2021 SECOND QUARTER INTERIM REPORT

Financial and Operating Results

For the three and six months ended June 30, 2021

All dollar values are expressed in United States dollars unless otherwise stated

FINANCIAL HIGHLIGHTS:

- Second quarter sales averaged 16,542 boe/d including 366.3 Mbbls sold to EGPC for net proceeds of $22.2 million and one cargo lifting of 498.6 Mbbls of entitlement crude oil for net proceeds of $29.1 million (collected in May 2021). The overlift portion of the cargo (~129.5 Mbbls) was settled against outstanding receivables from EGPC during the quarter;
- Average realized price for Q2-2021 sales of $56.48/boe; Q2-2021 average realized price on Egyptian sales of $60.27/bbl and Canadian sales of $33.61/boe;
- Funds flow from operations of $17.1 million ($0.24 per share) in the quarter;
- Second quarter net earnings of $7.7 million ($0.11 per share), inclusive of a $1.2 million unrealized loss on derivative commodity contracts;
- Ended the second quarter with positive working capital of $17.1 million, including cash of $43.6 million;
- Subsequent to the quarter, the Company sold a ~500 Mbbl cargo of Egypt entitlement crude oil with proceeds expected in August 2021;

OPERATIONAL HIGHLIGHTS:

- Second quarter production averaged 13,077 boe/d (Egypt 10,727 bbls/d, Canada 2,350 boe/d), an increase of 856 boe/d (7%) from the previous quarter. Increase primarily due to improved well optimization activities in Egypt, the full oil production impact of the SGZ-6X lower Bahariya recompletion, and return to production in Canada of the 2-20 well following the 13-16 completion and stimulation plus the latter's production contribution;
- Production in July averaged ~13,414 boe/d (Egypt ~11,308 bbls/d, Canada ~2,106 boe/d), an increase of 3% from Q2-2021;
- Ended the quarter with 140.3 Mbbls of entitlement crude oil inventory, a decrease of 315.4 Mbbls from Q1-2021. This decrease is due to an increase in sales volumes as a result of the Q2 cargo lifting, partially offset by an increase in production;
- Drilled two development oil wells at West Bakr in the Eastern Desert, Egypt, both successfully encountering oil-bearing sands and placed on production;
- On June 30, 2021 the Company spud the first of three 100% working interest horizontal oil development wells (one 2-mile, two 1-mile) located approximately four miles to the northwest of the 2-20 location in TransGlobe's Cardium extension into the South Harmattan area in Canada, with drilling and casing completed in July; and

CORPORATE HIGHLIGHTS:

- The Company announced a merged concession agreement with a 15-year primary term and improved Company economics on December 3, 2020. The agreement is currently awaiting ratification by the Egyptian Parliament but will have a February 2020 effective date upon ratification. As such, the results achieved in Q2-2021 and year to-date are exclusive of any effective date adjustments that will be made upon ratification.

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TSX & AIM: TGL   NASDAQ: TGA

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FINANCIAL AND OPERATING RESULTS
(US$000s, except per share, price, volume amounts and % change)

	Three Months Ended June 30			Six Months Ended June 30		
Financial	**2021**	2020	% Change	**2021**	2020	% Change
Petroleum and natural gas sales	**85,018**	24,549	246	**127,295**	104,736	22
Petroleum and natural gas sales, net of royalties	**50,595**	11,392	344	**68,647**	64,626	6
Realized derivative (loss) gain on commodity contracts	**(3,646)**	1,977	(284)	**(5,191)**	6,145	(184)
Unrealized derivative (loss) gain on commodity contracts	**(1,248)**	(3,348)	(63)	**(4,218)**	1,028	(510)
Production and operating expense	**19,722**	10,406	90	**29,171**	33,663	(13)
Selling costs	**1,671**	423	295	**1,705**	1,049	63
General and administrative expense	**3,670**	3,951	(7)	**8,707**	5,855	49
Depletion, depreciation and amortization expense	**6,959**	5,657	23	**11,774**	17,909	(34)
Income tax expense	**5,605**	2,445	129	**10,265**	7,030	46
Cash flow generated by operating activities	**23,832**	24,551	(3)	**19,892**	20,878	(5)
Funds flow from operations[1]	**17,100**	(2,764)	(719)	**17,181**	22,918	(25)
Basic per share	**0.24**	(0.03)		**0.24**	0.32	
Diluted per share	**0.24**	(0.03)		**0.24**	0.32	
Net earnings (loss)	**7,722**	(13,367)	(158)	**(3,302)**	(68,585)	(95)
Basic per share	**0.11**	(0.19)		**(0.05)**	(0.95)	
Diluted per share	**0.11**	(0.19)		**(0.05)**	(0.95)	
Capital expenditures	**3,597**	1,229	193	**6,504**	6,806	(4)
Working capital	**17,136**	35,112	(51)	**17,136**	35,112	(51)
Long-term debt, including current portion	**16,951**	27,071	(37)	**16,951**	27,071	(37)
Common shares outstanding						
Basic (weighted average)	**72,542**	72,542	-	**72,542**	72,542	-
Diluted (weighted average)	**72,922**	72,542	1	**72,954**	72,542	1
Total assets	**208,479**	221,347	(6)	**208,479**	221,347	(6)

Operating						
Average production volumes (boe/d)	**13,077**	14,300	(9)	**12,652**	14,648	(14)
Average sales volumes (boe/d)	**16,542**	12,470	33	**13,135**	17,702	(26)
Inventory (Mbbls)	**140.3**	408.7	(66)	**140.3**	408.7	(66)
Average realized sales price ($/boe)	**56.48**	21.63	161	**53.54**	32.51	65
Production and operating expenses ($/boe)	**13.10**	9.17	43	**12.27**	10.45	17

[1] Funds flow from operations (before finance costs) is a measure that represents cash generated from operating activities before changes in non-cash working capital and may not be comparable to measures used by other companies. See "Non-GAAP Financial Measures".

CORPORATE SUMMARY

TransGlobe Energy Corporation ("TransGlobe" or the "Company") produced an average of 13,077 barrels of oil equivalent per day ("boe/d") during the second quarter of 2021. Egypt production was 10,727 barrels of oil per day ("bbls/d") and Canada production was 2,350 boe/d. Production for the quarter was slightly above full year 2021 guidance of 12,000 to 13,000 boe/d and 7% higher than the previous quarter. The increase is primarily due to improved well optimization activities in Egypt, the impact of the SGZ-6X lower Bahariya recompletion, and a return to production in Canada of the 2-20 well, taken offline to allow for the 13-16 completion plus the latter’s production contribution.

TransGlobe's Egyptian crude oil is sold at a quality discount to Dated Brent. The Company received an average price of $60.27 per barrel in Egypt during the quarter. In Canada, the Company received an average of $63.05 per barrel of oil, $27.03 per barrel of NGLs and $2.58 per thousand cubic feet ("Mcf") of natural gas during the quarter.

During Q2-2021, the Company had funds flow from operations of $17.1 million and ended the quarter with positive working capital of $17.1 million, including cash of $43.6 million. The Company had net earnings in the quarter of $7.7 million, inclusive of a $1.2 million unrealized derivative loss on commodity contracts which represents a fair value adjustment on the Company's hedging contracts at June 30, 2021.

In Egypt, the Company sold 366.3 thousand barrels (“Mbbls”) of entitlement crude oil to the Egyptian General Petroleum Company (“EGPC”) and sold one cargo lifting of 498.6 Mbbls of entitlement crude oil. The overlift portion of the cargo (~129.5 Mbbls) was settled against outstanding receivables from EGPC during the quarter. At June 30, 2021 entitlement crude oil inventory was 140.3 Mbbls. The decrease in inventoried crude oil is attributed to a significant increase in sales volumes as a result of the Q2-2021 cargo lifting, partially offset by an increase in production. Subsequent to the quarter, TransGlobe sold a ~500 Mbbl cargo of Egypt entitlement crude oil. The cargo volumes were in excess of crude oil inventories at the time of lifting. The Company expects to reach a settlement on the overlift in Q3-2021. All Canadian production was sold during the quarter.

As announced on December 3, 2020, the Company has reached an agreement with EGPC to merge its three existing Eastern Desert concessions with a 15-year primary term and improved Company economics. As previously announced, the Company held discussions with the Ministry of Petroleum during Q2-2021, and was informed that due to the recent Egyptian election combined with internal process changes for ratification, the Ministry is now expecting ratification to occur in the second half of 2021. The February 1, 2020 effective date for the improved concession terms and assurances from the Ministry is supportive of increased investment in advance of ratification.

In Egypt, following the mobilization of the rig from the Western Desert, the Company drilled two development oil wells in the Eastern Desert at West Bakr. The HW-8 development oil well was drilled to a total depth of 1,640.5 meters, successfully encountering oil-bearing sands in the Yusr-C and Bakr formations, and was brought into production at a field estimated 622 bbls/d late in the quarter. The K-64 development oil well was drilled to a total depth of 1,538.0 meters, successfully encountering oil-bearing sands in the Asl-A, Asl-B and Asl-D formations, and was brought into production at a field estimated 609 bbls/d subsequent to the quarter.

In anticipation of increased gross fluid offtake to be generated by new projects in the new merged concession area, the Company has accelerated plans to upgrade its water management systems in H2-2021. The Company remains forward looking and prepared to use its operational control to take advantage of any sustained upward movement in oil price.

In Canada, the previously drilled and equipped 2-mile horizontal well at South Harmattan has achieved a calculated IP30 estimate of 286 boe/d (247 bbls/d light oil, 131 Mcf/d gas, 17 bbls/d NGL) and a calculated IP60 estimated at 242 boe/d (199 bbls/d light oil, 144 Mcf/d gas, 19 bbls/d NGL), both on a productive day basis. Lease construction was completed in support of the drilling of three 100% working interest horizontal oil development wells (one 2-mile and two 1-mile) located approximately four miles to the northwest of the 2-20 location in TransGlobe’s Cardium extension into the South Harmattan area. The first well of this back-to-back drilling program spud on June 30, 2021 and was drilled and cased in July. Subsequent to the quarter, the second and third wells in the Canadian drilling program were drilled and cased. All three wells were drilled on time and on budget.

Dependent upon anticipated rig efficiencies, the Company expects to drill two additional wells (an exploration well, SGZ-7B, and a well in K-field) as a part of the 2021 drilling program. These new drills, combined with accelerated spend on its water management systems, noted above, and cost increases incurred in the Canadian drilling and development program, are expected to result in an approximate $5.8 million increase to the previously announced capital budget of $27.2 million (before capitalized G&A) in 2021. Due to timing of the drilling of the K-field well and the SGZ-7B well, the Company is not adjusting its expected production guidance for 2021 of 12.0 to 13.0 Mboe/d with a midpoint of 12.5 Mboe/d.

OPERATIONS UPDATE

ARAB REPUBLIC OF EGYPT

EASTERN DESERT

West Gharib, West Bakr, and North West Gharib (100% working interest, operated)

Operations and Exploration

Following mobilization of the rig from the Western Desert, the Company drilled a development oil well in the Eastern Desert at West Bakr. The HW-8 development well was drilled to a total depth of 1,640.5 meters, successfully encountering oil-bearing sands in the Yusr-C and Bakr formations.

The reservoir section was fully logged and evaluated, with an internally estimated 5.9 meters of net oil pay in the Yusr-C sand and 28.1 meters of net oil pay across four sands in the Bakr reservoir. The Bakr reservoir was brought into production late in the quarter at a field estimated 622 bbls/d.

HW-8 was the first well in TransGlobe's 12 well development program in 2021 designed to grow oil production and increase reserves in the Eastern Desert.

The second well in this program, K-64, a development well in the Eastern Desert at West Bakr, was drilled to a total depth of 1,538 meters, successfully encountering oil-bearing sands in the Asl-A, Asl-B and Asl-D formations.

The reservoir section was fully logged and evaluated, with an internally estimated 20.9 meters of net oil pay in the Asl-A sand, 17.8 meters of net oil pay across the Asl-B sand and 9.7 meters of net oil pay in the Asl-D sand. Subsequent to the quarter, the Asl-B was brought into production at a field estimated 609 bbls/d in mid-July. The Asl-A is expected to be recovered through a future recompletion of this well and the Asl-D through other well drainage points.

In anticipation of increased gross fluid offtake to be generated by new projects in the new merged concession area, the Company has accelerated plans to upgrade its water management systems in H2-2021. Dependent upon anticipated rig efficiencies, the Company also expects to drill an additional well in K-field as a part of the 2021 drilling program.

The substantial capital investment in 2021 is supported by the Company's previously disclosed merger of its three Eastern Desert concessions into a single agreement, currently awaiting ratification.

Production

Production averaged 9,917 bbls/d during the quarter, a decrease of 1% (133 bbls/d) from the previous quarter. The decrease was primarily due to natural declines prior to the bringing into production of the first 2021 Eastern Desert drill wells.

Production in July 2021 averaged ~10,611 bbls/d.

Sales

The Company sold 338.5 Mbbls of entitlement crude oil to EGPC and sold one cargo lifting of 498.6 Mbbls of entitlement crude oil to third-party buyers during the quarter. The overlift portion of the cargo (~129.5 Mbbls) was settled against outstanding receivables from EGPC during the quarter.

Quarterly Eastern Desert Production (bbls/d)	**2021**		2020	
	Q-2	Q-1	Q-4	Q-3
Gross production rate[1]	**9,917**	10,050	10,129	9,635
TransGlobe production sold (inventoried)	**3,465**	(2,531)	3,328	(1,432)
Total sales	**13,382**	7,519	13,457	8,203
Government share (royalties and tax)	**5,229**	5,680	5,715	5,452
TransGlobe sales (after royalties and tax)[2]	**8,153**	1,839	7,742	2,751
Total sales	**13,382**	7,519	13,457	8,203

[1] Quarterly production by concession (bbls/d):
West Gharib – 3,024 (Q2-2021), 3,076 (Q1-2021), 3,113 (Q4-2020), and 2,808 (Q3-2020)
West Bakr – 6,327 (Q2-2021), 6,415 (Q1-2021), 6,656 (Q4-2020), and 6,498 (Q3-2020)
North West Gharib – 566 (Q2-2021), 559 (Q1-2021), 360 (Q4-2020), and 329 (Q3-2020)

[2] Under the terms of the Production Sharing Concession Agreements, royalties and taxes are paid out of the government's share of production sharing oil.

