



TG World Energy Corp.

Management's Discussion and Analysis

**For the Years Ended
December 31, 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 twelve months ended December 31, 2009 and 2008, 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, 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. On December 14, 2009, the Company incorporated a wholly owned subsidiary in the British Virgin Islands, TG World (BVI) Corp. for the purpose of holding its recently announced investment in the Philippines. In this management's discussion and analysis, TG World Energy, Inc. is referred to as TG Alaska, TG World Petroleum Limited is referred to as TG Niger and TG World (BVI) Corp. is referred to as TG Philippines. 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's Discussion and Analysis ("MD&A") is as of April 9, 2010.

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, Niger, through its wholly owned subsidiary, TG Niger and the Philippines through its wholly-owned subsidiary, TG Philippines.

Alaska

In 2006, TG Alaska entered into a joint venture ("JV") agreement with Alaska Venture Capital Group, LLC ("AVCG") and Brooks Range Petroleum Corporation ("BRPC"), a wholly owned subsidiary of 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 in which TG World has a working interest is approximately 228,600 gross acres all located within the proven North Slope oil fairway. The JV agreement had an initial term until March 2010, however it shall continue in full force and effect unless terminated by either party giving to the other party not less than ninety (90) days written notice to terminate the agreement on any anniversary date of the agreement. As at the date of this MD&A, no such notice has been given and the JV agreement continues. TG Alaska and AVCG/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. AVCG, Brooks Range Development Corp. and Ramshorn Investments Inc., a subsidiary of Nabors Drilling, are the Company's partners in the JV.



In December 2008 AVCG/BRPC filed a legal claim 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 settlement did not involve any monetary consideration from either party, but was resolved with an agreement to carry out specified drilling operations in the upcoming 2010/2011 winter season on the JV lands. Under the current JV arrangement and settlement, TG Alaska is committed to drill two additional wells on a promoted basis in Alaska: Sak River #1a being the first well and a second well called North Tarn, which is forecast to be drilled in the 2010/2011 winter drilling season.

The JV has operations at various stages in four hydrocarbon potential areas in Alaska: Beechey Point Unit (Gwydyr Bay), Tofkat, Slugger/South Thomson and North Tarn.

Beechey Point Unit ("BPU")

In 2007, the JV's activities on Beechey Point acreage included the drilling of the North Shore #1 oil discovery, the Sak River #1 dry hole and shooting of 130 square kilometres of seismic survey. In 2008, the JV tested the North Shore #1 well and purchased leases containing the Pete's Wicked oil discovery.

In September 2009 the JV received approval from the Department of Natural Resources in Alaska for its BPU application, establishing a plan of development for twenty-five leases comprising a total of 53,000 acres in the Gwydyr Bay area. TG Alaska holds a 35% interest in the BPU.

The Settlement Agreement of September 2009 with AVCG/BRPC established a framework for Beechey Point drilling activities for the 2009/2010 Alaska drilling season. The 2009/2010 work plan and budget called for the drilling of two wells in the BPU: Sak River #1a and North Shore #3. If Sak River #1a well was successful, TG Alaska could elect to participate in the drilling of the North Shore #3 well. If Sak River #1a was dry, then TG Alaska would relinquish its interest in the Sak River and North Shore drilling blocks and three other sections within the BPU. TG Alaska entered into this arrangement as it believed that if Sak River #1a was not successful the economics of North Shore development, even with North Shore exploration success would not generate a sufficient return for shareholders to warrant participation in the North Shore development program. TG Alaska will retain a net profit interest in North Shore #1, Sak River #1 and Sak River #1a should either well have production in the future.

