

TG World Energy Corp.

Consolidated Financial Statements
December 31, 2005
(expressed in Canadian dollars)

April 13, 2006

Auditors' Report

To the Shareholders of TG World Energy Corp.

We have audited the consolidated balance sheet of **TG World Energy Corp.** as at December 31, 2005 and the consolidated statements of operations and deficit and cash flows for the year 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 audit.

We conducted our audit 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statement as at December 31, 2004 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 29, 2005.

PricewaterhouseCoopers LLP

Chartered Accountants

TG World Energy Corp.

Consolidated Balance Sheet

As at December 31, 2005

(expressed in Canadian dollars)

	2005 \$	2004 \$
Assets		
Current assets		
Cash and cash equivalents	2,123,390	248,289
Accounts receivable	61,700	6,590
	<u>2,185,090</u>	<u>254,879</u>
Petroleum and natural gas properties (note 3)	768,976	-
	<u>2,954,066</u>	<u>254,879</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	271,442	415,256
Due to related parties (note 4)	44,312	137,818
Convertible debentures	-	775,864
	<u>315,754</u>	<u>1,328,938</u>
Shareholders' Equity		
Share capital (note 5(b))	6,511,772	2,845,568
Warrants (note 5(f))	439,592	-
Contributed surplus (note 5(e))	308,401	103,900
Convertible debentures (note 5(g))	-	164,227
Deficit	<u>(4,621,453)</u>	<u>(4,187,754)</u>
	<u>2,638,312</u>	<u>(1,074,059)</u>
	<u>2,954,066</u>	<u>254,879</u>

See accompanying notes to consolidated financial statements

Approved by the Board of Directors

_____ Director

_____ Director

TG World Energy Corp.

Consolidated Statement of Operations and Deficit For the year ended December 31, 2005

(expressed in Canadian dollars)

	2005 \$	2004 \$
Expenses		
General and administrative	341,857	1,411,511
Amortization of debenture discount	68,501	75,971
Interest expense	48,624	145,673
Interest income	(24,683)	(450)
Foreign exchange (gain) loss	(600)	40,125
	<hr/> 433,699	<hr/> 1,672,830
Net loss for the year before cost recovery	(433,699)	(1,672,830)
Cost recovery (note 3)	<hr/> -	<hr/> (1,235,700)
Net loss for the year	(433,699)	(437,130)
Deficit – Beginning of year	<hr/> (4,187,754)	<hr/> (3,750,624)
Deficit – End of year	<hr/> (4,621,453)	<hr/> (4,187,754)
Net loss per share		
Basic and diluted (note 6)	<hr/> (0.0125)	<hr/> (0.0200)

See accompanying notes to consolidated financial statements

TG World Energy Corp.
Consolidated Statement of Cash Flows
For the year ended December 31, 2005

(expressed in Canadian dollars)

	2005 \$	2004 \$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(433,699)	(437,130)
Items not involving cash		
Stock-based compensation expense	204,501	55,611
Amortization of debenture discount	68,501	75,971
	(160,697)	(305,548)
Debt interest accrued	-	123,828
Changes in non-cash working capital	(198,925)	47,097
	(359,622)	(134,623)
Financing activities		
Due (from) to related parties	(93,506)	124,528
Shares issued for warrants	789,997	10,000
Proceeds of private placement financing	2,577,200	-
Shares issue costs	(269,992)	-
	3,003,699	134,528
Investing activity		
Expenditures on petroleum and natural gas properties	(768,976)	-
Increase (decrease) in cash and cash equivalents	1,875,101	(95)
Cash and cash equivalents – Beginning of year	248,289	248,384
Cash and cash equivalents – End of year	2,123,390	248,289
Supplemental information		
Interest paid	48,624	18,755
Interest received	24,683	450

See accompanying notes to consolidated financial statements.

TG World Energy Corp.

