



TG WORLD ENERGY CORP.

2002 Annual Report

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INTRODUCTION

Overview

TG World Energy Corp. (the "Company") was formed by amalgamation on July 10, 2001 pursuant to the Business Corporations Act (Alberta). The predecessor companies were TG World Energy Inc. ("TGWE"), a company originally incorporated in Alberta as 701888 Alberta Ltd. on July 4, 1996, and Trego International Inc. ("Trego") a company originally incorporated in Alberta as 706653 Alberta Ltd. on August 20, 1996. Since the date of amalgamation the Company's common shares have been listed on the TSX Venture Exchange and trade under the symbol "TGE". The Company has one wholly-owned subsidiary, TG World Petroleum Limited, which is incorporated in The Bahamas.

Immediately prior to the amalgamation, Trego raised \$726,000, before expenses, by way of private placement, from which it repaid notes payable of \$280,000 due to shareholders, and also paid down its trade creditors. On amalgamation Trego contributed \$365,000 in cash to the combined resources of the newly-formed Company. At the same time the Company also raised \$726,000, before expenses, in a private placement, and immediately after amalgamation raised a further \$500,000, before expenses, making the total capital raised in June and July of 2001 \$1,952,000.

An Establishment Agreement between the Republic of Niger ("Niger") and TGWE, giving TGWE the right to explore for and produce hydrocarbons from the Tenere Block (defined below), was signed on March 6, 1997 and made law in Niger by Decree on April 10, 1997 (the "Establishment Agreement"). An amendment to the work program requirements set forth in the Establishment Agreement was agreed to by the government of Niger on November 29, 1999. The Establishment Agreement, through the amalgamation, is now held by TG World Petroleum Limited, a 100% owned subsidiary of the Company.

The accompanying Consolidated Financial Statements include the results of operations and cash flow of the amalgamated Company for the year ended December 31, 2002, and for the six months ended December 31, 2001 and of the predecessor company TGWE before the amalgamation.

On March 31, 2003 the Company announced that a Private Placement financing to a minimum of \$250,000 and a maximum of \$400,000 is to be completed by May 9, 2003. This completion date was subsequently extended to June 9, 2003. An initial \$150,000 was subscribed by the directors and has since been expended on ongoing operations of the Company.

Additional financial information is included in the accompanying Consolidated Financial Statements and Management Discussion and Analyses.

The Tenere Block, Niger

The principal asset of the Company, which is held by the Company's wholly-owned subsidiary TG World Petroleum Limited, is a 100% interest in an oil and gas concession in Niger (the "Tenere Block"), which initially measured 70,000 square kilometers (17.2 million acres) and which has been reduced to 34,930 square kilometers (8.6 million acres) upon commencement of the

Second Exploration Period of the Establishment Agreement (see discussion in "Overview") on April 10, 2001. The Tenere Block is located in Eastern Niger and lies astride one of the Central African Cretaceous-Tertiary rift basins that has proven to be oil and gas bearing in Sudan, Chad, Niger and elsewhere in Africa. The Tenere Block contains the northern half of the Tenere-Termit Rift. The southern half of this rift lies in the adjacent Agadem Block, in which Esso (Exxon) and Petronas, the Malaysian National Oil Company, have so far drilled five oil and gas discovery wells.

The Tenere-Termit Rift is a NW-SE trending rift basin infilled with a thick section of Cretaceous and Tertiary sediments. Sandstone reservoirs and rich basin wide source rocks are anticipated to be present in the Upper Cretaceous and Tertiary. Oil quality is anticipated to be 30-45° API and paraffinic in part.

Approximately 6,800 kilometers of seismic acquired in the early-mid 1970's exist over the Tenere Block. About one-half of the seismic covers the northern half of the Tenere-Termit Rift, and the Company has concentrated its efforts in this area. Only one well, the deep Fachi well drilled in 1974, has been drilled in the northern half of the Tenere-Termit Rift. This well was abandoned.

Seismic mapping in this part of the rift has revealed the presence of thirty-five, mostly fault-dependent, closed structures or prospects. Each prospect has been assessed volumetrically, and a chance of success or risked analysis of each prospect has also been undertaken. An assessment of the potential hydrocarbon charge from the main kitchen areas has also been completed.

The estimated total potential risked recoverable oil for the thirty-five prospects is in the order of 3 billion barrels. Each of the ten largest prospects are large enough to hold in excess of 500 million barrels of recoverable oil. Estimated discovered recoverable oil reserves in the African Rifts range from approximately 1 billion barrels of oil in each of Sudan and Chad to 6.7 billion barrels of oil in the Gulf of Suez and 33 billion barrels in Libya's Sirte Basin.

