

**TG WORLD ENERGY CORP.
INTERIM CONSOLIDATED BALANCE SHEETS**

All amounts in C\$	June 30, 2005	December 31, 2004
	(unaudited)	
ASSETS		
Current assets		
Cash	\$ 8,467	\$ 248,289
Accounts receivable	404	6,590
Due from related parties	-	-
	<u>8,871</u>	<u>254,879</u>
Capital Assets	-	-
	<u>\$ 8,871</u>	<u>\$ 254,879</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 379,350	\$ 415,256
Due to related parties (note 5)	26,034	137,818
Current portion of convertible debentures (note 6(e))	314,909	775,864
	<u>720,293</u>	<u>1,328,938</u>
Shareholders' equity		
Share capital (note 6(b))	3,807,755	2,845,568
Contributed surplus (note 6(d))	147,450	103,900
Convertible debentures (note 6 (e))	66,401	164,227
Deficit	(4,733,028)	(4,187,754)
	<u>(711,422)</u>	<u>(1,074,059)</u>
Financial assets and liabilities (note 7)		
Subsequent event (note 8)		
	<u>\$ 8,871</u>	<u>\$ 254,879</u>

**INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(unaudited)**

All amounts in C\$	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Expenses				
General and administrative	\$ 130,582	\$ 288,531	\$ 453,836	\$ 513,824
Amortization of debenture discount	20,951	15,893	53,410	33,952
Interest expense	15,989	30,000	39,088	60,030
Interest income	(46)	(5)	(934)	(445)
Foreign exchange (gain) loss	(9)	(6)	(125)	500
	<u>167,466</u>	<u>334,413</u>	<u>545,274</u>	<u>607,861</u>
Net loss for the year before cost recovery	167,466	334,413	545,274	607,861
Cost recovery	-	-	-	-
Net (gain) loss for the year	<u>167,466</u>	<u>334,413</u>	<u>545,274</u>	<u>607,861</u>
Deficit, beginning of year	4,565,562	4,011,169	4,187,754	3,737,721
Deficit, end of period	<u>\$ 4,733,028</u>	<u>\$ 4,345,582</u>	<u>\$ 4,733,028</u>	<u>\$ 4,345,582</u>
Net loss per share – basic and diluted	<u>\$ 0.0052</u>	<u>\$ 0.0160</u>	<u>\$ 0.0171</u>	<u>\$ 0.0300</u>

See notes to the Financial Statements

TG WORLD ENERGY CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

All amounts in C\$	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Cash provided by (used for):				
Operating				
Net loss for the period	\$ (167,466)	\$ (334,413)	\$ (545,274)	\$ (607,861)
Add items not involving cash				
Write-down of capital assets	-	-	-	-
Stock based compensation expense	21,775	4,878	43,550	9,756
Amortization of debenture discount	20,951	15,893	53,410	33,952
	<u>(124,740)</u>	<u>(313,642)</u>	<u>(448,314)</u>	<u>(564,153)</u>
Debt interest accrued	11,221	30,000	33,104	60,000
Changes in non-cash working capital	<u>(99,434)</u>	<u>176,756</u>	<u>(62,827)</u>	<u>131,782</u>
	<u>(212,953)</u>	<u>(106,886)</u>	<u>(478,037)</u>	<u>(372,371)</u>
Financing				
Due to/from related parties	(87,671)	47,128	(111,784)	133,086
Convertible debentures	-	-	-	-
Shares issued for convertible debentures and warrants	170,000	-	349,999	-
	<u>82,329</u>	<u>47,128</u>	<u>238,215</u>	<u>133,086</u>
Increase (decrease) in cash	<u>(130,624)</u>	<u>(59,758)</u>	<u>(239,822)</u>	<u>(239,285)</u>
Cash at beginning of period	<u>139,091</u>	<u>68,856</u>	<u>248,289</u>	<u>248,383</u>
Cash at end of period	<u>\$ 8,467</u>	<u>\$ 9,098</u>	<u>\$ 8,467</u>	<u>\$ 9,098</u>

Notes to the Financial Statements
(unaudited)

The Interim Consolidated Financial Statements of TG World Energy Corp. ("TG World" or the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. The Interim Consolidated Financial Statements should be read in conjunction with the audited Annual Consolidated Financial Statements and the notes thereto in TG World's Annual Report for the year ended December 31, 2004.

1. Basis of presentation:

TG World Energy Corp. (the "Company") is engaged in the business of international petroleum exploration and development with the major focus on Niger, through its subsidiary, TG World Petroleum Limited ("TG World").

