



## **TG World Energy Corp.**

**Management's Discussion and Analysis**

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



*The discussion and analysis that follows is intended to provide a summary of the consolidated results of TG World Energy Corp. ("TG World" or the "Company") for the three and nine months ended September 30, 2009 and 2008, as well as its consolidated financial position and future plans. It should be read in conjunction with the interim consolidated financial statements for the three and nine months ended September 30, 2009 and 2008. 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](http://www.tgworldenergy.com) or on SEDAR's website at [www.sedar.com](http://www.sedar.com). Information in this Management's Discussion and Analysis ("MD&A") is as of November 19, 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 are 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 engaged in the business of international petroleum exploration and development with the major areas of focus currently being Alaska, through its wholly-owned subsidiary, TG Alaska and Niger, through its wholly owned subsidiary, TG Niger.

### **Alaska**

In 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% to 35% working interest in a majority of BRPC's existing oil and gas leases located on the Alaska North Slope. The total acreage currently controlled by the JV is approximately 245,000 gross acres within the proven North Slope 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.

In December 2008 AVCG/ BRPC commenced proceedings against TG Alaska alleging that TG Alaska had breached its obligations under the agreements governing the JV. In September 2009 TG Alaska settled all outstanding legal disputes with AVCG/ BRPC relating to TG Alaska's participation in the Alaska JV involving AVCG and BRPC. The JV intends to commence renewed exploration activities in Alaska this drilling season. In September 2009 the JV received approval from the Department of Natural Resources in Alaska for its Beechey Point Unit application. The Beechey Point Unit establishes a plan of development for twenty-five leases comprising a total of 53,000 acres in the Gwydyr Bay area.

Prior to December 2008 the JV had completed an exploration drilling and seismic program on the JV lands, which had the following results:



1. 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 in January 2008. During this time 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 in May 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.
2. In 2007 the JV drilled the Sak River #1 well, which is located in the Gwydyr Bay prospect area. The well was drilled to a total depth of 11,306 feet but was determined dry and activity was suspended. TG Alaska has a 35% working interest in the area and paid 50% of the well costs. The JV has performed further Amplitude Variation with Offset (AVO) for hydrocarbon reservoirs on the prospect and has determined that the potential for finding hydrocarbon reservoirs at Sak River still exists.
3. In February 2008, the JV drilled 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 Modular formation Dynamic Tester (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 formation 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.
4. In 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 south. TG Alaska paid 25% of the survey costs. The seismic data are currently being analyzed by the JV. 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.

#### Petroleum Production Tax Credits

Under the terms of the Alaska Oil and Gas Petroleum Production Tax ("PPT") Credit program, TG Alaska is entitled to credits in the amount of 45–65% of its 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. Credits payable by the State of Alaska are dependant on a forward spend program, by TG Alaska, on oil and gas development and exploration. TG Alaska's practice has been to realize full value of the credits from 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.



TG Alaska has available US\$5,426,442 of tax credits from the State, recorded as accounts receivable. Applications totaling US\$758,965 are pending State approval and have not been recorded in accounts receivable at September 30, 2009.

#### Outlook

On November 11, 2009 TG Alaska signed an AFE to drill the Sak River #1A well with its JV partners AVCG/ BRPC and Ramshorn Investments, Inc. The full program for the upcoming 2009 – 2010 drilling season in Alaska continues to be developed by the JV. TG Alaska is encouraged by the drilling activity presently confirmed and that which is being contemplated.

#### **Ténéré, Niger**

TG Niger holds a 20% interest in an oil and gas exploration license with Chinese National Petroleum Company International Ténéré Ltd. ("CNPCIT"), a subsidiary of the Chinese National Petroleum Company (CNPC), that allows for the partners to drill in the Ténéré area of Niger, Africa. The Ténéré Block is a 17.3 million acre block located in a geological subsurface rift basin adjacent to CNPC's Agadem Block, where unofficial reports have indicated discoveries of over 400 million barrels.

Under terms and conditions of the partner agreements, CNPCIT is obligated to pay 100% of TG Niger's share of costs for the Minimum Work Program of the 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. 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 seismic acquisition was done 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 but were abandoned.