There are no facilities for the transportation of oil or gas on or adjacent to the Tenere Block. The Tenere Block lies within the southern Sahara. There are at least four possible pipeline routes to get the oil to market: north to the underutilized Algerian or Libyan pipelines to the Mediterranean; south through Agadem to the Chad oil pipeline to the Atlantic; or southwest to a Nigerian refinery in need of supply. All require the construction of a pipeline 900 to 1200 kilometers in length.

Economic analyses by the Company, Sonatrach, the Algerian National Oil Company, and an independent consulting company have shown that between 500 and 600 million barrels of recoverable oil reserves will be required before a commitment to build a pipeline of this length can be made. The oil discovered on the adjacent Agadem block could significantly lower the 500 to 600 million barrel threshold requirement for the Tenere Block alone.

The Company considers that recent developments in 2002 and 2003 have enhanced the attractiveness of the Tenere Block. These include the increase in oil prices, uncertainty in the Middle East, the farmout by Esso to Petronas of the adjacent Agadem block, and the near term completion of the oil pipeline to the Chad oil discoveries and commencement of extensive development drilling in this rift basin south of Agadem.

The Company has had conducted by independent consultants extensive risk and economic analyses, and potential petroleum estimates for the Niger properties. The multitude of prospects

have been defined and rated. The Company's conclusion from these studies is that a smaller seismic program of about 750 kilometers to bring about 10 of the best prospects to drillable status will be adequate. The current commitment to the Niger government is to complete 1,500 kilometres of seismic by April 2004.

Conventional and non-conventional slim hole drilling programs have been costed and risked. The Company has concluded that a conventional drilling program has a better cost/risk profile as opposed to higher risk very small borehole drilling methods. Another option to a seismic program followed by drilling, is to undertake drilling without further seismic and to test only the upper two potential reservoir horizons to reduce costs.

The main effort of the Company in 2002 was devoted to seeking a partner or partners for the exploration program. Strong technical interest has been shown by many companies, but the long term nature of the project, due to the pipeline requirements, has been a deterrent to concluding a farmout. Oil and gas price volatility, stock market prices and the Middle East turbulence have lead to a more cautious general investment environment in the industry. Mergers and acquisitions have been a major thrust of many companies.

The various exploration options are under active discussions with several potential partners. For competitive reasons the Company is unable at this time to give specific information on the farmout status and possible terms.

MANAGEMENT DISCUSSION AND ANALYSIS

Description of Business

TG World Energy Corp. (the "Company") is a Canadian-based junior oil and gas exploration and production company, whose principal asset is the Tenere Block (the "Tenere Block") project in Niger, West Africa.

The principal asset of the Company, a 100% interest in an oil and gas concession in Niger, the Tenere Block, is held by the Company's wholly-owned subsidiary TG World Petroleum Limited. An Establishment Agreement between the Republic of Niger ("Niger") gives TG World Petroleum Limited the right to explore for and produce hydrocarbons from the Tenere Block (see discussion below on Material Contracts and Commitments, and note 12 to the Consolidated Financial Statements). At present, there are no discovered oil or gas reserves on the Tenere Block.

The Company is, and on a go forward basis will be, focused on finding a partner or partners that will assist or contribute to the exploration of the Tenere Block. Progress has been made in this respect, however the current investment climate is challenging. The additional uncertainty created by the September 11, 2001 terrorist attack in the United States, the continuing conflicts in the Middle East and stock market volatility have all led to a more cautious investment environment in the oil and gas industry.

The Company's focus has been a conventional multi-well farmout to major or medium-sized internationally active companies. The Company has received technical interest its Niger acreage, and is in active discussions with several companies. As the Company is in active discussions with a number of companies, it is unable at this time, for competitive reasons, to provide information on farmout status and possible terms.

Results of Operations

Petroleum revenue during 2002 and 2001 of \$33,161 and \$34,108 respectively was generated from the Weyburn oil properties in Saskatchewan. The various working interests of the Company in oil wells in the Weyburn area were disposed of effective August 29, 2002 for \$20,000 before adjustments. The Weyburn Properties consisted of working interests in three producing (and one shut-in) Midale Marly oil wells located in Twp. 5 Rge. 13 W2M, which is approximately 30 kilometers southeast of the town of Weyburn (see note 6 (c) to the Consolidated Financial Statements). Interest income of \$13,802 (2001 - \$20,166) was derived from the Company's cash balance.