In January 2010 the JV commenced drilling of the Sak River #1a exploration well. The well was drilled from an onshore ice pad to an offshore bottom hole location, by re-entering the suspended Sak River #1 well. Drilling reached a total measured depth of 12,726 feet (9,350 feet subsea on a true vertical depth (tvd) basis), stopping within the Miluveach formation. Porous sandstones with hydrocarbon shows were encountered in the Kuparuk formation at a depth of approximately 8,900 feet subsea tvd. Initial interpretation of the borehole log data across the Kuparuk formation suggested a possible oil-bearing zone without an oil/ water contact. Attempts to capture fluid samples from the Kuparuk with a Modular formation Dynamic Tester (MDT) borehole tool were unsuccessful due to tool failure. The well was cased and production flow tests were performed to determine if there was moveable light oil in the zone. During the testing period, the basal portion of the Kuparuk C-1 sandstone from 11,920 to 12,002 feet measured depth was perforated through seven inch casing. Initial flowing pressure was 1,147 pounds per square inch. An initial flow of approximately 106 barrels of diesel completion fluid into a storage tank was achieved in five hours. The flow was then directed to a second tank through a separator where flow rates stabilized at 1,100 barrels of fluid per day over a 24 hour test period. The fluid composition was measured as 97% water on average with minor oil and gas content. BRPC advised the partners that it would like to continue testing the well. At this point, TG Alaska elected not to participate in further testing as it determined that such tests would not only be costly but had a very low probability of success. TG Alaska paid 45.7% of the drilling, completion and testing costs of the



Sak River #1a well to earn its 35% equity interest. This well was the first of a two well promote program for TG Alaska under the Settlement Agreement.

Tofkat

In 2008, the JV drilled the Tofkat #1 exploratory well. 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). Two offset drilling targets were also drilled, however, were unsuccessful. The initial wellbore was plugged back and abandoned without production testing. Since that time, the JV has shot approximately 225 square kilometres of seismic in the Tofkat area. The seismic was unable to map the Tofkat #1 oil play as the reservoir was too thin. Additional analysis of the Kuparuk prospect at Tofkat #1 is ongoing in an attempt to determine the commerciality of this oil play. The JV has added to its land position around Tofkat and is in the process of identifying possible additional targets. TG Alaska has a 25% working interest in the Tofkat area.

Slugger – South Thomson

TG Alaska holds a 25% interest in the JV's 89,795 square kilometre acreage position in the South Thomson area of Alaska. South Thomson sits on the North-east corner of the North Slope of Alaska. The JV has developed a plan to shoot approximately 130 square kilometres of seismic on its acreage held at South Thomson. An attempt to shoot in 2008 was aborted because of access restrictions due to low snow cover. At this time, the JV has not identified a target date for shooting such seismic.

The JV continues to monitor exploratory activity at Point Thomson Field currently underway by Exxon-Mobil. It is also encouraged by recent successes at the Badami Unit oil play that sits adjacent to the JV's acreage at South Thomson.

North Tarn

In January 2010, the JV executed a Lease Acquisition and Participation Agreement with Eni Petroleum US LLC that covers six leases on the Alaska North Slope known as North Tarn. The North Tarn leases are located contiguous to the west side of the Kuparuk Field Unit, one of the largest producing oil fields on the North Slope of Alaska.

The North Tarn exploration prospect is based on the mapping of 3-D seismic data. Two prospective reservoir zones, both productive in the adjacent Kuparuk Field Unit, will be tested by the well. The exploration well is to be drilled prior to the end of the 2011 winter drilling season with drilling depth estimated at approximately 6,500 feet. TG Alaska will pay a 35.7% interest in the first well to earn a 20% interest in the leases. The well will be the second and final promote well for TG Alaska under the Settlement Agreement.

Petroleum Production Tax Credits

Under the terms of the Alaska Oil and Gas Petroleum Production Tax Credit ("PPTC") program, TG Alaska is entitled to credits in the amount of 45% to 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 dependent 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\$5,622,448 of tax credits from the State, recorded as accounts receivable. In December 2009 TG Alaska submitted an application to the State of Alaska for US\$2,040,560 (received in April 2010) and in March 2010 TG Alaska submitted an application to the State of Alaska for the remaining US\$3,581,888. Applications totaling US\$2,365,263 are pending State approval and have not been recorded in accounts receivable at December 31, 2009.

Outlook

TG Alaska has now completed its 2009/2010 Alaska winter drilling program as it has elected to not participate in the drilling of the North Shore #3 exploration well with the other JV partners in Alaska. TG Alaska will relinquish its interest in the Sak River and North Shore drilling blocks along with Sections 10, 15 and 16 of Township 12 North, Range 13 East all within the BPU. Total gross acreage relinquished by TG Alaska approximates 18,000 acres, bringing its interest within the BPU down to approximately 35,000 acres. TG Alaska now has a working interest in 228,600 gross acres within the North Slope. TG Alaska will retain its 35% interest in areas not relinquished in the BPU. TG Alaska will also retain a net profit interest in North Shore #1, Sak River #1 and Sak River #1a should either well have production in the future.

