. These standards are effective for fiscal years beginning on or after October 1, 2007 and were adopted by the Company in the first quarter of 2008.

Changes in Accounting Policy

Effective January 1, 2009, the Company will be required to adopt CICA Handbook Section 3064, which replaced CICA Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs". Section 3064 provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company does not have goodwill or intangible assets on its balance sheet and therefore is not affected by this standard.

International Financial Reporting Standards ("IFRS") – in 2005 the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. The AcSB has indicated that Canadian publicly accountable enterprises will be required to report under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. Under IFRS, the primary audience is capital markets and as a result there is significantly more disclosure required, particularly for quarterly reporting. Further, while IFRS is a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed.

The Company has not completed development of its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Company hopes to complete its project scoping by September 30, 2009.

Advisory Regarding Forward-Looking Statements

Certain information set out in this discussion and analysis constitutes forward-looking information. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "intend", "could", "might", "should", "believe" and similar expressions. In particular, this MD&A includes forward-looking information respecting: (i) anticipated operations in relation to the North Shore #1 well and the Tofkat #1, Tofkat #1a and Tofkat #1b wells; (ii) expectations regarding future seismic surveys in Alaska and Niger and the use of this data; (iii) the drilling of additional exploration wells and other exploration activities in Alaska; (iv) potential development scenarios in Alaska; (v) the timing and commencement of a proposed third exploration well on the Ténéré block in Niger; and (vi)



the Company's responsibility for costs under the Establishment Agreement in relation to its operations in Niger.

Forward-looking statements are based upon the opinions and expectations of management of the Company as at the effective date of such statements and, in some cases, information supplied by third parties. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct. Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as political and civil unrest and the occurrence of other events of force majeure (including exacerbation of the local security situation in parts of Niger and government responses to that security situation), the volatility of prices for oil and gas and other commodities, commodity supply and demand, fluctuations in currency and interest rates, inherent risks associated with the exploration and development of oil and gas properties, ultimate recoverability of reserves, timing, results and costs of exploration and development activities, availability of financial resources or third-party financing, availability of drilling and related equipment and new laws and regulations (domestic and foreign).

Forward-looking statements respecting anticipated operations in relation to the Tofkat #1, Tofkat #1a and Tofkat #1b wells, anticipated operations in relation to the North Shore #1 well, expectations concerning 3-D seismic surveys and the use of the data, the drilling of additional wells and other exploration activities, and potential development scenarios in Alaska are based upon information obtained during the drilling of the Tofkat #1, Tofkat #1a and Tofkat #1b wells, testing completed to date in relation to the North Shore #1 well, the current exploration plan developed by the Alaska JV Participants, the budget for exploration activities approved by the Alaska JV Participants (which is subject to change), the length of the applicable winter drilling seasons in Alaska and the timing and amount of PPT Credits to be received from the State of Alaska. Forward-looking information respecting the timing of commencement of drilling of the third well on the Ténéré Block, and additional seismic operations and the use of that data are based upon advice received from the operator of the Ténéré Concession, CNPCIT, which, in turn, is based, among other things, upon the current budget, development plans and overall strategy for exploration of the Ténéré Concession developed by CNPCIT, all of which are subject to change, and the security situation in various parts of Niger, over which neither the operator nor the Company has any control. Forward-looking information respecting future obligations of the Company and the Company's responsibility for the costs of certain exploration activities is based upon the terms of the Establishment Agreement entered into in relation to the Ténéré Block and agreements entered into with CNPCIT.

Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes. The forward-looking statements of TG World Energy Corp. contained in this MD&A are expressed qualified, in their entirety, by this cautionary statement. Additional information relating to various risk factors to which TG World is exposed in the conduct of its business (and which may affect the expectations or outcomes reflected in the forward-looking statements contained in this MD&A) are described in publicly available documents filed by the Company with certain securities regulatory authorities in Canada, which are available through SEDAR at www.SEDAR.com and the Company's website at www.tgworldenergy.com.

April 27, 2009



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TSX Venture Exchange Symbol: TGE

Auditors:

PricewaterhouseCoopers LLP
3100, 111 – 5th Ave. SW
Calgary, Alberta, Canada T2P 5L3



TG World Energy Corp.

