

TG WORLD ENERGY CORP.
INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)

All amounts in C\$	June 30, 2006	December 31, 2005
ASSETS		
Current assets		
Cash	\$ 324,839	\$ 2,123,390
Accounts receivable	96,125	61,700
	420,964	2,185,090
Petroleum and natural gas properties (note3)	4,288,732	768,976
	\$ 4,709,696	\$ 2,954,066
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 133,730	\$ 271,442
Due to related parties (note 4)	69,302	44,312
	203,032	315,754
Shareholders' equity		
Share capital (note 5(b))	8,698,163	6,511,772
Warrants (note 5(c))	390,369	439,592
Contributed surplus (note 5(e))	447,921	308,401
Deficit	(5,029,789)	(4,621,453)
	4,506,664	2,638,312
	\$ 4,709,696	\$ 2,954,066

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(unaudited)

All amounts in C\$	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Expenses				
General and administrative	\$ 226,855	\$ 130,582	\$ 421,646	\$ 453,836
Amortization of debenture discount	0	20,951	0	53,410
Interest expense	0	15,989	0	39,088
Interest income	(1,555)	(46)	(14,160)	(934)
Foreign exchange (gain) loss	617	(9)	850	(125)
	225,917	167,467	408,336	545,275
Net loss	225,917	167,467	408,336	545,275
Deficit, beginning of the period	4,803,872	4,565,562	4,621,453	4,187,754
Deficit, end of period	\$ 5,029,789	\$ 4,733,029	\$ 5,029,789	\$ 4,733,029
Net loss per share – basic and diluted	\$ 0.0047	\$ 0.0052	\$ 0.0085	\$ 0.0171

See notes to the Financial Statements

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

All amounts in C\$	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005	2006	2005
Cash provided by (used for):				
Operating				
Net loss for the period	\$ (225,917)	\$(167,466)	\$ (408,336)	\$ (545,274)
Add items not involving cash:				
Stock based compensation expense	89,467	21,775	179,985	43,550
Amortization of debenture discount	0	20,951		53,410
Debenture interest accrued	0	11,221	0	33,104
	<u>(136,450)</u>	<u>(113,519)</u>	<u>(228,351)</u>	<u>(415,210)</u>
Changes in non-cash operating working capital	<u>(248,662)</u>	<u>(99,434)</u>	<u>(288,942)</u>	<u>(62,827)</u>
	<u>(385,112)</u>	<u>(212,953)</u>	<u>(517,293)</u>	<u>(478,037)</u>
Financing				
Due to/(from) related parties	41,606	(87,671)	24,990	(111,784)
Shares issued upon exercise of options and warrants	437,524	170,000	552,257	349,999
	<u>479,130</u>	<u>82,329</u>	<u>577,247</u>	<u>238,215</u>
Investing				
Acquisitions of petroleum and natural gas properties	(252,068)	0	(2,125,310)	0
Change in non-cash working capital	266,805		266,805	
	<u>14,737</u>		<u>(1,858,505)</u>	
Increase(decrease) in cash	108,755	(130,624)	(1,798,551)	(239,822)
Cash at beginning of period	<u>216,084</u>	<u>139,091</u>	<u>2,123,390</u>	<u>248,289</u>
Cash at end of period	<u>\$ 324,839</u>	<u>\$ 8,467</u>	<u>\$ 324,839</u>	<u>\$ 8,467</u>
Interest received	1,555	46	14,160	934

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 follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2005. These financial statements should be read in conjunction with the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2005.

2. Nature of operations

The Company's assets primarily consist of its existing interests in certain oil and gas properties located in Eastern Niger, and newly acquired interests on the Alaska North Slope, all of which are in the exploration stage.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for petroleum and natural gas properties is dependent the ability of the Company to obtain additional financing, maintaining the Company's interest in the underlying petroleum and natural gas acreage, controlling expenditures and achieving future profitable operations. The Company is presently close to finalizing an expected financing of up to \$22.7 million (see note 9).

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a company with continuing operations. Should the going concern assumption not be appropriate, certain asset and liability accounts would require adjustment and reclassification.

