



TG World Energy Corp.

Year-End Report
For the period ended December 31, 2006

TG WORLD ENERGY CORP.

December 31, 2006 AND 2005

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis that follows is intended to provide a summary of TG World Energy Corp. ("TG" or the "Company") results over the past two years, as well as its financial position and future plans. It should be read in conjunction with the audited financial statements for the years ended December 31, 2006 and 2005. All numbers in this discussion and analysis are expressed in Canadian dollars unless otherwise indicated. Additional information is available on TG's website at www.tgworldenergy.com or on SEDAR's website at www.sedar.com

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 Energy, Inc. ("TGWE") whose only asset is a working interest in oil and gas leases located on the Alaska North Slope and TG World Petroleum Limited ("TG World"), 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. This MD&A utilizes the Company name TG World Energy Corp to describe subsidiary activities.

Alaska

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% working interest share of an 80% net revenue 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 contains eight geological prospects. After the formation of the JVA, an additional 5,123 acres of new leases were acquired.

The parties have also entered into an exploration joint venture alliance (JVA) 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 currently has no petroleum lease ownership. This provides an area of new venture opportunities for the JVA in the deemed "Area of Mutual Interest" or "AMI". Further acreage has been recently acquired to bring the total gross acreage to 309,384 acres.

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 four wells during the period 2007-2009.

The Company's share of the Joint Venture's exploration expenses for 2006 amounted to US\$3.5 million (Cdn\$4.025 million). The activity consisted of geological/geophysical and general office overhead, land rentals, new lease purchases, seismic data purchases and pre-drill expenses for the 2007 winter drilling season. The pre-drill costs are 62% of the 2006 total expenditure. Also included in the 2006 total spending are funds for the purchase of the Bachner Leasehold interests, announced in March 2007.

Joint Venture exploration expenses for 2007 are estimated to be US\$44.5 million (Cdn\$51.175 million) with the Company's net share being US\$16.5 million (Cdn\$18.975). This activity includes geological/geophysical and general office overhead, land rentals, new leases purchases, 3-D seismic data 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 is paying 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 will fulfill 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.

In June 2006, Ramshorn Investments Inc. (a wholly owned subsidiary of Nabors Drilling USA LP) and in October 2006, Bow Valley Energy Ltd. entered into the Joint Venture Agreement with the BRPC/AVCG group and TG, under which Ramshorn Investments and Bow Valley have agreed to participate in the exploration program on the North Slope of Alaska.

Also in October 2006, the JV group was successful bidder for 39,660 acres in the Alaska North Slope area wide lease on shore sale and the Beaufort Sea near-shore, state lease sale. The acquisition consolidates BRPC/AVCG's acreage block in the Gwydyr Bay prospects' area where the JV partners drilled two wells this winter from onshore surface locations to offshore targets. The first well commenced drilling in February and the second in March 2007. The acquisition also consolidates acreage surrounding its Titania prospect in the Colville River area. The Titania prospect is south of the large 500 million barrel Alpine Field. Acreage was also acquired in a new prospect area north of the Alpine Field. In March 2007, the group acquired 126,990 gross acres of Alaska State leases from Bachner Leasehold Acquisition in 4 prospect areas (Gwydyr Bay Area, Colville Delta Area west of the Kuparuk River Unit, Pt. Thomson Area west of the Arctic National Wildlife Refuge ("ANWR"), Camden Bay Area surrounding the ARCO Stinson #1 well, a certified producing well. The group paid an undisclosed sum of cash and granted an undisclosed overriding royalty on the lands. These additional acquisitions will increase the planned expenditures over and above the initial JV estimate.

The operator of the Alaskan joint venture drilled 2 exploration wells this winter, targeting 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 was encountered. The well is being cased for testing as a potential oil producer. The second exploratory well, Sak River # 1, located one and half miles from the North Shore #1, tested separate Kuparuk and Ivishak oil prospects. TG's working interest is 35%. The well is currently being 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 3D 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 Establishment Agreement (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 concluded in 2004, 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 will also be 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. In December 2004 CNPCIT paid TG US\$1 million (CDN\$1,235,700) for past costs as part of the arrangements.

