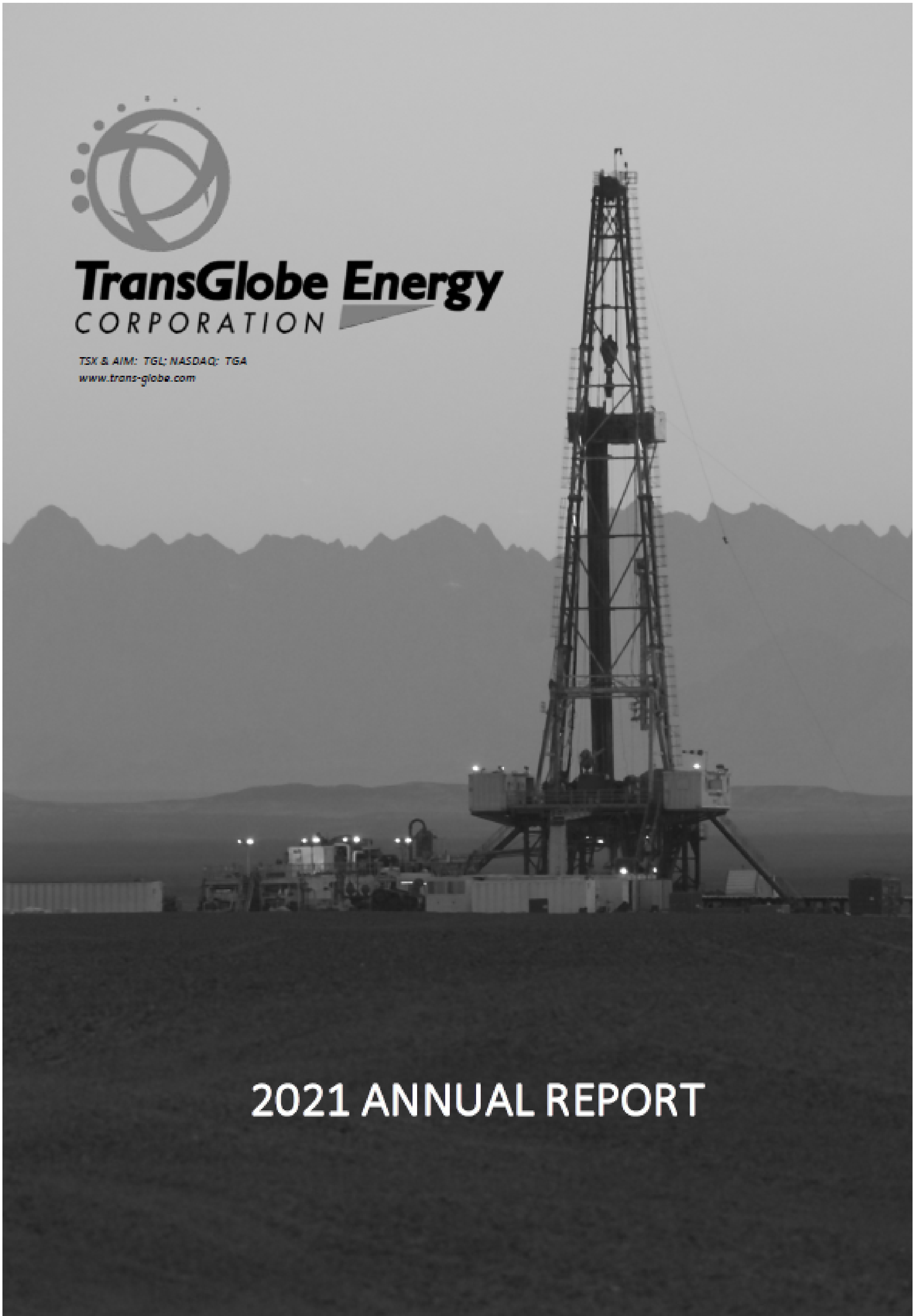

TransGlobe Energy Corporation

TSX & AIM: TGL; NASDAQ: TGA
www.trans-globe.com

2021 ANNUAL REPORT

CONTENTS

MESSAGE TO THE SHAREHOLDERS

After the many challenges faced in 2020, 2021 was a year of strong recovery for TransGlobe Energy Corporation ("TransGlobe" or the "Company") and the industry. The Company's netbacks per boe increased by 120%[1] from the previous year, achieving highs that have not been seen since before the pandemic. With its stronger financial position, TransGlobe reduced its debt and restarted investment in Egypt in advance of the Egyptian Parliament's ratification in December 2021 of the amendment to merge, amend and extend its three existing Eastern Desert concessions (West Gharib, West Bakr and North West Gharib) (the "Merged Concession agreement"). All results in the year for Egypt reflect pre-Merged Concession agreement terms and do not incorporate the February 1, 2020 effective date of the Merged Concession agreement.