#### Outlook

TG Niger has approved the drilling of the Facai-1 well, which will be located 100 km to the north of the previous well, Saha-1. Facai-1 will test a different play concept than that of the previous two wells. The well will be at no cost to TG Niger. The well is planned to be drilled to approximately 12,000 feet to test Cretaceous sandstones in an anticlinal trap. Seismic data AVO analysis indicates 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 Ténéré license area is still under force majeure, pending government approval to proceed, which is dependent on an improvement in the security situation. Recently, the government of Niger sent officials to mediate an end to the unrest. The Company has been advised by CNPCIT that a rig is on stand-by in the area and can commence drilling Facai-1 within 3 months after lifting of the security related force majeure.



**Selected Quarterly Information**

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

	2009			2008				2007 Q4
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Net loss (gain)	794	934	207	(214)	169	390	142	72
Net loss (gain) per share - basic	0.007	0.008	0.002	(0.002)	0.001	0.003	0.001	0.001
Working capital	18,349	16,500	17,189	17,794	16,325	16,666	16,482	25,184
P&NG assets	33,533	35,920	34,311	33,623	36,124	35,611	35,799	26,806
Total assets	52,785	53,602	53,844	53,324	52,587	52,765	57,790	55,245
Shareholders' equity	51,635	52,157	52,872	52,755	52,222	52,063	52,069	51,803

The following discussion highlights some of the more significant factors that changed results over the past eight reporting quarters ended September 30, 2009:

- Significant movement in the CDN / USD foreign currency exchange rate has resulted in fluctuations in the foreign exchange gain/ loss, in the consolidated statement of operations, from monetary assets and liabilities, as well as through the translation of the financial statements of integrated foreign subsidiaries.
- 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 2009 and the second and fourth quarters of 2008, in comparison to other periods, reflect the receipt of PPT credit certificates which were netted against P&NG expenditures.

For the nine months ending September 30, 2009 the Company's net loss was \$1,934,739 versus a net loss of \$701,113 for the same period in 2008, an increase of \$1,233,626. For the three months ending September 30, 2009 TG World lost \$793,781 compared to a net loss of \$168,849 for the three months ending September 30, 2008, an increase of \$624,932. Below is a summary of the components comprising the changes in the net loss for each period:

	Three month period	Nine month period
Loss increase (decrease) due to:	\$	\$
Stock based compensation expense	(37,857)	(229,121)
General and administrative costs	122,217	168,049
Interest income	52,207	275,686
Foreign exchange	488,365	1,019,012
	624,932	1,233,626

Stock based compensation was \$273,495 and \$816,719 for the three and nine months ended September 30, 2009 respectively (2008 - \$311,573 and \$1,099,498), of which \$73,656 and \$232,325 (2008 - \$73,878 and \$285,984) were capitalized. The decrease in total expensed stock-based compensation from comparable periods in 2008 is due to the difference in stock based compensation associated with options granted in 2005 and 2006 (fulfillment of stock based compensation expense on 2005 options occurred in Q3 2008 and in Q3 2009 for 2006 options) versus options granted in 2008 and 2009.

Interest income for the three and nine months ended September 30, 2009 was \$11,182 and \$48,295 respectively compared to \$59,221 and \$314,545 respectively for the same periods in 2008. This represents a decrease of \$48,039 and \$266,250 respectively, resulting from both a reduction in funds invested and lower rates on invested funds.

Changes in the gain on foreign exchange result from differences in the relative change in the US and Canadian dollars.



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 nine months ended September 30, 2009 a total of \$3,923,988 (September 30, 2008 – \$13,650,974) in expenditures were capitalized, before consideration of the PPT credits of \$4,020,015 (September 30, 2008 - \$4,335,785) that were credited against these expenditures. Below is a summary of the Company's main consolidated capital expenditures in the period:

	<b>Nine months ended September 30</b>	
	<b>2009</b>	<b>2008</b>
Alaska:		
Land acquisitions and lease rentals	\$ 97,000	\$ 503,592
Seismic	584,644	2,756,075
Drilling and completion	863,007	9,525,635
Capitalized consulting and travel costs	2,061,288	705,782
Stock based compensation	116,794	137,804
Asset retirement cost	-	(144,647)
PPT credits	(4,020,015)	(4,335,785)
	<u>\$ (297,282)</u>	<u>\$ 9,148,456</u>
Niger:		
Seismic	\$ -	\$ (73,561)
Capitalized consulting and travel costs	85,724	92,114
Stock based compensation	115,531	148,180
	<u>\$ 201,255</u>	<u>\$ 166,733</u>

Expenditures in TG Alaska are significantly lower for the nine months ending September 30, 2009 compared to the same period in 2008 since no wells were drilled and no seismic was shot during the period, compared to active operations in both drilling and seismic during the comparable period of 2008. There was a recovery in TG Alaska on the Alaska land acquisitions and rentals (\$109,650) due to a refund of lease rental costs.