During the summer of 2010, the JV will plan its drilling activity for the North Tarn area for the 2010/2011 winter drilling season. In the South Thomson area, the JV is assessing the merits of shooting seismic in the near future and in Tofkat, the JV has added to its lease holdings and is considering its alternatives.

Ténéré, Niger

TG Niger holds a 20% interest in an oil and gas exploration license with the Chinese National Petroleum Company International Ténéré Ltd. ("CNPCIT"), a subsidiary of the Chinese National Petroleum Company (CNPC), to drill in the Ténéré area in 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 oil discoveries of over 400 million barrels of oil equivalent.

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 under the project agreements with TG Niger – Saha-1 and West Fachi-1. The wells were drilled in 2006 and 2007 and had hydrocarbon shows but were abandoned.

In 2007 the government of Niger issued a 'security warning' for Northern Niger, effecting the Ténéré Block and as a result minimal oil and gas activity occurred for a period of approximately two years. The security warning was lifted by the government in November 2009. In February 2010, a military coup occurred in Niger with an unknown affect on the activities intended to revive the drilling program. At the March 2010 project meeting in Beijing, China, CNPCIT provided TG Niger an update on the security issues around the project along with a proposed timetable for the drilling of the third well under the project agreements. Dependent on the security situation in



Niger, CNPCIT intends to begin preparation for drilling of the third well in late 2010 with a tentative spud date of Q1 2011.

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, West Fashi-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 3,700m to test Cretaceous sandstones in an anticlinal trap. Seismic data Amplitude Variation with Offset ("AVO") analysis indicates a hydrocarbon signature at the target reservoir zone. The commencement date of Facai-1 is expected in late 2010.

Philippines

On March 10, 2010, the TG Philippines signed a farm-in agreement for a 12.5% equity interest in Service Contract 54A ("SC54A") located in the North West Palawan Basin offshore of the Philippines. SC54A is an 867 square kilometer area that contains two development ready oil discoveries, Tindalo and Yakal, where aggregate contingent resources of 16 million barrels (P50) oil in place has been independently verified by ISIS Petroleum Consultants Pty Ltd. as of February 2009.

Project partners in SC54A include project operator Nido Petroleum Ltd. ("Nido") of Perth, Australia at 42.4%, Kairiki Energy Ltd. ("Kairiki") of Perth, Australia at 30.1% and Trafigura Ventures III B.V. of Singapore at 15%. TG Philippines received 7.6% of its acquired interest from Nido and 4.9% from Kairiki.

Consideration for the 12.5% interest totals US\$11.17 million and is comprised of approximately US\$5.25 million upon execution of the farm-in agreements and the balance paid in staged payments based on successful oil production. TG Philippines is also responsible for its share of costs (estimated at US\$3.5 million) to first oil which is expected in Q2 2010.

All major contracts for the operations have been executed. Mobilization of a drilling rig with a production unit installed on deck and a floating storage tanker to the Philippines is underway. The Tindalo well will be re-entered, completed and flowed, initially, on an extended well test and will then continue for the life of the field. Operations are expected to commence prior to the end of April 2010 and first oil is expected in May or June 2010.

Selected Quarterly Information

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

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss (gain)	513	794	934	207	(214)	169	390	142
Net loss (gain) per share - basic	0.003	0.007	0.008	0.002	(0.002)	0.001	0.003	0.001
Working capital	13,517	18,349	16,500	17,189	17,794	16,325	16,666	16,482
P&NG assets	37,886	33,533	35,920	34,311	33,623	36,124	35,611	35,799
Total assets	54,711	52,785	53,602	53,844	53,324	52,587	52,765	57,790
Shareholders' equity	51,204	51,635	52,157	52,872	52,755	52,222	52,063	52,069

The following discussion highlights some of the more significant factors that changed results over the past eight reporting quarters ended December 31, 2009:



- Significant movement in the CAD / 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.