Consolidated Financial Statements

**For the Years Ended
December 31, 2008 and 2007**

April 27, 2009

Auditors' Report

To the Shareholders of TG World Energy Corp.

We have audited the consolidated balance sheets of TG World Energy Corp. as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss, deficit, and accumulated other comprehensive loss and of cash flows for each of the years in the two year period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

TG World Energy Corp.
Consolidated Balance Sheets
As at December 31, 2008
(in Canadian dollars)



	2008		2007	
Assets				
Current assets				
Cash and cash equivalents	\$	15,016,576	\$	27,543,796
Short term investments		4,149		8,081
Accounts receivable and prepaid expenses (note 3)		3,075,409		726,966
		<u>18,096,134</u>		<u>28,278,843</u>
Long-term receivable (note 3)		1,604,144		160,109
Petroleum and natural gas properties (note 3)		33,623,433		26,805,708
	\$	<u>53,323,711</u>	\$	<u>55,244,660</u>
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	\$	256,952	\$	3,059,741
Due to related parties (note 4)		45,392		35,512
		<u>302,344</u>		<u>3,095,253</u>
Asset retirement obligation (note 5)		266,659		346,268
		<u>569,003</u>		<u>3,441,521</u>
Shareholders' Equity				
Share capital (note 6(b))		53,651,003		53,603,258
Contributed surplus (note 6(e))		6,314,250		4,919,175
Deficit		(7,203,338)		(6,716,018)
Accumulated other comprehensive loss		(7,207)		(3,276)
		<u>52,754,708</u>		<u>51,803,139</u>
	\$	<u>53,323,711</u>	\$	<u>55,244,660</u>

Subsequent event (note 3, 4, 6 and 12)
Contingencies (note 12)

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:

"Clifford M. James"

Clifford M. James, Director

"James C. Smith"

James C. Smith, Director

TG World Energy Corp.
Consolidated Statements of Operations, Comprehensive Loss,
Deficit, and Accumulated Other Comprehensive Loss
December 31, 2008 and 2007
(in Canadian dollars)



	2008	2007
Interest income	\$ 377,587	\$ 530,197
Expenses		
General and administrative	1,903,169	1,750,320
Foreign exchange gain	(1,038,262)	(136,886)
	864,907	1,613,434
Net loss	(487,320)	(1,083,237)
Loss in fair value of investments	(3,931)	(11,138)
Comprehensive loss	\$ (491,251)	\$ (1,094,375)
Net loss per share		
Basic and diluted	(0.004)	(0.014)
Weighted average number of common shares		
Basic and diluted (note 7)	122,156,499	77,578,249
Deficit, beginning of year	\$ (6,716,018)	\$ (5,632,781)
Net loss	(487,320)	(1,083,237)
Deficit, end of year	\$ (7,203,338)	\$ (6,716,018)
Accumulated other comprehensive income (loss), beginning of year	\$ (3,276)	\$ 7,862
Other comprehensive loss	(3,931)	(11,138)
Accumulated other comprehensive loss, end of year	\$ (7,207)	\$ (3,276)

See accompanying notes to consolidated financial statements.

TG World Energy Corp.
Consolidated Statements of Cash Flows
December 31, 2008 and 2007
(expressed in Canadian dollars)



	2008	2007
Cash provided by (used in):		
Operating activities:		
Net loss for the year	\$ (487,320)	\$ (1,083,237)
Items not involving cash:		
Stock-based compensation expense	1,055,202	1,062,449
Amortization	1,087	753
Accretion of long term receivable	(8,535)	-
Unrealized foreign exchange gain	(888,103)	(142,317)
	(327,669)	(162,352)
Changes in non-cash working capital (note 9)	(316,090)	57,091
	(643,759)	(105,261)
Financing activities:		
Due to related parties	9,880	(6,061)
Shares issued for warrants and options	26,667	579,239
Proceeds of private placement financing	(4,360)	25,000,000
Share issue costs	-	(1,621,439)
	32,187	23,951,739
Changes in non-cash working capital (note 9)	-	7,006
	32,187	23,958,745
Investing activities:		
Expenditures on petroleum and natural gas properties	(14,028,322)	(18,063,037)
Petroleum production tax credits	7,578,754	4,102,842
Short-term investments	-	4,935,450
	(6,449,568)	(9,024,745)
Changes in non-cash working capital (note 9)	(6,110,066)	2,141,566
	(12,559,634)	(6,883,179)
Effect of foreign exchange rates on cash	643,986	184,567
Increase (decrease) in cash and cash equivalents	(12,527,220)	17,154,872
Cash and cash equivalents, beginning of year	27,543,796	10,388,924
Cash and cash equivalents, end of year	\$ 15,016,576	\$ 27,543,796
Supplemental information:		
Interest received	\$ 390,440	\$ 593,483