WESTERN DESERT

South Ghazalat (100% working interest, operated)

Operations and Exploration

Following evaluation of the reservoir pressure and Gas Oil Ratio ("GOR") data from the initial production phase of the lower Bahariya reservoir at SGZ-6X in the South Ghazalat field, the well has been put on GOR control management to preserve reservoir pressure and maximize recovery. The well is currently producing at a field estimated 680 - 730 bbls/d of light oil with a ~24% watercut. Further reservoir pressure data is being collected to evaluate the impact of aquifer pressure support to the reservoir as that is activated.

With stronger oil prices and spare capacity available in the South Ghazalat production facility and dependent upon anticipated rig efficiencies, the Company expects to accelerate the drilling of an exploration well on the SGZ-7B prospect to the east of SGZ-6X. The earliest SGZ-7B could be drilled is Q4-2021.

Production

Production averaged 810 bbls/d during the quarter, an increase of 331% (622 bbls/d) from the previous quarter. The increase was due to the oil production impact of the SGZ-6X lower Bahariya recompletion over a whole quarter.

Production in July 2021 averaged ~697 bbls/d.

Sales

The Company sold 27.8 Mbbls of inventoried entitlement crude oil to EGPC during the quarter.

Quarterly Western Desert Production (bbls/d)	2021	2020		
	Q-2	Q-1	Q-4	Q-3
Gross production rate	**810**	188	139	177
Total sales	**810**	188	139	177
Government share (royalties and tax)	**504**	117	86	110
TransGlobe sales (after royalties and tax)[1]	**306**	71	53	67
Total sales	**810**	188	139	177

[1] Under the terms of the Production Sharing Concession Agreements, royalties and taxes are paid out of the government's share of production sharing oil.

CANADA

Operations and Exploration

The 2-mile horizontal South Harmattan 13-16 oil well, stimulated and equipped in Q1-2021, has achieved a calculated IP30 estimated at 286 boe/d (247 bbls/d light oil, 131 Mcf/d gas 17 bbls/d NGL) and a calculated IP60 estimated at 242 boe/d (199 bbls/d light oil, 144 Mcf/d gas 19 bbls/d NGL), both on a productive day basis.

Lease construction was completed in support of the drilling of three 100% horizontal oil development wells (one 2-mile, two 1-mile) in the north of TransGlobe's Cardium extension into the South Harmattan area. The first well of this back-to-back drilling program spud on June 30, 2021 and was drilled and cased in July. Subsequent to the quarter, the second and third wells in the Canadian drilling program were drilled and cased. All three wells were drilled on time and on budget. The Company expects all three wells to be completed, stimulated and brought into production by early Q4-2021.

Production

In Canada, production averaged 2,350 boe/d during the quarter, an increase of 367 boe/d (19%) from the previous quarter and within full year 2021 guidance of 2,300 to 2,500 boe/d. The increase in production from the previous quarter is primarily due to the return to production of the 2-20 well following the 13-16 completion and stimulation, plus the latter's production contribution.

Production in July 2021 averaged ~2,106 boe/d with ~605 bbls/d of oil. The decrease from Q2-2021 is due to natural declines and the initial high decline rate on the recently completed 13-16 South Harmattan Cardium Horizontal well.

Quarterly Canada Production	2021	2020		
	Q-2	Q-1	Q-4	Q-3
Canada crude oil (bbls/d)	**687**	564	618	661
Canada NGLs (bbls/d)	**857**	710	755	798
Canada natural gas (Mcf/d)	**4,834**	4,259	4,454	4,633
Total production (boe/d)	**2,350**	1,983	2,116	2,232

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 6, 2021

The following discussion and analysis is management's opinion of TransGlobe Energy Corporation's ("TransGlobe" or the "Company") historical financial and operating results and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2021 and 2020, together with the notes related thereto (the "Condensed Consolidated Interim Financial Statements"), and the audited Consolidated Financial Statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2020 included in the Company's annual report. The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in the currency of the United States, except otherwise noted. Additional information relating to the Company, including the Company's Annual Information Form, is on SEDAR at www.sedar.com. The Company's Annual Report on Form 40-F may be found on EDGAR at www.sec.gov.

READER ADVISORIES

Forward-Looking Statements

Certain statements or information contained herein may constitute forward-looking statements or information under applicable securities laws, including, but not limited to, management's assessment of future plans and operations, that TransGlobe will have the ability to develop its properties in the manner currently contemplated, the expected benefits to the Company of consolidating, amending and extending the Company's Eastern Desert PSCs (as defined herein), the ratification of the consolidation, amendment and extension of the Company's Eastern Desert PSC's, and other matters, anticipated changes to the Company's reserves and production, timing of directly marketed crude oil sales, drilling plans and the timing thereof, commodity price risk management strategies, adapting to the current political situation in Egypt, reserves estimates, management's expectation for results of operations for 2021, including expected 2021 average production, funds flow from operations, that TransGlobe will have the ability to pay down its debt and return money to its shareholders, the 2021 capital program for exploration and development, the timing and method of financing thereof, the Company's continued work with EGPC (as defined herein) regarding scheduling cargoes, anticipated reductions in year-end inventory, the availability of funds to meet current and foreseeable financial requirements at a reasonable cost, collection of accounts receivable from the Egyptian Government, the timing of liftings of crude oil produced from the Company's Egyptian operations, the terms of drilling commitments under the Egyptian Production Sharing Agreements and Production Sharing Concessions (collectively defined as "PSCs") and the method of funding such drilling commitments, the Company's beliefs regarding the reserves and production growth of its assets and the ability to grow with a stable production base, that TransGlobe will have the ability to steward capital and reduce costs, commodity prices and expected volatility thereof, and interest rates and the expected volatility thereof. Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Forward-looking statements or information relate to the Company's future events or performance. All statements other than statements of historical fact may be forward-looking statements or information. Such statements or information are often but not always identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions.

Forward-looking statements or information necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, economic and political instability, volatility of commodity prices, currency fluctuations, fluctuations in operating expenses due to changes in inventory volumes, inability to pay down the Company's debt, inability to continue to work with the Egyptian General Petroleum Company ("EGPC") to schedule cargoes, the ratification of the consolidation, amendment and extension of the Company's Eastern Desert PSCs, imprecision of reserves estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals, failure to collect the remaining accounts receivable balance from EGPC, the potential impacts of COVID-19 to the Company's business, operating results, cash flows and/or financial condition, ability to access sufficient capital from internal and external sources and the risks contained under "Risk Factors" in the Company's Annual Information Form which is available on www.sedar.com. The recovery and reserves estimates of the Company's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Events or circumstances may cause actual results to differ materially from those predicted, as a result of the risk factors set out and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company.

Forward-looking information and statements contained in this document include the payment of dividends, including the timing and amount thereof, and the Company's intention to declare and pay dividends in the future under its current dividend policy. Without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as the Company's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, free cash flow, financial requirements for the Company's operations and the execution of its strategy, ongoing production maintenance, growth through acquisitions, fluctuations in working capital and the timing and amount of capital expenditures and anticipated business development capital, payment irregularity in Egypt, debt service requirements and other factors beyond the Company's control. Further, the ability of the Company to pay dividends will be subject to applicable laws (including the satisfaction of the liquidity and solvency tests contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness.

In addition, forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information in order to provide shareholders with a more complete perspective on the Company's future operations. Such statements and information may prove to be incorrect and readers are cautioned that such statements and information may not be appropriate for other purposes. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among *other things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future commodity prices; the ability of the Company's derivative financial instruments to manage its exposure thereto; currency exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; that the Company's ongoing work with the EGPC with respect to scheduling cargoes will continue be successful; the ratification of the consolidation, amendment and extension of the Company's Eastern Desert PSCs; the impact of potential litigation and claims on the Company; and the ability of the Company to successfully market and receive payment for its oil and natural gas products.*

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian and U.S. securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), EDGAR website (www.sec.gov) and on the Company's website (www.trans-globe.com).

Furthermore, the forward-looking statements or information contained herein are made as at the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings (loss) as further information becomes available, and as the economic environment changes.

This MD&A includes references to certain financial measures which are not specified, defined, or determined under IFRS and are therefore considered non-GAAP financial measures. These non-GAAP financial measures are unlikely to be comparable to similar financial measures presented by other issuers. For a full description of these non-GAAP financial measures and a reconciliation of these measures to their most directly comparable GAAP measures, please refer to "NON-GAAP FINANCIAL MEASURES".

All oil and natural gas reserves information contained in this document has been prepared and presented in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook. The actual crude oil and natural gas reserves and future production will be greater than or less than the estimates provided in this document. The estimated future net revenue from the production of crude oil and natural gas reserves does not represent the fair market value of these reserves.

Mr. Ron Hornseth, B.Sc., General Manager – Canada for TransGlobe Energy Corporation, and a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, June 2009, of the London Stock Exchange, has reviewed the technical information contained in this report. Mr. Hornseth is a professional engineer who obtained a Bachelor of Science in Mechanical Engineering from the University of Alberta. He is a member of the Association of Professional Engineers and Geoscientists of Alberta ("APEGA") and the Society of Petroleum Engineers ("SPE") and has over 20 years' experience in oil and gas.

Natural gas volumes have been converted on the basis of six thousand cubic feet of natural gas to one barrel of oil equivalent. Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

NON-GAAP FINANCIAL MEASURES

Funds flow from operations

This document contains the term "funds flow from operations", which should not be considered an alternative to or more meaningful than "cash flow from operating activities" as determined in accordance with IFRS. Funds flow from operations is a measure that represents cash generated from operating activities before changes in non-cash working capital. Management considers this a key measure as it demonstrates TransGlobe's ability to generate the cash flows necessary to fund future growth through capital investment. Funds flow from operations does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies.

Reconciliation of funds flow from operations

	Three Months Ended June 30		**Six Months Ended June 30**	
($000s)	**2021**	2020	**2021**	2020
Cash flow generated by operating activities	**23,832**	24,551	**19,892**	20,878
Changes in non-cash working capital	**(6,732)**	(27,315)	**(2,711)**	2,040
Funds flow from operations[1]	**17,100**	(2,764)	**17,181**	22,918

[1] Funds flow from operations does not include interest costs. Interest expense is included in financing costs on the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss. Cash interest paid is reported as a financing activity on the Condensed Consolidated Interim Statements of Cash Flows.

Net debt-to-funds flow from operations ratio

Net debt-to-funds flow from operations is a measure that is used by management to set the amount of capital in proportion to risk. The Company's net debt-to-funds flow from operations ratio is computed as long-term debt, including the current portion, net of working capital, over funds flow from operations for the trailing twelve months. Net-debt-to-funds flow from operations does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies.

Netback

Netback is a measure of operating results and is computed as sales net of royalties (all government interests, net of income taxes), production and operating expenses, current taxes and selling costs. The Company's netbacks include sales and associated costs of production from inventoried crude oil sold during the period. Royalties and taxes associated with inventoried crude oil are recognized in the financial statements at the time of production. As a result, netbacks fluctuate depending on the timing of entitlement crude oil sales. Management believes that netback is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses. Netback does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies.

OUTLOOK

The 2021 outlook provides information as to management's expectation for results of operations for 2021. Readers are cautioned that the 2021 outlook may not be appropriate for other purposes. The Company's expected results are sensitive to fluctuations in the business environment in the jurisdictions that the Company operates in, and may vary accordingly. **This outlook contains forward-looking statements that should be read in conjunction with the Company's disclosure under "Forward-Looking Statements", outlined on the first page of this "MD&A".**

2021 Outlook

The 2021 production outlook for the Company is provided as a range to reflect timing and performance contingencies.

TransGlobe maintains a strong balance sheet with modest debt and is the operator across all of its producing assets, which gives the Company significant capital flexibility and a high degree of discretion in its forward investment program. The Company intends to use all available tools to minimize balance sheet risk and position itself for future success.

With $10.0 million owed to Mercuria Energy Trading SA ("Mercuria") and $7.0 million owed to ATB Financial ("ATB"), TransGlobe is in compliance with its debt covenants. During the second quarter of 2021 the Company repaid $5.0 million on the prepayment agreement. The Company exited the second quarter of 2021 with $43.6 million in cash on hand. Subsequent to the end of the quarter the Company sold a ~500 Mbbl cargo of Egypt crude oil with net proceeds expected in August 2021. The cargo volumes were in excess of crude oil inventories at the time of lifting. The Company expects to reach a settlement on the overlift in Q3-2021.

As announced on December 3, 2020, the Company has reached an agreement with the Egyptian General Petroleum Company ("EGPC") to merge its three existing Eastern Desert concessions with a 15-year primary term and improved Company economics. As previously announced, the Company held discussions with the Ministry of Petroleum during Q2-2021, and was informed that due to the recent Egyptian election combined with internal process changes for ratification, the Ministry is now expecting ratification to occur in the second half of 2021. The February 1, 2020 effective date for the improved concession terms and assurances from the Ministry is supportive of increased investment in advance of ratification.

Subject to ratification, the Company will pay EGPC a signature bonus and an equalization payment in installments. An initial equalization payment of $15.0 million and signature bonus of $1.0 million are due effectively on ratification, with five further annual equalization payments of $10.0 million each being made over five years (beginning February 1, 2022 until February 1, 2026). The Company will also have minimum financial work commitments of $50.0 million per each five-year period of the primary development term, commencing on the February 1, 2020 effective date.