TransGlobe produced an average of 12,854 boe/d in 2021 and 12,763 boe/d during the fourth quarter. Egypt production was 10,578 bbls/d in 2021 (Q4-2021 – 10,065 bbls/d) and Canada production was 2,276 boe/d (Q4-2021 – 2,698 boe/d) (see "Oil and Gas Advisories"). Annual production was within 2021 full-year guidance (12,000 - 13,000 boe/d). Corporate production increased by 3% in Q4-2021 over the previous quarter due to the three wells brought online in South Harmattan in September and October 2021. Production was down by 4% from the previous year primarily due to natural declines.

TransGlobe recorded net earnings of $40.3 million in 2021 compared to a net loss of $77.4 million in 2020. Net earnings was inclusive of a non-cash impairment reversal of $31.5 million on the Company's petroleum and natural gas ("PNG") assets and a $0.1 million unrealized derivative loss on commodity contracts (fair value adjustment on the Company's hedging contracts). Before impairment reversal and the unrealized loss on derivative commodity contracts, TransGlobe had net earnings of $8.9 million for 2021.

The Company generated funds flow from operations of $44.8 million[2] (2020 - $30.4 million[2]) in 2021, $0.62 per share[3] (2020 - $0.42 per share[3]). TransGlobe ended 2021 with positive working capital of $21.0 million[4] (2020 - $15.3 million[4]), including cash of $37.9 million. The increase in funds flow from operations is primarily due to a significant increase in commodity prices in 2021 compared to 2020.

Health, Safety and the Environment were important focus areas in 2021 as the Company continued to operate safely in both Egypt and Canada. The Company made progress in Egypt's lagging and leading indicators, while also achieving an incident-free year in Canada. TransGlobe will continue to invest in influencing behaviors in Egypt to encourage a thoughtful approach to HSE.

With the approval of the Merged Concession agreement and commodity price improvements, the Company moved forward to restart investment in Egypt and Canada in 2021. In Egypt, the Company's 2021 development program focused on the Eastern Desert and included: seven development wells in West Bakr, one Red Bed appraisal well in NW Gharib, six recompletions and development/maintenance projects in the Eastern Desert. In the Western Desert, the Company drilled an oil exploration well at South Ghazalat. A recompletion of SGZ-6X well to the lower Bahariya reservoir and expansion of the South Ghazalat early production facility was also completed.

The Company's 2021 capital program in Canada consisted of drilling three (three net) horizontal wells and completing one (one net) standing well, all targeting the Cardium light oil resource at Harmattan, with additional maintenance/development capital. The one 2-mile horizontal well drilled, but not completed, in South Harmattan in 2020 was stimulated, equipped and brought on production. Although the production history is relatively short and not necessarily indicative of long-term performance or ultimate recovery, the Company is encouraged about the results, which are significantly above internal type curve expectations for the area on both the 1 and 2-mile wells.

2P reserves at year-end 2021 were 19% higher than 2020. In Egypt, 2P drilling additions of 2.4 MMbbls resulted from successful drilling in the K and H field, while improved production performance and the term extension realized from the Merged Concession agreement resulted in positive 2P technical revisions of 3.2 MMbbls. In Canada, the continued success in the recently discovered South Harmattan area has led to significant increases in reserves, providing the Company with a large inventory of high value development locations. 2P drilling additions of 5.7 MMboes primarily resulted from the 3 well drilling program in South Harmattan and associated undeveloped location bookings. The increases to 2P reserves more than offset the 4.7 MMboe of production in 2021.