General and administrative expenses in 2002 and 2001 were \$447,717 and \$374,257 respectively. General and administrative expenses are predominantly due to activities of management that are not directly related to the development of the Tenere Block such as contract employee support for financial and administrative services, professional fees and premises costs. 2002 expenses were greater than that incurred in 2001 due to increased financial and administrative services and related costs in the current year. Costs directly incurred to develop the Tenere Block are capitalized as deferred costs rather than expensed as general and administrative expenses (see note 6 to the Consolidated Financial Statements). Petroleum

operating expenses were incurred to generate petroleum revenue and amounted to \$16,086 and \$16,413 in 2002 and 2001 respectively.

Interest expense for 2002 was nil while in 2001 interest expense was \$77,340 as a result of interest owing on loans and advances outstanding during 2001.

A \$38,169 gain on the disposition of the Weyburn properties was recorded in 2002 (see note 6(c) in the Consolidated Financial Statements).

Total expenses at \$431,767 for 2002 were marginally lower than the \$475,420 incurred in 2001 primarily due to a decrease in interest expense and the gain on sale of capital assets offset partially by increased general and administration costs.

The net loss for 2002 was \$395,762 and for 2001 was \$425,779. Basic and fully diluted net loss per share was \$0.02 and \$0.03 per share in 2002 and 2001 respectively. The end of year deficit for 2002 and 2001 was \$580,093 and \$184,331 respectively.

Deferred Costs

Deferred costs amounted to \$2.0 million and \$1.6 million in 2002 and 2001 respectively. During the current year \$428,531 in expenditures were capitalized as deferred costs as compared to \$431,922 in 2001. These costs were for fees and other holding costs of the Tenere Block in Niger (see note 6 to the Consolidated Financial Statements). Fees and other holding costs included items such as travel, consulting, government fees and farmout efforts related to maintaining the Tenere Block.

Related Party Transactions

Related party transactions were incurred with respect to management services in the amount of \$139,756 and \$164,538 in 2002 and 2001 respectively, secretarial and administration services in the amount of \$39,600 and \$36,788 in 2002 and 2001 respectively and rent in the amount of \$23,592 and \$23,166 respectively. All such expenditures were reviewed for appropriateness and approved by management and the board of directors of the Company (see note 5 to the Consolidated Financial Statements).

Material Contracts and Commitments

The Company's principal asset, which is held by its wholly-owned subsidiary TG World Petroleum Limited, is the Establishment Agreement (see note 12 to the Consolidated Financial Statements) with the government of Niger relating to the Tenere Block. The Company's major efforts in recent years have been devoted to preliminary exploration programs and seeking potential partners to participate in a farm-out agreement.

The Company's commitments that are necessary to maintain its rights to the Tenere Block are set out in note 12 to the Consolidated Financial Statements and amount to approximately \$14.1 million for the Second Exploration Period ending in April 2004.

Subsequent Events

On March 31, 2003 the Company announced that a Private Placement financing to a minimum of \$250,000 and a maximum of \$400,000 is to be completed by May 9, 2003. This completion date was subsequently extended to June 9, 2003. An initial \$150,000 was subscribed by the directors and has since been expended on ongoing operations of the Company.

Liquidity and Solvency

As discussed above under Subsequent Events, the Company is raising short term funding through a Private Placement. In 2003 the Company must either raise additional capital and/or conclude a farmout agreement with one or more partners with respect to the Tenere Block interest in order to secure longer term liquidity and solvency and fulfill work requirements in the Tenere concession.

kpmg

Consolidated Financial Statements of

TG WORLD ENERGY CORP.

Years ended December 31, 2002 and 2001

AUDITORS' REPORT

To the Shareholders of TG World Energy Corp.

We have audited the consolidated balance sheets of TG World Energy Corp. as at December 31, 2002 and 2001 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

April 29, 2003

(except for note 14, which is
dated May 6, 2003)

TG WORLD ENERGY CORP.

Consolidated Balance Sheets

December 31, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Cash	\$ 102,651	\$ 658,964
Accounts receivable	10,070	30,278
Due from related parties (note 5(a))	—	51,726
Loan to related party (note 5(b))	—	146,234
	<u>112,721</u>	<u>887,202</u>
Capital assets (note 6)	2,032,898	1,608,048
	<u>\$ 2,145,619</u>	<u>\$ 2,495,250</u>
Liabilities, Share Capital and Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 50,926	\$ 10,825
Due to related parties (note 5(c))	9,560	4,243
	<u>60,486</u>	<u>15,068</u>
Future site restoration	—	18,945
Share capital and deficit:		
Share capital (note 8)	2,665,226	2,645,568
Deficit (notes 4 and 8)	(580,093)	(184,331)
	<u>2,085,133</u>	<u>2,461,237</u>
Future operations (note 2)		
Commitments (note 12)		
Subsequent event (note 14)		
	<u>\$ 2,145,619</u>	<u>\$ 2,495,250</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

TG WORLD ENERGY CORP.