With the approval of the agreement to merge the Eastern Desert concessions and recent improvements in commodity prices, the Company has moved forward to re-start investment in Egypt and Canada to support growth plans in both countries. Dependent upon anticipated rig efficiencies, the Company expects to drill two additional wells (an exploration well, SGZ-7B, and a well in K-field) as a part of the 2021 drilling program and accelerate its plans to upgrade its Eastern Desert water management system in H2-2021. These new drills, accelerated spend on its water management system, and cost increases incurred in the Canadian drilling and development program, are expected to result in an approximate $5.8 million increase to the previously announced capital budget of $27.2 million (before capitalized G&A) in 2021. Due to timing of the drilling of the K-field well and the SGZ-7B well, the Company is not adjusting its expected production guidance for 2021.

The 2021 plan was prepared to focus on value accretive projects within its portfolio, maximize free cash flow to direct at future value growth opportunities and to increase the Company's production base.

Total corporate production is expected to range between 12.0 and 13.0 Mboe/d (mid-point of 12.5 Mboe/d) for 2021 with a 93% weighting to oil and liquids. Egypt oil production is expected to range between 9.7 and 10.5 Mbbls/d (mid-point of 10.1 Mbbls/d) in 2021. Canadian production is expected to range between 2.3 and 2.5 Mboe/d (mid-point of 2.4 Mboe/d) in 2021. The 2021 mid-point production guidance broken out by product type is summarized below:

Mid-point production guidance	Egypt	Canada	Total
Light and medium crude oil (bbls/d)	791	800	1,591
Heavy crude oil (bbls/d)	9,309	-	9,309
Conventional natural gas (Mcf/d)	-	4,800	4,800
Associated natural gas liquids (bbls/d)	-	800	800
Total (boe/d)	**10,100**	**2,400**	**12,500**

Funds flow from operations in any given period is dependent upon the timing and market price of crude oil sales in Egypt. Because these factors are difficult to accurately predict, the Company has not provided funds flow from operations guidance for 2021. Funds flow from operations and inventory levels in Egypt may fluctuate significantly from quarter to quarter due to the timing of crude oil sales.

The below chart provides a comparison of well netbacks in the Company's Egyptian and Canadian assets under multiple price sensitivities. A typical Cardium well produces both oil and natural gas/NGLs. The price of each commodity varies significantly, therefore the below chart presents the netback of each revenue stream separately. The Egyptian well netbacks as presented below are on the average existing terms of its three Eastern Desert concessions and do not reflect the economics of the new merged concession agreement.

Netback sensitivity					
Benchmark crude oil price ($/bbl)[1]	40.00	50.00	60.00	70.00	80.00
Benchmark natural gas price ($/Mcf)[2]	2.08	2.16	2.24	2.32	2.40
Netback ($/boe)					
Egypt - crude oil[3]	1.60	5.70	9.80	13.90	18.00
Canada - crude oil[4]	21.10	28.90	36.20	43.70	51.20
Canada - natural gas and NGLs[4]	3.20	5.10	6.80	8.60	10.40

1 Benchmark Egypt crude oil price is Dated Brent; benchmark Canada crude oil price is WTI.

2 Benchmark natural gas price is AECO.

3 Egypt assumptions: using anticipated 2021 Egypt production profile, Gharib Blend price differential estimate of $5.00/bbl applied consistently at all price points, concession differentials of 4%, 5% and 5% applied to WG/WB/NWG respectively, operating costs estimated at ~$13.00/bbl, and maximum cost recovery resulting from accumulated cost pools.

4 Canada assumptions: using anticipated 2021 Canada production profile Edmonton Light price differential estimate of $C5.00/bbl, Edmonton Light to Harmattan discount of $C2.50/bbl, operating costs estimated at ~$C10.90/boe, NGL mixture price at 45% of Edmonton Light, and takes into consideration Canadian tax pools.

SELECTED QUARTERLY FINANCIAL INFORMATION
($000s, except per share, price and volumes amounts)

	2021		2020				2019	
($000s, except per share amounts, price and volumes)	**Q-2**	Q-1	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3
Operations								
Average production volumes								
Crude oil (bbls/d)	**11,414**	10,802	10,886	10,473	12,696	13,404	13,739	14,416
NGLs (bbls/d)	**857**	710	755	798	826	761	735	585
Natural gas (Mcf/d)	**4,834**	4,259	4,454	4,633	4,665	4,996	5,331	5,652
Total (boe/d)	**13,077**	12,221	12,384	12,044	14,300	14,997	15,362	15,943
Average sales volumes								
Crude oil (bbls/d)	**14,879**	8,271	14,215	9,110	10,865	21,341	13,065	12,595
NGLs (bbls/d)	**857**	710	755	798	826	761	735	585
Natural gas (Mcf/d)	**4,834**	4,259	4,454	4,633	4,665	4,996	5,331	5,652
Total (boe/d)	**16,542**	9,691	15,712	10,680	12,470	22,934	14,688	14,122
Average realized sales prices								
Crude oil ($/bbl)	**60.39**	53.26	37.40	37.14	23.40	40.47	51.61	54.33
NGLs ($/bbl)	**27.03**	26.42	18.96	15.65	11.43	12.49	18.81	19.75
Natural gas ($/Mcf)	**2.58**	2.46	1.85	1.80	1.31	1.61	1.81	0.70
Total oil equivalent ($/boe)	**56.48**	48.47	35.27	33.63	21.63	38.42	47.51	49.56
Inventory (Mbbls)	**140.3**	455.7	227.9	534.0	408.7	242.1	964.5	902.6
Petroleum and natural gas sales	**85,018**	42,277	50,989	33,046	24,549	80,187	64,201	64,388
Petroleum and natural gas sales, net of royalties	**50,595**	18,052	33,309	16,740	11,392	53,234	28,473	31,200
Cash flow generated by (used in) operating activities	**23,832**	(3,940)	14,180	(3,349)	24,551	(3,672)	23,740	12,042
Funds flow from operations[1]	**17,100**	81	7,202	323	(2,764)	25,683	3,171	9,429
Basic per share	**0.24**	-	0.10	-	(0.03)	0.35	0.04	0.13
Diluted per share	**0.24**	-	0.10	-	(0.03)	0.35	0.04	0.13
Net earnings (loss)	**7,722**	(11,024)	(2,855)	(5,957)	(13,367)	(55,218)	(8,202)	2,967
Basic per share	**0.11**	(0.15)	(0.04)	(0.08)	(0.19)	(0.76)	(0.11)	0.04
Diluted per share	**0.11**	(0.15)	(0.04)	(0.08)	(0.19)	(0.76)	(0.11)	0.04
Capital expenditures	**3,597**	2,907	254	437	1,229	5,577	10,996	9,292
Dividends declared	**-**	-	-	-	-	-	-	2,539
Dividends declared per share	**-**	-	-	-	-	-	-	0.035
Total assets	**208,479**	197,150	201,147	205,583	221,347	241,219	308,325	312,654
Cash and cash equivalents	**43,639**	28,669	34,510	27,065	34,837	23,830	33,251	24,444
Working capital	**17,136**	7,055	15,349	12,708	35,112	53,294	32,194	47,150
Total long-term debt, including current portion	**16,951**	21,699	21,464	25,946	27,071	36,591	37,041	41,726
Net debt-to-funds flow from operations ratio[2]	**0.40**	6.12	0.69	1.25	(0.23)	(0.29)	0.10	(0.10)

[1] Funds flow from operations (before finance costs) is a measure that represents cash generated from operating activities before changes in non-cash working capital and may not be comparable to measures used by other companies. See "Non-GAAP Financial Measures".

[2] Net debt-to-funds flow from operations ratio is a measure that represents total long-term debt (including the current portion) net of working capital over funds flow from operations for the trailing 12 months and may not be comparable to measures used by other companies. See "Non-GAAP Financial Measures".

During the second quarter of 2021, TransGlobe:

- Reported a decrease in production volumes of 9% compared to Q2-2020, the decrease was primarily attributable to the lack of capital investment in 2020 and the subsequent impact of natural declines to production;
- Sold 366.3 Mbbls of entitlement crude oil to EGPC and sold one cargo lifting of 498.6 Mbbls, ending the quarter with crude oil inventory of 140.3 Mbbls in Egypt. The overlift portion of the lifted cargo (~129.5 Mbbls) was settled against outstanding receivables from EGPC during the quarter;
- Collected a total of $17.7 million of accounts receivable from EGPC during the quarter;
- Reported positive funds flow from operations of $17.1 million, inclusive of a $3.6 million realized derivative loss on commodity contracts;
- Petroleum and natural gas sales increased by 246% compared to Q2-2020, primarily due to a 33% increase in sales volumes and a 161% increase in realized prices;
- Reported net earnings of $7.7 million inclusive of a $1.2 million unrealized derivative loss on commodity contracts;
- Spent $3.6 million on capital expenditures; and
- Ended Q2-2021 with positive working capital of $17.1 million, including $43.6 million in cash.

BUSINESS ENVIRONMENT

The Company's financial results are influenced by fluctuations in commodity prices, including price differentials. The following table shows select market benchmark prices and foreign exchange rates:

	2021		2020		
Average reference prices and exchange rates	**Q-2**	Q-1	Q-4	Q-3	Q-2
Crude oil					
Dated Brent average oil price ($/bbl)	**68.83**	60.82	44.29	42.96	29.34
Edmonton Sweet index ($/bbl)	**63.07**	52.54	38.50	37.35	21.71
Natural gas					
AECO ($/MMBtu)	**2.48**	2.30	2.18	1.69	1.41
US/Canadian Dollar average exchange rate	**1.23**	1.27	1.30	1.33	1.39

In Q2-2021, the average price of Dated Brent oil was 7% and 121% higher than Q1-2021 and Q2-2020, respectively. Egypt production is priced based on Dated Brent, less a quality differential and is shared with the Egyptian government through PSCs. When the price of oil increases, it takes fewer barrels to recover costs (cost oil or cost recovery barrels) which are assigned 100% to the Company. The PSCs provide for cost recovery per quarter up to a maximum percentage of total production. Timing differences often exist between the Company's recognition of costs and their recovery as the Company accounts for costs on an accrual basis, whereas cost recovery is determined on a cash basis. If the eligible cost recovery is less than the maximum defined cost recovery, the difference is defined as "excess". In Egypt, depending on the PSCs, the Contractor's share of excess ranges between 0% and 30%. If the eligible cost recovery exceeds the maximum allowed percentage, the unclaimed cost recovery is carried forward to the next quarter. Typically maximum cost oil ranges from 25% to 30% in Egypt. The balance of the production after maximum cost recovery is shared with the government (profit oil). Depending on the contract, the Egyptian government receives 70% to 86% of the profit oil. Production sharing splits are set in each contract for the life of the contract. Typically the government's share of profit oil increases when production exceeds pre-set production levels in the respective contracts. During times of high oil prices, the Company receives less cost oil and may receive more production-sharing oil. During times of lower oil prices, the Company receives more cost oil and may receive less profit oil. For reporting purposes, the Company records the government's share of production as royalties and taxes (all taxes are paid out of the government's share of production) which will increase during times of rising oil prices and decrease in times of declining oil prices. If oil prices are sufficiently low and the Gharib Blend/Dated Brent differential is high, the cost oil portion may not be sufficient to cover operating costs and capital costs, or even operating costs alone. When this occurs, the non-recovered costs accumulate in the Company's cost pools and are available to be offset against future cost oil during the term of the PSCs and any eligible extension periods.

EGPC owns the storage and export facilities where the Company's production is delivered and the Company requires EGPC cooperation and approval to schedule liftings. Once liftings occur, the Company incurs a 30-day collection cycle on liftings as a result of direct marketing to third-party international buyers. Depending on the Company's assessment of the credit of crude oil cargo buyers, they may be required to post irrevocable letters of credit to support the sales prior to the cargo liftings.

TransGlobe pays royalties to the Alberta provincial government and landowners in accordance with the established royalty regime. In Alberta, Crown royalty rates are based on reference commodity prices, production levels and well depths, and are offset by certain incentive programs in place to promote drilling activity by reducing overall royalty expense.

In the second quarter of 2021, the average price of Edmonton Sweet index oil (expressed in US$) was 10% and 166% higher than Q1-2021 and Q2-2020, respectively. In Q2-2021, the average price of AECO natural gas was 4% and 70% higher than Q1-2021 and Q2-2020, respectively.

OPERATING RESULTS AND NETBACK

Daily Volumes, Working Interest before Royalties

Production Volumes

	Three Months Ended June 30		**Six Months Ended June 30**	
	2021	2020	**2021**	2020
Egypt crude oil (bbls/d)	**10,727**	11,990	**10,484**	12,267
Canada crude oil (bbls/d)	**687**	706	**626**	783
Canada NGLs (bbls/d)	**857**	826	**784**	793
Canada natural gas (Mcf/d)	**4,834**	4,665	**4,548**	4,830
Total Company (boe/d)	**13,077**	14,300	**12,652**	14,648

Sales Volumes (excludes volumes held as inventory)

	Three Months Ended June 30		**Six Months Ended June 30**	
	2021	2020	**2021**	2020
Egypt crude oil (bbls/d)	**14,192**	10,228	**10,967**	15,355
Canada crude oil (bbls/d)	**687**	637	**626**	749
Canada NGLs (bbls/d)	**857**	826	**784**	793
Canada natural gas (Mcf/d)	**4,834**	4,665	**4,548**	4,830
Total Company (boe/d)	**16,542**	12,470	**13,135**	17,702

Netback

Consolidated netback

	Three Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Petroleum and natural gas sales	**85,018**	**56.48**	24,549	21.63
Royalties[2]	**34,423**	**22.87**	13,157	11.59
Current taxes[2]	**5,605**	**3.72**	2,445	2.15
Production and operating expenses	**19,722**	**13.10**	10,406	9.17
Selling costs	**1,671**	**1.11**	423	0.37
Netback[1]	**23,597**	**15.68**	(1,882)	(1.65)

[1] The Company achieved the netbacks above on sold barrels of oil equivalent for the periods ended June 30, 2021 and 2020 (these figures do not include TransGlobe's Egypt entitlement crude oil held as inventory at June 30, 2021).