3. Petroleum and natural gas properties

Costs capitalized are detailed below:

	Balance at <u>Dec 31, 2005</u>	Additions in Six months	Balance at <u>June 30, 2006</u>
Tener, Niger Project			
Fees and other holding costs	\$ 52,153	\$ 25,938	\$ 78,091
Work Programs	603,657	891,741	1,495,398
Recoveries	<u>(61,658)</u>	0	<u>(61,658)</u>
	594,152	917,679	1,511,831
Alaska			
Work Programs	<u>151,026</u>	<u>2,529,624</u>	<u>2,680,650</u>
	151,026	2,529,624	2,680,650
Prospective project work programs in progress			
Cambodia	23,798	18,216	42,014
New ventures under evaluation	<u>0</u>	<u>54,237</u>	<u>54,237</u>
	23,798	72,453	96,251
Total	<u>\$ 768,976</u>	<u>\$ 3,519,756</u>	<u>\$ 4,288,732</u>

No general and administrative expenses were capitalized in the first six months of 2006 (2005 – nil).

The Company entered into a 4-year Joint Venture Agreement with Brooks Range Petroleum Corporation, a wholly owned subsidiary of Alaska Venture Capital Group, for an initial payment of US\$1.953 million (Cdn\$2.278 million) in cash and TG World Energy Corp. shares to explore oil and gas properties acquired on the Alaska North Slope amounting to 167,033 acres to the JVA, and potential new properties in an Area of Mutual Interest. The US\$1.953 million (Cdn\$2.278 million) was payable as to US\$1.465 million (Cdn\$1.708 million) in cash and US\$488,250 (Cdn\$569,446) by issuance of 443,809 common shares in TG World Energy Corp. at a deemed value of US\$1.10 (Cdn\$1.28) per common share. 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 4 exploratory wells, the first of which will be drilled in 2006/07.

The Company estimates its share of the costs of this four-year exploration program to be US\$17.416 million (Cdn\$19.827 million). In addition to the US\$1.953 million (Cdn\$2.278 million) already paid, an estimated total of US\$15.463 (Cdn\$18.029) will be its share of the program costs over the four years.

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 of the Company and a New Venture Royalty Award consisting of a 2.5% overriding royalty interest share of the Companies interest in all hydrocarbons that are produced, saved and sold from the existing and recently awarded oil and gas leases on the Alaska North Slope.

4. Related party transactions

The following table sets out the services that were provided by related parties:

	Three months ended		Six months ended	
	June 30		June 30	
	<u>2006</u>	2005	<u>2006</u>	2005
Management, secretarial and administrative service charged by Seajay Management Enterprises Ltd.	\$45,000	\$15,000	\$90,000	\$155,000
Rent charged by TVI Pacific Inc.	9,789	7,614	17,403	14,769
Office Maintenance costs charged by TVI Pacific Inc.	2,607	3,087	5,214	6,174
Management services provided by Global Solutions	14,054	37,000	32,229	69,500

Services provided and fees charged by Seajay Management Enterprises Ltd., TVI Pacific Inc. and Global Solutions Ltd. are covered by contract approved by the independent members of the Board of Directors

Travel and other reimbursable costs related to the business of the Company are charged at cost by Seajay and for the quarter amounted to \$28,720 (2005 – \$2,469) Reimbursable costs incurred by Global Solutions for the quarter amounted to \$8,670 (2005 - \$ 1,477).

As at June 30, 2006, the amount of \$69,302 due to related parties represents balances due for reimbursable expenses and unpaid fees for services rendered.

5. Share capital

(a) Authorized:

Unlimited number of common shares.

(b) Common shares issued.

	Number of Shares	Amount \$
Balance December 31, 2005	46,957,606	\$ 6,511,772
Shares issued on exercise of warrants	246,115	258,421
Shares issued on exercise of options	1,113,332	383,524
Shares issued to Alaska Joint Venture partners (note 3) Agreement to extinguish the successful fee Arrangement (note 8)	443,809	569,446
	<u>750,000</u>	<u>975,000</u>
Balance at June 30, 2006	49,510,862	\$ 8,698,163

(c) Private placement financing

On July 21, 2005, the Company completed a brokered private placement of an aggregate of 3,681,715 units to 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 entitles 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 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.

