



TG World Energy Corp.

Second Quarter Report
For the period ended June 30, 2007



TG WORLD ENERGY CORP.

June 30, 2007 AND 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following interim Management's Discussion and Analysis (MD&A) updates our annual MD&A included in our 2006 Annual Report to Shareholders, to which readers are referred, and should be read in conjunction with the interim consolidated Financial Statements for the 3-month period ended June 30, 2007 and 2006. No update is provided where an item is not material or there has been no material change from the discussion in our annual MD&A.

All amounts are in Canadian dollars except where otherwise stated.

Description of the Business

TG World Energy Corp. ("TG" or the "Company") is a Canadian junior oil and gas exploration and development company whose two main assets are a 100% owned United States subsidiary, TG World, Inc whose only asset is a working interest in oil and gas leases located on the Alaska North Slope and TG World Petroleum Limited, a 100% owned Bahamian subsidiary whose only asset is its interest in the Establishment Agreement (EA) and licenses with the Republic of Niger in the Tenere area.

Alaska

In the first half ended June 30, 2007, the Company's share of joint venture exploration seismic and well drilling and completion costs amounted to \$9,243,507. More details on capitalized costs are given in note 3 to the interim financial statements for this period.

The Company entered into a joint venture agreement (the "JVA") with Brooks Range Petroleum Corporation ("BRPC") a wholly owned subsidiary of Alaska Venture Capital Group, LLC ("AVCG"), effective March 18, 2006. Under the terms of the JVA, TG has acquired a 25 – 35% interest in almost all of BRPC/AVCG's existing oil and gas leases (the "properties"), located on the Alaska North Slope and has agreed to participate with BRPC/AVCG in the exploration and development of these properties. The leases acquired were approximately 167,033 acres to the JVA and contain eight geological prospects.

The parties have also entered into an exploration joint venture alliance (JV) respecting a more extensive exploration and development program on a large designated area containing all other State of Alaska governed petroleum leases onshore and offshore the North Slope between the National Petroleum Reserve Alaska (NPRA) in the west and the Arctic National Wildlife Reserve (ANWR) in the east and in which BRPC/AVCG had no petroleum lease ownership. This provides an area of new venture opportunity for the JV in the deemed "Area of Mutual Interest" or "AMI". The JV has increased its gross acres to 309,384 acres for a 70% increase in acreage.

The term of the JVA runs until March of 2010, and continues thereafter unless terminated by either party.

The parties plan to conduct a series of exploration projects on the properties (and on any other that may be acquired in the future by the JVA) including the drilling of several wells during the 2008 winter drilling season.

Joint Venture exploration expenses for 2007 are estimated to be US\$41.3 million (Cdn\$43.918 million) with the Company's net share being US\$14.4 million (Cdn\$15.31 million). This activity includes geological/geophysical and general office overhead, land rentals, new lease purchases, new 3-D seismic acquisition, the drilling of 2 exploration wells and pre-drill expenses for the 2008 winter drilling season. The sum of the 2007 drilling and the 2008 pre-drill costs are 62% of the 2007 total expected expenditure. The Company paid 50% of the costs of the

Sak River-1 exploration well and 46% of the costs of the proprietary 3-D seismic program over the Gwydyr Bay leases; this fulfilled the 3-D seismic funding commitment and one of the four exploration well funding commitments the Company undertook when entering the Joint Venture Agreement. The Company has the option to not drill any of the four wells, but would surrender its interest in the prospect block. The Company also paid 35% of the North Shore #1 well which is not part of the four option wells.

The joint venture drilled 2 exploration wells this winter from onshore locations to offshore targeted oil prospects north of the Prudhoe Bay oil field in the Gwydyr area. The North Shore #1 well tested a Kuparuk oil prospect on a lease acquired by farmout. TG's working interest is 35%. Approximately 70 feet of oil charged Ivishak sandstone were encountered. There was insufficient time to test the well during the 2006/2007 drilling season. The well was cased for testing as a potential oil producer. The second exploratory well, Sak River #1, located one and a half miles from the North Shore #1, tested separate Kuparuk and Ivishak oil prospects. The well was suspended for the possibility of drilling an exploratory sidetrack well during the 2008 drilling season. No oil bearing horizons were encountered in the suspended Sak River #1.