2. Future operations:

TG World's assets primarily consist of interest in certain oil and gas properties located in eastern Niger, all of which are in the exploration stage. In December 2004, CNPC International Tenere Limited ("CNPCIT") paid TG World US\$1 million (CDN\$1,235,700) of past costs as part of a settlement agreement described below. In July 2005 the Company completed a brokered private placement for gross proceeds of \$2,500,000. The net proceeds from this private placement will be added to working capital and used to fund expenditures associated with the Company's interests in the Tenere concession in Niger. Please see note 8 "Subsequent events".

The Company has resolved its dispute with the Niger government and other interested parties. CNPCIT is required to fund the Company's interest in the property up to US\$11 million.

The full amount of TG World's interest in the Niger property was written down to \$nil in 2003 due to uncertainty associated with the ultimate recoverability of the Company's capital assets at that time. The US\$1 million received from CNPCIT for past costs was recorded to earnings in 2004.

These financial statements are 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:

These consolidated financial statements are prepared and reported in Canadian dollars in accordance with accounting principles generally accepted in Canada (Canadian GAAP).

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.

By their nature, these estimates are subject to measurement uncertainty. The effects of changes in such estimates on the financial statements in future periods could be significant.

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 development of 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%, in which case gain or loss on disposal is recorded. The Company currently has no petroleum and natural gas producing properties. All capitalized costs incurred on the Niger project were written off in 2003 as a result of the uncertainty associated with the ultimate recoverability of this capital asset.

(ii) Depletion:

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

(iii) Ceiling test:

An impairment loss is recognized when the carrying amount of oil and gas assets in a cost centre 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, of the Company. The cash flows are estimated using expected future product prices and costs and are discounted using a credit adjusted risk-free interest rate.

(b) Other assets:

Other assets consist of computer and office equipment and are depreciated on a 30% declining balance basis. As at year-end, the Company had no assets in this category.

(c) Asset retirement obligation:

Effective January 1, 2004, the Company adopted the new accounting standards for "Asset Retirement Obligations". The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability and any remaining difference is recognized as a gain or loss to earnings in the period in which the settlement occurs. The adoption of this new accounting policy did not impact the financial statements for the years ended December 31, 2004 and 2003.

(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 substantially 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 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.

(f) 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, whereby it is assumed that the exercise of "in the money" stock options and warrants are used by the Company to repurchase Company shares at the weighted average market price during the year.

(g) Stock-based compensation:

The Company uses the fair value method when stock options are granted to employees and directors under the share option plan. Under this method, compensation expense is measured at

the grant date and 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 fair value of the options is determined using the Black-Scholes option-pricing model.

(h) Convertible debentures:

Convertible debentures were recorded as the amount of proceeds received less the amount attributed to the conversion feature, which was included as part of shareholders' equity. The difference between the recorded amount and the face value of the convertible debentures was charged to income over the term of the convertible debentures on an effective-yield basis.

4. Capital assets:

	Balance December 31, 2002	Expenditures during the year	Depreciation	Balance December 31, 2003 and 2004
Deferred costs, Tenere Niger	\$ 2,027,626	\$ -	\$ -	\$ 2,027,626
Computer and office equipment	5,272	-	(2,312)	2,960
	2,032,898	-	(2,312)	2,030,586
Write down of capital assets	-	-	-	(2,030,586)
	\$ 2,032,898	\$ -	\$ (2,312)	\$ -

Costs capitalized to the Tenere, Niger project, prior to the write down of capital assets, are as follows:

	2003
Lease acquisition	\$ 107,032
Fees and other holding costs	1,446,350
Work programs	836,744
Recoveries	(362,500)
	\$ 2,027,626

During 2003, the Company wrote down its capital assets of \$2,030,586 due to uncertainty associated with the ultimate recoverability of the assets.

5. Related party transactions:

The following table sets out the services that were provided by related parties and are recorded at exchange amount, which is the amount of consideration agreed to between the related parties:

Charges for services provided:

	Three months ended		Six months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Management, secretarial and administrative services	\$ 15,000	\$ 15,000	\$ 155,000	\$ 30,000
Rent charged by TVI Pacific Inc.	7,614	6,147	14,769	12,294
Management services provided by Global Solutions Ltd.	32,500	7,500	40,000	15,500

Management, secretarial and administrative services provided by Seajay Management Enterprises Ltd. ("Seajay") devoted to the affairs and business of the Company are charged at \$5,000/month and charged to general and administrative expenses. In the first quarter, the Board of Directors, based on the recommendation of the compensation committee of the board, awarded Seajay a retroactive management fee of \$75,000 and a bonus of \$50,000 for its efforts in successfully negotiating the arrangement with CNPC and the Niger government. Seajay is a company controlled by an officer and director of the Company.

