

# **TG WORLD ENERGY CORP.**

**September 30, 2006 AND 2005**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following interim Management's Discussion and Analysis (MD&A) as of November 22, 2006 updates our annual MD&A included in our 2005 Annual Report to Shareholders, to which readers are referred and which should be read in conjunction with the interim consolidated Financial Statements for the 9-month period ended September 30, 2006 and 2005. No update is provided where an item is not material or there has been no material change from the discussion in our annual MD&A.

The interim Consolidated Financial Statements for the period ending September 30, 2006 were reviewed by the Company's independent auditors; those for the period ending September 30, 2005 were not reviewed.

### ***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.

### ***Alaska***

**TGWE** 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, TGWE 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 contain eight geological prospects. After the formation of the JVA, 5,123 acres of new leases were acquired.

The parties have also entered into an exploration joint venture alliance (JV) respecting a more extensive exploration and development program on a large designated area containing all other State of Alaska governed petroleum leases onshore and offshore the North Slope between the National Petroleum Reserve Alaska (NPR) in the west and the Alaska National Wildlife Reserve (ANWR) to the east and in which BRPC/AVCG currently has no petroleum lease ownership. This provides an area of new venture opportunities for the JV in the deemed "Area of Mutual Interest" or "AMI".

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 2006-2009 at a total estimated cost of US\$46.9 million (Cdn\$54.7 million), including the costs of land, supporting prospect generation, general and administration costs and geological and geophysical activities. TGWE estimates its share of the costs of this four-year exploration program to be US\$17.416 million (Cdn\$19.827 million), paid as follows: (a) upon execution of the JVA (in Q1 2006), an initial payment of US\$1.953 million (Cdn\$2.278 million) for a 35% working interest share of an 80% net revenue interest in all of BRPC/AVCG's Gwydyr Bay acreage and 25% working interest share of an 80% net revenue interest in almost all the other BRPC/AVCG's properties. The US\$1.953 million (Cdn\$2.278 million) was paid 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 (shares were subject to a four month hold); and (b) a series of subsequent payments in the estimated total amount of US\$15.463 million (Cdn\$18.029 million) as TGWE's share of program costs. TGWE has the right to participate or not in each part of the planned programs, but if it decides not to participate in any portion it will lose its property interest in the lands subject to that part of the program only.

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

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 plan to drill two wells this winter from onshore surface locations to offshore targets. A third well may be drilled dependent upon initial wells' results. The acquisition also consolidated acreage surrounding its Titania prospect in the Colville River area. The Titania prospect is south of the large 500 million barrel Alpine Field. A 3D seismic shoot is currently planned in this area this winter with possible exploration drilling in the 2008 winter season. Acreage was also acquired in a new prospect area north of the Alpine Field.

### ***Tenere, Niger***

TG World's, only 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 World'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 World will also be carried for any seismic done over and above the 1500 km up to and including the drilling of the second exploration well. TG World 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 World 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 2005. 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. Up to 150 sq. km of additional 3D seismic data in the event of a discovery is budgeted on a conditional basis for 2007.

The acquisition of the additional seismic data reflects CNPCIT's commitment to the Tenere program. The purpose is to confirm the best prospects for the three-well drilling obligation. TG World'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 is to be drilled to a total depth of 3,600 metres. The well is sited on the footwall of a large rotated fault block, the main producing traps in the Sudan and Chad rift basins, and will test the Sokor, Madama, and Yogou formations.

The second well Fachi West-1, is scheduled to be drilled immediately following completion of the Saha-1 well, in a location close to the graben centre, to the north of Saha-1 and southwest of the 1970s-vintage Fachi-1 well. Fachi West-1, which is expected to be drilled to a depth of , 4,035 meters and will also test the Sokor, Madama, and Yogou formation sandstones.

The location of the third well will be chosen in the near term, further to the north and will be drilled following the completion of the second exploration well.