With the Merged Concession agreement fully executed by the Egyptian Ministry of Petroleum on January 19, 2022, and recent commodity price improvements, the Company is moving forward to increase investment in Egypt and Canada to support its growth plans in both countries. With the improved terms in the Eastern Desert, continuing strong oil prices, and the realization of the amounts owing from the effective date adjustment on the consolidation of the Eastern Desert concessions, the Company declared a $0.10 per common share dividend subsequent to year end.

Signed by:

"Randy C. Neely"

Randy C. Neely
President and Chief Executive Officer
March 17, 2022

[1] *Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for netback is petroleum and natural gas sales. Refer to "Non-GAAP and Other Financial Measures" contained within the annual MD&A.*

[2] *Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for funds flow from operations is cash flow generated by operating activities. Refer to "Non-GAAP and Other Financial Measures" contained within the annual MD&A.*

[3] *Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Includes a non-GAAP financial measure component of funds flow from operations. Refer to "Non-GAAP and Other Financial Measures" contained within the annual MD&A.*

[4] *Supplementary financial measure that is comprised of current assets less current liabilities, as determined in accordance with IFRS.*

FINANCIAL AND OPERATING RESULTS

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

	Three Months Ended December 31			Years Ended December 31		
Financial	**2021**	2020	% Change	**2021**	2020	% Change
Petroleum and natural gas sales[1]	**93,428**	50,989	83	**303,956**	188,771	61
Petroleum and natural gas sales, net of royalties[1]	**58,043**	33,309	74	**169,006**	114,675	47
Realized derivative (loss) gain on commodity contracts	**(3,096)**	(6)	51,500	**(10,475)**	6,801	(254)
Unrealized derivative gain (loss) on commodity contracts	**2,803**	(941)	(398)	**(88)**	(180)	(51)
Production and operating expense	**15,518**	19,326	(20)	**61,430**	64,462	(5)
Overlift	**(828)**	-	(100)	**14,723**	-	100
Selling costs	**55**	1,008	(95)	**3,921**	2,111	86
General and administrative expense	**7,416**	3,593	106	**20,353**	11,990	70
Depletion, depreciation and amortization expense	**7,068**	7,647	(8)	**25,434**	31,049	(18)
Income tax expense	**6,050**	3,408	78	**22,411**	13,530	66
Cash flow (used in) generated by operating activities	**(1,956)**	14,180	(114)	**44,962**	31,709	42
Funds flow from operations[2]	**15,269**	7,202	112	**44,831**	30,443	47
Basic per share[3]	**0.21**	0.10		**0.62**	0.42	
Diluted per share[3]	**0.21**	0.10		**0.61**	0.42	
Net earnings (loss)	**6,560**	(2,855)	(330)	**40,338**	(77,397)	(152)
Basic per share	**0.09**	(0.04)		**0.56**	(1.07)	
Diluted per share	**0.09**	(0.04)		**0.55**	(1.07)	
Capital expenditures[4]	**8,694**	255	3,309	**26,822**	7,498	258
Working capital[8]	**21,032**	15,349	37	**21,032**	15,349	37
Long-term debt, including current portion	**3,040**	21,464	(86)	**3,040**	21,464	(86)
Common shares outstanding						
Basic (weighted average)	**72,550**	72,542	-	**72,544**	72,542	-
Diluted (weighted average)	**73,750**	72,542	2	**73,182**	72,542	1
Total assets	**239,095**	201,147	19	**239,095**	201,147	19
Operating						
Average production volumes (boe/d)	**12,763**	12,384	3	**12,854**	13,425	(4)
Average sales volumes (boe/d)	**12,763**	15,712	(19)	**13,478**	15,437	(13)
Inventory (Mbbls)	**-**	227.9	(100)	**-**	227.9	(100)
Average realized sales price ($/boe)[5]	**67.03**	35.27	90	**58.79**	33.41	76
Production and operating expenses ($/boe)[6]	**13.22**	13.37	(1)	**12.49**	11.41	9
Reserves						
Total proved (MMboe)[7]	**28.0**	22.8	23.0	**28.0**	22.8	23.0
Total proved plus probable (MMboe)[7]	**46.1**	38.9	19.0	**46.1**	38.9	19.0

1 Petroleum and natural gas sales for the three and twelve months ended December 31, 2021 are inclusive of overlift revenues of ($0.8 million) and $14.7 million, respectively.