See accompanying notes to consolidated financial statements.

1) Basis of presentation

TG World Energy Corp. (the "Company") is engaged in the business of international petroleum exploration and development with the major areas of focus being Alaska, through its wholly-owned subsidiary, TG World Energy, Inc. ("TG Alaska") and Niger, through its wholly owned subsidiary, TG World Petroleum Limited ("TG Niger"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated.

2) Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of expenses during the reporting periods. By their nature, these estimates are subject to measurement uncertainty. The effects of changes in such estimates on the financial statements in future periods could be significant.

a) Petroleum and natural gas properties

i) Capitalized costs

The Company's petroleum and natural gas properties located in Alaska and Niger are in the exploration stage.

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and development of petroleum and natural gas properties and related reserves are capitalized on a country by country basis. Such costs include land acquisition costs, geological and geophysical expenses, and costs of drilling and completion of both productive and non-productive wells. Proceeds from the disposition of properties are normally deducted from the capitalized costs without recognition of gain or loss, unless the disposal would alter the rate of depletion and depreciation by more than 20%, in which case gain or loss on disposal is recorded. The Company currently has no producing petroleum and natural gas properties.

ii) Undeveloped properties

The Company's lands in Alaska and Niger, on which exploration wells are being drilled, are classified as undeveloped properties.

iii) Impairment

An impairment loss is recognized when the carrying value of oil and gas assets is not recoverable and exceeds its fair value. The carrying amount is assessed as recoverable when the sum of the undiscounted cash flows expected from proved reserves plus the cost of unproved interests, net of impairments, exceeds the carrying amount of the assets. When the carrying amount is assessed not to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the assets exceeds the sum of the discounted cash flows from proved and probable reserves plus the cost of unproved interests, net of impairments. The cash flows are estimated using expected future product prices and costs and are discounted using a credit adjusted risk-free interest rate.

2) Significant accounting policies (continued)

iv) Depletion

Depletion of the Company's interests in petroleum and natural gas properties will be computed by the unit-of-production method based on estimates of proven recoverable reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon relative energy content. Based on the exploratory nature of operations, no amount has been recorded for depletion.

v) Joint ventures

The Company's exploration activities are conducted in joint participation with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with maturities of three months or less from the date of purchase.

c) Short term investments

Short term investments consist of investments with maturities of twelve months or less, but more than three months, from the date of purchase. The investments are recorded at fair value.

d) Property and equipment

Property and equipment consisting of computer hardware and software is stated at cost less accumulated amortization. Amortization is calculated on a declining balance basis at 30% per annum.

e) Asset retirement obligation

The Company recognizes the estimated fair value of an asset retirement obligation ("ARO") in the period in which it is incurred and when a reasonable estimate of the fair value can be made. The obligations recognized are legal obligations for the abandonment and reclamation of long lived assets. The fair value of the estimated ARO is recorded as a liability, with a corresponding increase in the carrying amount of the related long-lived asset. An ARO is initially measured at fair value and subsequently adjusted for the accretion of discount and any changes to the estimated underlying cash flows. The related capitalized asset amount is depleted on a unit-of-production basis as part of the associated full cost pool over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period.

f) Income taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is likely that the asset will not be realized.

g) Foreign currency translation

Monetary items denominated in a foreign currency and the financial statements of integrated foreign operations are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in earnings.