[2] Royalties and taxes are settled at the time of production. Fluctuations in royalty and tax costs per bbl are due to timing differences between the production and sale of the Company's entitlement crude oil.

	Six Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Petroleum and natural gas sales	**127,295**	**53.54**	104,736	32.51
Royalties[2]	**58,648**	**24.67**	40,110	12.45
Current taxes[2]	**10,265**	**4.32**	7,030	2.18
Production and operating expenses	**29,171**	**12.27**	33,663	10.45
Selling costs	**1,705**	**0.72**	1,049	0.33
Netback[1]	**27,506**	**11.56**	22,884	7.10

[1] The Company achieved the netbacks above on sold barrels of oil equivalent for the periods ended June 30, 2021 and 2020 (these figures do not include TransGlobe's Egypt entitlement crude oil held as inventory at June 30, 2021).

[2] Royalties and taxes are settled at the time of production. Fluctuations in royalty and tax costs per bbl are due to timing differences between the production and sale of the Company's entitlement crude oil.

Egypt

	Three Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Oil sales	**77,831**	**60.27**	22,304	23.96
Royalties[2]	**32,843**	**25.43**	12,477	13.41
Current taxes[2]	**5,605**	**4.34**	2,445	2.63
Production and operating expenses	**17,919**	**13.87**	9,031	9.70
Selling costs	**1,671**	**1.29**	423	0.45
Netback[1]	**19,793**	**15.34**	(2,072)	(2.23)

[1] The Company achieved the netbacks above on sold barrels of oil equivalent for the periods ended June 30, 2021 and 2020 (these figures do not include TransGlobe's Egypt entitlement crude oil held as inventory at June 30, 2021).

[2] Royalties and taxes are settled at the time of production. Fluctuations in royalty and tax costs per bbl are due to timing differences between the production and sale of the Company's entitlement crude oil.

	Six Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Oil sales	**114,805**	**57.84**	97,719	34.97
Royalties[2]	**56,327**	**28.38**	38,819	13.89
Current taxes[2]	**10,265**	**5.17**	7,030	2.52
Production and operating expenses	**25,847**	**13.02**	30,389	10.87
Selling costs	**1,705**	**0.86**	1,049	0.38
Netback[1]	**20,661**	**10.41**	20,432	7.31

[1] The Company achieved the netbacks above on sold barrels of oil equivalent for the periods ended June 30, 2021 and 2020 (these figures do not include TransGlobe's Egypt entitlement crude oil held as inventory at June 30, 2021).

[2] Royalties and taxes are settled at the time of production. Fluctuations in royalty and tax costs per bbl are due to timing differences between the production and sale of the Company's entitlement crude oil.

Netbacks per barrel in Egypt increased by 788% and 42%, respectively, for the three and six months ended June 30, 2021, compared with the same periods in 2020. The increase was primarily due to 152% and 65% higher realized oil prices, partially offset by 86% and 104% higher royalties and taxes per bbl and 43% and 20% higher production and operating expenses per bbl.

Royalties and taxes as a percentage of revenue were 49% and 58%, respectively, in the three and six months ended June 30, 2021, compared to 67% and 47% in the same periods in 2020. Royalties and taxes are settled on a production basis, therefore, the correlation of royalties and taxes to oil sales fluctuates depending on the timing of entitlement oil sales. If sales volumes had been equal to production volumes during the three and six months ended June 30, 2021, royalties and taxes as a percentage of revenue would have been 65% and 61% (2020 - 57% and 59%). In periods when the Company sells less than its entitlement production, royalties and taxes as a percentage of revenue will be higher than the terms of the PSCs. In periods when the Company sells more than its entitlement production, royalties and taxes as a percentage of revenue will be lower than the terms set out in the PSCs. The relative decrease from 67% for the three months ended June 30, 2021 to 49% for the three months ended June 30, 2021, was due to sales outpacing production in the second quarter of 2021. The relative increase from 47% for the six months ended June 30, 2021 to 58% for the six months ended June 30, 2021, was primarily due to Q2-2021 excess cost oil in the West Bakr concession, partially offset by sales outpacing production in the quarter. Excess cost oil occurs when the current costs and historic cost amortization, permissible within the PSC, are less than the proportion of cost oil value. In the case of West Bakr, 100% of excess cost oil belongs to EGPC, which effectively increases the royalty burden.

In Egypt, the average selling price was $60.27/bbl and $57.84/bbl, respectively, for the three and six months ended June 30, 2021, which represents an increase of 152% and 65% compared to the same periods in 2020. The differences between the average selling prices and Dated Brent prices are due to a gravity/quality adjustment and are also impacted by the specific timing of direct sales.

In Egypt, production and operating expenses fluctuate periodically due to changes in inventory volumes as a portion of costs are capitalized and expensed when sold. Production and operating expenses increased by 98% ($8.9 million) in the three months ended June 30, 2021, compared with the same period in 2020. The increase was primarily related to a significant decrease in crude oil inventory from the Q2 cargo lifting and sales to EGPC, whereby operating costs previously capitalized to inventory were expensed when sold ($8.2 million). The increase was also caused by an increase in manpower costs, partially offset by lower production handling fees and lower diesel and chemical costs. Production and operating expenses decreased by 15% ($4.5 million) in the six months ended June 30, 2021 compared with the same period in 2020. The decrease was primarily related to a decrease in sales volumes in the first six months of 2021 compared to 2020, resulting in less operating costs being expensed from inventory ($3.0 million). The decrease was also caused by lower production handling fees, lower fuel costs and lower workover costs, partially offset by an increase in manpower costs.

Canada

	Three Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Crude oil sales	**3,942**	**63.05**	830	14.32
Natural gas sales	**1,137**	**15.51**	556	7.86
NGL sales	**2,108**	**27.03**	859	11.43
Total sales	**7,187**	**33.61**	2,245	11.01
Royalties	**1,580**	**7.38**	680	3.34
Production and operating expenses	**1,803**	**8.43**	1,375	6.74
Netback	**3,804**	**17.80**	190	0.93

	Six Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Crude oil sales	**6,615**	**58.38**	4,005	29.38
Natural gas sales	**2,079**	**15.15**	1,288	8.79
NGL sales	**3,796**	**26.75**	1,724	11.95
Total sales	**12,490**	**31.83**	7,017	16.43
Royalties	**2,321**	**5.91**	1,291	3.02
Production and operating expenses	**3,324**	**8.47**	3,274	7.66
Netback	**6,845**	**17.45**	2,452	5.75

Netbacks per boe in Canada increased by 1814% and 203%, respectively, for the three and six months ended June 30, 2021 compared to the same periods in 2020. The increase is mainly due to a higher realized sales price in Canada (205% and 94%, respectively), partially offset by higher royalties per boe (121% and 96%, respectively) and higher production and operating expenses per boe (25% and 11%, respectively).

In Canada, royalty expense increased by $0.9 million and $1.0 million, respectively, for the three and six months ended June 30, 2021 compared to the same periods in 2020. The increase for the three months ended June 30, 2021 was primarily due to an increase in crown royalties as a result of improved pricing, an increase in freehold and overriding royalties, and a decrease in Gas Cost Allowance ("GCA") rebates received in 2021 compared to 2020. The increase for the six months ended June 30, 2021 was primarily due to an increase in crown royalties as a result of improved pricing and a decrease in the GCA rebates received in 2021 compared to 2020, partially offset by a decrease in freehold and overriding royalties. Royalties amounted to 22% and 19% of petroleum and natural gas sales revenue during the three and six months ended June 30, 2021, compared to 30% and 18% during the comparative periods in 2020. TransGlobe pays royalties to the Alberta provincial government and landowners in accordance with an established royalty regime. In Alberta, Crown royalty rates are based on reference commodity prices, production levels and well depths, and are offset by certain incentive programs in place to promote drilling activity by reducing overall royalty expense.

Production and operating expenses increased by 31% and 2% in the three and six months ended June 30, 2021, respectively, compared with the same periods in 2020. These increases were primarily due to the strengthening of the Canadian dollar in 2021, an increase in chemical costs due to an increase in commodity prices and an increase in minor workovers, partially offset by a decrease in transportation costs.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Gross G&A	**3,041**	**2.02**	3,244	2.86
Stock-based compensation	**816**	**0.54**	884	0.78
Capitalized G&A and overhead recoveries	**(187)**	**(0.12)**	(177)	(0.16)
Net G&A	**3,670**	**2.44**	3,951	3.48

	Six Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Gross G&A	**5,471**	**2.30**	6,755	2.10
Stock-based compensation	**3,587**	**1.51**	(417)	(0.13)
Capitalized G&A and overhead recoveries	**(351)**	**(0.15)**	(483)	(0.15)
Net G&A	**8,707**	**3.66**	5,855	1.82

Gross G&A decreased by 6% and 19% for the three and six months ended June 30, 2021, respectively, compared with the same periods in 2020. These decreases were primarily due to lower professional fees, particularly legal expenses.

Stock-based compensation expense decreased by 8% and increased by 960% for the three and six months ended June 30, 2021, respectively, compared with the same periods in 2020. The decrease for the three months ended June 30, 2021 was primarily due to a reduction in the number of outstanding units as a result of a Q2-2021 expiry of historical grants, partially offset by an increase in the Company's share price and the associated revaluation of the Company's potential obligations. The increase for the six months ended June 30, 2021 was primarily due to an increase in the Company's share price at the end of the second quarter of 2021 and the associated revaluation of the Company's potential obligations.

Capitalized G&A increased by 6% and decreased by 27% for the three and six months ended June 30, 2021, respectively, compared to the same periods in 2020. The increase for the three months ended June 30, 2021 was primarily due to higher capital spending in Q2-2021 when compared to the same period in 2020. The decrease for the six months ended June 30, 2021 was primarily due to reduced capital activity during the first part of fiscal 2021 when compared to the same period in 2020.

FINANCE COSTS

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Interest on long-term debt	**202**	387	**431**	969
Interest on borrowing base facility	**80**	65	**156**	158
Amortization of deferred financing costs	**-**	98	**103**	193
Interest on lease obligations	**51**	39	**113**	84
Finance costs	**333**	589	**803**	1,404
Interest paid	**291**	512	**584**	1,130

Finance costs for the three and six months ended June 30, 2021 decreased to $0.3 million and $0.8 million, respectively, from $0.6 million and $1.4 million for the same periods in 2020. This decrease was due to a lower balance of long-term debt and decreases to ATB Prime and LIBOR.

As at June 30, 2021, the Company had a prepayment arrangement with Mercuria that allows for a revolving balance of up to $75.0 million, of which $10.0 million was outstanding. During the six months ended June 30, 2021, the Company made a repayment of $5.0 million on this prepayment balance.

As at June 30, 2021, the Company had a revolving Canadian reserves-based lending facility with ATB totaling C$22.5 million ($18.2 million), of which C$8.6 million ($7.0 million) was outstanding.

The prepayment agreement and reserves-based lending facility are subject to certain covenants. The Company was in compliance with its covenants as at June 30, 2021.

DEPLETION, DEPRECIATION AND AMORTIZATION ("DD&A")

	Three Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Egypt[1]	**4,796**	**3.71**	3,820	4.10
Canada	**2,076**	**9.71**	1,643	8.06
Corporate	**87**	**-**	194	-
Total	**6,959**	**4.62**	5,657	4.99

1 Egypt DD&A per barrel is calculated on a sales basis for the periods ended June 30, 2021 and 2020 (these figures do not include TransGlobe's Egypt entitlement barrels held as inventory at June 30, 2021 and 2020).

	Six Months Ended June 30			
	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Egypt[1]	**7,803**	**3.93**	13,853	4.96
Canada	**3,730**	**9.51**	3,656	8.56
Corporate	**241**	**-**	400	-
Total	**11,774**	**4.95**	17,909	5.56

1 Egypt DD&A per barrel is calculated on a sales basis for the periods ended June 30, 2021 and 2020 (these figures do not include TransGlobe's Egypt entitlement barrels held as inventory at June 30, 2021 and 2020).

In Egypt, gross DD&A fluctuates periodically due to changes in inventory volumes as a portion of DD&A is capitalized and expensed when sold. During the three months ended June 30, 2021, DD&A increased by 26% ($1.0 million) compared to the same period in 2020. This increase was primarily due to a decrease in crude oil inventory during the quarter, partially offset by a decrease in production. During the six months ended June 30, 2021, DD&A decreased by 44% ($6.1 million) compared to the same period in 2020. This decrease was primarily due to a lower depletable base from impairment losses recognized in the first quarter of 2020 and a decrease in production, partially offset by a decrease in sales volumes year to date in 2021.

In Canada, gross DD&A increased by 26% ($0.4 million) and remained flat during the three and six months ended June 30, 2021, respectively, compared with the same periods in 2020. The increase in the three months ended June 30, 2021 is primarily due to a higher depletion rate as a result of changes in reserves from the prior year, an increase in production, and an increase in capital activity during the quarter, partially offset by a lower depletable base.

IMPAIRMENT LOSS

In the second quarter of 2021, TransGlobe determined that there were no indicators of impairment or impairment reversal and therefore did not record an impairment charge for any of its assets. During the first quarter of 2020, the Company recorded a non-cash impairment loss of $40.0 million on its PNG assets. This was comprised of a $24.7 million impairment loss on the West Gharib concession, a $6.6 million impairment loss on the West Bakr concession, a $4.6 million impairment loss on the North West Gharib concession and a $4.1 million impairment loss on the Canadian assets. The Company also recorded an impairment loss of $33.5 million on its E&E assets during the first quarter of 2020. This was comprised of a $29.5 million impairment loss on the South Ghazalat concession and a $4.0 million impairment loss on the North West Gharib concession.