### **Accounts Receivable**

At September 30, 2009 accounts receivable of \$5,880,093 (December 2008 - \$3,075,409) consists primarily of PPT credits (99%) claimed from the State of Alaska for qualified expenditures. The remaining receivable (1%) relates mainly to prepaid expenses and GST receivable on purchases of supplies and services.

### **Accounts Payable**

At September 30, 2009 accounts payable was \$903,020 (December 31, 2008 - \$302,344), of which \$374,625 (December 31, 2008 - \$12,928) is related to accruals for TG Alaska.

### **Liquidity and Capital Resources**

As at September 30, 2009, the Company had a consolidated working capital surplus of \$18,348,889 (December 2008 - \$17,793,790), including cash and cash equivalents of \$13,368,977 (December 2008 - \$15,016,576), to fund its capital programs. The Company has sufficient cash and excess working capital to fund current operations. The Company's investment policy is to secure excess cash in low risk investments. Equity financing is the Company's main source of funds.



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

	November 19, 2009	September 30, 2009	December 31, 2008
Common shares issued	122,335,870	122,327,538	122,327,538
Stock options outstanding	11,873,230	11,956,562	9,128,230

During the three and nine months ending September 30, 2009, no options were exercised.

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 decided 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 three and nine months ending September 30, 2009, Seajay Management Enterprises Ltd. ("Seajay") charged the Company \$100,396 and \$286,241 respectively (September 30, 2008 - \$109,809 and \$364,704) for management, secretarial, and administration services. The decrease in the current period is due to a reduction in staff charges compared to the prior year. Seajay is a company controlled by an officer of the Company.

For the three and nine months ending September 30, 2009, TVI Pacific Inc. ("TVI") charged \$38,999 and \$124,734 respectively (September 30, 2008 - \$50,946 and \$105,334) 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 License, and CNPCIT is committed to carry TG Niger's cost of the Minimum Work Program. However, the Ténéré Establishment Agreement (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.



### **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 have concluded, based on their evaluation as of the period ended on these financial statements, 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 them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that disclosure controls and procedures provide a reasonable level of assurance, they do 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:

- a) **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.
- b) **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 a 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.

- 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**

On January 1, 2009, the Company adopted 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 commenced development of its IFRS changeover plan, which includes 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. At this point the Company is in the initial stages of determining the impact that IFRS will have on the financial statements.

### **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, but not limited to: (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, existence of hydrocarbon reservoirs at Sak River, 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 from 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 as 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](http://www.SEDAR.com) and the Company's website at [www.tgworldenergy.com](http://www.tgworldenergy.com).

November 19, 2009



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***Corporate Directory:***

Clifford M. James, President and CEO  
  
Dean Callaway, Vice President Finance and CFO

***Corporate Directors:***

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A. Lloyd Flood  
  
Wayne G. Thomson  
  
Gordon J. Hoy  
  
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TSX Venture Exchange      Symbol: TGE

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**TG World Energy Corp.**

**Consolidated Financial Statements**

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



	<b>September 30, 2009</b>	<b>December 31, 2008</b>
	(Unaudited)	(Unaudited)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 13,368,977	\$ 15,016,576
Short term investments	2,839	4,149
Accounts receivable and prepaid expenses (note 3)	5,880,093	3,075,409
	<u>19,251,909</u>	<u>18,096,134</u>
Long-term receivable	-	1,604,144
Petroleum and natural gas properties (note 3)	33,533,330	33,623,433
	<u>\$ 52,785,239</u>	<u>\$ 53,323,711</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 855,454	\$ 256,952
Due to related parties (note 4)	47,566	45,392
	<u>903,020</u>	<u>302,344</u>
Asset retirement obligations (note 5)	246,841	266,659
	<u>1,149,861</u>	<u>569,003</u>
<b>Shareholders' Equity</b>		
Share capital (note 6(b))	53,651,003	53,651,003
Contributed surplus (note 6(d))	7,130,969	6,314,250
Deficit	(9,138,077)	(7,203,338)
Accumulated other comprehensive loss	(8,517)	(7,207)
	<u>51,635,378</u>	<u>52,754,708</u>
	<u>\$ 52,785,239</u>	<u>\$ 53,323,711</u>

Contingencies (note 10)

See accompanying notes to unaudited interim consolidated financial statements.