The Tenere Block initial 2D seismic acquisition program, consisting of 1,686 line km was completed early in 2006. CNPCIT completed in early 2006 an additional 912 kilometers of new 2D seismic data, 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 plans to undertake a further 700 km of 2D seismic to provide additional regional and prospect specific coverage. Up to 150 sq. km of 3D seismic data in the event of a discovery is also budgeted on a conditional basis for 2007.

The acquisition of the additional seismic data reflects CNPCIT's commitment to the Tenere program. TG's independent interpretation has established that the data acquired by CNPCIT is of high quality.

The first exploratory well Saha-1, commenced drilling on October 30, 2006 in the southwest corner of the Tenere Trough and reached a total depth of 3,500 meters in January 2007. The well was sited on the footwall of a large rotated fault block, the main producing traps in the Sudan and Chad rift basins, and tested the Sokor, Madama, Yougou and Donga formations. Drill stem tests were conducted over two intervals. Although oil flowed from one interval, water was also encountered, but the well is not capable of commercial production. The test over the second interval was apparently incomplete. The well was abandoned. Good reservoir sandstones were encountered in the primary objectives, the Sokor, Madama and Yougou formations and also in the Donga formation. Two source bed intervals were also encountered to confirm the existence of a working hydrocarbon system.

The second exploration well Fachi West-1, spudded on April 7, 2007 at a location close to the graben centre, 27 kms to the north of Saha-1 and southwest of the 1970s-vintage Fachi-1 well. The well will be drilled to a depth of 3,200 meters and will test the Sokor, Madama, Yougou and Donga formation sandstones.

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

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, constitute 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		12 months ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Net loss	\$ 388,993	\$ (482,713)	\$ 1,011,328	\$ 433,699
Net loss per share – basic and diluted	0.0069	0.0139	0.0179	0.0125
Share capital	29,486,139	6,511,772	29,486,139	6,511,772
Working capital	15,177,715	1,869,336	15,177,715	1,869,336
Total assets	27,649,021	2,954,066	27,649,021	2,954,066
Shareholders' equity	<u>27,354,761</u>	<u>2,638,312</u>	<u>27,354,761</u>	<u>2,638,312</u>

The positive results in the amount of \$482,713 in the fourth quarter of 2005 were due to the decision taken in the fourth quarter of 2005 to capitalize the costs of the work program in the Tenere project in Niger and other new and prospective work programs then being pursued. Such costs are no longer charged to the Statement of loss.

For the year ending December 31, 2006 the net loss, compared to the same period in 2005, shows an increase of \$577,629 explained as follows:

Loss increase (decrease) due to:	\$
Stock based compensation expense	573,675
General and administrative costs	350,864
Write-off of unsuccessful exploration projects	97,009
Interest income	(298,971)
Interest expense	(48,624)
Foreign exchange gains and losses	(27,823)
Debenture discount amortization expense	(68,501)
	<u>577,629</u>

The increase of \$350,864 in general and administrative costs in 2006 over 2005 is due to:

Audit, financial, and investor relations consulting fees	\$120,335
Bad debt recovery	(\$ 11,345)
Expenses allocated to projects in 2005 higher than 2006	\$261,042
Other differences	(<u>\$19,168</u>)
	\$350,864

In the first quarter of 2005, the Board of Directors, based on the recommendation of the compensation committee of the board, awarded Seajay Management Enterprises Ltd. ("Seajay") a management bonus of \$50,000 and Global Solutions Ltd. a management bonus of \$25,000 for their efforts in successfully negotiating the arrangement with CNPC and the Niger government. In the same quarter, a management fee adjustment of \$75,000 was paid to Seajay in recognition of its reduced fees in 2004.

Options exercised

2,505,102 shares were issued on the exercise of options in the year contributing a net of \$961,067 to shareholder equity.

Petroleum and Natural Gas (P&NG) Assets

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 recoverability of this capital asset has improved. Accordingly, the costs incurred on the Niger project in 2005 and 2006 have been capitalized (see note 3 to the 2006 Consolidated Financial Statements). In the twelve months ending December 31, 2006 costs amounting to \$1,087,797 have been capitalized (2005 - \$594,152)

As a result of the Joint Venture Agreement entered into on the Alaska project (see commentary in the Description of the Business in this MD&A), costs of \$10,344,071 were capitalized in the twelve months ending December 31, 2006 (2005 - \$151,026). (See note 3 to the 2006 Consolidated Financial Statements).