2) Significant accounting policies (continued)

h) Per share amounts

Net loss per common share is computed by dividing net loss for the period by the weighted average number of common shares outstanding in the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

i) Stock-based compensation

The Company applies the fair value method, using the Black-Scholes option pricing model, when stock options are granted to employees, consultants, and directors under the share option plan. Under this method, compensation expense of stock options to employees, measured at the grant date, is recognized as a charge to earnings over the vesting period with a corresponding credit to contributed surplus. Compensation expense of stock options to non-employees, initially measured and periodically re-measured to fair value until the non-employees' performance is complete, is recognized as a charge to earnings over the vesting period with a corresponding credit to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company recognizes forfeitures as they occur.

j) Financial instruments

All financial instruments must be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as defined by the standard.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest rate method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Cash equivalents are highly liquid with original maturities of three months or less.

Accounts receivable are designated as "loans and receivables". Accounts payable and accrued liabilities, long-term liabilities and long-term debt are designated as "other financial liabilities".

Investments are designated as "available for sale". Gains or losses arising from a change in the fair value are recognized directly in other comprehensive income.

k) Comprehensive income

The Company's financial statements include a Statement of Comprehensive Income, which includes the components of comprehensive income. The Company's other comprehensive income is currently comprised of unrealized changes in the fair market values of financial instruments.

2) Significant accounting policies (continued)

l) Capital disclosures

On January 1, 2008 the Company adopted CICA Handbook Section 1535, "Capital Disclosures," which establishes guidelines for the disclosure of information regarding a company's capital and how it is managed. Enhanced disclosure with respect to the objectives, policies, and processes for managing capital and quantitative disclosure about what a company regards as capital are required.

m) Financial instruments disclosures and presentation

On January 1, 2008 the Company adopted CICA Handbook Section 3862, "Financial Instruments Disclosures" and Section 3863, "Financial Instruments Presentation". Section 3862 and Section 3863 replace 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity.

n) Goodwill and intangible assets

Effective January 1, 2009, the Company will be required to adopt CICA Handbook Section 3064, which replaced CICA Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs". Section 3064 provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company does not have goodwill or intangible assets on its balance sheet and therefore is not affected by this standard.

o) International financial reporting standards ("IFRS")

In 2005 the Accounting Standards Board of Canada (AcSB) announced that accounting standards for publicly accountable enterprises in Canada are to converge with IFRS. The Company will be required to report under IFRS in the first quarter of 2011 with appropriate comparative data from the prior year. Under IFRS there is significantly more disclosure required, particularly for quarterly reporting. Further, while IFRS is a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company is currently assessing the impact of these standards on its financial statements.

p) Comparative figures

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

3) Petroleum and natural gas properties

	2008	2007
Alaska	\$ 30,978,210	\$ 24,458,599
Niger	2,637,089	2,345,353
Other	9,973	2,509
	33,625,272	26,806,461
Accumulated amortization	(1,839)	(753)
	\$ 33,623,433	\$ 26,805,708



3) Petroleum and natural gas properties (continued)

Alaska

TG Alaska has a Joint Venture Agreement with Brooks Range Petroleum Corporation (“BRPC”), a wholly-owned subsidiary of Alaska Venture Capital Group (“AVCG”) and AVCG, to explore oil and gas properties acquired on the Alaska North Slope. TG Alaska’s working interests vary from 25% to 35% of an 80% net revenue interest. The carrying value of the asset represents unproved properties.

TG Alaska applies for Petroleum Production Tax Credits (“PPTC”) from the State of Alaska, which are credited against capital expenditures when Government tax credit certificates are received. TG Alaska has received US\$7,570,599 (\$7,676,733) up to December 31, 2008 and accrued an additional US\$3,724,363 (Cdn\$4,560,855), of which Cdn\$2,956,711 is current in nature and Cdn\$1,604,144 is long-term in nature, net of appropriate discounting. TGAlaska applied for additional credits of US\$4,495,949 in April 2009 for qualifying expenditures from the third and fourth quarters of 2008, which have not been recorded in the financial statements as TG Alaska has not received the Credit Certificates from the State of Alaska.