Selected Annual Information

	2009	2008	2007
Net loss	\$ 2,447,692	\$ 487,320	\$ 1,083,237
Net loss per share – basic and diluted	0.020	0.004	0.014
Share capital	53,652,382	53,651,003	53,603,258
Working capital	13,517,310	17,793,790	25,183,590
Total assets	54,710,969	53,323,711	55,244,660
Shareholders' equity	\$ 51,204,195	\$ 52,754,708	\$ 51,803,139

For the year ending December 31, 2009 the Company's net loss was \$2,447,692 versus a net loss of \$487,320 for the same period in 2008, an increase of \$1,960,372. Below is a summary of the components comprising the change in the net loss:

Loss increase (decrease) due to:	\$
Stock based compensation expense	(418,258)
General and administrative costs	164,454
Interest income	319,939
Foreign exchange	1,894,237
	<u>1,960,372</u>

Stock based compensation was \$895,961 for the year ended December 31, 2009 (2008 - \$1,420,515), of which \$259,016 (2008 - \$365,313) was 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 year ended December 31, 2009 was \$57,648 compared to \$377,587 for the same period in 2008. This represents a decrease of \$319,939, resulting from both a reduction in funds invested and lower interest 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 year ended December 31, 2009 a total of \$8,511,087 (2008 - \$14,390,102) in expenditures were capitalized, before consideration of the PPT credits of \$4,254,796 (2008 - \$7,578,755) that were credited against these expenditures. Below is a summary of the Company's main consolidated capital expenditures in the period:



	Year ended December 31	
	2009	2008
Alaska:		
Land acquisitions and lease rentals	\$ 117,038	\$ 511,760
Seismic	628,755	2,772,348
Drilling and completion	5,214,079	9,729,598
Capitalized general and administrative costs	2,224,066	1,051,633
Stock based compensation	131,656	177,674
Asset retirement cost	(40,029)	(144,647)
PPT credits	(4,254,796)	(7,578,755)
	\$ 4,020,769	\$ 6,519,611
Niger:		
Seismic	\$ -	\$ (5,957)
Capitalized consulting and travel costs	108,161	110,053
Stock based compensation	127,361	187,640
	\$ 235,522	\$ 291,736

Expenditures in TG Alaska for land, seismic and drilling are \$7,053,834 lower for the year ending December 31, 2009 compared to the same period in 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. Seismic programs commenced in 2008 in the Tofkat prospect area, whereas costs incurred in 2009 related to final costs to interpret data from the region. In 2008 TG Alaska incurred drilling costs for North Shore #1 and Tofkat #1, #1A and #1B compared to Sak River #1a costs in 2009.

Capitalized general and administrative costs are \$1,172,433 higher in 2009 compared to the same period in 2008.

Accounts Receivable

At December 31, 2009 accounts receivable of \$5,964,386 (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 December 31, 2009 accounts payable was \$3,307,844 (2008 - \$302,344), of which \$3,053,742 (2008 - \$12,928) is related to accruals for drilling activity in TG Alaska.

Liquidity and Capital Resources

At December 31, 2009, the Company had a consolidated working capital surplus of \$13,517,310 (2008 - \$17,793,790), including cash and cash equivalents of \$10,856,400 (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, liquid investments. Equity and debt financing is the Company's main source of funds.

In January 2010 the Company closed a secured loan facility for \$7,500,000. The facility bears interest at an annual rate of 18%, is secured by certain Alaskan assets and is repayable in part or full at any time over an 18 month term. In connection with the closing of the loan facility, the Company has issued the Lender common share purchase warrants that allow for the purchase of up to 10 million common shares of the Company. The warrants expire on January 15, 2012 and have an exercise price of \$0.25. In April 2010 the Company paid \$2,081,372 towards the facility, of which \$1,803,975 reduced the principle and \$277,397 was interest,



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

	April 9, 2010	December 31, 2009	December 31, 2008
Common shares issued	122,335,870	122,335,870	122,327,538
Stock options outstanding	11,973,230	12,023,230	9,128,230
Warrants	10,000,000	-	-

During the year ending December 31, 2009, 8,332 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. On March 23, 2009 the Company suspended purchases until further notice. The bid terminated on December 21, 2009. No shares were repurchased.

Related Party Transactions

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

During the year ending December 31, 2009, Seajay Management Enterprises Ltd. ("Seajay") charged the Company \$369,769 (2008 - \$457,005) 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 year ending December 31, 2009, TVI Pacific Inc. ("TVI") charged \$168,915 respectively (2008 - \$151,035) 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. 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 security conditions that prevailed in the region.



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 are audited by the Company's independent auditors.