CAPITAL EXPENDITURES

	Six Months Ended June 30	
($000s)	**2021**	2020
Egypt	**3,528**	4,836
Canada	**2,966**	1,832
Corporate	**10**	138
Total	**6,504**	6,806

Capital expenditures in the first six months of 2021 were $6.5 million (2020 - $6.8 million).

In Egypt, the Company incurred $3.5 million in capital expenditures during the six months ended June 30, 2021 (2020 - $4.8 million) associated with drilling two development oil wells at West Bakr in the Eastern Desert, the recompletion of SGZ-6X and the expansion of the early production facility at South Ghazalat in the Western Desert.

In Canada, the Company incurred $3.0 million in capital expenditures during the six months ended June 30, 2021 (2020 - $1.8 million) associated with completing one previously drilled horizontal Cardium oil well in the Harmattan area and lease construction to support the drilling of three 100% horizontal oil development wells (one 2-mile, two 1-mile).

OUTSTANDING SHARE DATA

As at June 30, 2021 and August 6, 2021, the Company had 72,542,071 common shares issued and outstanding and 3,989,006 stock options issued and outstanding, of which 2,715,484 are exercisable in accordance with their terms into an equal number of common shares of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry require sufficient cash in order to fund capital programs that maintain and increase production and reserves, to acquire strategic oil and gas assets, to repay current liabilities and debt and ultimately to provide a return to shareholders. TransGlobe's capital programs are funded by existing working capital and cash provided from operating activities. The Company's cash flow from operations varies significantly from quarter to quarter, depending on the timing of oil sales from cargoes lifted in Egypt, and these fluctuations in cash flow impact the Company's liquidity. TransGlobe's management will continue to steward capital and focus on cost reductions in order to maintain balance sheet strength.

Funding for the Company's capital expenditures is provided by cash flows from operations and cash on hand. The Company expects to fund its 2021 exploration and development program through the use of working capital and cash flow from operations. Fluctuations in commodity prices, product demand, foreign exchange rates, interest rates and various other risks may impact capital resources and capital expenditures.

Working capital is the amount by which current assets exceed current liabilities. As at June 30, 2021, the Company had a working capital surplus of $17.1 million (December 31, 2020 - $15.3 million). The increase in working capital is primarily due to an increase in cash resulting from collections on accounts receivable in the period and an increase in accounts receivable due to increased sales in Q2-2021, partially offset by a corresponding decrease in crude oil inventory, an increase in accounts payable and an increase in the derivative commodity contracts liability from increased commodity pricing.

All of the Company's cash and cash equivalents are on deposit with high credit-quality financial institutions.

Over the past 10 years, the Company has experienced delays in the collection of accounts receivable from EGPC. The length of delay peaked in 2013, returned to historical delays of up to nine months in 2017, and has since fluctuated within an acceptable range. As at June 30, 2021, amounts owing from EGPC were $9.3 million. The Company considers there to be minimal credit risk associated with amounts receivable from EGPC.

In Egypt, the Company sold 366.3 Mbbls of entitlement crude oil to EGPC in Q2-2021 for net proceeds of $22.2 million and sold one cargo lifting of 498.6 Mbbls of entitlement crude oil for net proceeds of $29.1 million. The overlift portion of the cargo (~129.5 Mbbls) was settled against outstanding receivables from EGPC during the quarter. During the second quarter of 2021, the Company collected a total of $17.7 million of accounts receivable from EGPC, an additional $2.4 million has been collected subsequent to the quarter. The Company incurs a 30-day collection cycle on sales to third-party international buyers. Depending on the Company's assessment of the credit of crude oil purchasers, they may be required to post irrevocable letters of credit to support the sales prior to the cargo lifting. As at June 30, 2021, crude oil held as inventory was 140.3 Mbbls.

As at June 30, 2021, the Company had $93.2 million of revolving credit facilities with $17.0 million drawn and $76.2 million available. The Company has a prepayment agreement with Mercuria that allows for a revolving balance of up to $75.0 million, of which $10.0 million was drawn and outstanding as at June 30, 2021. During the six months ended June 30, 2021, the Company repaid $5.0 million on this prepayment facility. The Company also has a revolving Canadian reserves-based lending facility with ATB that was renewed and increased as at June 30, 2021 from C$15.0 million ($11.0 million) to C$22.5 million ($18.2 million), of which C$8.6 million ($7.0 million) was drawn and outstanding. During the six months ended June 30, 2021, the Company had drawings of C$0.3 million ($0.2 million) on this facility.

The Company actively monitors its liquidity to ensure that cash flows, credit facilities and working capital are adequate to support these financial liabilities, as well as the Company's capital programs.

PRODUCT INVENTORY

Product inventory consists of the Company's Egypt entitlement crude oil barrels, which are valued at the lower of cost or net realizable value. Cost includes operating expenses and depletion associated with the unsold entitlement crude oil as determined on a concession by concession basis. All oil produced is delivered to EGPC facilities. EGPC owns the storage and export facilities from where the Company's product inventory is sold. The Company requires EGPC's cooperation to schedule liftings and works with EGPC on a continuous basis to schedule cargoes. Crude oil inventory levels fluctuate from quarter to quarter depending on EGPC approvals, as well as the timing and size of cargoes in Egypt. As at June 30, 2021, the Company had 140.3 Mbbls of entitlement crude oil stored as inventory in Egypt, which represents approximately one month of entitlement oil production. Since the Company began directly marketing its oil on January 1, 2015, crude oil inventory levels have fluctuated from quarter to quarter. These fluctuations in crude oil inventory levels impact the Company's financial condition, financial performance and cash flows.

(Mbbls)	**Three Months Ended June 30, 2021**	**Six Months Ended June 30, 2021**	Year Ended December 31, 2020
Product inventory, beginning of period	**455.7**	**227.9**	964.5
TransGlobe entitlement production	**420.0**	**819.7**	1,769.9
Crude oil sales	**(735.4)**	**(907.3)**	(2,506.5)
Product inventory, end of period	**140.3**	**140.3**	227.9

Inventory reconciliation

The following table summarizes the operating expenses and depletion capitalization in unsold Egypt entitlement crude oil inventory:

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
Production and operating expenses ($/bbl)	**21.87**	22.29
Depletion ($/bbl)	**4.51**	3.28
Unit cost of inventory ($/bbl)	**26.38**	25.57
Product inventory, end of period (Mbbls)	**140.3**	227.9
Product inventory, end of period ($000s)	**3,703**	5,828

COMMITMENTS AND CONTINGENCIES

As part of its normal business, the Company entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The principal commitments of the Company are as follows:

			Payment Due by Period[1,2]			
($000s)	**Recognized in Financial Statements**	**Contractual Cash Flows**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	Yes-Liability	30,758	30,758	-	-	-
Long-term debt	Yes-Liability	16,951	10,000	6,951	-	-
Lease obligations[3]	Yes-Liability	1,465	1,445	20	-	-
Drilling commitment	No	1,000	-	1,000	-	-
Other long-term liabilities	Yes-Liability	859	-	859	-	-
Derivative commodity contracts	Yes-Liability	4,605	4,605	-	-	-
Equipment and facility leases (short-term)[4]	No	401	401	-	-	-
Total		**56,039**	**47,209**	**8,830**	**-**	**-**

[1] Payments exclude ongoing operating costs, finance costs and payments made to settle derivatives.
[2] Payments denominated in foreign currencies have been translated at June 30, 2021 exchange rates.
[3] These amounts include the notional principal and interest payments.
[4] Equipment leases include one facility contract and one workover rig.

Pursuant to the approved South Ghazalat development lease, the Company is committed to drill one exploration well during the initial four year period of the 20 year development lease. The Company has issued a production guarantee in the amount of $1.0 million which will be released when the commitment well has been drilled.

In the normal course of its operations, the Company may be subject to litigation and claims. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

On March 31, 2015, TG Holdings Yemen, Inc. ("TG Holdings"), a wholly-owned subsidiary of TransGlobe, relinquished its 13.8% interest in a concession in western Yemen known as "Block 32". In 2018, the Ministry of Oil and Minerals of the Republic of Yemen ("MOM") raised claims against the contractor parties, including TG Holdings. The claims variously related to accounting practices, environmental and asset integrity/retirement claims, claims related to payment of customs duties and penalties, claims related to amounts allegedly owing to third parties for employment and facilities usage claims, and claims related to the handover of the concession.

A decision was rendered on the arbitration by the arbitral tribunal with an effective date of March 31, 2021. The final award determined that the contractor parties, including TG Holdings, are entitled to their share of Production Sharing Oil that was lifted by MOM in the amount of $5.0 million. The award also determined that the contractor parties, including TG Holdings, are jointly and severally liable for certain costs in the amount of $6.5 million.

The Company is not aware of any material provisions or other contingent liabilities as at June 30, 2021.

ASSET RETIREMENT OBLIGATION

As at June 30, 2021, TransGlobe had an asset retirement obligation ("ARO") of $13.9 million (December 31, 2020 - $13.0 million) for the future abandonment and reclamation costs of the Canadian assets. The estimated ARO liability includes assumptions of actual costs to abandon and/or reclaim wells and facilities, the time frame in which such costs will be incurred, as well as inflation factors in order to calculate the undiscounted total future liability. TransGlobe calculated the present value of the obligations using discount rates between 0.45% and 1.84% (December 31, 2020 – 2.00%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2.00% per annum (December 31, 2020 – 2.00%).

In Egypt, under model concession agreements and the Fuel Material Law, liabilities in respect of decommissioning movable and immovable assets (other than wells) passes to the Egyptian Government through the transfer of ownership from the contractor to the government under the cost recovery process. While the current risk to the Company of becoming liable for decommissioning liabilities in Egypt is low, future changes to legislation could result in decommissioning liabilities in Egypt. Any increase in Egyptian decommissioning liabilities could adversely affect the Company's financial condition.

In relation to petroleum wells, under good oilfield practices, the contractor is responsible for decommissioning non-producing wells under a decommissioning plan approved by EGPC during the life of the concession agreement. If EGPC agrees that a producing well is not economic, then the contractor may be responsible for decommissioning the well under an EGPC approved decommissioning plan. EGPC, at its own discretion, may not require a well to be decommissioned if it wants to preserve the ability to use the well for other purposes. As EGPC has discretion on decommissioning wells, there is a risk that the Company could incur well decommissioning costs. In accordance with the respective concession agreements, expenses approved by EGPC are recoverable through the cost recovery mechanism.

As at June 30, 2021 there is no ARO associated with the Egypt PSCs.

DERIVATIVE COMMODITY CONTRACTS

The nature of TransGlobe's operations exposes it to fluctuations in commodity prices, interest rates and foreign currency exchange rates. TransGlobe monitors and when appropriate, uses derivative financial instruments to manage its exposure to these fluctuations. All transactions of this nature entered into by TransGlobe are related to future crude oil and natural gas production. TransGlobe does not use derivative financial instruments for speculative purposes. TransGlobe has elected not to designate any of its derivative financial instruments as accounting hedges and thus accounts for changes in fair value in net earnings (loss) at each reporting period. TransGlobe has not obtained collateral or other security to support its financial derivatives as management reviews the creditworthiness of its counterparties prior to entering into derivative contracts. The derivative financial instruments are initiated within the guidelines of the Company's corporate hedging policy. This includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

In conjunction with the prepayment agreement, discussed further in the "Liquidity and Capital Resources" section of this MD&A, TransGlobe also entered into a marketing contract with Mercuria to market nine million barrels of TransGlobe's Egypt entitlement crude oil production. The pricing of the crude oil sales is based on market prices at the time of sale. The Company is committed to hedge 60% of its forecasted 1P entitlement production.

In conjunction with the recently renewed revolving Canadian reserves-based lending facility with ATB, the Company is required to enter into hedging arrangements based on its debt utilization. If utilization is below 50%, TransGlobe is required to hedge 25% of its annual forecasted average daily Canadian production of oil and natural gas volumes (net of royalties); utilization of between 50%-69% requires a hedge of 50%; utilization of 70% and above requires a hedge of 60%.