Niger

CNPC International Tenere Ltd. (“CNPCIT”), the operator, carries nearly 100% of TG Niger’s 20% share of costs for the minimum work program, which consists of 1,500 km of seismic and three exploration wells. The seismic program has been completed and two of the three wells have been drilled. As soon as security conditions permit the operator plans to drill the third well. The carrying value of the asset represents unproved properties.

4) Related party transactions

Under the normal course of business, the Company acquires services at exchange amounts that approximate fair market value from Seajay Management Enterprises Ltd. (“Seajay”) and TVI Pacific Inc. (“TVI”) under contracts approved by the independent members of the Board of Directors. The Company’s President and CEO is also an officer and director of Seajay and TVI. As at December 31, 2008 the Company owed Seajay \$30,844 (2007 - \$28,647) and owed TVI \$14,548 (2007 - \$6,865). The balances were paid in Q1 2009. The following table presents transactions with related parties during the year.

	2008	2007
Management, secretarial and administrative services charged by Seajay	\$ 457,005	\$ 378,195
Rent and office maintenance cost charged by TVI	151,035	109,193
	\$ 609,308	\$ 488,468



5) Asset retirement obligation

The following table reconciles the asset retirement obligation associated with the Company's properties in TG Alaska:

	2008		2007	
Balance, beginning of year	\$	346,268	\$	-
Change in estimates		(169,023)		-
Additions		40,029		346,268
Foreign currency translation		49,385		-
Balance, end of year	\$	266,659	\$	346,268

Key assumptions:

Inflation rate	2%	2%
Credit adjusted risk free rate	8%	8%
Undiscounted estimated cash flow required to settle obligation	501,559	619,032

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas assets. The Company estimates obligations will be paid within the next 15 years, with the majority of costs anticipated for 2022. The reclamation cost assumptions were adjusted downward as a result of updated cost projections received from the operator.

6) Share capital

a) Authorized

Unlimited number of common shares.

b) Issued

Common shares	2008		2007	
	Number	Amount	Number	Amount
Balance, beginning of year	122,060,870	\$ 53,603,258	71,125,674	\$ 29,486,139
Shares issued:				
On issuance of private placement	-	(4,360)	50,000,000	23,378,561
On exercise of options	266,668	52,105	666,671	272,637
On exercise of warrants	-	-	268,525	465,921
Balance, end of year	122,327,538	\$ 53,651,003	122,060,870	\$ 53,603,258

Private placement financing

In November 2007, the Company completed a private placement of 50,000,000 common shares at \$0.50 per share for gross proceeds of \$25,000,000 and net proceeds of \$23,378,561 after \$1,621,439 of direct expenses. During the period ended December 31, 2008, the Company incurred additional share issue costs related to the private placement in the amount of \$4,360.

6) Share capital (continued)

Normal Course Issuer Bid

On December 22, 2008 the Company commenced a normal course issuer bid to purchase for cancellation up to 5% or 6,116,376 common shares. The bid terminates at the earlier of December 21, 2009 or such time as it has acquired the maximum number of shares it is permitted to purchase. On March 23, 2009 the Company determined to suspend purchases until further notice. No shares have been repurchased.

c) Share options

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

The following table summarizes information about options outstanding and exercisable:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	6,854,898	\$ 1.09	5,074,898	\$ 1.17
Granted	2,690,000	0.12	2,530,000	0.73
Exercised	(266,668)	(0.10)	(666,671)	(0.27)
Expired	(54,168)	(1.33)	(41,662)	(1.36)
Forfeited	(95,832)	(1.18)	(41,667)	(1.63)
Options outstanding, end of year	9,128,230	\$ 0.83	6,854,898	\$ 1.09
Options exercisable, end of year	4,527,690	\$ 1.17	2,935,366	\$ 1.03

Options outstanding and exercisable at December 31, 2008:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$ 0.100	515,000	0.1	515,000
0.115	100,000	4.8	-
0.120	2,590,000	5.0	-
0.580	1,880,000	3.7	795,832
0.600	50,000	1.0	50,000
0.620	250,000	3.5	125,000
0.990	1,035,000	1.6	1,035,000
1.100	208,230	2.3	173,525
1.700	250,000	3.0	145,833
1.900	2,250,000	2.7	1,687,500
\$ 0.83	9,128,230	3.3	4,527,690

In March 2009 options granted in December 2008 were re-priced from \$0.07 to \$0.12 due to minimum pricing requirements for TSX Venture companies.