2 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for funds flow from operations is cash flow generated by operating activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

3 Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Includes a non-GAAP financial measure component of funds flow from operations. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

4 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

5 Supplementary financial measure that is comprised of petroleum and natural gas sales, as determined in accordance with IFRS, divided by the Company's average daily production volumes.

6 Supplementary financial measure that is comprised of production and operating expenses, as determined in accordance with IFRS, divided by the Company's average daily production volumes.

7 As determined by the Company's 2021 & 2020 independent reserves evaluator, GLJ Ltd. ("GLJ"), in their reports dated February 22, 2022 and February 9, 2021 with effective dates of December 31, 2021 and December 31, 2020, respectively. The reports of GLJ have been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time. Refer to "*Oil and Gas Advisories*" herein.

8 Supplementary financial measure that is comprised of current assets less current liabilities, as determined in accordance with IFRS.

FINDING AND DEVELOPMENT COSTS/FINDING, DEVELOPMENT AND NET ACQUISITION COSTS

Finding and development ("F&D") costs is a supplementary financial measure that helps to explain the costs of finding and developing additional oil and gas reserves. F&D costs are calculated as the aggregate of exploration costs, development costs and the change in estimated future development costs divided by the applicable reserves additions. Finding, development and acquisition ("FD&A") costs incorporate acquisitions, net of any dispositions during the year. The Company expects to fund the development costs of the reserves through a combination of cash flow generated by operations, debt capacity, proceeds from property dispositions and, if necessary, the issuance of Common Shares.

Changes in forecasted future development capital ("FDC") occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect the independent evaluator's best estimate of what it will cost to bring the proved plus probable undeveloped reserves on production at that time. Undiscounted FDC for proved plus probable undeveloped reserves increased $44.6 million compared to year end 2020, to total $126.7 million at year end 2021. The increase in FDC is attributable to the addition of new undeveloped locations in South Harmattan.

Estimates of reserves and future net revenues have been made assuming the development of each property will occur, without regard to the likelihood of TransGlobe obtaining funding for the development. There can be no guarantee that funds will be available or that the Company will allocate funding to develop all of the reserves attributed in the reserves evaluator's report. Failure to develop those reserves would have a negative impact on future cash flow from operations.

Interest and other costs of external funding are not included in the reserves and future net revenue estimates. These costs would reduce reserves and future net revenues depending upon the funding sources utilized. TransGlobe does not anticipate that interest or other funding costs would make development of any property uneconomic.

Proved

($000s, except volumes and $/boe amounts)	**Three-Year Weighted-Average**	**2021**	2020	2019
Capital expenditures[1]		**26,822**	7,498	36,932
Net change from previous year's future capital		**6,036**	4,124	(5,625)
		32,858	11,622	31,307
Reserves additions and revisions (Mboe)				
Exploration and development[2]		**9,931**	2,277	4,382
Total reserves additions (Mboe)		**9,931**	2,277	4,382
Average cost per boe				
F&D[3]	**4.57**	**3.31**	5.10	7.15
FD&A[4]	**4.57**	**3.31**	5.10	7.15

1 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

2 The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

3 Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. F&D costs are calculated as the aggregate of exploration costs, development costs and the change in estimated future development costs divided by the applicable reserves additions. Three-year average F&D costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions and revisions over the three prior years.

4 Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. FD&A costs are calculated as the aggregate of exploration costs, development costs, acquisitions net of dispositions, and the change in estimated future development costs divided by the applicable reserves additions. Three-year average FD&A costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions and revisions over the three prior years.

Proved Plus Probable

($000s, except volumes and $/boe amounts)	**Three-Year Weighted-Average[4]**	**2021**	2020	2019
Capital expenditures[1]		**26,822**	7,498	36,932
Net change from previous year's future capital		**44,632**	(39,313)	10,040
		71,454	(31,815)	46,972
Reserves additions and revisions (Mboe)				
Exploration and development[2]		**11,883**	(1,526)	7,090
Total reserves additions (Mboe)		**11,883**	(1,526)	7,090
Average cost per boe				
F&D[3]	**4.96**	**6.01**	20.85	6.63
FD&A[4]	**4.96**	**6.01**	20.85	6.63

1 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

2 The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

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5 Three-year weighted average is impacted by negative 2P net revisions in 2020 and negative net change from 2019's future capital.