**TG World Energy Corp.**

Unaudited Interim Consolidated Statements of Operations, Comprehensive Loss,  
Deficit, and Accumulated Other Comprehensive Loss  
September 30, 2009 and 2008  
(in Canadian dollars)



	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Interest income	\$ 11,182	\$ 59,221	\$ 48,295	\$ 314,545
Expenses				
General and administrative	501,423	421,632	1,327,191	1,368,431
Foreign exchange loss (gain)	303,540	(193,562)	655,843	(352,773)
	804,963	228,070	1,983,034	1,015,658
Net loss	(793,781)	(168,849)	(1,934,739)	(701,113)
Gain (loss) in fair value of investments	(1,747)	(3,713)	(1,310)	(1,529)
Comprehensive loss	\$ (795,528)	\$ (172,562)	\$ (1,936,049)	\$ (702,642)
Net loss per share				
Basic and diluted	(0.007)	(0.001)	(0.016)	(0.006)
Weighted average number of common shares				
Basic and diluted (note 7)	122,327,538	122,160,147	122,327,538	122,099,210
Deficit, beginning of period	\$ (8,344,296)	\$ (7,248,282)	\$ (7,203,338)	\$ (6,716,018)
Net loss	(793,781)	(168,849)	(1,934,739)	(701,113)
Deficit, end of period	\$ (9,138,077)	\$ (7,417,131)	\$ (9,138,077)	\$ (7,417,131)
Accumulated other comprehensive loss, beginning of period	\$ (6,770)	\$ (1,092)	\$ (7,207)	\$ (3,276)
Other comprehensive gain (loss)	(1,747)	(3,713)	(1,310)	(1,529)
Accumulated other comprehensive loss, end of period	\$ (8,517)	\$ (4,805)	\$ (8,517)	\$ (4,805)

See accompanying notes to unaudited interim consolidated financial statements.

**TG World Energy Corp.**

Unaudited Interim Consolidated Statements of Cash Flows  
September 30, 2009 and 2008  
(expressed in Canadian dollars)



	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Net loss for the period	\$ (793,781)	\$ (168,849)	\$ (1,934,739)	\$ (701,113)
Items not involving cash:				
Stock-based compensation expense	199,839	237,696	584,394	813,515
Amortization	1,208	132	3,152	395
Accretion	916	(2,008)	(10,873)	(5,501)
Unrealized foreign exchange (gain)/loss	298,655	(183,742)	675,373	(233,342)
	(293,163)	(116,771)	(682,693)	(126,046)
Changes in non-cash working capital	(91,489)	(60,181)	181,892	(156,532)
	(384,652)	(176,952)	(500,801)	(282,578)
<b>Financing activities:</b>				
Due to related parties	(10,747)	31,475	2,174	34,441
Shares issued for warrants and options	-	20,000	-	26,667
Share issue costs	-	-	-	(4,360)
	(10,747)	51,475	2,174	56,748
Changes in non-cash working capital	-	-	-	-
	(10,747)	51,475	2,174	56,748
<b>Investing activities:</b>				
Expenditures on petroleum and natural gas properties	(1,597,275)	(415,117)	(3,755,418)	(13,479,258)
Petroleum production tax credits	4,020,015	-	4,020,015	4,335,784
	2,422,740	(415,117)	264,597	(9,143,474)
Changes in non-cash working capital	(4,183,247)	212,279	(1,006,152)	(6,519,580)
	(1,760,507)	(202,838)	(741,555)	(15,663,054)
Effect of foreign exchange rates on cash	(179,203)	29,767	(407,417)	76,291
Increase (decrease) in cash and cash equivalents	(2,335,109)	(298,548)	(1,647,599)	(15,812,593)
Cash and cash equivalents, beginning of period	15,704,086	12,029,751	15,016,576	27,543,796
Cash and cash equivalents, end of period	\$ 13,368,977	\$ 11,731,203	\$ 13,368,977	\$ 11,731,203
<b>Supplemental information:</b>				
Interest received	\$ 6,514	\$ 59,602	\$ 35,727	\$ 335,218

See accompanying notes to unaudited interim consolidated financial statements.