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 and MD&A, 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.

In Niger, TG Niger is exposed to the harsh elements of drilling in a desert environment.

In the Philippines, TG Philippines is exposed to drilling and operating offshore and potential typhoon conditions in the area.

- 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 few 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 PPTC 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.

Some of the jurisdictions in which TG World operates have less developed legal systems 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, CNPCIT and Nido as operators of the Alaska, Ténéré and Philippine 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 2008 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. The Company has analyzed the impact IFRS may have on our financial statements and anticipates the impact will be minimal.



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 all Alaskan 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; (vi) the Company's responsibility for costs under the Establishment Agreement in relation to its operations in Niger; (vii) current and future activities in Service Contract 54A in the Philippines.

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 general economic conditions in Canada, the United States, Niger, the Philippines and elsewhere, 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 of oil and gas properties (including mechanical problems), ultimate recoverability of reserves, production, timing, results and costs of exploration and development activities, political or civil unrest, availability of financial resources or third-party financing, availability of equipment and personnel and new laws and regulations (domestic and foreign).

Forward-looking statements respecting anticipated operations in relation to all Alaska wells, 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, Tofkat #1b and Sak River wells, testing completed to date in relation to the North Shore #1 well, the current exploration plan developed by the Alaska JV Participants, 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 statements regarding the drilling of the North Tarn property in Alaska during the 2010/2011 exploration season are based upon the results of prior exploration activities, the status of discussions with the operator and other JV participants as to the nature and extent of the Alaska exploration program, advice received from the operator of the JV and the current budget for exploration and development activities in Alaska (which are subject to change). Forward-looking information respecting anticipated mobilization and drilling activities, and additional seismic operations and the use of that data, in the Ténéré Block in Niger are based on advice received from the operator, CNPCIT, and the current budget, exploration plans and overall strategy for the Ténéré Block (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.

Forward looking statements respecting the development of the Tindalo and Yakal discoveries, future exploration and development in SC54A and other potential opportunities between Nido and TG Philippines are based on the discussions carried out to date, the results of prior exploration and development activities, technical information provided to TG Philippines by Nido and the current budget for exploration and development activities (which are subject to change).

TG WORLD ENERGY CORP.
Management's Discussion and Analysis
For the years ended December 31, 2009 and 2008



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 and the Company's website at www.tgworldenergy.com.

April 9, 2010



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Dean Callaway, Vice President Finance and CFO

Corporate Directors:

Edward (Ted) W. Best, Chairman
A. Lloyd Flood
Wayne G. Thomson
Gordon J. Hoy
David Moscovitz
Clifford M. James

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Share Listing:

TSX Venture Exchange Symbol: TGE

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3100, 111 – 5th Avenue SW
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Bankers:

HSBC Bank Canada

Solicitors:

Bennett Jones LLP
McCarthy Tetrault LLP
Perkins Coie LLP



TG World Energy Corp.

Consolidated Financial Statements

**For the Years Ended
December 31, 2009 and 2008**

TG World Energy Corp.
Consolidated Balance Sheets
As at December 31, 2009
(in Canadian dollars)



	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 10,856,400	\$ 15,016,576
Short term investments	4,368	4,149
Accounts receivable and prepaid expenses (note 3)	5,964,386	3,075,409
	<u>16,825,154</u>	<u>18,096,134</u>
Long-term receivable	-	1,604,144
Petroleum and natural gas properties (note 3)	37,885,815	33,623,433
	<u>\$ 54,710,969</u>	<u>\$ 53,323,711</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,256,958	\$ 256,952
Due to related parties (note 4)	50,886	45,392
	<u>3,307,844</u>	<u>302,344</u>
Asset retirement obligations (note 5)	198,930	266,659
	<u>3,506,774</u>	<u>569,003</u>
Shareholders' Equity		
Share capital (note 6(b))	53,652,382	53,651,003
Contributed surplus (note 6(d))	7,209,832	6,314,250
Deficit	(9,651,030)	(7,203,338)
Accumulated other comprehensive loss	(6,989)	(7,207)
	<u>51,204,195</u>	<u>52,754,708</u>
	<u>\$ 54,710,969</u>	<u>\$ 53,323,711</u>

Contingencies (note 12)
Subsequent events (note 13)

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors:

"Clifford M. James"

Clifford M. James, Director

"Gordon Hoy"

Gordon Hoy, Director

TG World Energy Corp.