Consolidated Statements of Loss and Deficit

Years ended December 31, 2002 and 2001

	2002	2001
Revenues:		
Petroleum	\$ 33,161	\$ 34,108
Royalties	(10,958)	(4,633)
Interest	13,802	20,166
	<u>36,005</u>	<u>49,641</u>
Expenses:		
General and administrative	447,717	374,257
Petroleum operating expense	16,086	16,413
Site restoration provision	3,400	3,610
Interest	—	77,340
Depreciation	2,733	3,800
Gain on sale of capital assets (note 6(c))	(38,169)	—
	<u>431,767</u>	<u>475,420</u>
Net loss for the year	395,762	425,779
Deficit, beginning of year	184,331	1,507,423
Deficit applied to reduction in capital (notes 4 and 8(a))	—	(1,748,871)
Deficit, end of year	<u>\$ 580,093</u>	<u>\$ 184,331</u>
Net loss per share (basic and diluted - note 9)	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>

See accompanying notes to consolidated financial statements.

TG WORLD ENERGY CORP.

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001

	2002	2001
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (395,762)	\$ (425,779)
Add items not involving cash:		
Depreciation and site restoration	6,133	7,410
Non-employee option	19,658	—
Gain on sale of capital assets	(38,169)	—
	(408,140)	(418,369)
Changes in non-cash working capital	60,309	(73,527)
	(347,831)	(491,896)
Financing:		
Due to related parties	57,043	42,600
Loan to related party (note 5(b))	146,234	(146,234)
Shares issued for cash	—	1,212,815
Due to shareholders	—	36,615
Interest	—	77,301
Cash acquired on amalgamation (note 4)	—	365,114
	203,277	1,588,211
Investing:		
Capital assets, net (note 6)	(427,583)	(440,729)
Proceeds on sale of capital assets	15,824	—
	(411,759)	(440,729)
Increase (decrease) in cash	(556,313)	655,586
Cash, beginning of year	658,964	3,378
Cash, end of year	\$ 102,651	\$ 658,964
Supplemental cash flow information:		
Cash interest paid	\$ —	\$ 77,339

See accompanying notes to consolidated financial statements.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

1. Basis of presentation:

TG World Energy Corp. (the "Company", formerly TG World Energy Inc.), is engaged in the business of international petroleum exploration and development with a major focus on Niger.

2. Future operations:

The Company's assets primarily consist of interests in certain oil and gas properties located in eastern Niger, all of which are in the exploration stage. To date, the Company has had limited sources of financing. The Company will require the continuing support of its shareholders and other creditors and will require additional sources of financing in order to continue the exploration and development of its properties.

The recoverability of the cost of the capital assets of the Company is dependent upon, among other things, the existence of economically recoverable reserves, the ability of the Company to obtain the additional financing necessary to continue the exploration and development activities and future profitable production or proceeds from disposition of such properties. None of the Company's oil and gas properties in Niger have proven reserves assigned.

These financial statements have been prepared on a basis which assumes that the carrying value of the assets will be realized and the liabilities will be settled in the normal course of business. These financial statements do not include the adjustments to the amount and classification of assets and liabilities that would be necessary if the Company was not able to continue its present business plan.

3. Significant accounting policies:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates made by management relate to amounts recorded for the depletion and depreciation of capital assets and the provision for future site restoration costs.

The ceiling test is based on such factors as estimated proved reserves, production rates, petroleum and natural gas prices and future costs. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from those estimates.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2002 and 2001

3. Significant accounting policies (continued):

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary company, TG World Petroleum Limited.

(a) Petroleum and natural gas properties:

(i) Capitalized costs:

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized. 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 percent, in which case a gain or loss on disposal is recorded.

(ii) Depletion:

Depletion of the Company's interest in petroleum and natural gas properties is computed by the unit-of-production method based on estimates of proven recoverable reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon relative energy content.

(iii) Ceiling test:

The Company applies a ceiling test to ensure that the net costs capitalized do not exceed the estimated future net revenues from the production of its proven reserves, plus the cost of undeveloped lands, less impairment. Future net revenues are calculated at year end prices and include an allowance for estimated future general and administrative expenses, interest expense, income taxes, capital expenditures and future site restoration costs. Any costs carried on the balance sheet in excess of the ceiling test limit are charged to income.

(b) Other assets:

Other assets consist of office equipment and are depreciated on a 30% declining balance basis.