A 130 square mile 3-D seismic program covering the Gwydyr project area was completed by March 31, 2007.

Tenere, Niger

TG's other asset is its 20% interest in the EA and licenses consisting of 17.3 million acres with the Republic of Niger in the Tenere area. An 80% interest is retained by CNPC International Tenere Ltd. ("CNPCIT"), who is the operator of the Tenere project.

Under the arrangements CNPCIT will pay (i.e. carry) 100% (with minor exceptions) TG's share of costs for an agreed Minimum Work Program (the Program); including project related G & A costs. The major components of the Program are acquiring, processing and interpreting a minimum of 1500 km of seismic and drilling three exploration wells. TG was also carried for any seismic done over and above the 1500 km up to and including the completion of the second exploration well TG will be required to repay its carried costs to CNPCIT, without interest, out of a share of its future production from the Tenere Block, only if the program results in petroleum production.

The Tenere Block initial 2D seismic acquisition program, consisting of 1,686 line km was completed early in 2006. CNPCIT completed in 2006 an additional 912 kilometers of new 2D seismic data to provide additional regional and prospect specific coverage, as well as reprocessing and interpreting 3,822 km of vintage seismic. A further 1200 km of new 2D seismic to infill several prospects and extend seismic data to the north portion of the block where sufficient seismic is lacking was completed recently. CNPCIT commenced a further 700 km of 2D seismic but has shut down after completing 168 km because of summer heat.

The first exploratory well Saha-1, commenced drilling in October 2006 in the southwest corner of the Tenere Trough and reached a total depth of 3,500 meters in January 2007. The well tested the Sokor, Madama, Yougou and Donga formations. Although oil flowed from one interval tested, water was also encountered. The well is not capable of commercial production and was abandoned

The second exploration well Fachi West-1, spudded in April 2007 at a location close to the graben centre, 27 kms to the north of Saha-1 and southwest of the 1970's-vintage Fachi-1 well. The well was drilled to a depth of 3,400 meters and tested the Sokor, Madama, Yougou and Donga formation sandstones. No drill stem tests were run, and the well was abandoned.

Good reservoir sandstones in the primary objectives, the Sokor, Madama and Yougou formations and also in the Donga formation were encountered in the two wells. Source bed intervals were also encountered to confirm the existence of a working hydrocarbon system. The main potential reservoirs lack adequate seals.



The location of the third exploratory well will be chosen after further analysis and integration of the drilling results and extensive seismic data.

Information respecting the nature of ongoing and anticipated drilling activities on the Tenere Concession and Alaska leases, the work required to support those activities and the timing of such drilling activities, constitutes forward-looking information. Readers should review the cautionary statement respecting forward-looking information that appears at the end of this Management Discussion and Analysis report.

Overview of Consolidated Financial Highlights

	3 months ended		6 months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	\$	\$	\$	\$
Net loss	462,597	225,917	714,828	408,336
Net loss per share – basic and diluted	0.0064	0.0047	0.01	0.0085
Share capital	30,199,456	8,698,163	30,199,456	8,698,163
Working capital	6,228,091	217,932	6,228,091	217,932
Total assets	31,970,480	4,709,696	31,970,480	4,709,696
Shareholders' equity	<u>27,983,615</u>	<u>4,506,664</u>	<u>27,983,615</u>	<u>4,506,664</u>

The increase in net loss of \$306,492 for the first six months of 2007 versus 2006 is due mainly to the following:

Loss increase (decrease) due to:	\$
Stock based compensation	343,576
Investor relations fees, consulting, and shareholder services	43,135
Business travel and accommodation	20,713
Management fees and secretarial services	54,832
Insurance	19,750
Rent	16,315
Accounting, Audit and Legal fees	16,211
Other items	41,049
Interest and other income	<u>(249,089)</u>
	\$ 306,492

Stock based compensation was \$523,561 in first half 2007 compared to \$179,985 in 2006 due to new options granted late in 2006.

Increases 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.

Shares issued on completion of Brokered Private Placement Financing

During the year ended December 31, 2006, shares issued on the completion of the private placement financing of August 2006 contributed a net of \$18,905,187 to shareholder equity. In the first quarter of 2007, shares issued on the exercise of warrants under this private placement financing contributed a net of \$393,000 to shareholder equity. No warrants were exercised in the second quarter.