Notes to Consolidated Financial Statements

December 31, 2005

(expressed in Canadian dollars)

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 wholly owned subsidiary, TG World Petroleum Limited ("TG World").

2 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 GAAP 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 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's assets primarily consist of interests in certain oil and gas properties located in Eastern Niger, all of which are in the exploration stage.

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and development of petroleum and natural gas properties and related reserves are capitalized on a country by country basis. Such costs include land acquisition costs, geological and geophysical expenses and costs of drilling and completion of both productive and non-productive wells. Proceeds from the disposition of properties are normally deducted from the capitalized costs without recognition of gain or loss, unless the disposal would alter the rate of depletion and depreciation by more than 20%, in which case gain or loss on disposal is recorded. The Company currently has no petroleum and natural gas producing properties.

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.

TG World Energy Corp.

Notes to Consolidated Financial Statements

December 31, 2005

(expressed in Canadian dollars)

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) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with maturities of three months or less from date of purchase.

c) Asset retirement obligation

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. Based on the exploratory nature of operations, no amount has been recorded for asset retirement obligations.

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.

TG World Energy Corp.

Notes to Consolidated Financial Statements

December 31, 2005

(expressed in Canadian dollars)

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 management, contractors, 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.

TG World Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2005

(expressed in Canadian dollars)

3 Petroleum and natural gas properties

Costs capitalized are detailed below:

	\$
Tenere, Niger Project	
Fees and other holding costs	52,153
Work programs	603,657
Recoveries	<u>(61,658)</u>
	<u>594,152</u>
Prospective project work programs in progress	
Alaska	151,026
Cambodia	<u>23,798</u>
	<u>174,824</u>
	<u>768,976</u>

\$261,041 of general and administrative expenses were capitalized in 2005.

TG World's assets primarily consist of interests in certain oil and gas properties located in eastern Niger, all of which are in the exploration stage. In 2004 under the suite of agreements with the Government of Niger and the China National Oil and Gas Exploration and Development Corp, CNPC International Ltd. and CNPC International Tenere Ltd. ("CNPCIT"), TG World (20%) and CNPCIT (80%) were issued a new Exploration Agreement ("EA") and licenses covering 17.3 million acres in eastern Niger. CNPCIT, the operator, carries 100% (with minor exceptions) of TG World's share of costs for the minimum work program, which consist of 1500 km of seismic and three exploration wells. Any additional seismic up to the drilling of the second well will also be carried by CNPCIT. In December 2004, CNPCIT paid TG World US\$1 million (CDN\$1,235,700) of past costs as part of the agreement. This amount was recorded in earnings in 2004.

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. Expenditures in 2004 were expensed as incurred. As a result of the suite of agreements signed with the Government of Niger and the China National Oil and Gas Exploration and Development Corp, and the issuance of the new Exploration Agreement and licenses, the certainty of ultimate recoverability of this capital asset has improved. Accordingly, the costs incurred on the Niger project in 2005 have been capitalized. In addition, costs associated with prospective projects amounting to \$174,824 were capitalized in 2005.

TG World Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2005

(expressed in Canadian dollars)

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:

	2005	2004
	\$	\$
Management, secretarial and administrative services charged by Seajay	305,000	60,000
Rent charged by TVI Pacific Inc.	29,997	29,639
Office maintenance costs charged by TVI Pacific Inc.	11,388	9,012
Management services provided by Global Solutions Ltd.	85,000	52,000
	<hr/>	<hr/>
	431,385	150,651
	<hr/>	<hr/>

Management, secretarial and administrative services provided by Seajay Management Enterprises Ltd. ("Seajay") devoted to the affairs and business of the Company were charged at \$15,000/month. In the first quarter, the Board of Directors, based on the recommendation of the compensation committee of the board, awarded Seajay a management bonus of \$50,000 and a management fee of \$75,000 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. Office maintenance costs paid to TVI are for the use of the phone/fax and copying facilities, postage, etc. An officer and director of the Company, is President, CEO, Chairman and a director of TVI. Services provided and fees charged by TVI Pacific and Seajay are covered by contract approved by the independent members of the Board of Directors.