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

Project and operations management services provided by Global Solutions Ltd. ("Global Solutions"), a company controlled by a member of the Company's executive team are covered by a Services Supply Contract approved by the Board of Directors. This contract provides for a flat monthly fee plus contingencies. In the first quarter, the Board of Directors, based on the recommendation of the compensation committee of the Board, awarded Global Solutions a bonus of \$25,000 for its effort in successfully negotiating the arrangements with CNPC and the Niger government.

Travel and other reimbursable costs related to the business of the Company are charged at cost by Seajay and for the six months amounted to \$8,599 (2004 - \$11,119).

As at June 30, 2005, amounts due to related parties primarily represent amounts due to Seajay Management (\$7,796.68), Global Solutions (\$7,500) and TVI Pacific (\$10,403.01) for services received by the Company.

In January 2005 the Board of Directors agreed to renegotiate the contracts with Seajay and Global Solutions and to be effective January 1, 2005.

6. Share capital:

(a) Authorized:

Unlimited number of common shares.

(b) Common shares issued.

	Number of Shares	Amount
Balance at December 31, 2002 and 2003	20,275,913	\$ 2,645,568
Share issued on conversion of debentures	3,800,000	190,000
Shares issued on exercise of warrants	100,000	10,000
Balance at December 31, 2004	24,175,913	\$ 2,845,568
Shares issued on conversion of debentures	2,616,661	\$ 309,641
Shares issued on exercise of warrants	1,533,327	\$ 179,999
Balance at March 31, 2005	28,325,901	\$ 3,335,208
Shares issued on conversion of debentures	2,316,659	\$ 302,549
Shares issued on exercise of warrants	1,633,331	\$ 169,998
Balance at June 30, 2005	32,275,891	\$ 3,807,755

(c) Share options:

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

At June 30, 2005, the Company had the following share options:

	June 30, 2005		December 31, 2004	
	Options outstanding	Exercise price	Options outstanding	Exercise price
Outstanding, beginning of year:				
i)	2,620,000	\$ 0.37	2,650,000	\$ 0.37
ii)	1,385,000	0.10	-	-
Granted	50,000	0.60	1,405,000	0.10
Exercised	-	-	-	-
Cancelled	-	-	(50,000)	0.26
Outstanding, end of period	4,055,000		4,005,000	
Exercisable, end of period	3,163,750	\$ 0.32	2,778,750	\$ 0.34

Exercise Price	Options Exercisable	Weighted Average Contractual Life	Options Outstanding	Weighted Average Contractual Life
\$ 0.10	577,083	3.6 years	1,385,000	3.6 years
\$ 0.37	2,582,500	1.2 years	2,620,000	1.2 years
\$ 0.60	4,167	4.5 years	50,000	4.5 years
	3,163,750	2 years	4,055,000	2.6 years

(d) Stock-based compensation and contributed surplus:

	June 30, 2005	December 31, 2004
Balance, beginning of year	\$ 103,900	\$ 48,289
Stock-based compensation	43,550	55,611
Balance, end of period	\$ 147,450	\$ 103,900

Effective January 1, 2004, the Company adopted, with retroactive effect to share options granted since January 1, 2002, new standards for "stock-based compensation and other stock-based payments" that now require the Company to record the fair value of all share options granted since January 1, 2002.

The following table sets out the assumptions used in applying the Black-Scholes model:

	2005	2004
Risk-free interest rate - average	3.0%	3.0%
Expected life (in years)	5	5
Expected volatility	196%	176%
Dividend yield	0%	0%

The weighted average fair value of stock options granted in 2004 is \$0.095 per share. The weighted average fair value of stock options granted in 2005 is \$0.5844 per share.

The effect of the restatement is to increase previously reported deficits for the year ended December 31, 2002 by \$3,915 and 2003 by \$8,988, respectively; and to increase contributed surplus at December 31, 2003 by \$12,903. The compensation expense is being amortized over the vesting period of the options issued. In the first six months of 2005, \$43,550 of stock-based compensation has been charged to the statement of operations.