Options exercised

Shares issued on the exercise of options in this quarter contributed a net of \$121,000 to shareholder equity bringing the total contributed in the first six months of 2007 to \$161,213

Petroleum and Natural Gas (P&NG) Assets

In the six months ended June 30, 2007, \$9,578,478 was capitalized (2006 – \$3,519,756). This expenditure was incurred mainly in Alaska and its main components are:

Exploration - seismic – North Shore - Alaska	\$ 3,144,360
Drilling and completion – drilling costs – North Shore Alaska	6,099,147
Deferred capital costs and other	76,461
Stock based compensation	<u>258,510</u>
	\$9,578,478

(See note 3 to the June 30, 2007 Interim Consolidated Financial Statements).

Accounts Receivable

Accounts receivable of \$88,101 represent mainly accrued interest on short term investments maturing in the next quarter and GST receivable already paid on purchases of supplies and services.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities increased to \$3,943,812 in June 2007 from \$252,687 at December 31, 2006. The change is mainly due to an accrual for drilling services completed but not yet paid for at the end of the quarter.

Amounts due to Related Parties

Amounts due to related Parties increased to \$43,053 in June 2007 from \$41,573 at December 31, 2006. The change is caused by fluctuations in amounts due for services provided in the normal course of business.

Selected Quarterly Information

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

	2007		2006		2005			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net loss (gain)	463	252	389	214	226	182	(482)	371
Net loss (gain) per share (basic)	0.006	0.004	0.007	0.004	0.005	0.004	(0.014)	0.012
Working capital	6,228	10,057	15,178	20,892	218	19	1,869	2,070
P&NG assets	21,755	17,874	12,177	6,380	4,289	3,206	769	-
Total assets	31,970	28,182	27,649	27,526	4,709	3,483	2,954	2,216
Shareholders' equity	27,984	27,932	27,355	27,251	4,507	3,225	2,638	2,070

The following discussion highlights some of the more significant factors that impacted the results in the eight most recently completed quarters ended June 30, 2007:

- Net loss for Q2 2007 is higher than Q2 2006 mainly due to the increase in stock based compensation as a result of additional stock options granted late in the third quarter of 2006 and the unrealized foreign exchange loss. Interest income generated from short term investing of the proceeds from the August 23, 2006 Private Placement is partly offsetting the increase in expenses.
- The decrease in working capital in the second quarter is due to an accrued payable for costs incurred for services and not yet paid.
- The net gain in Q4 2005 was due to the capitalization of the Tenere costs.
- P&NG assets have also increased as a result of costs associated with our Alaska exploration program being capitalized.

Liquidity and Capital Resources

The diluted number of shares outstanding at June 30, 2007 and December 31, 2006 were as follows:

	June 30, 2007	December 31, 2006
Diluted Shares Outstanding		
Common shares issued	72,010,870	71,125,674
Stock options outstanding	5,058,227	5,074,898
Common shares issuable from warrants issued in 2005	665,076	671,601
Common shares issuable from warrants issued in 2006	9,209,400	9,471,400
Total common shares if all options and warrants are exercised	86,943,573	86,343,573



With the expiry of the 2005 and 2006 warrants on July 20, 2007 and August 23, 2007 respectively, the total number of common shares if all options are exercised as at the date of this MD&A is 77,069,097 shares.

As at June 30, 2007 the Company had \$10,114,625 in cash and working capital of \$6,228,091.

TG World's 20% share of the Minimum Work Program of 1500 km, the acquisition of additional seismic prior to the completion or abandonment of the second well and three exploration wells including G&A is paid for (i.e. carried) by CNPCIT with minor exceptions. The Company will have continuing overhead and other costs in reviewing current projects and capital costs as the Niger and Alaska projects progress. (see Alaska comments under "Alaska"). The capital program for the 2007/2008 winter season is under development and the financing arrangements will be determined when the program is finalized, if the Company's existing resources are not sufficient to meet the capital requirement.

Under the terms of the Alaska Oil and Gas Production Tax Credits ("PPT") program, TG believes that it is entitled to a credit in the amount of 40-60% of qualifying expenditures. In June 2007, TG filed a claim in the amount of approximately US\$3.6 million in connection with its Qualified Exploration Expenditures ("QEE"). TG also expects to file a further claim in the amount of approximately US\$1.2 million in connection with additional QEE incurred. The credits are issued in the form of transferable credit certificates that can be either sold back to the State for full value provided certain conditions are met, or transferred to other parties who can utilize them, usually at a negotiated discount.