Consolidated Statements of Operations, Comprehensive Loss,
Deficit, and Accumulated Other Comprehensive Loss
For the Year Ended December 31, 2009 and 2008
(in Canadian dollars)



	2009	2008
Interest income	\$ 57,648	\$ 377,587
Expenses		
General and administrative	1,649,365	1,903,169
Foreign exchange loss (gain)	855,975	(1,038,262)
	2,505,340	864,907
Net loss	(2,447,692)	(487,320)
Gain (loss) in fair value of investments	218	(3,931)
Comprehensive loss	\$ (2,447,474)	\$ (491,251)
Net loss per share		
Basic and diluted	(0.020)	(0.004)
Weighted average number of common shares		
Basic and diluted (note 7)	122,329,319	122,156,499
Deficit, beginning of year	\$ (7,203,338)	\$ (6,716,018)
Net loss	(2,447,692)	(487,320)
Deficit, end of year	\$ (9,651,030)	\$ (7,203,338)
Accumulated other comprehensive loss, beginning of year	\$ (7,207)	\$ (3,276)
Other comprehensive gain (loss)	218	(3,931)
Accumulated other comprehensive loss, end of year	\$ (6,989)	\$ (7,207)

See accompanying notes to consolidated financial statements.

TG World Energy Corp.
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2009 and 2008
(expressed in Canadian dollars)



	2009	2008
Cash provided by (used in):		
Operating activities:		
Net loss for the year	\$ (2,447,692)	\$ (487,320)
Items not involving cash:		
Stock-based compensation expense	636,945	1,055,202
Amortization	4,514	1,087
Accretion	(20,603)	(8,535)
Unrealized foreign exchange (gain)/loss	875,199	(888,103)
	(951,637)	(327,669)
Changes in non-cash working capital	158,835	(316,090)
	(792,802)	(643,759)
Financing activities:		
Due to related parties	5,494	9,880
Shares issued for warrants and options	1,000	26,667
Share issue costs	-	(4,360)
	6,494	32,187
Changes in non-cash working capital	-	-
	6,494	32,187
Investing activities:		
Expenditures on petroleum and natural gas properties	(8,371,886)	(14,028,322)
Petroleum production tax credits	4,254,796	7,578,754
	(4,117,090)	(6,449,568)
Changes in non-cash working capital	1,178,510	(6,110,066)
	(2,938,580)	(12,559,634)
Effect of foreign exchange rates on cash	(435,288)	643,986
Increase (decrease) in cash and cash equivalents	(4,160,176)	(12,527,220)
Cash and cash equivalents, beginning of year	15,016,576	27,543,796
Cash and cash equivalents, end of year	\$ 10,856,400	\$ 15,016,576
Supplemental information:		
Interest received	\$ 39,673	\$ 390,440

See accompanying notes to 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”) and the Philippines, through its wholly owned subsidiary TG World (BVI) Corp. (“TG Philippines”). 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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The preparation of financial statements in conformity with Canadian 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 could differ from estimated amounts.

a) Petroleum and natural gas properties

i) Capitalized costs

The Company’s petroleum and natural gas properties located in Alaska, Niger and the Philippines 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 a 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, Niger and the Philippines, 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 risk-free interest rate.

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 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 marketable securities that are liquid in nature. 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.

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.

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 short-term investments.

l) Goodwill and intangible assets

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.

m) International financial reporting standards ("IFRS")

In 2008 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 has a plan and has analyzed the impact IFRS may have on our financial statements. The Company expects the impact on its financial statements to be minimal.

n) 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

	2009		2008	
Alaska	\$	34,998,979	\$	30,978,210
Niger		2,872,611		2,637,089
Other		20,578		9,973
		<u>37,892,168</u>		<u>33,625,272</u>
Accumulated amortization		(6,353)		(1,839)
	\$	37,885,815	\$	33,623,433

For the year ended December 31, 2009 the Company has capitalized \$2,591,244 (December 31, 2008 - \$1,527,000) 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 joint venture oil and gas properties held 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 has accrued US\$5,622,448 (Cdn\$5,884,454) in PPTC at December 31, 2009 of which US\$2,040,560 was received in April 2010. TG Alaska has applied for additional credits of US\$2,365,263, which have not been recorded in the financial statements.