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 travel and other reimbursable costs. In the first quarter, the Board of Directors, based on the recommendation of the compensation committee of the Board, awarded Global Solutions a management bonus of \$25,000 for its effort in successfully negotiating the arrangement 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 year amounted to \$73,955 (2004 – \$34,893). Reimbursable costs incurred by Global Solutions for the year amounted to \$6,281 (2004 – \$10,696).

As at December 31, 2005, the amount of \$44,312 due to related parties represents balances due for reimbursable expenses and unpaid fees for services rendered.

TG World Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2005

(expressed in Canadian dollars)

5 Share capital

a) Authorized

Unlimited number of common shares.

b) Common shares issued

	Number of shares	Amount \$
Balance – December 31, 2003	20,275,913	2,645,568
Shares issued on conversion of debentures	3,800,000	190,000
Shares issued on exercise of warrants	100,000	10,000
	<hr/>	<hr/>
Balance – December 31, 2004	24,175,913	2,845,568
Shares issued on conversion of debentures	11,533,320	1,008,590
Shares issued on exercise of warrants	7,566,658	789,997
Shares issued on sale of private placement units	3,681,715	2,577,200
	<hr/>	<hr/>
	46,957,606	7,221,355
Less: Amount allocated to warrants issued with private placement units	-	(439,592)
Financing costs incurred on the sale of the private placement units	-	(269,991)
	<hr/>	<hr/>
Balance – December 31, 2005	46,957,606	6,511,772

c) Private placement financing

On July 21, 2005, the Company announced the completion of its brokered private placement of an aggregate of 3,681,715 units (the “Units”) of the Company (the “Offering”) to subscribers (the “Subscribers”) at a price of \$0.70 per unit for gross proceeds to the Company of \$2,577,200.

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”).

TG World Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2005

(expressed in Canadian dollars)

Pursuant to the terms of the formal agency agreement (the “Agency Agreement”) entered into between the Agent and the Company, the Company 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 are subject to a 4-month hold period in Canada in accordance with applicable securities laws.

The Company issued a total of 2,197,957 share purchase warrants valued at \$439,592. This amount, shown under warrants in the equity section of the balance sheet, will be transferred to share capital as and when the warrants are exercised.

d) 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 December 31, 2005, the Company had the following share options:

	2005		2004	
	Options outstanding	Exercise price \$	Options outstanding	Exercise price \$
Outstanding – Beginning of year	4,005,000	0.28	2,650,000	0.37
Granted	1,150,000	0.97	1,405,000	0.10
Cancelled	-	-	(50,000)	0.26
Outstanding – End of year	<u>5,155,000</u>		<u>4,005,000</u>	
Exercisable – end of year	<u>3,532,083</u>	0.33	<u>2,778,750</u>	0.43

TG World Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2005

(expressed in Canadian dollars)

Exercise price	Options exercisable	Weighted average contractual life	Options outstanding
0.10	807,917	3.1 years	1,385,000
0.37	2,620,000	0.8 years	2,620,000
0.60	12,500	4.0 years	50,000
0.99	91,666	4.8 years	1,100,000
	3,532,083	1.5 years	5,155,000

e) Stock-based compensation and contributed surplus

	2005 \$	2004 \$
Balance – Beginning of year	103,900	48,289
Stock-based compensation	204,501	55,611
	308,401	103,900

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	125%	176%
Dividend yield	-	-

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 \$0.83 per share.

In 2005, \$204,501 of stock-based compensation has been charged to the statement of operations.