TG expects to sell most if not all of its credit certificates to the State for full value thus providing a source of financing for its winter 2007/2008 exploration program. The 2007/2008 winter program will generate further PPT credits that, depending on the level of activity, will range from US\$11.3 million to US\$18.0 million.

Information respecting the Company's application for the Alaska Oil and Gas Production Tax Credits, its anticipated receipt of cash from such credits and estimated further earnings of credits constitutes forward looking information. Readers should review the cautionary statement respecting forward-looking information that appears at the end of this Management Discussion and Analysis report.

Related Party Transactions

In the second quarter of 2007, fees charged by Seajay Management Entreprises Ltd. ("Seajay") for management, investor relations, secretarial and administration services amounted to \$72,900. Seajay is a company controlled by an officer of the Company. Charges by TVI Pacific Inc. ("TVI") for rent and office maintenance costs amounted to \$16,492 and \$1,682 respectively. An officer and director of the Company is president, CEO, Chairman and director of TVI. Charges are covered by contracts approved by the independent directors of the Board. (See note 4 to the June 30, 2007 Interim Consolidated Financial Statements).

Material Contracts and Commitments

TG World holds a 20% interest in the CNPCIT operated Tenere Permit, and CNPCIT is committed to carry TG's cost of a Minimum Work Program of 1500 km of seismic and drilling of three exploration wells. Under the terms of the EA this program will fulfill the work program obligations for the first term of almost four years. The Tenere EA also provides options for two additional three year terms that would include additional seismic and exploration well commitments.

TG holds a 25 – 35% working interest share of an 80% net revenue interest in almost all of BRPC/AVCG's existing and recently awarded oil and gas leases on the Alaska North Slope and plans to participate in a series of exploration projects as described in the Description of the Business section of this MD&A.

As part of the successful negotiations leading to the Joint Venture Agreement on the Alaska properties, the Company agreed to pay to a third party a Performance Remuneration as provision for their services in the negotiation process. This remuneration consists of a Transaction Bonus of US\$50,000 in cash and US\$50,000 in shares of the Company and a 2.0% gross overriding royalty interest share of TG's interest in all hydrocarbons that are produced, saved and sold from the existing and initially awarded oil and gas leases on the Alaska North Slope. The agreement is currently being finalized.

Accounting Estimates

Management is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the consolidated financial statements are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from Management's current judgments. The following are significant accounting estimates:

In regard to stock-based compensation, TG has estimated the volatility, expected life and risk-free interest rates of the stock-based compensation.

In this exploration stage, TG is capitalizing all costs incurred on the acquisition exploration and development of petroleum and natural gas properties. The carrying value of petroleum and natural gas properties is limited to the future expected cash flows from the properties. If it is determined that carrying values of petroleum and natural gas properties cannot be recovered from future cash flows, the asset is written down to its estimated fair value via a charge to earnings.

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 Company's current and future operations in the foreign jurisdictions in which it operates. The Company has identified certain risks pertinent to its business including: exploration and reserve risks, drilling and operating risks, costs and availability of materials and services, capital markets and the requirement for additional capital, loss of or changes to production sharing, joint venture or related agreements, economic and sovereign risks, less developed legal systems, reliance on CNPC and BRPC/AVCG relationships, market risk, volatility of future oil and gas prices and foreign currency risk.

The Company must rely on the management efficiencies and technical skills of its joint venture partners CNPCIT and BRPC/AVCG as operators of the Tenere and Alaska projects respectively.

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 audited financial statements and MD&A on the recommendation of the Audit Committee. The interim financial statements and MD&A are reviewed by the Company's independent auditors and approved by the Audit Committee.

The Company has approved and distributed to all staff a series of policy papers that include Code of Business Conduct and Ethics, Whistle Blower Policy and Procedures, Insider Trading and Reporting Guidelines, Disclosure Policy and Board Control System. Terms of References define Audit Committee and Compensation and Governance Committees. The Company has a defined Board Mandate. All consultant contracts (Seajay, TVI,

Global Solutions, Paterson and Chelico) are current and approved by independent members of the Board. A top down Risk Analysis that identifies level of risk and potential impact has been prepared.