During the quarter, an amount of \$25,364 (YTD \$49,223) was transferred from warrants to share capital as a consequence of warrants 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 June 30, 2006, the Company had the following share options outstanding:

	June 30, 2006		December 31, 2005	
	Options outstanding	Exercise price \$	Options outstanding	Exercise price \$
Outstanding, beginning of year:	5,155,000	0.43	4,005,000	0.28
Granted	250,000	1.10	1,150,000	0.97
Exercised	(1,113,332)	0.31	-	-
Cancelled	(55,000)	0.30		
Outstanding, end of period	4,236,668	0.44	5,155,000	0.43
Exercisable, end of period	2,841,251	\$ 0.32	3,532,083	\$ 0.33

The fair value of options granted in the second quarter of 2006 is \$0.77 per share. The following assumptions were used in applying the Black-Scholes model to determine the fair value of these options:

Risk-free interest rate:	3%	Expected life in years:	5
Expected volatility:	88%	Dividend yield:	0

Exercise Price	Options Exercisable	Weighted Average Contractual Life	Options Outstanding	Weighted Average Contractual Life
\$ 0.10	777,918	2.6 years	1,081,668	2.6 years
\$ 0.37	1,770,000	0.1 years	1,770,000	0.1 years
\$ 0.60	20,833	3.5 years	50,000	3.5 years
\$ 0.99	272,500	4.3 years	1,085,000	4.3 years
\$ 1.10	0	5.0 years	250,000	5.0 years
	2,841,251	1.2 years	4,236,668	2.1 years

(e) **Stock-based compensation and contributed surplus:**

	June 30, 2006	December 31, 2005
Balance, beginning of year	\$ 308,401	\$ 103,900
Stock-based compensation	179,985	204,501
Transfer to share capital on exercise of options	(40,465)	-
Balance, end of period	\$ 447,921	\$ 308,401

In the first six months of 2006, \$179,985 (2005 – \$43,550) of stock-based compensation has been charged to the statement of operations relating to options granted in 2006 and prior periods.

(f) **Warrants:**

The Company had the following warrants outstanding:

	June 30, 2006		December 31, 2005	
	Number of common shares reserved	Exercise price \$	Number of common shares reserved	Exercise price \$
Expiring July 20, 2007 (exercisable at one warrant per common share*)	1,951,842	0.85/1.00	2,197,957	0.85/1.00

* 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 and before July 20, 2007. During the six months ending June 30, 2006, 246,115 warrants were exercised.

6. Per share amounts

The basic weighted average number of common shares outstanding during the quarter ended June 30, 2006 was 47,766,875 (2005 – 34,801,837). 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 instruments:

(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.

8. Success Fee Arrangement

Under a Success Fee Arrangement with a third party, the Company agreed to reserve and pay to a third party for the successful settlement of the outstanding legal matters with CNPC and its related parties and the Government of Niger a minimum fee of \$150,000 or the greater of 4% of the value received for the TG World 20% interest in the Tenere Establishment Agreement (EA). The third party shall pay its 4% share of the Company's cost. In the second quarter of 2006, an arrangement was negotiated whereby the Company issued 750,000 treasury shares of TG World Energy Corp to the third party in lieu of the \$150,000 minimum payment and continuing obligation to pay 4% share of value received from the TG World 20% interest in the Tenere EA. The \$1.30 closing market price of the shares on the date of settlement was used to calculate the amount capitalized in the accounts.

9. Subsequent event

On July 11, 2006, TG World Energy Corp. announced a proposed offering of up to \$15 million of units, at a price of \$1.20 per unit. In addition, the agents engaged by the Company will have the option to increase the size of the offering by up to an additional \$5 million of units. On August 9, 2006 the Company announced it had agreed to increase the offering by approximately 2.3 million units priced at \$1.20 per unit. After giving effect to the exercise of the agent's option and the increase in the offering size, a total of approximately 18.9 million units are expected to be sold for total gross proceeds of approximately \$22.7 million. Each unit will consist of one common share of TG World and one half of one common share purchase warrant. A full warrant will entitle the holder to acquire one common share of the Company at any time until the date that is 12 months following closing of the offering, at an exercise price of \$1.50 per share (subject to customary anti-dilution adjustments). Closing of the offering is expected to take place in the fourth week of August 2006 and is conditional upon receipt of all necessary approvals (including the approval of the TSX Venture Exchange) and the satisfaction of other customary conditions, including completion by the agents of due diligence inquiries and the execution and delivery of a definitive agency agreement between TG World and the agents.