(e) Warrants and debentures:

At December 31, 2004 and June 30, 2005 the Company had the following warrants outstanding:

	June 30, 2005		December 31, 2004	
	Number of common shares reserved	Exercise price	Number of common shares reserved	Exercise price
Expiring March 31, 2005 (exercisable at two warrants per common share)	0	\$ 0.12	625,000	\$ 0.12
Expiring June 20, 2005 (exercisable at two warrants per common share)	0	0.12	1,041,662	0.12
Expiring September 30, 2005 (exercisable at one warrant per common share)	4,400,000	0.10	5,900,000	0.10
	4,400,000		7,566,662	

	June 30, 2005	December 31, 2004
Convertible debentures:		
Balance, beginning of year	\$ 775,864	\$ 855,528
Issued during the year	-	-
Less: equity component	-	-
	775,864	855,528
Add: amortization of debenture discount	53,410	75,971
Less: amount converted to share capital	(514,365)	(155,635)
	314,909	775,864
Less: classified as current	(314,909)	(775,864)
Balance, end of period	\$ -	\$ -

On March 31, 2003 and June 30, 2003, the Company issued 15 and 25 units, respectively, each unit comprising one \$10,000 convertible debenture with a term of two years (convertible into 83,333 common shares) and 83,333 share purchase warrants exercisable at two warrants for one common share at \$0.12 per share. The warrants expire on March 31, 2005 and June 20, 2005 respectively. The debentures bear interest at the greater of bank prime rate plus 4% or 12% per annum. The holder may convert the debenture into 83,333 common shares at any time during the two year period at no additional cost.

The Company may call the debenture for redemption, upon giving the holder 15 days notice, provided 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. The placements of the March 31, 2003 and June 20, 2003 debentures were negotiated when the Company's shares traded at \$0.12 and \$0.05 respectively per share.

On December 31, 2003, the Company issued 60 units, each unit comprising one \$10,000 convertible debenture with a term of two years from September 30, 2003 (convertible into 200,000 common shares) and 100,000 share purchase warrants exercisable at one warrant for one common share at \$0.10 per share. The debentures bear interest at the greater of bank prime rate plus 4% or 12% per annum. The placement of the debenture was negotiated when the Company's common shares traded at \$0.065 per share.

If all the issued convertible debentures, including any already converted, are converted to common shares, the following additional shares would be issued as of December 31, 2004:

	Number of shares	Conversion price
Debenture expiring March 31, 2005 (converted)	1,250,000	\$ 0.12
Debenture expiring June 20, 2005 (converted)	2,083,333	\$ 0.12
Debenture expiring September 30, 2005 (of which 5,400,000 converted to common shares)	12,000,000	\$ 0.05
	15,333,333	

At June 30, 2005 the total number of shares converted was 8,733,333

The debentures, for a total consideration of \$1,000,000, were recorded in debt and equity using their relative fair values. An option-pricing model was used to determine the fair value of the equity component of the debentures. Discounted cash flows were used to fair value the debt component. During the year ended December 31, 2004, the debenture holders converted debentures with a principal balance of \$190,000 into 3,800,000 common shares (see note 6(b)) at \$0.05 per common share, leaving a principal balance outstanding of \$810,000. As a result, both the liability component of \$155,637 and the equity component of \$34,363 of the convertible debentures, which were converted, have been reclassified to share capital. During the 6 months ended June 30, 2005, the debenture holders converted debentures with a principal balance of \$480,000 into 4,933,320 common shares at an average \$0.097 per common share, leaving a principal balance outstanding of \$330,000. As a result, both the liability component of \$386,040 and the equity component of \$93,960 of the convertible debentures, which were converted in 2005, have been reclassified to share capital.

7. Financial assets and liabilities:

(a) Fair values:

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

(b) Exchange rate risks:

TG World 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.

8. Subsequent Event:

On July 21, 2005, the Company announced the completion of its brokered private placement of an aggregate of 3,571,000 units (the "Units") of the Corporation (the "Offering") to subscribers (the "Subscribers") at a price of \$0.70 per unit for gross proceeds to the Corporation of \$2,500,000.

Each Unit consists of one common share and one-half of one share purchase warrant. Each full purchase warrant entitled the holder thereof to acquire one common share, at a price of \$0.85 per share if

the warrant is exercised within the first twelve months following closing and at \$1.00 per share if the warrant is exercised at any time during the second year following closing.

The Units were offered for sale to accredited investors on a commercially reasonable efforts basis (the "Offering") by Canaccord Capital Corporation acting as agent (the "Agent").

Pursuant to the terms of the formal agency agreement (the "Agency Agreement") entered into between the Agent and the Corporation, the Corporation paid a commission to the Agent equal to 8% of the gross proceeds of the Offering and issued 357,100 share purchase warrants, on the same terms and conditions as the share purchase warrants issued to Subscribers, to the Agent, representing 10% of the number of Units sold by the Agent pursuant to the Offering.

In addition, pursuant to the terms of the Agency Agreement, the Agent exercised its option to receive, in lieu of a portion of its commission otherwise payable in cash, 110,715 Units (consisting of 110,725 common shares and 55,357 share purchase warrants) on the same terms and price as the Units issued to Subscribers.

All of the common shares and share purchase warrants issued to Subscribers and the Agent will be subject to a 4-month hold period in Canada in accordance with applicable securities laws.