The following tables summarize TransGlobe's outstanding derivative commodity contract positions as at June 30, 2021, the fair values of which have been presented on the Condensed Consolidated Interim Balance Sheet:

Financial Brent crude oil contracts

Period Hedged	Contract	Remaining Volume (bbl)	Monthly Volume (bbl)	Bought Put US$/bbl	Sold Call US$/bbl	Sold Put US$/bbl
Jul 2021 - Dec 2021	3-Way Collar	300,000	50,000	50.00	60.00	40.00

Financial AECO natural gas contracts

Period Hedged	Contract	Remaining Volume (GJ)	Daily Volume (GJ)	Swap C$/GJ
Jul 2021 - Dec 2021	Swap	699,200	3,800	2.76

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Timely preparation of financial statements in conformity with IFRS as issued by the International Accounting Standards Board requires that management make estimates and assumptions and use judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the Condensed Consolidated Interim Financial Statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. A detailed description of the Company's critical judgements and accounting estimates is provided in note 4 to the audited Consolidated Financial Statements for the year ended December 31, 2020 and in the Critical Judgements and Accounting Estimates section of the Company's 2020 annual MD&A.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

TransGlobe's management designed and implemented internal controls over financial reporting, as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, of the Canadian Securities Administrators and as defined in Rule 13a-15 under the Exchange Act. Internal controls over financial reporting is a process designed under the supervision of the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis. A system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are met. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

No changes were made to the Company's internal controls over financial reporting during the three months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss)

(Unaudited - Expressed in thousands of U.S. Dollars, except per share amounts)

		Three Months Ended June 30		Six Months Ended June 30	
	Notes	**2021**	2020	**2021**	2020
REVENUE					
Petroleum and natural gas sales, net of royalties	17	**50,595**	11,392	**68,647**	64,626
Finance revenue		**3**	34	**6**	92
Other revenue		**33**	222	**33**	222
		50,631	11,648	**68,686**	64,940
EXPENSES					
Production and operating	7,17	**19,722**	10,406	**29,171**	33,663
Selling costs		**1,671**	423	**1,705**	1,049
General and administrative		**3,670**	3,951	**8,707**	5,855
Foreign exchange loss		**10**	113	**43**	165
Finance costs	5	**333**	589	**803**	1,404
Depletion, depreciation and amortization	9	**6,959**	5,657	**11,774**	17,909
Asset retirement obligation accretion	10	**45**	60	**111**	128
Loss (gain) on financial instruments	4	**4,894**	1,371	**9,409**	(7,173)
Impairment loss	8,9	**-**	-	**-**	73,495
		37,304	22,570	**61,723**	126,495
Earnings (loss) before income taxes		**13,327**	(10,922)	**6,963**	(61,555)
Income tax expense - current		**5,605**	2,445	**10,265**	7,030
NET EARNINGS (LOSS)		**7,722**	(13,367)	**(3,302)**	(68,585)
OTHER COMPREHENSIVE INCOME (LOSS)					
Currency translation adjustments		**772**	2,247	**1,166**	(2,559)
COMPREHENSIVE INCOME (LOSS)		**8,494**	(11,120)	**(2,136)**	(71,144)
Net earnings (loss) per share	16				
Basic		**0.11**	(0.19)	**(0.05)**	(0.95)
Diluted		**0.11**	(0.19)	**(0.05)**	(0.95)

See accompanying notes to the Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Balance Sheets

(Unaudited - Expressed in thousands of U.S. Dollars)

	Notes	As at June 30, 2021	As at December 31, 2020
ASSETS			
Current			
Cash and cash equivalents	6	**43,639**	34,510
Accounts receivable	4	**13,641**	9,996
Prepaids and other		**2,864**	3,530
Product inventory	7	**3,703**	5,828
		63,847	53,864
Non-Current			
Intangible exploration and evaluation assets	8	**1,162**	584
Property and equipment			
Petroleum and natural gas assets	9	**137,202**	140,059
Other	9	**2,559**	2,917
Deferred taxes		**3,709**	3,723
		208,479	201,147
LIABILITIES			
Current			
Accounts payable and accrued liabilities	13	**30,758**	21,667
Derivative commodity contracts	4	**4,605**	398
Current portion of lease obligations	11	**1,348**	1,553
Current portion of long-term debt	12	**10,000**	14,897
		46,711	38,515
Non-Current			
Long-term debt	12	**6,951**	6,567
Asset retirement obligations	10	**13,863**	13,042
Other long-term liabilities		**859**	544
Lease obligations	11	**33**	461
Deferred taxes		**3,709**	3,723
		72,126	62,852
SHAREHOLDERS' EQUITY			
Share capital	14	**152,805**	152,805
Accumulated other comprehensive income		**3,066**	1,900
Contributed surplus		**25,303**	25,109
Deficit		**(44,821)**	(41,519)
		136,353	138,295
		208,479	201,147

Commitments and Contingencies (Note 13)

See accompanying notes to the Condensed Consolidated Interim Financial Statements

Approved on behalf of the Board:

Signed by:

"Randy C. Neely"

Randy C. Neely
President & CEO
Director

"Steven Sinclair"

Steven Sinclair
Audit Committee Chair
Director

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in thousands of U.S. Dollars)

	Notes	Six Months Ended June 30 2021	2020
Share Capital			
Balance, beginning and end of period	14	**152,805**	152,805
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of period		**1,900**	1,134
Currency translation adjustment		**1,166**	(2,559)
Balance, end of period		**3,066**	(1,425)
Contributed Surplus			
Balance, beginning of period		**25,109**	24,673
Share-based compensation expense	15	**194**	245
Balance, end of period		**25,303**	24,918
(Deficit) Retained Earnings			
Balance, beginning of period		**(41,519)**	35,878
Net loss		**(3,302)**	(68,585)
Balance, end of period		**(44,821)**	(32,707)

See accompanying notes to the Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in thousands of US Dollars)

	Notes	Three Months Ended June 30 **2021**	2020	Six Months Ended June 30 **2021**	2020
OPERATING					
Net earnings (loss)		**7,722**	(13,367)	**(3,302)**	(68,585)
Adjustments for:					
Depletion, depreciation and amortization	9	**6,959**	5,657	**11,774**	17,909
Asset retirement obligation accretion	10	**45**	60	**111**	128
Impairment loss	8,9	**-**	-	**-**	73,495
Share-based compensation	15	**816**	884	**3,587**	(417)
Finance costs	5	**333**	589	**803**	1,404
Unrealized loss (gain) on financial instruments	4	**1,248**	3,348	**4,218**	(1,028)
Unrealized loss on foreign currency translation		**8**	65	**12**	32
Asset retirement obligations settled	10	**(31)**	-	**(22)**	(20)
Changes in non-cash working capital	18	**6,732**	27,315	**2,711**	(2,040)
Net cash generated by operating activities		**23,832**	24,551	**19,892**	20,878
INVESTING					
Additions to intangible exploration and evaluation assets	8	**(15)**	(7)	**(578)**	(337)
Additions to petroleum and natural gas assets	9	**(3,557)**	(1,161)	**(5,887)**	(6,322)
Additions to other assets	9	**(25)**	(61)	**(39)**	(147)
Changes in non-cash working capital	18	**522**	(1,594)	**2,347**	(662)
Net cash used in investing activities		**(3,075)**	(2,823)	**(4,157)**	(7,468)
FINANCING					
Interest paid	5	**(291)**	(512)	**(584)**	(1,130)
Increase in long-term debt	12	**146**	72	**225**	168
Payments on lease obligations	11	**(479)**	(381)	**(1,071)**	(775)
Repayments of long-term debt	12	**(5,000)**	(10,000)	**(5,000)**	(10,000)
Changes in non-cash working capital	18	**(8)**	-	**(9)**	-
Net cash used in financing activities		**(5,632)**	(10,821)	**(6,439)**	(11,737)
Currency translation differences relating to cash and cash equivalents		**(155)**	100	**(167)**	(87)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,970**	11,007	**9,129**	1,586
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**28,669**	23,830	**34,510**	33,251
CASH AND CASH EQUIVALENTS, END OF PERIOD		**43,639**	34,837	**43,639**	34,837

See accompanying notes to the Condensed Consolidated Interim Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at June 30, 2021 and December 31, 2020 and for the three and six month periods ended June 30, 2021 and 2020

(Unaudited - All amounts expressed in U.S. Dollars, except as otherwise noted)

1. CORPORATE INFORMATION

TransGlobe Energy Corporation ("TransGlobe" or the "Company") and its subsidiaries are engaged in oil and natural gas exploration, development and production, and the acquisition of oil and natural gas properties. The Company's shares are traded on the Toronto Stock Exchange ("TSX"), the London Stock Exchange's Alternative Investment Market ("AIM") and the Capital Market of the NASDAQ Stock Market ("NASDAQ"). TransGlobe is incorporated in Alberta, Canada and the address of its principal place of business is Suite 900, 444 – 5th Avenue SW, Calgary, Alberta, Canada, T2P 2T8.

2. BASIS OF PREPARATION

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these Condensed Consolidated Interim Financial Statements were the same as those used in the preparation of the most recent audited Consolidated Financial Statements for the year ended December 31, 2020.

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on August 5, 2021.

The Condensed Consolidated Interim Financial Statements are presented and expressed in United States dollars ("US$"), unless otherwise noted. All references to $ are to United States dollars and references to C$ are to Canadian dollars.

These Condensed Consolidated Interim Financial Statements do not contain all the disclosures required for full annual financial statements and should be read in conjunction with the December 31, 2020 audited Consolidated Financial Statements.

3. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Timely preparation of financial statements in conformity with IFRS as issued by the IASB requires that management make estimates and assumptions and use judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the Condensed Consolidated Interim Financial Statements. Accordingly, actual results may differ from estimated amounts as future events occur.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values of financial instruments

Financial instruments include cash and cash equivalents, accounts receivable, derivative commodity contracts, accounts payable and accrued liabilities, lease obligations and long-term debt.

The Company has classified its cash and cash equivalents and derivative commodity contracts as fair value through profit or loss. Both are measured at fair value with subsequent changes recognized through earnings (loss). Accounts receivable are classified as assets at amortized cost; accounts payable and accrued liabilities, lease obligations and long-term debt are classified as liabilities at amortized cost, all of which are measured initially at fair value, and subsequently at amortized cost. Transaction costs attributable to financial instruments carried at amortized cost are included in the initial measurement of the financial instrument and are subsequently amortized using the effective interest rate method.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

	June 30, 2021		December 31, 2020	
Classification ($000s)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets at fair value through profit or loss	**43,639**	**43,639**	34,510	34,510
Financial assets at amortized cost	**13,641**	**13,641**	9,996	9,996
Financial liabilities at fair value through profit or loss	**4,605**	**4,605**	398	398
Financial liabilities at amortized cost	**49,090**	**49,090**	45,145	45,248

Assets and liabilities as at June 30, 2021 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents and derivative commodity contracts are assessed on the fair value hierarchy described above. TransGlobe's cash and cash equivalents are classified as Level 1. Derivative commodity contracts are classified as Level 2. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the period.

Derivative commodity contracts

The nature of TransGlobe's operations exposes it to fluctuations in commodity prices, interest rates and foreign currency exchange rates. TransGlobe monitors and, when appropriate, uses derivative financial instruments to manage its exposure to these fluctuations. All transactions of this nature entered into by TransGlobe are related to future crude oil and natural gas production. TransGlobe does not use derivative financial instruments for speculative purposes. TransGlobe has elected not to designate any of its derivative financial instruments as accounting hedges and thus accounts for changes in fair value in net earnings (loss) at each reporting period. TransGlobe has not obtained collateral or other security to support its financial derivatives as management reviews the creditworthiness of its counterparties prior to entering into derivative contracts. The derivative financial instruments are initiated within the guidelines of the Company's corporate hedging policy. This includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

In conjunction with the prepayment agreement (see Note 12), TransGlobe entered into a marketing contract with Mercuria Energy Trading SA ("Mercuria") to market nine million barrels of TransGlobe's Egyptian entitlement oil production. The pricing of the crude oil sales will be based on market prices at the time of sale. The Company is committed to hedge 60% of its forecasted 1P entitlement production.

In conjunction with the recently renewed revolving Canadian reserves-based lending facility with ATB, the Company is required to enter into hedging arrangements based on its debt utilization. If utilization is below 50%, TransGlobe is required to hedge 25% of its annual forecasted average daily Canadian production of oil and natural gas volumes (net of royalties); utilization of between 50%-69% requires a hedge of 50%; utilization of 70% and above requires a hedge of 60%.

The following table summarizes TransGlobe's outstanding derivative commodity contract positions as at June 30, 2021, the fair values of which have been presented on the Condensed Consolidated Interim Balance Sheet:

Financial Brent crude oil contracts

Period Hedged	Contract	Remaining Volume (bbl)	Monthly Volume (bbl)	Bought Put US$/bbl	Sold Call US$/bbl	Sold Put US$/bbl
Jul 2021 - Dec 2021	3-Way Collar	300,000	50,000	50.00	60.00	40.00

Financial AECO natural gas contracts

Period Hedged	Contract	Remaining Volume (GJ)	Daily Volume (GJ)	Swap C$/GJ
Jul 2021 - Dec 2021	Swap	699,200	3,800	2.76

The gains and losses on financial instruments for the three and six months ended June 30, 2021 and 2020 are comprised as follows:

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Realized derivative loss (gain) during the period	**3,646**	(1,977)	**5,191**	(6,145)
Unrealized derivative loss (gain) on commodity contracts outstanding at period end	**1,248**	3,348	**4,218**	(1,028)
Loss (gain) on financial instruments	**4,894**	1,371	**9,409**	(7,173)

Overview of Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities:

- Credit risk
- Market risk
- Liquidity risk

The Board of Directors and Audit Committee oversee management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to fulfill their contractual obligations. The Company's exposure to credit risk primarily relates to cash equivalents and accounts receivable, the majority of which are in respect of oil and natural gas operations. The Company generally extends unsecured credit to these parties and therefore the collection of these amounts may be affected by changes in economic or other conditions. The Company has not experienced any material credit losses in its cash investments or in the collection of accounts receivable to date.

TransGlobe's accounts receivable related to the Canadian operations are with customers and joint interest partners in the petroleum and natural gas industry, and are subject to normal industry credit risks. Receivables from petroleum and natural gas marketers are normally collected in due course. The Company currently sells its production to several purchasers under standard industry sale and payment terms. Purchasers of TransGlobe's natural gas, crude oil and natural gas liquids are subject to a periodic internal credit review to minimize the risk of non-payment. The Company has continued to closely monitor and reassess the creditworthiness of its counterparties, including financial institutions.

Trade and other receivables are analyzed in the table below.

($000s)	**June 30, 2021**	December 31, 2020
Neither impaired nor past due	**9,272**	6,542
Not impaired and past due in the following period:		
Within 30 days	**2,855**	2,255
31-60 days	**304**	34
61-90 days	**550**	510
Over 90 days	**660**	655
Accounts receivable	**13,641**	9,996

During the three months ended June 30, 2021 the Company sold an Egypt crude oil cargo of 498.6 Mbbls to third party buyers for net proceeds of $29.1 million, which were collected in May. Depending on the Company's assessment of the credit of crude purchasers, they may be required to post irrevocable letters of credit to support the sales prior to the cargo liftings. During the second quarter of 2021 the Company sold 366.3 Mbbls of inventoried entitlement crude oil to EGPC for net proceeds of $22.2 million. As at June 30, 2021, $9.3 million (December 31, 2020 - $6.0 million) of the total accounts receivable balance of $13.6 million (December 31, 2020 - $10.0 million) is due from EGPC. All accounts receivable are in good standing and collection is not considered to be at risk.