Information respecting the nature of ongoing and anticipated drilling activities on the Tenere Concession, 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		9 months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
	\$	\$	\$	\$
Net loss	213,999	371,138	622,335	916,412
Net loss per share – basic and diluted	0.0041	0.0121	0.0120	0.0298
Share capital	29,372,820	6,966,238	29,372,820	6,966,238
Working capital (deficiency)	20,891,540	2,070,149	20,891,540	2,070,149
Total assets	27,525,732	2,215,643	27,525,732	2,215,643
Shareholders' equity	<u>27,251,263</u>	<u>2,070,149</u>	<u>27,251,263</u>	<u>2,070,149</u>

The decrease of \$157,139 in net loss in the current quarter compared to the same quarter in 2005 is explained as follows:

Loss increase (decrease) due to:	\$
Stock based compensation expense	109,996
General and administrative costs	(174,294)
Interest income	(65,779)
Interest expense	(9,536)
Foreign exchange gains and losses	( 2,435)
Debenture discount amortization expense	(15,091)
	<u>(157,139)</u>

For the nine-month period ending September 30, 2006 the net loss, compared to the same period in 2005, shows a decrease of \$294,077 explained as follows:

Loss increase (decrease) due to:	\$
Stock based compensation expense	246,431
General and administrative costs	(342,918)
Interest income	(79,005)
Interest expense	(48,624)
Foreign exchange gains and losses	(1,460)
Debenture discount amortization expense	(68,501)
	<u>(294,077)</u>

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 fee adjustment of \$75,000 was paid to Seajay in recognition of its reduced fees in 2004.

### ***Shares issued on signing the Alaska Joint Venture Agreement***

In the 1<sup>st</sup> quarter of 2006, 443,809 shares issued on the signing of the Alaska Joint Venture Agreement contributed a net of \$569,446 to shareholder equity. Details of this Joint Venture Agreement are outlined in the commentary on Description of the Business in this MD&A.

### ***Arrangement Shares issued on extinguishing obligation to pay 4% share of value under Success Fee:***

Under a Success Fee Arrangement, 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 4% of the value received for the TG World 20% interest in the Tenere Establishment Agreement (EA). In the second quarter of 2006, an arrangement was negotiated whereby the Company issued 750,000 treasury common shares of TG World Energy Corp at \$1.30 per share 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.

### ***Options exercised***

Shares issued on the exercise of options in this quarter contributed a net of \$407,000 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 4 to the 2005 Consolidated Financial Statements). In the first nine months of 2006 costs amounting to \$942,722 have been capitalized.

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 \$4,585,255 were capitalized in the first nine months of 2006 (see note 3 to the September 30, 2006 Interim Consolidated Financial Statements)

### ***Accounts Receivable***

Of the \$97,774 accounts receivable, \$ 81,946 represent recoverable traveling and lodging expenses incurred by TG World personnel to attend Operating and Technical Committee meetings in Beijing and Niamey. Under the terms of the Tenere Operating Agreement, CNPCIT, as Operator, is required to pay such costs for the account of the joint venture. The balance is an accrued receivable.

### ***Accounts Payable and Accrued Liabilities***

Accounts payable and accrued liabilities decreased to \$262,824 at September 30, 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\$111,530) 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 to \$11,645 in 2006 from \$44,312 at December 31, 2005. The change is caused by fluctuations in amounts due for services provided in the normal course of business.

## Selected Quarterly Information

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

	2006		Q1	2005		Q2	Q1	2004 Q4
	Q3	Q2		Q4	Q3			
Expenses:								
General and administrative	118	138	104	(568)	319	146	356	448
Stock-based compensation	171	90	91	100	61	22	22	53
Cost recovery	-	-	-	-	-	-	-	(1,236)
Interest income	(75)	(2)	(13)	(14)	(9)	(1)	(1)	-
Net loss (gain)	214	226	182	(482)	371	167	377	(735)
Net loss (gain) per share (basic)	0.004	0.005	0.004	(0.014)	0.012	0.005	0.015	(0.026)