(c) Future site restoration:

Estimated future site restoration costs are provided for using the unit-of-production method based upon the estimate of proven reserves. Costs are estimated by the Company based upon current regulations, costs, technology and industry standards. Removal and site restoration expenditures will be charged to the accumulated provision as incurred.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2002 and 2001

3. Significant accounting policies (continued):

(d) 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 currently enacted, or 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 more likely than not that the asset will not be realized.

(e) Foreign currency translation:

Monetary items denominated in a foreign currency 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 income.

(f) Per share amounts:

Net loss per common share is computed by dividing net loss for the year by the weighted average number of common shares outstanding for 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.

Anti-dilutive options and warrants are not included in the calculation.

(g) Stock-based compensation:

Effective January 1, 2002, the Company prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the accounting for stock-based compensation and other stock-based payments. In accordance with the new standard, the Company elected to continue its policy that no compensation is recorded on the grant of employee and director stock options and consideration received on the exercise of such options is recorded as share capital. For stock based compensation to non-employees, the Company calculated a fair value using an option pricing model and charged the value to operations over the term of the stock based compensation. During year ended December 31, 2002, the Company granted options to consultants, employees and directors the details of which are summarized in note 8(c).

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2002 and 2001

4. Business combination:

TG World Energy Inc. ("TGWE") and Trego International Inc. ("Trego"), a company that was related by common shareholders and directors, amalgamated on July 10, 2001 and continued under the name TG World Energy Corp. (the "Company"). Pursuant to the amalgamation, shareholders of TGWE received, in aggregate, 12,462,788 common shares of the total shares issued in the Company and shareholders of Trego received, in aggregate, 6,461,698 common shares.

These financial statements include the results of operations and cash flows of the predecessor company TGWE before the amalgamation, and of the amalgamated company from amalgamation to December 31, 2001.

As this transaction resulted in the former shareholders of TGWE owning greater than 50% of the common shares of the Company, TGWE was identified as acquiring Trego. The Company and Trego were related by common shareholders and directors, consequently, the acquisition is based upon the accounts of both companies at their net book values. In addition, the shareholders passed resolutions, effective immediately before amalgamation, reducing the stated share capital of each company by the amounts of their accumulated deficits at that date. The assets and liabilities of Trego assumed on amalgamation were as follows:

Cash	\$ 365,114
Accounts receivable	13,931
Due from TG World Inc.	1,563,118
Oil and Gas assets	1,746
	<hr/> 1,943,909
Accounts payable and accrued liabilities	40,964
Provision for future site restoration	15,335
	<hr/> 56,299
	<hr/> \$ 1,887,610

5. Related party transactions:

(a) During 2000, the Company transferred for \$1 any interest it may have had in certain early stage ventures to TG World Inc. ("TGW", subsequently changed its name to Pan Asian Energy Inc.), which is related by virtue of common shareholders, directors and management. The carrying value of the interest was NIL. Certain amounts owing to the Company by TGW at December 31, 2001 were non-interest bearing and have no formal terms of repayment, and represent direct chargeable costs paid for by the Company and allocated general and administrative costs aggregating \$40,554. The amounts due from related parties were repaid in full during 2002.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2002 and 2001

5. Related party transactions (continued):

- (b) In November 2001 the Company agreed to make advances to TGW of up to \$235,000 (including accrued interest and any amounts due for chargeable costs – as described above) pending receipt by that company of payments due under a contract.

Interest was receivable on the total advances at the greater of 18% per annum and a fixed amount of \$10,000. Advances were repaid in full during 2002.

- (c) The following table sets out the services that were provided by related parties:

Service Provided	Charges for services provided	
	2002	2001
Management services provided by Seajay Management Enterprises Ltd.	\$ 139,756	\$ 164,538
Secretarial and administration services provided by Seajay Management Enterprises Ltd.	\$ 39,600	\$ 36,788
Rent charged by TVI Pacific Inc.	\$ 23,592	\$ 23,166

Management services provided by Seajay Management Enterprises Ltd. ("Seajay") were for time devoted to the affairs and business of the Company. Costs for services related to management time incurred on projects are charged to expense as incurred. Charges for secretarial and administration services provided by Seajay to the Company are to recover the cost of these services from the Company. Seajay is a company controlled by Mr. Clifford James, President, CEO and a director of the Company. As at December 31, 2002 Seajay owned 3,106,242 (15.32%) of the outstanding shares of Company.

Rent paid to TVI Pacific Inc. ("TVI") is for office space occupied by the Company on TVI's premises. TVI is a public company listed on the TSX. Mr. Clifford James, CEO, President and a director of the Company, is President, CEO, Chairman and a director of TVI. Rent costs are charged to general and administrative expenses.