TG World Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2005

(expressed in Canadian dollars)

f) Warrants

The Company had the following warrants outstanding:

	2005		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)	-	0.12	624,998	0.12
Expiring June 20, 2005 (exercisable at two warrants per common share)	-	0.12	1,041,660	0.12
Expiring September 30, 2005 (exercisable at one warrant per common share)	-	0.10	5,900,000	0.10
Expiring July 20, 2007 (exercisable at one warrant per common share*)	2,197,957	0.85/1.00	-	-
	<u>2,197,957</u>		<u>7,566,658</u>	

*The exercise price is \$0.85 per common share if exercised by July 20, 2006 and \$1.00 per common share if exercised after July 20, 2006 (see note 5(c)).

g) Convertible debentures

	2005	2004
	\$	\$
Balance – Beginning of year	775,864	855,528
Add: Amortization of debenture discount	68,501	75,971
Less: Amount converted to share capital	(844,365)	(155,635)
	-	775,864
Less: Classified as current	-	(775,864)
	-	-
Balance – End of year		

TG World Energy Corp.

Notes to Consolidated Financial Statements

December 31, 2005

(expressed in Canadian dollars)

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 expired on March 31, 2005 and June 20, 2005 respectively. The debentures bore interest at the greater of bank prime rate plus 4% or 12% per annum. The debentures were convertible into 83,333 common shares at any time during the two year period at no additional cost.

The Company was entitled to call the debentures for redemption, upon giving the holders 15 days notice, provided the weighted average trading price of the common shares of the Company for any period of 22 consecutive business days equalled or exceeded \$0.37 per share. The placement of the debentures was negotiated when the Company's shares traded at \$0.05 per share. As at March 31, 2003 and June 20, 2003, the common shares traded at \$0.065 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 bore interest at the greater of bank prime rate plus 4% or 12% per annum. The placement of the debentures was negotiated when the Company's common shares traded at \$0.05 per share. As at December 11, 2003, the common shares traded at \$0.065 per share.

At December 31, 2005, all the convertible debentures had been converted and a total of 15,333,320 shares issued and all the associated warrants exercised for an additional 7,666,658 shares.

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 at \$0.05 per common share, leaving a principal balance outstanding of \$810,000. As a result, both the liability component of \$155,635 and the equity component of \$34,365 of the convertible debentures, which were converted, were reclassified to share capital. During the year ended December 31, 2005, the debenture holders converted the remaining debentures with a principal balance of \$810,000 into 11,533,320 common shares at an average \$0.07 per common share. As a result, both the liability component of \$810,000 and the equity component of \$198,590 of the convertible debentures, which were converted in 2005, have been reclassified to share capital.

6 Per share amounts

The basic weighted average number of common shares outstanding during the year ended December 31, 2005 was 34,801,837 (2004 – 21,939,749). 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.

TG World Energy Corp.

Notes to Consolidated Financial Statements

December 31, 2005

(expressed in Canadian dollars)

7 Income taxes

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

	2005 \$	2004 \$
Income tax rate	33.62%	39.62%
Net loss for the year	(433,699)	(437,130)
Expected recovery	145,810	173,191
Stock-based compensation	(68,753)	(22,033)
Amortization of debenture discount	(23,030)	(30,099)
Share issue costs	18,154	-
Valuation allowance	(72,181)	(121,059)
	<hr/>	<hr/>
	-	-

Substantially all of the Company's future income tax assets relate to capital assets and non capital losses, 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 \$3.3 million as at December 31, 2005 which may be applied to reduce taxable income in future taxation years, the benefit of which has not been recorded to these financial statements. These losses expire from 2006 to 2015.

8 Financial assets and liabilities

a) Fair values

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their carrying values due to their short-term nature.

b) Currency 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.

TG World Energy Corp.
Notes to Consolidated Financial Statements
December 31, 2005

(expressed in Canadian dollars)

9 Subsequent event

The Company has entered into a 4-year Joint Venture Agreement with a third party for an initial payment of US\$2 million 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% in seven prospective areas. The 4-year program includes additional lease acquisition, 3-D seismic, and 4 exploratory wells, the first to be drilled in 2006.