## 1) BASIS OF PRESENTATION

TG World Energy Corp. (the “Company”) was incorporated under the Business Corporations Act (Alberta) on July 10, 2001. 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

### Preparation of Financial Statements

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements and follow the same accounting policies and methods of application as the audited annual consolidated financial statements for the year ended December 31, 2008. These financial statements should be read in conjunction with those audited annual consolidated financial statements for the year ended December 31, 2008.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions regarding certain assets, liabilities and expenses. Such estimates include those related to depreciation, accretion, asset retirement obligations, the fair value of assets and financial instruments, and litigation. Actual results will differ from estimated amounts.

### 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) 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.

**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) 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.

**d) 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.

**Changes in Accounting Policies**

On January 1, 2009, the Company adopted 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.

**Future Accounting Pronouncements**

In 2005 the Accounting Standards Board of Canada (AcSB) announced that accounting standards for publicly accountable enterprises in Canada are to converge with International Financial Reporting Standards ("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.

### 3) PETROLEUM AND NATURAL GAS PROPERTIES

	<b>September 30, 2009</b>		<b>December 31, 2008</b>	
Alaska	\$	30,680,929	\$	30,978,210
Niger		2,838,344		2,637,089
Other		19,049		9,973
		<u>33,538,322</u>		<u>33,625,272</u>
Accumulated amortization		(4,992)		(1,839)
	<b>\$</b>	<b>33,533,330</b>	<b>\$</b>	<b>33,623,433</b>

For the nine months ending September 30, 2009 the Company has capitalized \$2,379,337 (nine months ending September 30, 2008 - \$1,087,279) of general and administrative costs. For the three months ending September 30, 2009 the Company has capitalized \$1,370,943 (three months ending September 30, 2008 - \$267,657) of general and administrative costs.

#### 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%. 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 accrued US\$5,412,205 (Cdn\$5,802,966) in PPTC and has applied for additional credits of US\$758,965, which have not been recorded in the financial statements.

#### Niger

CNPC International Ténéré 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 September 30, 2009 the Company owed Seajay \$32,792 (December 31, 2008 - \$30,844) and owed TVI \$14,775 (December 31, 2008 - \$14,548). The balances were paid in Q4 2009. The following table presents transactions with related parties during the year.

	<b>Three months ended September 30 2009</b>		<b>September 30 2008</b>		<b>Nine months ended September 30 2009</b>		<b>September 30 2008</b>	
Management, secretarial and administrative services charged by Seajay	\$	100,396	\$	109,809	\$	286,241	\$	364,704
Rent and office maintenance costs charged by TVI		38,999		50,946		124,734		105,334
	<b>\$</b>	<b>139,395</b>	<b>\$</b>	<b>160,755</b>	<b>\$</b>	<b>410,975</b>	<b>\$</b>	<b>470,038</b>



## 5) ASSET RETIREMENT OBLIGATIONS

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

	Nine months ended September 30, 2009		Year ended December 31, 2008	
Balance, beginning of year/ period	\$	266,659	\$	346,268
Change in estimates		15,043		(169,023)
Additions		-		40,029
Foreign currency translation		(34,861)		49,385
<b>Balance, end of year/ period</b>	<b>\$</b>	<b>246,841</b>	<b>\$</b>	<b>266,659</b>
<b>Key assumptions:</b>				
Inflation rate		2%		2%
Credit adjusted risk free rate		8%		8%
Undiscounted estimated cash flow required to settle obligation		439,140		501,559

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 in 2008 as a result of updated cost projections received from the operator.

## 6) SHARE CAPITAL

### a) Authorized

An unlimited number of common shares.

### b) Issued and outstanding

Common shares	Nine months ended September 30, 2009		Year ended December 31, 2008	
	Number	Amount	Number	Amount
Balance, beginning of year/ period	122,327,538	\$ 53,651,003	122,060,870	\$ 53,603,258
Shares issued:				
On issuance of private placement	-	-	-	(4,360)
On exercise of options	-	-	266,668	52,105
Balance, end of year/ period	122,327,538	\$ 53,651,003	122,327,538	\$ 53,651,003

### Private placement financing

During the period ended December 31, 2008, the Company incurred share issue costs in the amount of \$4,360 related to the private placement that occurred in November 2007.

### 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 decided to suspend purchases until further notice. No shares have been repurchased.