As at December 31, 2002 and 2001, due to related parties in the respective amount of \$9,560 and \$4,242 represents amounts due to Seajay and TVI on account of management and administrative services and office space provided to the Company.

- (d) See notes 7 and 8 for related party transactions with Trego International Inc. and shareholders.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2002 and 2001

6. Capital assets:

(a)	Balance, December 31, 2001	Expenditures during the year	Depreciation	Balance, December 31, 2002
Deferred costs, Tenere, Niger (b)	\$1,599,095	\$ 428,531	\$ -	\$2,027,626
Computer and office equipment	8,953	(948)	(2,733)	5,272
	<u>\$1,608,048</u>	<u>\$ 427,583</u>	<u>\$ (2,733)</u>	<u>\$2,032,898</u>

	Balance, December 31, 2000	Expenditures during the year	Depreciation	Balance, December 31, 2001
Deferred costs, Tenere, Niger (b)	\$1,167,173	\$ 431,922	\$ -	\$1,599,095
Computer and office equipment	2,200	10,553	(3,800)	8,953
	<u>\$1,169,373</u>	<u>\$ 442,475</u>	<u>\$ (3,800)</u>	<u>\$1,608,048</u>

(b) Costs capitalized to the Tenere, Niger project are as follows:

	2002	2001
Lease acquisition	\$ 107,032	\$ 107,032
Fees and other holding costs	1,446,350	1,017,819
Work programs	836,744	836,744
Recoveries	(362,500)	(362,500)
	<u>\$ 2,027,626</u>	<u>\$ 1,599,095</u>

(c) During 2001 the Company acquired, as a result of the amalgamation, certain percentage interests in four oil wells (one was shut-in) in the Weyburn area in Saskatchewan. These wells had a net book value of nil, having been written off in 1999 through application of the ceiling test, and no value has been assigned to them in the Company's accounts. Effective August 29, 2002, the Company entered into an agreement to sell its Weyburn Saskatchewan oil properties to a third party. The terms of the sale included the purchaser receiving the results of operations from the Weyburn properties from June 1, 2002 onward. The obligation for future site restoration passes to the purchaser of this asset. The Weyburn properties were the Company's only revenue producing assets.

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Notes to Consolidated Financial Statements, Page 7

Years ended December 31, 2002 and 2001

7. Due to Trego International Inc.:

Since 1997, the Company's operations were substantially financed by advances from Trego International Inc. ("Trego") in anticipation of a business combination between the Company and Trego. The companies effected this business combination by amalgamating on July 10, 2001.

Amounts outstanding were as follows:

	July 10, 2001
Principal advances	\$ 1,543,730
Interest accrued but unpaid	314,080
	<u>\$ 1,857,810</u>

The advances bore interest at prime plus 1%, and were unsecured. Upon completion of the acquisition of Trego (note 4), the advances were effectively eliminated, and the interest accrued but unpaid was recorded to share capital.

The Company and Trego were considered to be related parties due to common directors and shareholders.

8. Share capital:

(a) Authorized and issued:

The authorized capital of the Company is an unlimited number of common shares. At December 31, 1999 there were 420 shares outstanding in the Company, which were split 1,000 for 1 in May 2000. Immediately after the split, 100,430 shares were issued in settlement of advances (and accrued interest thereon) made by shareholders. In June 2001, the Company and Trego International Inc. ("Trego") completed a joint private placement of 363 Units at \$4,000 per Unit that yielded \$726,000 before expenses of issue, for each of the companies. The Units consisted of 268 common shares of the Company and 15,770 common shares of Trego. TG World Energy Inc. issued 97,284 shares as a result of the placement. On amalgamation, the then outstanding shares (617,714) were exchanged for 12,462,788 common shares of the amalgamated company, and the then outstanding 18,856,177 common shares of Trego were exchanged for 6,461,698 common shares of the amalgamated company.

After the amalgamation, on July 13, 2001 the Company completed a private placement, for cash, of 1,351,375 common shares at \$0.37 per share for proceeds of \$500,000 before expenses.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 8

Years ended December 31, 2002 and 2001

8. Share capital (continued):

(a) Authorized and issued (continued):

The following table gives retroactive effect to the 1,000 for 1 share split:

	Number of shares	Amount
TG World Energy Inc.:		
Balance at December 31, 2000	520,430	\$ 979,934
Issued for cash	97,284	718,247
Reduction of stated capital	—	(1,748,871)
Elimination of interest payable to Trego International Inc. pursuant to amalgamation	—	314,080
Balance at date of amalgamation	617,714	\$ 263,390
TG World Energy Corp.:		
Issued for shares of TG World Energy Inc.	12,462,786	\$ 263,390
Issued for shares of Trego International Inc.	6,461,658	1,887,610
Private placement July 13, 2001	1,351,375	494,568
Balance at December 31, 2001	20,275,819	2,645,568
Non-employee option expense (c)	—	19,658
Balance at December 31, 2002	20,275,819	\$ 2,665,226