RECYCLE RATIO

Proved

	Three-Year Weighted-Average	2021	2020	2019
Recycle netback ($/boe)[1]	**7.22**	**8.94**	5.05	7.92
Proved F&D costs ($/boe)[2]	**4.57**	**3.31**	5.10	7.15
Proved FD&A costs ($/boe)[3]	**4.57**	**3.31**	5.10	7.15
F&D Recycle ratio[4]	**1.58**	**2.70**	0.99	1.11
FD&A Recycle ratio[4]	**1.58**	**2.70**	0.99	1.11

[1] Non-GAAP financial ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. For the purpose of calculating the recycle ratio, recycle netback is defined as net earnings (loss) adjusted for non-cash items per boe of sales - see "*Recycle Netback Calculation*" section. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

[3] Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. F&D costs are calculated as the aggregate of exploration costs, development costs and the change in estimated future development costs divided by the applicable reserves additions. Three-year average F&D costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions and revisions over the three prior years.

[3] Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. FD&A costs are calculated as the aggregate of exploration costs, development costs, acquisitions net of dispositions, and the change in estimated future development costs divided by the applicable reserves additions. Three-year average FD&A costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions and revisions over the three prior years.

[4] Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. The three-year average recycle ratio is calculated as the three-year F&D or FD&A costs divided by the three-year average recycle netback per boe.

Proved Plus Probable

	Three-Year Weighted-Average[5]	2021	2020	2019
Recycle netback ($/boe)[1]	**7.22**	**8.94**	5.05	7.92
Proved plus Probable F&D costs ($/boe)[2]	**4.96**	**6.01**	20.85	6.63
Proved plus Probable FD&A costs ($/boe)[3]	**4.96**	**6.01**	20.85	6.63
F&D Recycle ratio[4]	**1.45**	**1.49**	0.24	1.20
FD&A Recycle ratio[4]	**1.45**	**1.49**	0.24	1.20

[1] Non-GAAP financial ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. For the purpose of calculating the recycle ratio, recycle netback is defined as net earnings (loss) adjusted for non-cash items per boe of sales - see "*Recycle Netback Calculation*" section. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

[3] Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. F&D costs are calculated as the aggregate of exploration costs, development costs and the change in estimated future development costs divided by the applicable reserves additions. Three-year average F&D costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions and revisions over the three prior years.

[3] Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. FD&A costs are calculated as the aggregate of exploration costs, development costs, acquisitions net of dispositions, and the change in estimated future development costs divided by the applicable reserves additions. Three-year average FD&A costs are calculated as the total capital expenditures over the three prior years divided by the total reserves additions and revisions over the three prior years.

[4] Supplementary financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. The three-year average recycle ratio is calculated as the three-year F&D or FD&A costs divided by the three-year average recycle netback per boe.

[5] Three-year weighted average is impacted by negative 2P net revisions in 2020 and negative net change from 2019's future capital.

The 2021 recycle ratio is positive as a result of positive recycle ratio netbacks in the year. The positive netbacks were primarily the result of increased oil and gas sales in 2021 due to higher commodity prices, partially offset by higher royalties and taxes. The Company completed two direct crude sale shipments to Mercuria Energy Trading SA ("Mercuria") totaling 771.2 Mbbls of entitlement crude oil. The Company also completed monthly sales of inventoried entitlement crude oil to EGPC totaling 1,120.0 Mbbls during 2021. Annual sales in excess of production resulted in an overall decrease in inventoried crude oil by 227.9 Mbbls from 2020.

The recycle ratio is calculated by dividing the recycle netback by the proved and proved plus probable finding and development costs on a per boe basis.

Recycle Netback Calculation

For the purpose of calculating the recycle ratio, recycle netback is defined as net earnings (loss) adjusted for non-cash items per boe of sales.