Niger

TG Niger is a party to an Establishment Agreement with the Chinese National Petroleum Company International Ténéré Ltd. ("CNPCIT"), a wholly owned subsidiary the Chinese National Petroleum Company ("CNPC"), to explore oil and gas properties in the Ténéré area of Niger, Africa. CNPCIT is the operator and carries nearly 100% of TG Niger's 20% share of costs for the Minimum Work Program. The carrying value of the asset represents unproved properties.

4) RELATED PARTY TRANSACTIONS

The Company receives management, secretarial and administrative services from Seajay Management Enterprises Ltd. ("Seajay") and TVI Pacific Inc. ("TVI") under contracts approved by the independent members of the Board of Directors. The amounts are recorded at fair market value. The Company's President and CEO is also an officer and director of Seajay and TVI. At December 31, 2009 the Company had an account payable to Seajay for \$30,177 (December 31, 2008 - \$30,844) and an account payable to TVI for \$20,709 (December 31, 2008 - \$14,548). The balances were paid in Q1 2010. The following table presents transactions with related parties during the year.



	2009	2008
Management, secretarial and administrative services charged by Seajay	\$ 369,769	\$ 457,005
Rent and office maintenance costs charged by TVI	168,915	151,035
	\$ 538,684	\$ 608,040

During the year the Company paid \$35,000 and accrued \$29,750 (2008 – \$nil and \$nil) in director's fees.

5) ASSET RETIREMENT OBLIGATIONS

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

	2009	2008
Balance, beginning of year/ period	\$ 266,659	\$ 346,268
Change in estimates	(26,247)	(169,023)
Additions	-	40,029
Foreign currency translation	(41,482)	49,385
Balance, end of year/ period	\$ 198,930	\$ 266,659

Key assumptions:

Inflation rate	2%	2%
Credit adjusted risk free rate	8%	8%
Undiscounted estimated cash flow required to settle obligation	305,985	501,559

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas assets. The Company estimates that these obligations will be paid within the next 15 years, with the majority of costs anticipated in 2022. The reclamation cost assumptions were adjusted downward in 2008 and again in 2009 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	2009		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	8,332	1,379	266,668	52,105
Balance, end of year/ period	122,335,870	\$ 53,652,382	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. On March 23, 2009 the Company suspended purchases until further notice. The bid terminated on December 21, 2009. No shares were 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 the 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:

	2009		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	4,760,000	0.12	2,690,000	0.12
Exercised	(8,332)	(0.12)	(266,668)	(0.10)
Expired	(515,000)	(0.10)	-	-
Forfeited	(1,341,668)	(0.65)	(150,000)	(1.23)
Options outstanding, end of year	12,023,230	\$ 0.60	9,128,230	\$ 0.83
Options exercisable, end of year	5,906,980	\$ 1.07	4,527,690	\$ 1.17

Options outstanding and exercisable as at December 31, 2009:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$ 0.115	100,000	3.8	33,333
0.120	6,625,000	4.4	1,139,167
0.155	150,000	4.9	-
0.580	1,655,000	2.7	1,241,250
0.600	50,000	0.0	50,000
0.990	1,035,000	0.6	1,035,000
1.100	208,230	1.3	208,230
1.900	2,200,000	1.7	2,200,000
\$ 0.60	12,023,230	3.3	5,906,980

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 4,760,000 options granted during the year ended December 31, 2009 (December 31, 2008 – 2,690,000). The following table sets out the assumptions used in applying the Black-Scholes model:

	2009	2008
Risk-free interest rate – average	2.31%	1.74%
Expected life (in years)	5	5
Expected volatility	103%	96%
Weighted average fair value	\$0.09	\$0.05

During the year ended December 31, 2009, a total of \$895,961 (December 31, 2008 – \$1,420,515) of stock-based compensation was charged, of which \$259,016 (December 31, 2008 – \$365,313) was capitalized.

d) Contributed surplus

	2009	2008
Balance, beginning of year	\$ 6,314,250	\$ 4,919,175
Stock-based compensation	1,008,813	1,444,401
Options forfeited	(112,852)	(23,886)
Transfer to share capital on exercise of options	(379)	(25,440)
Balance, end of year	\$ 7,209,832	\$ 6,314,250