(b) Options and warrants:

At December 31, 2002 the Company had the following share options and share purchase warrants outstanding:

	Number of shares	Exercise price
Share options:		
Expiring July 26, 2007	645,000	\$ 0.37
Expiring August 9, 2006	2,380,000	0.37
	3,025,000	\$ 0.37

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 9

Years ended December 31, 2002 and 2001

8. Share capital (continued):

(b) Options and warrants (continued):

The options normally vest over a three-year period on either a monthly or quarterly basis. 95,000 of the options expiring on July 26, 2007 vested immediately upon issue. During the year, 250,000 options expiring August 9, 2006 were cancelled. On March 18, 2002, 200,470 options expired unexercised and on July 31, 2002, 856,708 share purchase warrants entitling the warrant holder to purchase one common share for each warrant, expired unexercised.

As at December 31, 2002, 1,146,363 options were exercisable.

(c) Stock based compensation:

Adoption of the fair value method of accounting for stock-based compensation for options granted to directors, officers, and employees for the year ended December 31, 2002, would result in the Company's net loss and loss per share being adjusted to the amounts indicated below:

Net loss		
As reported	\$	395,762
Pro forma		399,677
Loss per share, basic and diluted		
As reported	\$	(0.02)
Pro forma		(0.02)

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumption for grants as follows, risk free interest rate of 3.0%, expected life of 5 years, and expected volatility of 201%.

During the year ended December 31, 2002 the Company recorded compensation expense of \$19,658 for stock options granted to non-employees. The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the assumptions noted above.

9. Per share amounts:

The basic weighted average number of common shares outstanding during the year ended December 31, 2002 was 20,275,819 (2001 – 15,415,942). As all options were out of the money at year end, no addition is made to the basic weighted average number of shares.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 10

Years ended December 31, 2002 and 2001

10. Income taxes:

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

	2002	2001
Income tax rate	42.1%	42.6%
Net loss for the year	\$ 395,762	\$ 425,779
Expected recovery	\$ 166,616	\$ 181,382
Crown royalties	–	(1,974)
Non-employee option expense	8,276	–
Valuation allowance	(174,892)	(179,408)
	\$ –	\$ –

Substantially all of the Company's future income tax asset relates to capital assets, all of which is provided for with a valuation allowance.

The Company has non-capital losses, for Canadian tax purposes, available for income tax purposes of approximately \$2,000,000 as at December 31, 2002 which may be applied to reduce taxable income in future taxation years. These losses expire from 2003 – 2009.

11. Segmented information:

The Company has been engaged in a search for exploration and development stage oil and gas properties outside Canada. To date it has acquired only one project to which it has title, in Niger (see note 12). All of its other interests are at the negotiation or investigation stage.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 11

Years ended December 31, 2002 and 2001

12. Commitments:

The Company entered into an Establishment Agreement (the "Agreement") with the government of the Republic of Niger in April 1997, whereby it gained exclusive rights for oil and gas exploration (ten years) and production (15 years - renewable once) over 70,000 square kilometers (approximately 17.2 million acres), subject to staged relinquishment. In 2001, the Company relinquished 50% of the acreage to the Government of Niger in accordance with the terms of the Agreement and a further 50% relinquishment of the remaining 8.6 million acres must be made in April 2004 at the beginning of the third exploration period. The Agreement calls for the following work program:

	Estimated Cost
First exploration period – completed.	
Second exploration period - 3 years ending April 2004: 1,500 kilometres of seismic	\$ 14,100,000
Third exploration period - 3 years ending April 2007: Drill 2 exploratory wells	20,800,000
	<hr/> \$ 34,900,000 <hr/>

The minimum expenditure in any period is that required to complete the work commitment for the period. The Company will make a decision at the end of the current period as to whether it wishes to proceed to the next exploration period. There is no requirement and no commitment to proceed to the next period. The Company has completed the requirements of the first exploration period. The amounts shown as expenditures in the remaining periods of \$34.9 million represent the Company's current estimate of the costs required to complete the required programs. Actual expenditures may be substantially different. The minimum work requirement in the second exploration period can be accomplished in approximately nine months, at any time during the period.

The project is subject to the right of the Niger government to a 10% participation interests, and to a 12.5% royalty on liquids and a 5% royalty on gas. In addition, there are annual charges of approximately \$150,000 to maintain the property in good standing.

TG WORLD ENERGY CORP.