The Company manages its credit risk on cash equivalents by investing only in term deposits with reputable banking institutions.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and the associated impact on future performance of the business. The market price movements that the Company is exposed to include commodity prices, foreign currency exchange rates and interest rates, all of which could adversely affect the value of the Company's financial assets, liabilities and financial results.

Commodity price risk

The Company's operational results and financial condition are partially dependent on the commodity prices received for its production of oil, natural gas and NGLs. The Company is exposed to commodity price risk on its derivative assets and liabilities which are used as part of the Company's risk management program to mitigate the effects of changes in commodity prices on future cash flows. While transactions of this nature relate to forecasted future petroleum and natural gas production, TransGlobe does not designate these derivative assets and liabilities as accounting hedges. As such, changes in commodity prices impact the fair value of derivative instruments and the corresponding gains or losses on derivative instruments. The estimated fair value of unrealized commodity contracts is reported on the Consolidated Interim Balance Sheets, with any change in the unrealized positions recorded to net earnings (loss). The Company assesses these instruments on the fair value hierarchy and has classified the determination of fair value of these instruments as Level 2, as the fair values of these transactions are based on an approximation of the amounts that would have been received from counterparties to settle the transactions outstanding as at the date of the Consolidated Interim Balance Sheets with reference to forward prices and market values provided by independent sources. The actual amounts realized may differ from these estimates.

Foreign currency exchange risk

As the Company's business is conducted primarily in U.S. dollars and its financial instruments are primarily denominated in U.S. dollars, the Company's exposure to foreign currency exchange risk relates primarily to certain cash and cash equivalents, accounts receivable, long-term debt, lease obligations and accounts payable and accrued liabilities denominated in Canadian dollars. When assessing the potential impact of foreign currency exchange risk, the Company believes that 10% volatility is a reasonable measure. The Company estimates that a 10% increase in the value of the Canadian dollar against the U.S. dollar would decrease net earnings for the three months ended June 30, 2021 by approximately $0.7 million and conversely, a 10% decrease in the value of the Canadian dollar against the U.S. dollar would increase net earnings by $0.7 million for the same period. The Company does not utilize derivative instruments to manage this risk.

The Company is also exposed to foreign currency exchange risk on cash balances denominated in Egyptian pounds. Some collections of accounts receivable from the Egyptian Government are received in Egyptian pounds, and while the Company is generally able to spend the Egyptian pounds received on accounts payable denominated in Egyptian pounds, there remains foreign currency exchange risk exposure on Egyptian pound cash balances. Using month-end cash balances converted at month-end foreign exchange rates, the average Egyptian pound cash balance at June 30, 2021 was $0.9 million in equivalent U.S. dollars. The Company estimates that a 10% increase in the value of the Egyptian pound against the U.S. dollar would decrease net earnings for the three months ended June 30, 2021 by approximately $0.1 million and conversely a 10% decrease in the value of the Egyptian pound against the U.S. dollar would increase net earnings by $0.1 million for the same period. The Company does not currently utilize derivative instruments to manage foreign currency exchange risk.

The Company maintains nominal balances of British Pounds sterling to pay in-country costs incurred in operating its London office. Foreign exchange risk on these funds is not considered material.

Interest rate risk

Fluctuations in interest rates could result in a significant change in the amount the Company pays to service variable interest debt. No derivative contracts were entered into during Q2-2021 to mitigate interest rate risk. When assessing interest rate risk applicable to the Company's variable interest debt, the Company believes 1% volatility is a reasonable measure. The effect of interest rates increasing by 1% would decrease the Company's net earnings, for the three months ended June 30, 2021, by $0.1 million and conversely, the effect of interest rates decreasing by 1% would increase the Company's net earnings, for the same period, by $0.1 million.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry require sufficient cash in order to fund capital programs necessary to maintain and increase production and proved reserves, to acquire strategic oil and gas assets and to repay debt. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. The following are the contractual maturities of financial liabilities at June 30, 2021:

			Payment Due by Period[1,2]			
($000s)	Recognized in Financial Statements	Contractual Cash Flows	Less than 1 year	1-3 years	4-5 years	More than 5 years
Accounts payable and accrued liabilities	Yes-Liability	30,758	30,758	-	-	-
Long-term debt	Yes-Liability	16,951	10,000	6,951	-	-
Lease obligations[3]	Yes-Liability	1,465	1,445	20	-	-
Drilling commitment	No	1,000	-	1,000	-	-
Other long-term liabilities	Yes-Liability	859	-	859	-	-
Derivative commodity contracts	Yes-Liability	4,605	4,605	-	-	-
Equipment and facility leases (short-term)[4]	No	401	401	-	-	-
Total		**56,039**	**47,209**	**8,830**	**-**	**-**

1 Payments exclude ongoing operating costs, finance costs and payments made to settle derivatives.
2 Payments denominated in foreign currencies have been translated at June 30, 2021 exchange rates.
3 These amounts include the notional principal and interest payments.
4 Equipment leases include one facility contract and one workover rig.

As at June 30, 2021, the Company had $93.2 million of revolving credit facilities with $17.0 million drawn and $76.2 million available. The Company has a prepayment agreement with Mercuria that allows for a revolving balance of up to $75.0 million, of which $10.0 million was drawn and outstanding as at June 30, 2021. During the six months ended June 30, 2021, the Company repaid $5.0 million on this prepayment facility (See Note 12). The Company also has a revolving Canadian reserves-based lending facility with ATB that was renewed and increased as at June 30, 2021 from C$15.0 million ($11.0 million) to C$22.5 million ($18.2 million), of which C$8.6 million ($7.0 million) was drawn and outstanding. During the six months ended June 30, 2021, the Company had drawings of C$0.3 million ($0.2 million) on this facility (See Note 12).

The Company actively monitors its liquidity to ensure that its cash flows, credit facilities and working capital are adequate to support these financial liabilities, as well as the Company's capital programs.

To date, the Company has experienced no difficulties with transferring funds abroad.

5. FINANCE COSTS

Finance costs recognized in net loss were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Interest on long-term debt	**202**	387	**431**	969
Interest on borrowing base facility	**80**	65	**156**	158
Amortization of deferred financing costs	**-**	98	**103**	193
Interest on lease obligations	**51**	39	**113**	84
Finance costs	**333**	589	**803**	1,404
Interest paid	**291**	512	**584**	1,130

6. CASH AND CASH EQUIVALENTS

The following table reconciles TransGlobe's cash and cash equivalents:

($000s)	**June 30, 2021**	December 31, 2020
Cash	**43,639**	34,510
Cash equivalents	**-**	-
Cash and cash equivalents	**43,639**	34,510

All of the Company's cash is on deposit with high credit-quality financial institutions.

7. PRODUCT INVENTORY

Product inventory consists of the Company's entitlement crude oil barrels in Egypt, which are valued at the lower of cost or net realizable value. Costs include operating expenses and depletion associated with crude oil entitlement barrels and are determined on a concession by concession basis. These amounts are initially capitalized and expensed when sold.

As at June 30, 2021, the Company held 140.3 Mbbls of crude oil in inventory valued at approximately $26.38/bbl (December 31, 2020 – 227.9 Mbbls valued at approximately $25.57 per barrel).

8. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

The following table reconciles the changes in TransGlobe's exploration and evaluation assets:

($000s)	
Balance at December 31, 2020	**584**
Additions to exploration and evaluation assets	**578**
Balance at June 30, 2021	**1,162**

The ending balance of intangible exploration and evaluation assets as at June 30, 2021 includes $0.6 million in Canada (December 31, 2020 - $0.6 million) and $0.6 in South Ghazalat (December 31, 2020 - $Nil).

9. PROPERTY AND EQUIPMENT

The following table reconciles the changes in TransGlobe's property and equipment assets:

($000s)	**PNG Assets**	**Other Assets**	**Total**
Cost			
Balance at December 31, 2020	720,304	19,751	740,055
Increase in right-of-use assets	-	325	325
Additions	5,887	39	5,926
Change in estimate for asset retirement obligations (Note 10)	416	-	416
Balance at June 30, 2021	**726,607**	**20,115**	**746,722**
Accumulated depreciation, depletion, amortization and impairment losses			
Balance at December 31, 2020	583,230	16,834	600,064
Depletion, depreciation and amortization for the period[1]	10,824	722	11,546
Balance at June 30, 2021	**594,054**	**17,556**	**611,610**
Foreign Exchange			
Balance at December 31, 2020	2,985	-	2,985
Currency translation adjustments	1,664	-	1,664
Balance at June 30, 2021	**4,649**	**-**	**4,649**
Net book value			
At December 31, 2020	140,059	2,917	142,976
At June 30, 2021	**137,202**	**2,559**	**139,761**

[1] Depletion, depreciation and amortization is adjusted for amounts capitalized to product inventory at the time of production and expensed when sold.

The following table discloses the carrying amounts and depreciation charges for right-of-use assets by class of underlying asset as at and for the six months ended June 30, 2021:

($000s)	**PNG Assets**	**Other Assets**	**Total**
Net book value at December 31, 2020	1,443	397	1,840
Increase in right-of-use assets	-	325	325
Depreciation for the period	(533)	(386)	(919)
Net book value at June 30, 2021	**910**	**336**	**1,246**

10. ASSET RETIREMENT OBLIGATIONS

The following table reconciles the change in TransGlobe's asset retirement obligations:

($000s)	
Balance at December 31, 2020	**13,042**
Changes in estimates for asset retirement obligations and additional obligations recognized	**416**
Obligations settled	**(22)**
Asset retirement obligation accretion	**111**
Effect of movements in foreign exchange rates	**316**
Balance at June 30, 2021	**13,863**

As at June 30, 2021, the entire asset retirement obligation balance relates to the Company's Canadian operations. TransGlobe has estimated the net present value of its asset retirement obligations to be $13.9 million as at June 30, 2021 (December 31, 2020 - $13.0 million). These payments are expected to be made between 2021 and 2066. TransGlobe calculated the present value of the obligations using discount rates between 0.45% and 1.84% (December 31, 2020 – 2.00%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2.00% per annum (December 31, 2020 – 2.00%).

As at June 30, 2021 there is no ARO associated with the Egypt production sharing concessions.

11. LEASE OBLIGATIONS

The following table reconciles TransGlobe's lease obligations:

($000s)	**As at June 30, 2021**	As at December 31, 2020
Less than 1 year	**1,445**	1,760
1 - 3 years	**20**	434
Total lease payments	**1,465**	2,194
Amounts representing interest	**84**	180
Present value of net lease payments	**1,381**	2,014
Current portion of lease obligations	**1,348**	1,553
Non-current portion of lease obligations	**33**	461

During the six months ended June 30, 2021, the Company incurred $0.1 million (June 30, 2020 - $0.1 million) on interest expense and paid a total cash outflow of $1.0 million (June 30, 2020 - $0.8 million) relating to lease obligations.

12. LONG-TERM DEBT

As at June 30, 2021, interest-bearing debt was comprised as follows:

	June 30, 2021	December 31, 2020
Prepayment agreement	**10,000**	14,897
Reserves-based lending facility	**6,951**	6,567
Balance, end of period	**16,951**	21,464

As at June 30, 2021 and December 31, 2020, the Company had in place a $75.0 million crude oil prepayment agreement with Mercuria, of which $10.0 million (December 31, 2020 - $15.0 million) was drawn. On May 26, 2021, the Company made a repayment of $5.0 million on the prepayment agreement. The prepayment agreement has a maturity date of September 30, 2021.

As at December 31, 2020, the Company had in place a revolving Canadian reserves-based lending facility with ATB totaling C$15.0 million ($11.0 million). On June 4, 2021 the ATB facility was renewed for $C22.5 million ($18.2 million), of which C$8.6 million ($7.0 million) was drawn and outstanding as at June 30, 2021 (December 31, 2020 - C$8.3 million/$6.6 million). The facility bears interest at a rate of either ATB Prime or CDOR (Canadian Dollar Offered Rate) plus applicable margins that vary from 2.25% to 4.25% (December 31, 2020: 2.25% to 4.25%) depending on the

Company's net debt to trailing cash flow ratio. Under the renewed agreement, the Company is required to enter into hedging arrangements based on its debt utilization. If utilization is below 50%, TransGlobe is required to hedge 25% of its annual forecasted average daily Canadian production of oil and natural gas volumes (net of royalties); utilization of between 50%-69% requires a hedge of 50%; utilization of 70% and above requires a hedge of 60%. There were no other changes to the key terms of the agreement from December 31, 2020. During the six months ended June 30, 2021, the Company drew C$0.3 million ($0.2 million) on the revolving facility.

The following table reconciles the changes in TransGlobe's long-term debt, including the current portion:

($000s)	
Balance at December 31, 2020	**21,464**
Draws on revolving credit facility	**225**
Repayment of long-term debt	**(5,000)**
Amortization of deferred financing costs	**103**
Effects of movements in foreign exchange rates	**159**
Balance at June 30, 2021	**16,951**
Current portion of long-term debt	**(10,000)**
Non-current portion of long-term debt	**6,951**

During the six months ended June 30, 2021, the Company paid $0.6 million (June 30, 2020 - $1.1 million) in interest on its long-term debt.

The Company's interest-bearing loans and borrowings are measured at amortized cost. The prepayment agreement and reserves-based lending facility are subject to certain covenants. The Company was in compliance with its covenants as at June 30, 2021.