Accounts Receivable

The \$136,244 of accounts receivable, represent accrued interest on short term investments and recoverable GST and prepaid expenses and deposits. An amount of \$106,276 representing traveling and lodging expenses incurred by TG World personnel to attend Operating and Technical Committee meetings in Beijing has been reversed out of the cost recoveries account. Under the terms of the Tenere Operating Agreement, CNPCIT, as Operator, is required to pay such costs for the account of the joint venture. Efforts are continuing to collect this debt which, when received, will be recognized as a cost recovery. An amount of \$11,345, previously written off as a bad debt from a third party, was recovered.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities decreased to \$252,687 at December 31, 2006 from \$271,442 at December 31, 2005. The change is not significant and is caused by fluctuations in amounts due for services provided in the normal course of business. Included in the current balance is US\$100,000 (CDN\$116,530) payable to a third party as provision for services provided as part of the BRPC/AVCG joint venture agreement.

Amounts due to Related Parties

Amounts due to related Parties decreased marginally to \$41,573 in 2006 from \$44,312 at December 31, 2005. The change is insignificant and 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)

	2006			2005			2004	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss (gain)	389	214	226	182	(482)	371	167	377
Net loss (gain) per share (basic)	0.007	0.004	0.005	0.004	(0.014)	0.012	0.005	0.015
Working capital (deficiency)	15,178	20,892	218	19	1,869	2,070	(711)	(986)
P&NG assets	12,177	6,360	4,289	3,206	769	-	-	-
Total assets	27,649	27,526	4,709	3,483	2,954	2,216	9	153
Convertible debentures	-	-	-	-	-	-	-	-
Shareholders' equity	27,355	27,251	4,507	3,225	2,638	2,070	(711)	(986)

The following discussion highlights some of the more significant factors that impacted the results in the eight most recently completed quarters ended December 31, 2006

- Net loss for Q4 is higher than Q3 mainly due to increase in stock based compensation as a result of additional stock options being granted late in the third quarter and the write-off of exploration expenses.
- Interest income generated from short term investing of the proceeds from the August 23, 2006 Private Placement partly offset the increase in expenses. The increase in share capital, working capital and total assets in Q4 and Q3 vs. Q2 is also due to this Private Placement.
- G&A in Q4 2005 showed a recovery as a result of the capitalization of the Tenere costs.

Liquidity and Capital Resources

The diluted number of shares outstanding at December 31, 2006 and December 31, 2005 were as follows:

	December 31, 2006	December 31, 2005
Diluted Shares Outstanding		
Common shares issued	71,125,674	46,957,606
Stock options outstanding	5,074,898	5,155,000
Common shares issuable from warrants issued in 2005	671,601	2,197,957
Common shares issuable from warrants issued in 2006	9,471,400	-
Total common shares if all options and warrants are exercised	86,343,573	54,310,563

As at December 31, 2006 the Company had \$15,335,731 in cash and cash equivalents and short term investments; and working capital of \$15,177,715 as a result of the private placement.

TG's 20% share of the Minimum Work Program of 1500 km of seismic, the acquisition of additional seismic prior to the completion or abandonment of the second well and three exploration wells including project 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")

Brokered Private Placement Financings

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 consisted 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, was shown under warrants in the equity section of the balance sheet at December 31, 2005. It is being transferred to share capital as and when the warrants are exercised. During the year, an amount of \$305,271 was transferred from warrants to share capital as a consequence of warrants exercised.

On August 23, 2006, TG completed a private placement of an aggregate of 18,942,800 units at a price of \$1.20 per unit for gross proceeds to the Company of \$22,731,360 (net \$21,195,730).

Each unit consisted of one common share of TG and one half of one common share purchase warrant. A full warrant will entitle the holder to acquire one common share of the Corporation 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).

The Company issued a total of 9,471,400 share purchase warrants valued at \$2,353,066. This amount, included under warrants in the equity section of the balance sheet, will be transferred to share capital as and when the warrants are exercised.