Notes to Consolidated Financial Statements, Page 12

Years ended December 31, 2002 and 2001

13. Financial assets and liabilities:

Fair values:

The fair values of cash, accounts receivable and liabilities approximate their carrying values.

Exchange rate risks:

The Company is exposed to exchange rate fluctuations in relation to amounts due to the government of Niger for annual fees and for services it must purchase in foreign currencies. Management believes this exposure is not material to its overall operations.

14. Subsequent event:

On March 31, 2003, the Company announced that a Private Placement financing to a minimum of \$250,000 and a maximum of \$400,000 was to be completed by May 9, 2003. This completion date was subsequently extended to June 9, 2003. An initial \$150,000 was subscribed by the directors and has since been expended on ongoing operations of the Company.

For each \$10,000 minimum subscription amount, the investor (the "Holder") will receive an unsecured Convertible Debenture (the "Debenture") with a term to December 31, 2003 that will bear interest at the greater of the Royal Bank of Canada prime rate plus 4% per annum and 12% per annum. The Company may call the Debenture for redemption, upon giving the Holder 15 days notice, when the weighted average trading price of the common shares of the Company for any period of 22 consecutive business days equals or exceeds \$0.37 per share. Subject to applicable hold periods, the Holder is entitled to convert all or part of the Debenture (principal only) into common shares of the Company at any time up to December 31, 2003 at no additional cost to the Holder. The conversion rate for redeemed or converted Debentures, is 83,333 common shares for each \$10,000 minimum investment amount. Interest will be payable on the earlier of December 31, 2003 and on conversion by the Holder or on redemption by the Company.

For each \$10,000 invested, the Holder will also receive 83,333 warrants. The Holder will be entitled to purchase one common share of the Company in exchange for every 2 warrants at a cost of \$0.12 per share. The warrants expire on the second anniversary of their issue.

The proceeds received from this Private Placement will be used as a source of working capital to the Company while it negotiates with suitable partners to participate in a farmout agreement with respect to the Company's interest in the Tenere Block, Niger.

BOARD OF DIRECTORS

- Edward (Ted) W. Best^{1,2} Consultant and Corporate Director: prior to 1985 President, Oil & Gas Division and Director BP Canada Inc. He has a BSc. and PhD. in geology and 50 years experience in the oil and gas business.
- Allan D. Clowes¹ Partner of Northridge Canada (a general partnership engaged in the business of venture capital investment): He holds a Bachelor of Commerce degree and is a chartered accountant with many years of oil and gas experience and in public accounting practices.
- A. Lloyd Flood^{1,2} Consultant and Corporate Director: He has held senior positions with Bow Valley Industries and most recently as advisor to Bow Valley Energy Ltd. He holds a BSc. in geological engineering and has 50 years experience in the oil and gas industry, much of it international.
- Clifford M. James Director, President and Chief Executive Officer of TG World Energy Corp., Director, Chairman of Pan Asian Energy Inc. and Director, President and Chief Executive Office of TVI Pacific Inc. (a mineral exploration company) as well as a director of several other companies: He holds a BSc. and MSc. in geology and has over 30 years experience in the oil and gas and mining industries, much of it in the international area.
- Wilfrid A. Loucks Corporate Director: Prior to 1994 he was an independent businessman and prior to 1988 Vice President of Norcen Energy Resources Ltd. He holds a BSc. in geological engineering and has over 50 years experience in the oil and gas and mining industries, much of it in the international area.
- Wayne G. Thomson² President and Director of Airborne Technologies Inc., a private company engaged in energy technologies: He was formerly Director and President of Hadrian Energy Corp., President of Gardiner Oil and Gas Ltd. and General Manager of a division of Fletcher Challenge Petrocorp Exploration in New Zealand. He holds a BSc. in engineering and has many years of oil and gas industry experience.

¹ member audit committee

² member human resources committee

GENERAL INFORMATION

Registered Head Office:

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Calgary, Alberta, Canada T2P 3T7
Tel: (403) 265-4506
Fax: (403) 264-7028

Officers:

Chairman:	Edward (Ted) W. Best
President & CEO:	Clifford M. James
Secretary:	Allan D. Clowes

Board of Directors:

Edward (Ted) W. Best
Allan D. Clowes
A. Lloyd Flood
Clifford M. James
Wilfrid A. Loucks
Wayne G. Thomson

TSX Venture Exchange: Symbol TGE

Auditors: KPMG LLP; Calgary, Alberta

Legal Counsel: Bennett Jones LLP; Calgary, Alberta

Banker: HSBC Bank Canada; Calgary, Alberta

Transfer Agent: Computershare Trust Company of Canada; Calgary, Alberta