Outlook

One further exploratory well is scheduled for drilling in Tenere, Niger in 2007/2008 after the results of the two exploratory wells and extensive seismic data base are analyzed. Further seismic work may be undertaken. In Alaska, technical and management meetings to determine the 2008 winter program will be held in the near future. It is expected that several wells will be drilled in the 2008 winter program and further seismic obtained.

Advisory Regarding Forward-Looking Statements

This discussion and analysis contains forward-looking statements. Forward-looking statements are subject to numerous known and unknown risks and uncertainties, some of which are beyond TG's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, reserve estimates, environmental risks, and competition from other explorers, stock market volatility and ability to access sufficient capital. TG's actual results could differ materially from those anticipated in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Additional information is available on TG's website at www.tgworldenergy.com or on SEDAR's website at www.sedar.com.

August 24, 2007

INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)

All amounts in C\$	June 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,114,625	\$ 10,388,924
Short term investments (note 2)	12,230	4,946,807
Accounts receivable and accrued interest	88,101	136,244
	<u>10,214,956</u>	<u>15,471,975</u>
Petroleum and natural gas properties (note 3)	21,755,524	12,177,046
	<u>\$ 31,970,480</u>	<u>\$ 27,649,021</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,943,812	\$ 252,687
Due to related parties (note 4)	43,053	41,573
	<u>3,986,865</u>	<u>294,260</u>
Shareholders' equity		
Share capital (note 5(b))	30,199,456	29,486,139
Warrants (note 5(e))	2,420,991	2,487,387
Contributed surplus (note 5(d))	1,709,904	1,014,016
Deficit	(6,347,609)	(5,632,781)
Accumulated other comprehensive income (note 2)	873	
	<u>27,983,615</u>	<u>27,354,761</u>
	<u>\$ 31,970,480</u>	<u>\$ 27,649,021</u>

INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(unaudited)

All amounts in C\$	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Interest and other income	<u>\$ 115,836</u>	<u>\$ 938</u>	<u>\$ 262,399</u>	<u>\$ 13,310</u>
Expenses				
General and administrative	494,744	226,855	932,083	421,646
Unrealized foreign exchange loss	83,689	-	45,144	-
	<u>578,433</u>	<u>226,855</u>	<u>977,227</u>	<u>421,646</u>
Net loss and comprehensive loss for the period	(462,597)	(225,917)	(714,828)	(408,336)
Deficit, beginning of the period	(5,885,012)	(4,803,872)	(5,632,781)	(4,621,453)
Deficit, end of period	<u>\$(6,347,609)</u>	<u>\$(5,029,789)</u>	<u>\$(6,347,609)</u>	<u>\$(5,029,789)</u>
Net loss per share – basic and diluted	<u>\$ 0.0064</u>	<u>\$ 0.0047</u>	<u>\$ 0.0100</u>	<u>\$ 0.0085</u>

See notes to the Financial Statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

All amounts in C\$	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating activities				
Net loss for the period	\$(462,597)	\$(225,917)	\$ (714,828)	\$ (408,336)
Add items not involving cash:				
Stock based compensation expense	264,312	89,467	523,561	179,985
Unrealized Foreign Exchange loss	83,689	-	45,144	-
	(114,596)	(136,450)	(146,123)	(228,351)
Changes in operating accounts payable and receivable	(39,645)	(248,662)	(44,676)	(288,942)
	(154,241)	(385,112)	(190,799)	(517,293)
Financing activities				
Due to related parties	(39,604)	41,606	1,480	24,990
Shares issued for warrants and options	121,000	437,524	560,738	552,257
	81,396	479,130	562,218	577,247
Investing activities				
Expenditures on petroleum and natural gas properties	(3,834,454)	(252,068)	(9,365,112)	(2,125,310)
Short term investments	-	-	4,935,450	-
Change in capital payables	3,783,944	266,805	3,783,944	266,805
	(50,510)	14,737	(645,718)	(1,858,505)
Decrease in cash	(123,355)	108,755	(274,299)	(1,798,551)
Cash at beginning of period	10,237,980	216,084	10,388,924	2,123,390
Cash at end of period	10,114,625	324,839	10,114,625	\$ 324,839

Notes to the Financial Statements
(unaudited)

1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, except as described in note 2 below, follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2006. These financial statements should be read in conjunction with those audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2006.