Related Party Transactions

In the twelve months ending December 31, 2006, fees charged by Seajay Management Entreprises Ltd. ("Seajay") for management, secretarial and administration services amounted to \$180,000. Seajay is a company controlled by an officer of the Company. Charges by TVI Pacific Inc. for rent and office maintenance costs amounted to \$36,981 and \$10,428 respectively. An officer and director of the Company is President, CEO, Chairman and a director of TVI. (see note 4 of the notes to the Financial Statements).

Material Contracts and Commitments

TG 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.

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 a previous Success Fee Arrangement of \$150,000 minimum payment and continuing obligation to pay 4% share of value received from the TG 20% interest in the Tenere EA

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.

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 annual 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 and Paterson) 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

Two further exploratory wells are scheduled for drilling in Tenere, Niger in 2007/2008 (one of which, the West Fachi-1 has spudded). In Alaska, further exploratory drilling is expected to be undertaken in the 2007/2008 drilling season.

On March 9, 2007 the Alaska JV acquired 126,990 gross acres on the North Slope of Alaska increasing its gross acres from 182,394 acres to 309,384 acres for a 70% increase in acreage.

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.

April 10, 2007

TG World Energy Corp.

Consolidated Financial Statements
December 31, 2006 and 2005
(expressed in Canadian dollars)

April 10, 2007

Auditors' Report

To the Shareholders of TG World Energy Corp.

We have audited the consolidated balance sheets of **TG World Energy Corp.** as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Consolidated Balance Sheets
(expressed in Canadian dollars)

	2006 \$	2005 \$
Assets		
Current assets		
Cash and cash equivalents	10,388,924	2,123,390
Short term investments	4,946,807	-
Accounts receivable and accrued interest	136,244	61,700
	15,471,975	2,185,090
Petroleum and natural gas properties (note 3)	12,177,046	768,976
	27,649,021	2,954,066
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	252,687	271,442
Due to related parties (note 4)	41,573	44,312
	294,260	315,754
Shareholders' Equity		
Share capital (note 5(b))	29,486,139	6,511,772
Warrants (note 9(g))	2,487,387	439,592
Contributed surplus (note 5(f))	1,014,016	308,401
Deficit	(5,632,781)	(4,621,453)
	27,354,761	2,638,312
	27,649,021	2,954,066

Approved by the Board of Directors

_____ Director

_____ Director

Consolidated Statements of Operations and Deficit
(expressed in Canadian dollars)

	2006	2005
	\$	\$
Interest and other income	352,077	25,283
Expenses		
General and administrative	1,266,396	341,857
Amortization of debenture discount	-	68,501
Interest expense	-	48,624
Exploration projects written-off	97,009	-
	<u>1,363,405</u>	<u>458,982</u>
Net loss for the year	(1,011,328)	(433,699)
Deficit – Beginning of year	<u>(4,621,453)</u>	<u>(4,187,754)</u>
Deficit – End of year	<u>(5,632,781)</u>	<u>(4,621,453)</u>
Net loss per share		
Basic and diluted (note 6)	<u>(0.0179)</u>	<u>(0.0125)</u>

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

	2006 \$	2005 \$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(1,011,328)	(433,699)
Items not involving cash		
Stock-based compensation expense	778,176	204,501
Amortization of debenture discount	-	68,501
Exploration projects written off	23,798	-
	<hr/>	<hr/>
	(209,354)	(160,697)
Changes in non-cash working capital	(93,299)	(198,925)
	<hr/>	<hr/>
	(302,653)	(359,622)
Financing activities		
Due to related parties	(2,739)	(93,506)
Shares issued for warrants and options	2,209,425	789,997
Proceeds of private placement financing	22,731,360	2,577,200
Shares issue costs	(1,535,630)	(269,992)
	<hr/>	<hr/>
	23,402,416	3,003,699
Investing activities		
Expenditures on petroleum and natural gas properties	(9,887,422)	(768,976)
Short-term investments	(4,946,807)	-
	<hr/>	<hr/>
	(14,834,229)	(768,976)
Increase in cash and cash equivalents	8,265,534	1,875,101
Cash and cash equivalents – Beginning of year	2,123,390	248,289
	<hr/>	<hr/>
Cash and cash equivalents – End of year	10,388,924	2,123,390
Supplemental information		
Interest paid	-	48,624
Interest received	323,654	24,683

Notes to Consolidated Financial Statements

(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”) and Alaska, through its wholly-owned subsidiary, TG World Energy, Inc. (“TG Inc.”).