**c) Common share option plan**

The Company has a share option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. The number of common shares issuable under the Company's share option plan cannot exceed 10% of the issued and outstanding common shares of the Company. The number of common shares issuable to any one person under the plan cannot exceed 5% of the issued and outstanding common shares from time to time. The maximum number of common shares issuable to consultants of the Company or employees conducting investor relations cannot exceed 2% of the issued and outstanding common shares in any twelve month period. The exercise price of each option is equal to the greater of \$0.10 or the closing market price of the Company's stock the day prior to the grant date or a price higher than closing market price deemed appropriate by the board of directors. The options vest in equal quarterly instalments over three years and expire no more than five years from the date of grant.

The following table summarizes information about options outstanding and exercisable:

	September 30, 2009		December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	9,128,230	\$ 0.83	6,854,898	\$ 1.09
Granted	4,610,000	0.12	2,690,000	0.12
Exercised	-	-	(266,668)	(0.10)
Expired	(515,000)	(0.10)	(54,168)	(1.33)
Forfeited	(1,266,668)	(0.61)	(95,832)	(1.18)
<b>Options outstanding, end of year/ period</b>	<b>11,956,562</b>	<b>\$ 0.61</b>	<b>9,128,230</b>	<b>\$ 0.83</b>
<b>Options exercisable, end of year/ period</b>	<b>5,291,979</b>	<b>\$ 1.19</b>	<b>4,527,690</b>	<b>\$ 1.17</b>

Options outstanding and exercisable at September 30, 2009:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$ 0.115	100,000	4.1	25,000
0.120	6,633,332	4.7	595,416
0.580	1,684,167	3.0	1,132,500
0.600	50,000	0.3	50,000
0.990	1,035,000	0.9	1,035,000
1.100	208,230	1.6	208,230
1.900	2,245,833	1.9	2,245,833
<b>\$ 0.61</b>	<b>11,956,562</b>	<b>3.5</b>	<b>5,291,979</b>

In March 2009 options granted in January 2009 were re-priced from \$0.095 to \$0.12 due to minimum pricing requirements for TSX Venture companies.

There were 4,610,000 options granted during the nine months ended September 30, 2009 (September 30, 2008 – nil). The following table sets out the assumptions used in applying the Black-Scholes model:

	<b>Nine months ended September 30, 2009</b>	<b>Year ended December 31, 2008</b>
Risk-free interest rate – average	2.32%	1.74%
Expected life (in years)	5	5
Expected volatility	103%	96%
Weighted average fair value	\$0.09	\$0.05

During the nine months ended September 30, 2009, a total of \$816,719 (September 30, 2008 – \$1,099,498) of stock-based compensation was charged, of which \$232,325 (September 30, 2008 – \$285,984) was capitalized. For the three months ended September 30, 2009, a total of \$273,495 (September 30, 2008 - \$311,573) of stock-based compensation was charged, of which \$73,656 (September 30, 2008 - \$73,878) was capitalized.

**d) Contributed surplus**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
Balance, beginning of year/ period	\$ 6,314,250	\$ 4,919,175
Stock-based compensation	929,571	1,444,401
Options forfeited	(112,852)	(23,886)
Transfer to share capital on exercise of options	-	(25,440)
<b>Balance, end of year/ period</b>	<b>\$ 7,130,969</b>	<b>\$ 6,314,250</b>

**7) PER SHARE AMOUNTS**

The basic weighted average number of common shares outstanding for the nine months ended September 30, 2009 was 122,327,538 (September 30, 2008 – 122,099,210) and for the three months ended September 30, 2009 was 122,327,538 (September 30, 2008 – 122,160,147). 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) 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.



	September 30, 2009	December 31, 2008
Debt	\$903,020	\$302,344
Equity	\$51,643,895	\$52,761,915
Assets	\$39,413,423	\$38,302,986
Debt-to-equity	0.017	0.006
Debt-to-assets	0.023	0.008
Working capital surplus	\$18,348,889	\$17,793,790

## 9) 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 September 30, 2009 and December 31, 2008 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 to date 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 period end balances, of cash and cash equivalents of \$25,352, a change of accounts receivable and prepaid expenses of \$54,323 and a change of accounts payable and accrued liabilities of \$6,044.

### 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 the audit 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.



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.

**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.

**10) 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.

In September 2009 TG Alaska settled all outstanding legal disputes with AVCG and BRPC. With the execution and delivery of the settlement agreement, the current litigation between AVCG/ BRPC and TG Alaska, and related claims and counterclaims has been dismissed with prejudice.

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.

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Dean Callaway, Vice President Finance and CFO

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