6) Share capital (continued)

There were 2,690,000 (2007 – 2,530,000) options granted during the year ended December 31, 2008. The following table sets out the assumptions used in applying the Black-Scholes model:

	2008	2007
Risk-free interest rate – average	1.74%	4.25%
Expected life (in years)	5	5
Expected volatility	96%	79%
Weighted average fair value	\$0.05	\$0.47

During the year ended December 31, 2008, a total of \$1,420,515 (2007 – \$1,577,091) of stock-based compensation was charged, of which \$365,313 (2007 – \$514,642) was capitalized.

d) Warrants

During 2007, there were 268,525 warrants exercised for proceeds of \$399,525. The remaining 9,874,476 warrants expired on August 23, 2007. The fair value of exercised warrants of \$66,396 was transferred to share capital and the fair value of expired warrants of \$2,420,991 was transferred to contributed surplus.

e) Contributed surplus

	2008	2007
Balance, beginning of year	\$ 4,919,175	\$ 1,014,016
Stock-based compensation	1,444,401	1,601,786
Options forfeited	(23,886)	(24,695)
Transfer to share capital on exercise of options	(25,440)	(92,923)
Transfer from warrants upon expiry	-	2,420,991
Balance, end of year	\$ 6,314,250	\$ 4,919,175

7) Per share amounts

The basic weighted average number of common shares outstanding for the year ended December 31, 2008 was 122,156,499 (2007 – 77,578,249). No addition is made to the basic weighted average number of shares when calculating diluted weighted average number of shares as the diluted per share amounts are not dilutive.

8) Income taxes

The provision for income taxes differs from that which would be expected by applying the combined corporate statutory rates as follows:

	2008	2007
Income tax rate	29.50%	32.12%
Net loss for the year	\$ (487,320)	\$ (1,083,237)
Expected recovery	(143,759)	(347,936)
Stock-based compensation	311,285	341,259
Valuation allowance	(167,526)	6,677
	\$ -	\$ -

8) Income taxes (continued)

Substantially all of the Company's future income tax assets relate to non capital losses, all of which are provided for with a valuation allowance. The Company's non-capital losses of \$3,699,354, for Canadian tax purposes, may be applied to reduce taxable income in future years:

Source Year	Amount	Expiry
2002	\$ 356,154	2009
2003	288,564	2010
2004	351,275	2014
2005	199,080	2015
2006	628,944	2026
2007	868,011	2027
2008	\$ 1,007,326	2028

9) Supplemental cash flow information

	2008	2007
Changes in non-cash working capital:		
Accounts receivable and accrued interest	\$ (3,759,960)	\$ (590,722)
Accounts payable and accrued liabilities	(2,666,196)	2,796,385
	(6,426,156)	2,205,663
Operating	(316,090)	57,091
Financing	-	7,006
Investing	(6,110,066)	2,141,566
	\$ (6,426,156)	\$ 2,205,663

10) Capital management

The Company's objective when managing capital is to maintain balance sheet strength to ensure the Company's strategic objectives are met while providing an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue debt, and make adjustments to its capital expenditures program.

The Company does not have externally imposed capital requirements. Consistent with other capital intensive companies, the Company monitors capital on the basis of the debt-to-equity ratio, the debt-to-assets ratio, and the working capital surplus. Debt is calculated as the sum 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 petroleum and natural gas properties and receivables.

	2008	2007
Debt	\$302,344	\$3,095,253
Equity	\$52,761,915	\$51,806,415
Assets	\$38,302,986	\$27,692,783

10) Capital management (continued)

Debt-to-equity	0.006	0.060
Debt-to-assets	0.008	0.112
Working capital surplus	\$17,793,790	\$25,183,590

11) Financial instruments

a) Fair values of financial assets and financial liabilities

The carrying value of the Company's financial assets and liabilities consisting of cash and cash equivalents, short term investments, accounts receivable and prepaid expenses, accounts payable and accrued liabilities, and due to related parties approximate their fair value at December 31, 2008 and 2007 due to their short term nature.

b) Currency risk

The Company faces currency risks mainly due to the substantial cross-border element of its operations. The Company's head office is located in Canada and it obtains its financing in Canadian dollars. However, the Company's main expenditures are denominated in US dollars. There are no forward sales, and the Company does not engage in currency hedging activities.