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 companies, TG World and TG Inc.

a) Petroleum and natural gas properties

i) Capitalized costs

The Company’s petroleum and natural gas properties located in Niger and Alaska 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) Undeveloped properties

The Company’s lands in Niger and Alaska, on which exploration wells are being drilled, are classified as undeveloped properties.

iii) Impairment

A ceiling test will be carried out to assess impairment and a loss will be recognized if 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.

iv) 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.

v) Joint ventures

The Company's exploration activities are conducted in joint participation with others and the accounts reflect only the Company's proportionate interest in such activities.

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) Short term investments

Short term investments consist of investments with maturities of twelve months or less, but more than three months, from date of purchase. The investments are recorded at cost.

d) Asset retirement obligation

The Company will record 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 which is depleted on a unit-of-production basis over the life of the reserves. Based on the exploratory nature of operations, no amount has been recorded for asset retirement obligations.

e) 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 likely that the asset will not be realized.

f) 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.

g) 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.

h) 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.

3 Petroleum and natural gas properties

Costs capitalized are detailed below:

			2006	2005
	Cost \$	Accumulated Amortization and write-down \$	Net \$	Net \$
Alaska	10,495,097	-	10,495,097	151,026
Niger	1,681,949	-	1,681,949	594,152
Other	97,009	97,009	-	23,798
	12,274,055	97,009	12,177,046	768,976

Alaska

In March 2006, the Company entered into a 4-year Joint Venture Agreement with Brooks Range Petroleum Corporation ("BRPC"), a wholly-owned subsidiary of Alaska Venture Capital Group, for an initial payment of US\$1.971 million (Cdn\$2.299 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\$1.971 million (Cdn\$2.299 million) was payable as to US\$1.483 million (Cdn\$1.730 million) in cash and US\$488,205 (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 shares. 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 started drilling 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 Transactions 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 2.2% overriding royalty interest share of the Company's interest in hydrocarbons that are produced, saved and sold from the existing and initially awarded 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, carried 100% (with minor exceptions) of TG World's share of costs for the minimum work program, which consist of 1,500 km of seismic and three exploration wells. Any additional seismic (including acquisition, processing and interpretation) up to completion of the second well will also be carried by CNPCIT.

4 Related party transactions

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

	2006 \$	2005 \$
Management, secretarial and administrative services charged by Seajay Management Enterprises Ltd.	180,000	305,000
Rent charged by TVI Pacific Inc.	36,981	29,997
Office maintenance costs charged by TVI Pacific Inc.	10,428	11,388
	227,409	346,385

Services provided and fees charged by Seajay Management Enterprises Ltd. ("Seajay") and TVI Pacific Inc. are covered by contracts approved by the independent members of the Board of Directors. In the first quarter of 2005, 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. 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, 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
	<u>46,957,606</u>	<u>7,221,355</u>
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)
	<u>46,957,606</u>	<u>6,511,772</u>
Balance – December 31, 2005	46,957,606	6,511,772
Shares issued on exercise of warrants	1,526,357	1,320,919
Transfer fair value of warrants exercised from warrants	-	305,271
Shares issued on exercise of options	2,505,102	888,506
Transfer fair value of exercised options from contributed surplus	-	72,561
Shares issued to Alaska Joint Venture partners (note 3)	443,809	569,446
Agreement to extinguish the successful fee arrangement (note 5(d))	750,000	975,000
Shares issued on private placement financing	18,942,800	22,731,360
	<u>71,125,674</u>	<u>33,374,835</u>
Less: Amount allocated to warrants issued with private placement units	-	(2,353,066)
Financing costs incurred on the sale of the private placement units	-	(1,535,630)
	<u>71,125,674</u>	<u>29,486,139</u>
Balance – December 31, 2006	71,125,674	29,486,139

c) Private placement financing

On July 21, 2005, the Company completed a 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.

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.

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.

As at December 31, 2006, an amount of \$305,271 has been transferred from warrants to share capital as a consequence of warrants exercised.