2. New Accounting Policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3865 "Hedges". As required by the new standards, prior periods have not been restated.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net income and other comprehensive income (OCI). OCI includes changes in fair value of “available for sale” investments.

The cumulative changes in OCI are included in accumulated other comprehensive income (“AOCI”), which is presented as a new category within shareholders’ equity in the Consolidated Balance Sheet.

	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Interim Consolidated Statements of Accumulated Other Comprehensive income (Unaudited):				
Accumulated other comprehensive income at beginning of period	\$873	-	\$7,861	-
Gain (loss) in fair value of investments during period	-	-	\$(6,988)	-
Accumulated other comprehensive income (loss) at end of period	\$873	-	\$873	-

Financial Instruments

The financial instrument standard establishes the recognition and measurement criteria of financial assets, financial liabilities and derivatives. All financial instruments are required to 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 method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

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

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

Investments are designated as “available for sale”. Gains or losses arising from a change in the fair value are recognized directly in OCI. When the investment is disposed of, amounts in OCI are transferred to the statement of loss.

3. Petroleum and natural gas properties

Costs capitalized are detailed below:

	Balance Dec 31, 2006 \$	Expenditures 2007 \$	Balance June 30 2007 \$
Alaska			
Land acquisitions and lease rentals	2,916,252	0	2,916,252
Exploration seismic	0	3,144,360	3,144,360
Drilling and completion	6,895,895	6,099,147	12,995,042
Capitalized consulting and travel costs	682,950	27,780	710,730
Stock based compensation	0	118,790	118,790
	10,495,097	9,390,077	19,885,174
Niger			
Capitalized consulting and travel costs	1,681,949	46,172	1,728,121
Stock based compensation	0	139,720	139,720
	1,681,949	185,892	1,867,841
Corporate			
	0	2,509	2,509
Total	12,177,046	9,578,478	21,755,524

Alaska

Exploration expenses on seismic and drilling costs to date this year amounted to \$9,243,507 representing the Company's share of expenses in the Alaska Joint Venture. Of this amount, \$3,760,267 for work completed but not yet paid for has been accrued in accounts payable. \$27,780 of deferred capital costs were incurred representing Engineering and Geophysical consulting, legal fees and state franchise tax. Stock Based compensation expense capitalized amounted to \$118,790.

In March 2006, the Company entered into a 4-year Joint Venture Agreement to explore oil and gas properties acquired on the Alaska North Slope amounting to 167,033 acres, and potential new properties in an Area of Mutual Interest. The Company's interest varies from 25% to 35% working interest share of an 80% net revenue interest in eight prospective areas. The 4-year program plan includes additional lease acquisitions, 3-D seismic, and four exploratory wells, the first of which was drilled in 2007.

As part of the successful negotiations leading to the Joint Venture Agreement on the Alaska properties, the Company agreed to pay to a third party a Performance Remuneration as provision for their services in the negotiating process. This remuneration consists of a Transaction Bonus of US\$50,000 (Cdn\$58,403) in cash and US\$50,000 (Cdn\$58,403) in shares (46,143 shares) of the Company and a 2.0% overriding royalty interest share of the Company's interest in hydrocarbons that are produced, saved and sold from certain oil

and gas leases on the Alaska North Slope. The Transaction Bonus is included in accounts payable and accrued liabilities. The agreement is currently being finalized.

Eastern Niger

CNPC International Tenere Ltd. (“CNPCIT”), the operator, carries 100% (with minor exceptions) of TG World’s 20% share of costs for the minimum work program, which consist of 1,500 km of seismic and three exploration wells. All seismic (including acquisition, processing and interpretation) up to completion of the second well was also carried by CNPCIT. TG will not be carried on any further seismic.

4. 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:

	Three months ended		Six months ended	
	June		June	
	2007	2006	2007	2006
Management, investor relations, secretarial and admin services charged by Seajay Management Enterprises Ltd.	\$72,900	\$51,374	\$145,800	\$96,374
Rent charged by TVI Pacific Inc.	16,492	9,789	33,719	17,403
Office Maintenance costs charged by TVI Pacific Inc.	1,682	2,607	3,364	5,214
	<u>\$91,074</u>	<u>\$63,770</u>	<u>\$182,883</u>	<u>\$118,991</u>

Services provided and fees charged by Seajay Management Enterprises Ltd. (“Seajay”) and TVI Pacific Inc. (“TVI”) are covered by contracts approved by the independent members of the Board of Directors. Seajay is a company controlled by an officer and director of the Company. An officer and director of the Company is president, CEO, Chairman and a director of TVI.