The Company publishes its consolidated financial statements in Canadian dollars and as a result, it is also subject to foreign currency exchange translation risk in respect of the results and underlying net assets of its foreign operations. A 1% change in the foreign currency exchange rate would result in a change, based on year end balances, of cash and cash equivalents of \$31,014, a change of accounts receivable and prepaid expenses of \$37,592 and a change of accounts payable and accrued liabilities of \$859.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances.

The Company continues to be a development stage enterprise and engages in exploration and development of properties located in Alaska and Eastern Niger. As such, TG Alaska and TG Niger currently have no producing petroleum and natural gas properties and no production revenue. However, currently the Company and its subsidiaries have substantial current assets in excess of its current liabilities. The Company will continue to monitor its capital and operating expenditures to ensure financial obligations can be met when they fall due.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does have a significant concentration of credit risk on its outstanding receivables, however they are mainly due from government agencies. The timing of cash receipts from the State of Alaska will be more difficult to determine as the Department of Revenue has recently altered its procedures for issuing PPTCs. Previously the State had 120 days to conduct an audit and issue the Tax Credit Certificate, whereas they will now issue Tax Credit Certificates in advance of audits without a limitation on when they must be completed. PPTCs will be issued upon completion of audits. The Company views amounts in accounts receivable as current in nature. Long term receivables reflect discounted fair value PPTCs to be received after one year.

11) Financial instruments (continued)

The Company maintains its cash and investments (Treasury bills and bankers' acceptance notes) in accounts from highly reputable banks, which are approved by the Board of Directors. The Company currently does not have a policy to mitigate credit risk.

e) Price risk

Price risk is the risk the Company faces from changes in commodity prices. Since the Company's business is trading a marketable commodity, the Company is exposed to market rates for that commodity in terms of potential revenue it generates and how the price of the commodity impacts business decisions to ensure the Company aligns itself strategically with changes in the marketplace to ensure profitability.

12) Contingencies

As a part of the negotiations leading to the Joint Venture Agreement on the Alaska properties, TG Alaska agreed to pay a third party a 2% overriding royalty interest share of TG Alaska's interest in hydrocarbons from the initially awarded oil and gas leases on the Alaska North Slope. In addition, the third party will receive a 1.25% overriding royalty of TG Alaska's interest in hydrocarbons from leases acquired by the joint venture in the area of mutual interest, subsequent to the initially awarded leases on the Alaska North Slope. The third party has filed a claim against the Company alleging entitlement to 2.5% gross overriding ownership interest of TG Alaska's interest in all leases on the Alaska North Slope. Legal proceedings are at an early stage and it is premature to make any conclusions respecting the final outcome.

TG Niger holds a 20% interest in the CNPCIT operated Ténéré Permit, and CNPCIT is currently committed to carry TG Niger's cost of the Minimum Work Program. However, the Ténéré EA provides options for two additional three year terms that would include additional seismic and exploratory well commitments for which the Company would pay its share. The term of the existing Ténéré EA has been extended by the Niger Government due to the prevailing security conditions.

In December 2008 TG Alaska was served with a complaint for breach of contract from its Alaska operator for an alleged failure to adhere to specific obligations within the JV Agreement. In January 2009 TG Alaska filed an answer and counterclaim, to which the Plaintiffs replied on January 27, 2009. A court ordered mediation was held in March 2009. The mediation failed to produce a settlement and TG Alaska is now engaged in the trial process. Legal proceedings are at an early stage and therefore it is premature to make any conclusions respecting the final outcome.

In April 2009 TG Alaska applied to the State of Alaska for PPT credits of US\$4,498,949 for the 2008 year end loss and qualifying expenditures from the third and fourth quarters of 2008. TG Alaska expects the application to be approved as submitted and approval is anticipated during the third quarter of 2009.

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