	2006		Q1	2005		Q2	Q1	2004 Q4
	Q3	Q2		Q4	Q3			
Share capital	29,373	8,698	7,226	6,512	6,526	3,808	3,335	2,846
Warrants	2,504	390	416	440	440	-	-	-
Working capital (deficiency)	20,892	218	19	1,869	2,070	(711)	(986)	(1,074)
P&NG assets	6,360	4,289	3,206	769	-	-	-	-
Total assets	27,526	4,709	3,483	2,954	2,216	9	153	255
Shareholders' equity	27,251	4,507	3,225	2,638	2,070	(711)	(986)	(1,074)

The following discussion highlights some of the more significant factors that impacted the results in the eight most recently completed quarters ended September 30, 2006:

- Net loss for Q3 2006 is lower than Q2 2006 mainly due to interest income generated from short term investing of the proceeds from the August 23, 2006 Private Placement. Share capital up as a result of the Private Placement
- G&A in Q2 2006 higher than Q1 2006 as a result of increased consultants fees, shareholder services related expenses and travel and accommodation costs.
- Higher stock based compensation starting in Q3 2005 is the result of additional stock options being granted.
- G&A in Q4 2005 showed a recovery as a result of the capitalization of the Tenere costs.
- G&A in Q4 2004 and Q1 2005 higher as a result of the legal costs and bonus payments associated with the settlement of the claims involving the Government of Niger and CNCP.
- Cost recovery in Q4 2004 is a result of the settlement amount paid by CNCP.
- Higher stock based compensation in Q4 2004 is a result of the Company adopting new standard for "stock based compensation and other stock-based payments".

## **Liquidity and Capital Resources**

The diluted number of shares outstanding at September 30, 2006 and December 31, 2005 were as follows:

	September 30, 2006	December 31, 2005
Diluted Shares Outstanding		
Common shares issued	71,002,404	46,957,606
Stock options outstanding	5,216,668	5,155,000
Common shares issuable from warrants issued in 2005	753,100	2,197,957
Common shares issuable from warrants issued in 2006	9,471,400	-
Total common shares if all options and warrants are exercised	86,443,572	54,310,563

As at September 30, 2006, the Company had \$21,068,235 in cash and cash equivalents and short term investments and working capital of \$20,891,540 as a result of the Private Placement.

TG World'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 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 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, shown under warrants in the equity section of the balance sheet at December 31, 2005, will be transferred to share capital as and when the warrants are exercised. During the quarter, an amount of \$239,748 (YTD \$288,971) was 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 \$21,258,253).

Each unit consisted 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 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, shown 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 third quarter of 2006, fees charged by Seajay for management, secretarial and administration services amounted to \$ 62,506 and charges by TVI Pacific Inc. for rent and office maintenance costs amounted to \$ 9,789 and \$ 2,607 respectively (see note 4 of the September 30, 2006 Interim Consolidated Financial Statements).

## ***Material Contracts and Commitments***

The Company has two wholly-owned subsidiaries, TG World Petroleum Ltd. and TG World Energy, Inc.

TG World holds a 20% interest in the CNPCIT operated Tenere Permit, and CNPCIT is committed to carry TG World'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 TGWE 20% interest in the Tenere EA.

TG World Energy, Inc. 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 an overriding royalty interest share of TGWE'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.

## ***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 based on whether or not the value is greater than the future expected return from the property. If it is determined that carrying values of assets cannot be recovered, the asset will be 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, a 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.

### ***Outlook***

The outlook for 2006/2007 is very positive. At both of the Company's ownership interests, Alaska and Niger, drilling has either begun or anticipated to begin in 2006/2007. Three exploratory wells are scheduled for drilling in Tenere, Niger in 2006/2007 (one of which, the Saha-1, started drilling on October 30, 2006), and three, possibly four wells are planned in Alaska in 2007.

Nabors Rig 16E has been contracted for the Alaskan winter drilling program, and planning is underway to ensure a quick start at the beginning of the winter drilling season. Additional acreage has been secured at the recent land sale adding to an already large land base.

### ***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](http://www.tgworldenergy.com) or on SEDAR's website at [www.sedar.com](http://www.sedar.com).*

November 22, 2006