5. Share capital

(a) Authorized:

Unlimited number of common shares.

(b) Common shares issued.

	Number of Shares	Amount
Balance December 31, 2006	71,125,674	\$ 29,486,139
Shares issued on exercise of warrants	268,525	465,921
Shares issued on exercise of options	616,671	247,396
Balance at June 30, 2007	<u>72,010,870</u>	<u>\$ 30,199,456</u>

(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, 2007, the Company had the following share options:

	June 30, 2007		December 31, 2006	
	Options outstanding	Exercise price \$	Options outstanding	Exercise price \$
Outstanding, beginning of year:	5,074,898	1.17	5,155,000	0.43
Granted	600,000	1.23	2,650,000	1.82
Exercised	(616,671)	0.26	(2,505,102)	0.35
Cancelled			(225,000)	1.03
Outstanding, end of period	5,058,227	1.29	5,074,898	1.17
Exercisable, end of period	2,167,673	\$ 0.90	2,011,982	\$ 0.54

Exercise Price	Options Exercisable	Weighted Average Contractual Life	Options Outstanding	Weighted Average Contractual Life
\$ 0.10	785,835	1.6 years	785,835	1.6 years
\$ 0.37	50,000	0.1 years	50,000	0.1 years
\$ 0.60	37,500	2.5 years	50,000	2.5 years
\$ 0.99	620,761	3.1 years	1,064,162	3.1 years
\$ 1.10	69,410	3.8 years	208,230	3.8 years
\$ 1.90	575,000	4.3 years	2,300,000	4.3 years
\$ 1.70	20,833	4.8 years	250,000	4.8 years
\$ 1.56	8,333	4.8 years	100,000	4.8 years
\$ 0.62	0	5.0 years	250,000	5.0 years
	2,167,673	2.8 years	5,058,227	3.6 years

(d) Contributed surplus:

	June 30, 2007	December 31, 2006
Balance, beginning of year	\$ 1,014,016	\$ 308,401
Stock-based compensation	782,071	778,176
Transfer to share capital on exercise of options	(86,183)	(72,561)
Balance, end of period	\$ 1,709,904	\$ 1,014,016

For the six months ended June 30, 2007, the Company recorded \$782,071 (2006 – \$179,985) of stock-based compensation with a corresponding increase in contributed surplus. Of the total stock based compensation, the Company has capitalized \$258,510 for the six month period ended June 30, 2007 (2006 – Nil).

The following table sets out the assumptions used in applying the Black Scholes model to determine the fair value of options granted in 2007:

Risk-free interest rate	4%
Volatility	60%
Expected life in years	5
Average fair value per option	\$0.80

(e) Warrants:

The Company had the following warrants outstanding:

	June 30, 2007		December 31, 2006	
	Number of common shares reserved	Exercise price \$	Number of common shares reserved	Exercise price \$
Expiring July 20, 2007	665,076	1.00	671,601	1.00
Expiring August 23, 2007	9,209,400	1.50	9,471,400	1.50
	9,874,476		10,143,001	
Balance – Beginning of year		\$ 2,487,387	\$ 439,592	
Warrants issued		-	2,353,066	
Warrants exercised		(66,396)	(305,271)	
Balance – End of period		2,420,991	2,487,387	

The value of \$2,420,991 attributed to these warrants will be transferred to contributed surplus in the third quarter since these warrants have expired unexercised as of the date of issue of these financial statements.

6. Per share amounts

The basic weighted average number of common shares outstanding for the six months ended June 30, 2007 was 71,585,576 (2006 – 47,766,875) and for the quarter ended June 30, 2007 71,799,759 (2006 – 47,874,484). 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 anti dilutive.

7. Financial assets and liabilities:

(a) Fair values:

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

(b) Currency risks:

TG World is exposed to exchange rate fluctuations in relation to its costs on the Niger and Alaska projects and for services it must purchase in foreign currencies.

August 24, 2007

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