7) PER SHARE AMOUNTS

The basic weighted average number of common shares outstanding for the year ended December 31, 2009 was 122,329,319 (December 31, 2008 – 122,156,499). 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:



	2009	2008
Income tax rate	29.00%	29.50%
Net loss for the year	\$ (2,447,692)	\$ (487,320)
Expected recovery	(709,831)	(143,759)
Stock-based compensation	184,714	311,285
Valuation allowance	525,117	(167,526)
	\$ -	\$ -

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 \$4,991,252, for Canadian tax purposes, may be applied to reduce taxable income in future years:

Source Year	Amount	Expiry
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
2009	1,648,052	2029

9) SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Changes in non-cash working capital:		
Accounts receivable and accrued interest	\$ (1,001,803)	\$ (3,759,960)
Accounts payable and accrued liabilities	2,339,148	2,666,196
	1,337,345	(6,426,156)
Operating	158,835	(316,090)
Financing	-	-
Investing	1,178,510	(6,110,066)
	\$ 1,337,345	\$ (6,426,156)

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.



	2009	2008
Debt	\$3,307,844	\$302,344
Equity	\$51,211,184	\$52,761,915
Assets	\$43,850,201	\$38,302,986
Debt-to-equity	0.065	0.006
Debt-to-assets	0.075	0.008
Working capital surplus	\$13,517,310	\$17,793,790

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, accounts payable and accrued liabilities, and due to related parties approximate their fair value at December 31, 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 is a publicly traded Canadian company 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 \$20,333, a change of accounts receivable and prepaid expenses of \$56,414 and a change of accounts payable and accrued liabilities of \$29,178.

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, Niger and the Philippines. As such, TG Alaska and TG Niger currently have no producing petroleum and natural gas properties and no production revenue. However, the Company's current assets are well in excess of its current liabilities, with a current ratio multiple of 5.1. 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 of qualified expenditures subject to tax credit and issue the Tax Credit Certificate, whereas they will now issue Tax Credit Certificates in advance of extensive audits without a limitation on when the audit must be completed. PPTCs will be issued upon completion of audits. Additionally, the State will only accept one

PPTC application per quarter, which will also impact the timing of cash receipts. 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.

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.

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. The current Joint Venture Agreement expired in March 2010, however it shall continue in full force and effect unless terminated by either party giving to the other party not less than ninety (90) days written notice to terminate the Agreement on any anniversary date of this Agreement.

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 Establishment Agreement (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 security conditions and force majeure that prevailed in the region.

In April 2009 TG Alaska applied to the State of Alaska for PPTCs of US\$534,637 for 2008 qualified exploration expenditures. TG Alaska expects the application to be approved as submitted and approval is anticipated before the end of the second quarter 2010. In March 2010 TG Alaska applied to the State of Alaska for PPTCs of US\$1,830,626 for 2009 qualified exploration expenditures. TG Alaska expects the application to be approved as submitted and approval is anticipated before the end of the second quarter 2010.

13) SUBSEQUENT EVENTS

On January 15, 2010 the Company closed a secured loan facility for \$7,500,000. The facility bears interest at an annual rate of 18%, is secured by certain Alaskan assets and is repayable in part or full at any time over an 18 month term. In connection with the closing of the facility, the Company has issued the Lender common share purchase warrants that allow for the purchase of up to 10 million common shares of the Company. The warrants expire on January 15, 2012 and have an exercise price of \$0.25. On April 1, 2010 the Company paid \$2,081,372 towards the facility, of which \$1,803,975 reduced the principle and \$277,397 was interest.

On March 10, 2010 the Company signed farm-in agreements to acquire a 12.5% equity interest in Service Contract 54A in the Philippines, which includes two offshore development ready oil discoveries. Consideration totals US\$11.17 million, with approximately US\$5.25 million due upon execution of the farm-in agreement and the



balance payable in stages following first oil and subsequent crude offtakes. TG World is also responsible for its share of costs (estimated at US\$3.5 million) to first oil, which is expected in Q2 2010. Funds are provided from existing cash on hand.

On March 18, 2010, BRPC filed a PPTC application with the State of Alaska to sell credits back to the State totalling US\$3,610,210 (discounted to \$3,581,888 in accounts receivable). Based upon previous applications and timing for receipt of funds, TG Alaska anticipates receipt of the PPTC within three months of the application date.

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