On August 23, 2006, TG World Energy Corp. completed a private placement of an aggregate of 18,942,800 units at a price of \$1.20 per unit for gross proceeds to the Corporation of \$22,731,360 (net \$21,195,730).

Each unit consisted of one common share of TG World Energy Corp. and one half of one common share purchase warrant. A full warrant will entitle the holder to acquire one common share of the Corporation at any time until the date that is twelve months following closing of the offering at an exercise price of \$1.50 per share. The Company issued a total of 9,471,400 share purchase warrants valued at \$2,353,066. 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 or expire.

d) Success fee arrangement

In the second quarter of 2006, an arrangement was negotiated whereby the Company issued 750,000 treasury shares of TG World Energy Corp. to a third party in lieu of a Success Fee Arrangement which consisted of a \$150,000 minimum payment and continuing obligation to pay 4% shares 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.

e) 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, 2006, the Company had the following share options:

	2006		2005	
	Options outstanding	Exercise price \$	Options outstanding	Exercise price \$
Outstanding – Beginning of year	5,155,000	0.43	4,005,000	0.28
Granted	2,650,000	1.82	1,150,000	0.97
Exercised	(2,505,102)	0.35	-	-
Cancelled	(225,000)	1.03	-	-
Outstanding – End of year	5,074,898	1.17	5,155,000	0.43
Exercisable – end of year	2,011,982	0.54	3,532,083	0.33

Options outstanding and exercisable at December 31, 2006:

Exercise price	Options exercisable	Weighted average contractual life	Options outstanding	Weighted average contractual life
0.10	969,783	2.3 years	1,081,668	2.3 years
0.37	350,000	0.1 years	350,000	0.1 years
0.60	29,167	3.3 years	50,000	3.3 years
0.99	450,625	4.0 years	1,085,000	4.0 years
1.10	20,730	4.5 years	208,230	4.5 years
1.90	191,667	4.7 years	2,300,000	4.7 years
	2,011,972	2.6 years	5,074,898	3.7 years

The following options were issued subsequent to December 31, 2006:

Exercise price	Options outstanding
1.70	250,000
1.56	100,000

f) Stock-based compensation and contributed surplus

	2006	2005
	\$	\$
Balance – Beginning of year	308,401	103,900
Stock-based compensation	778,176	204,501
Transfer to share capital on exercise of options	(72,561)	-
	<u>1,014,016</u>	<u>308,401</u>

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

	2006	2005
	%	\$
Risk-free interest rate – average	4.0%	3.0%
Expected life (in years)	5.0%	5
Expected volatility	90%	125%

The weighted average fair value of stock options granted in 2006 is \$1.27 per share. The weighted average fair value of stock options granted in 2005 was \$0.83 per share.

In 2006, \$778,176 (2005 – \$204,501) of stock-based compensation has been charged to the statement of operations.

g) Warrants

The Company had the following warrants outstanding:

	<u>2006</u>		<u>2005</u>	
	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*)	671,601	1.00	2,197,957	0.85/1.00
Expiring August 23, 2007	9,471,400	1.50	-	-
	<u>10,143,001</u>		<u>2,197,957</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 and before July 20, 2007. During the year ended December 31, 2006, 1,526,357 warrants were exercised.

	2006	2005
	\$	\$
Balance – Beginning of year	439,592	-
Warrants issued	2,353,066	439,592
Warrants exercised	(305,271)	-
	<hr/>	<hr/>
Balance – End of period	<u>2,487,387</u>	<u>439,592</u>

6 Per share amounts

The basic weighted average number of common shares outstanding during the year ended December 31, 2006 was 56,486,823 (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 Income taxes

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

	2006	2005
	\$	\$
Income tax rate	32.49%	33.62%
Net loss for the year	(1,011,327)	(433,699)
Expected recovery	(328,580)	(145,810)
Stock-based compensation	252,829	68,753
Amortization of debenture discount	-	23,030
Valuation allowance	75,751	54,027
	<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 \$1.8 million as at December 31, 2006 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 2009 to 2026.

8 Financial assets and liabilities

a) Fair values

The fair values of cash and cash equivalents, short term investments, 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 its costs on the Niger and Alaska projects and for services it must purchase in foreign currencies.

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