The estimated future debt payments on long-term debt as of June 30, 2021 are as follows:

($000s)	Prepayment Agreement	Reserves Based Lending Facility	Total
2021	10,000	-	10,000
2022	-	6,951	6,951
	10,000	**6,951**	**16,951**

13. COMMITMENTS AND CONTINGENCIES

As part of its normal business, the Company entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The principal commitments of the Company are as follows:

			Payment Due by Period[1,2]			
($000s)	Recognized in Financial Statements	Contractual Cash Flows	Less than 1 year	1-3 years	4-5 years	More than 5 years
Accounts payable and accrued liabilities	Yes-Liability	30,758	30,758	-	-	-
Long-term debt	Yes-Liability	16,951	10,000	6,951	-	-
Lease obligations[3]	Yes-Liability	1,465	1,445	20	-	-
Drilling commitment	No	1,000	-	1,000	-	-
Other long-term liabilities	Yes-Liability	859	-	859	-	-
Derivative commodity contracts	Yes-Liability	4,605	4,605	-	-	-
Equipment and facility leases (short-term)[4]	No	401	401	-	-	-
Total		**56,039**	**47,209**	**8,830**	**-**	**-**

1 Payments exclude ongoing operating costs and finance costs.
2 Payments denominated in foreign currencies have been translated at June 30, 2021 exchange rates.
3 These amounts include the notional and principal interest payments.
4 Equipment leases include one facility contract and one workover rig.

Pursuant to the approved South Ghazalat development lease, the Company is committed to drill one exploration well during the initial four year period of the 20 year development lease. The Company has issued a production guarantee in the amount of $1.0 million which will be released when the commitment well has been drilled.

In the normal course of its operations, the Company may be subject to litigation and claims. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

On March 31, 2015, TG Holdings Yemen, Inc. ("TG Holdings"), a wholly-owned subsidiary of TransGlobe, relinquished its 13.8% interest in a concession in western Yemen known as "Block 32". In 2018, the Ministry of Oil and Minerals of the Republic of Yemen ("MOM") raised claims against the contractor parties, including TG Holdings. The claims variously related to accounting practices, environmental and asset integrity/retirement claims, claims related to payment of customs duties and penalties, claims related to amounts allegedly owing to third parties for employment and facilities usage claims, and claims related to the handover of the concession.

A decision was rendered on the arbitration by the arbitral tribunal with an effective date of March 31, 2021. The final award determined that the contractor parties, including TG Holdings, are entitled to their share of Production Sharing Oil that was lifted by MOM in the amount of $5.0 million. The award also determined that the contractor parties, including TG Holdings, are jointly and severally liable for certain costs in the amount of $6.5 million.

The Company is not aware of any material provisions or other contingent liabilities as at June 30, 2021.

14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares with no par value. Shares in issue as at June 30, 2021 and December 31, 2020 are outlined below:

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
(000s)	**Shares**	**Amount ($)**	Shares	Amount ($)
Balance, beginning and end of period	**72,543**	**152,805**	72,543	152,805

15. SHARE-BASED PAYMENTS

Stock options

The following table summarizes information about the stock options outstanding and exercisable at the dates indicated:

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
(000s)	**Number of Options**	**Weighted-Average Exercise Price ($C)**	Number of Options	Weighted-Average Exercise Price ($C)
Options outstanding, beginning of period	**4,589**	**2.16**	4,481	2.86
Granted	**402**	**2.16**	819	0.79
Expired	**(1,002)**	**2.19**	(711)	4.99
Options outstanding, end of period	**3,989**	**2.15**	4,589	2.16
Options exercisable, end of period	**2,715**	**2.35**	2,797	2.35

Compensation expense of $0.2 million was recorded during the six months ended June 30, 2021 (June 30, 2020 - $0.2 million) in general and administrative expenses in the Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss) and Condensed Consolidated Interim Statements of Changes in Shareholders' Equity in respect of stock options. The fair value of all common stock options granted is estimated on the date of grant using the lattice-based trinomial option pricing model.

All options granted vest annually over a three-year period and expire five years after the grant date. No employee stock options were exercised during the six month periods ended June 30, 2021 and 2020. As at June 30, 2021 and December 31, 2020, the entire balance in contributed surplus was related to previously recognized share-based compensation expense on equity-settled stock options.

Restricted share unit ("RSU"), performance share unit ("PSU") and deferred share unit ("DSU") plans

The number of RSUs, PSUs and DSUs outstanding as at June 30, 2021 are as follows:

(000s)	**RSUs**	**PSUs**	**DSUs**
Units outstanding, December 31, 2020	835	2,272	826
Granted	362	602	200
Exercised	(333)	(592)	(94)
Units outstanding, June 30, 2021	**864**	**2,282**	**932**

During the six months ended June 30, 2021, compensation expense of $3.4 million (June 30, 2020 - $0.7 million recovery) was recorded in general and administrative expenses in the Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss) in respect of the revaluation of outstanding share units granted under the three plans described above.

16. PER SHARE AMOUNTS

The basic weighted-average number of common shares outstanding for the three and six months ended June 30, 2021 was 72,542,071 (three and six months ended June 30, 2020 - 72,542,071). The diluted weighted-average number of common shares outstanding for the three and six months ended June 30, 2021 was 72,921,693 (June 30, 2020 - 72,542,071) and 72,953,513 (June 30, 2020 - 72,542,071). These outstanding share amounts were used to calculate net earnings (loss) per share in the respective periods.

In determining diluted net loss per share, the Company assumes that the proceeds received from the exercise of "in-the-money" stock options are used to repurchase common shares at the average market price. In calculating the weighted-average number of diluted common shares outstanding for the three and six month period ended June 30, 2021, the Company excluded 3,169,899 stock options (three months ended June 30, 2020 - 4,589,042; six months ended June 30, 2020 - 3,769,935) as their exercise price was greater than the average common share market price in the periods.

17. SEGMENTED INFORMATION

The Company has two reportable segments for the three and six months ended June 30, 2021 and 2020: the Arab Republic of Egypt and Canada. The Company, through its operating segments, is engaged primarily in oil exploration, development and production and the acquisition of oil and gas properties. In presenting information on the basis of operating segments, segment revenue is based on the geographical location of assets which is also consistent with the location of the segment customers. Segmented assets are also based on the geographical location of the assets. There are no inter-segment sales. The accounting policies of the operating segments are the same as the Company's accounting policies.

	Three Months Ended June 30							
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
($000s)	**Egypt**		**Canada**		**Corporate**		**Total**	
Revenue								
Oil sales	**77,831**	22,304	**3,942**	830	**-**	-	**81,773**	23,134
Natural gas sales	**-**	-	**1,137**	556	**-**	-	**1,137**	556
Natural gas liquids sales	**-**	-	**2,108**	859	**-**	-	**2,108**	859
Less: royalties	**(32,843)**	(12,477)	**(1,580)**	(680)	**-**	-	**(34,423)**	(13,157)
Petroleum and natural gas sales, net of royalties	**44,988**	9,827	**5,607**	1,565	**-**	-	**50,595**	11,392
Finance revenue	**-**	16	**-**	-	**3**	18	**3**	34
Other revenue	**-**	-	**-**	-	**33**	222	**33**	222
Total segmented revenue	**44,988**	9,843	**5,607**	1,565	**36**	240	**50,631**	11,648
Segmented expenses								
Production and operating	**17,919**	9,031	**1,803**	1,375	**-**	-	**19,722**	10,406
Selling costs	**1,671**	423	**-**	-	**-**	-	**1,671**	423
General and administrative	**1,272**	1,606	**332**	194	**2,066**	2,151	**3,670**	3,951
Foreign exchange loss	**-**	-	**-**	-	**10**	113	**10**	113
Finance costs	**246**	512	**85**	72	**2**	5	**333**	589
Depletion, depreciation and amortization	**4,796**	3,820	**2,076**	1,643	**87**	194	**6,959**	5,657
Asset retirement obligation accretion	**-**	-	**45**	60	**-**	-	**45**	60
Loss on financial instruments	**4,292**	1,371	**602**	-	**-**	-	**4,894**	1,371
Income tax expense	**5,605**	2,445	**-**	-	**-**	-	**5,605**	2,445
Segmented net earnings (loss)	**9,187**	(9,365)	**664**	(1,779)	**(2,129)**	(2,223)	**7,722**	(13,367)
Capital expenditures								
Exploration and development	**2,585**	1,204	**1,012**	(27)	**-**	-	**3,597**	1,177
Corporate	**-**	-	**-**	-	**-**	52	**-**	52
Total capital expenditures	**2,585**	1,204	**1,012**	(27)	**-**	52	**3,597**	1,229

	Six Months Ended June 30							
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
($000s)	**Egypt**		**Canada**		**Corporate**		**Total**	
Revenue								
Oil sales	**114,805**	97,719	**6,615**	4,005	**-**	-	**121,420**	101,724
Natural gas sales	**-**	-	**2,079**	1,288	**-**	-	**2,079**	1,288
Natural gas liquids sales	**-**	-	**3,796**	1,724	**-**	-	**3,796**	1,724
Less: royalties	**(56,327)**	(38,819)	**(2,321)**	(1,291)	**-**	-	**(58,648)**	(40,110)
Petroleum and natural gas sales, net of royalties	**58,478**	58,900	**10,169**	5,726	**-**	-	**68,647**	64,626
Finance revenue	**-**	16	**-**	-	**6**	76	**6**	92
Other revenue	**-**	-	**-**	-	**33**	222	**33**	222
Total segmented revenue	**58,478**	58,916	**10,169**	5,726	**39**	298	**68,686**	64,940
Segmented expenses								
Production and operating	**25,847**	30,389	**3,324**	3,274	**-**	-	**29,171**	33,663
Selling costs	**1,705**	1,049	**-**	-	**-**	-	**1,705**	1,049
General and administrative	**2,506**	3,065	**555**	449	**5,646**	2,341	**8,707**	5,855
Foreign exchange loss	**-**	-	**-**	-	**43**	165	**43**	165
Finance costs	**632**	1,222	**167**	170	**4**	12	**803**	1,404
Depletion, depreciation and amortization	**7,803**	13,853	**3,730**	3,656	**241**	400	**11,774**	17,909
Asset retirement obligation accretion	**-**	-	**111**	128	**-**	-	**111**	128
Loss (gain) on financial instruments	**8,969**	(7,173)	**440**	-	**-**	-	**9,409**	(7,173)
Impairment loss	**-**	69,434	**-**	4,061	**-**	-	**-**	73,495
Income tax expense	**10,265**	7,030	**-**	-	**-**	-	**10,265**	7,030
Segmented net (loss) earnings	**751**	(59,953)	**1,842**	(6,012)	**(5,895)**	(2,620)	**(3,302)**	(68,585)
Capital expenditures								
Exploration and development	**3,528**	4,836	**2,966**	1,832	**-**	-	**6,494**	6,668
Corporate	**-**	-	**-**	-	**10**	138	**10**	138
Total capital expenditures	**3,528**	4,836	**2,966**	1,832	**10**	138	**6,504**	6,806

The carrying amounts of reportable segment assets and liabilities are as follows:

	As at June 30, 2021			As at December 31, 2020		
($000s)	**Egypt**	**Canada**	**Total**	Egypt	Canada	Total
Assets						
Accounts receivable	**10,136**	**2,972**	**13,108**	6,594	2,821	9,415
Intangible exploration and evaluation assets	**578**	**584**	**1,162**	-	584	584
Property and equipment						
Petroleum and natural gas assets	**66,157**	**71,045**	**137,202**	70,331	69,728	140,059
Other assets	**1,649**	**10**	**1,659**	1,985	11	1,996
Other	**36,701**	**4,201**	**40,902**	33,571	2,162	35,733
Deferred taxes	**3,709**	**-**	**3,709**	3,723	-	3,723
Segmented assets	**118,930**	**78,812**	**197,742**	116,204	75,306	191,510
Non-segmented assets			**10,737**			9,637
Total assets			**208,479**			201,147
Liabilities						
Accounts payable and accrued liabilities	**21,823**	**2,054**	**23,877**	14,342	2,040	16,382
Derivative commodity contracts	**4,166**	**439**	**4,605**	398	-	398
Long-term debt	**10,000**	**6,951**	**16,951**	14,897	6,567	21,464
Asset retirement obligation	**-**	**13,863**	**13,863**	-	13,042	13,042
Lease obligation	**926**	**184**	**1,110**	1,466	302	1,768
Deferred taxes	**3,709**	**-**	**3,709**	3,723	-	3,723
Segmented liabilities	**40,624**	**23,491**	**64,115**	34,826	21,951	56,777
Non-segmented liabilities			**8,011**			6,075
Total liabilities			**72,126**			62,852

18. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital consisted of the following:

	Three Months Ended June 30		Six Months Ended June 30	
($000s)	**2021**	2020	**2021**	2020
Operating activities				
(Increase) decrease in current assets				
Accounts receivable	**(4,432)**	28,423	**(3,645)**	(8,508)
Prepaids and other	**316**	(410)	**799**	283
Product inventory[1]	**5,507**	(2,752)	**1,898**	4,851
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**5,105**	2,103	**3,344**	1,802
Other long-term liabilities	**236**	(49)	**315**	(468)
Total changes in non-cash working capital	**6,732**	27,315	**2,711**	(2,040)
Investing activities				
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**522**	(1,594)	**2,347**	(662)
Total changes in non-cash working capital	**522**	(1,594)	**2,347**	(662)
Financing activities				
Decrease in current liabilities				
Other liabilities	**(8)**	-	**(9)**	-
Total changes in non-cash working capital	**(8)**	-	**(9)**	-

[1] The change in non-cash working capital associated with product inventory represents the change in operating costs capitalized as product inventory in the respective periods.

CORPORATE & SHAREHOLDER INFORMATION

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David B. Cook - *Chairman*
Randy C. Neely (4) - *President & Chief Executive Officer*
Ross G. Clarkson (3)
Edward LaFehr (1)(3)
Steven W. Sinclair (1)(2)
Timothy Marchant (2)(3)

OFFICERS
Randy C. Neely (4) - *President & Chief Executive Officer*
Geoffrey Probert (4) - *Vice President & Chief Operating Officer*
Edward D. Ok (4) - *Vice President, Finance & Chief Financial Officer and Corporate Secretary*

(1) Audit Committee
(2) Compensation, Human Resources & Governance Committee
(3) Reserves, Health, Safety & Social Responsibility Committee
(4) Disclosure and AIM Compliance Committee

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