($000s, except volumes and per boe amounts)	**2021**	2020	2019
Net earnings (loss)	**40,338**	(77,397)	(3,995)
Adjustments for non-cash items:			
Depletion, depreciation and amortization	**25,434**	31,049	34,948
Asset retirement obligation accretion	**207**	259	215
Share-based compensation	**9,267**	857	2,237
Amortization of deferred financing costs	**103**	395	368
Interest on lease obligations	**182**	211	250
Unrealized foreign exchange loss (gain)	**12**	(62)	(153)
Unrealized loss on financial instruments	**88**	180	1,586
Impairment (reversal) loss	**(31,521)**	73,495	7,937
Asset retirement obligations settled	**(135)**	(458)	(46)
Gain on asset disposition	**-**	-	(114)
Recycle netback[1]	**43,975**	28,529	43,233
Sales volumes (Mboe)	**4,920**	5,650	5,458
Recycle netback per boe[2]	**8.94**	5.05	7.92

1 Non-GAAP financial measure. Recycle netback does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies. The most directly comparable GAAP measure for recycle netback is net earnings (loss) as reconciled above. Refer to "*Non-GAAP and Other Financial Measures*" contained within the annual MD&A.

2 Non-GAAP ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. Recycle netback, a non-GAAP financial measure, is used as a component of the non-GAAP ratio.

NETBACK SENSITIVITY

The below chart provides a comparison of well netbacks in the Company's Egyptian and Canadian assets under multiple price sensitivities. The Egyptian netbacks reflect the modernized production sharing concession ("PSC") terms in the Eastern Desert. 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.

Netback sensitivity					
Benchmark crude oil price ($/bbl)[1]	75.00	85.00	95.00	105.00	115.00
Benchmark natural gas price ($/Mcf)[2]	3.50	3.50	3.50	3.50	3.50
Netback ($/boe) [5]					
Egypt - crude oil[3]	23.10	27.60	33.10	36.90	42.10
Canada - crude oil[4]	22.30	26.00	29.70	33.40	37.10
Canada - natural gas and NGLs[4]	7.50	8.60	9.70	10.90	12.00

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 2022 Egypt production profile, Gharib Blend price differential estimate of $5.00/bbl applied consistently at all price points, operating costs estimated at ~$15.35/bbl.

4 Canada assumptions: using anticipated 2022 Canada production profile, Edmonton Light price differential estimate of C$5.00/bbl, Edmonton Light to Harmattan discount of C$2.50/bbl, operating costs estimated at ~C$9.25/boe, NGL mixture price at 45% of Edmonton Light, and takes into consideration Canadian tax pools.

5 Non-GAAP ratio that is not a standardized financial measure under IFRS and may not be comparable to similar financial measures presented by other companies. Netback, a non-GAAP financial measure, is used as a component of the non-GAAP ratio. See "Non-GAAP and Other Financial Measures" contained within the MD&A.

SUSTAINABILITY REPORT

TransGlobe Energy Corporation plans and executes its business activities with a strong sense of responsibility which has been reflected in a demonstrable track record of performance in Heath, Safety, Environment and Social Responsibility ("HSES").

The Company has achieved fully compliant reporting of its sustainability performance against the Sustainability Accounting Standards Board ("SASB") reporting framework in 2021.

This is TransGlobe's third sustainability and Environmental, Social, and Governance ("ESG") report. The Company's historic sustainability reports are available on the Company's website.

While transitioning to compliant sustainability reporting, the Company has developed principles to guide the way it operates and its ambitions for the future.

TransGlobe Energy Corporation Sustainability Statement

TransGlobe Energy Corporation recognizes the importance of executing its business activities in a responsible way, specifically acknowledging that its activities impact the communities within which it operates directly and the broader population at large.

TransGlobe Energy Corporation acknowledges that human activity has a climate change impact, and that carbon neutrality from human activity is a key international goal.

TransGlobe Energy Corporation is committed to measuring, reporting, and improving its operational footprint in five key areas of sustainability performance.

The Company will:

- execute operations in a socially responsible way, ensuring its local communities benefit from the way it invests and conducts its activities;
- work to understand the environmental impacts of its operations to: specifically carbon emissions intensity, water use, and air quality;
- minimise potential adverse impacts of its operations on the health and safety of its workforce and communities in which it operates;
- manage its business to a high standard of corporate conduct; and
- transparently report the sustainability performance of its business, in full compliance with SASB.

Signed by:

"Randy C. Neely"

Randy C. Neely
President and Chief Executive Officer
March 17, 2022

SUSTAINABILITY ACCOUNTING STANDARDS BOARD ("SASB")

This is the third year that TransGlobe has reported against SASB indicators. The table below details the Company's 2021 disclosures in accordance with the SASB reporting framework for the year-ended December 31, 2021.

As a result of Proposed National Instrument 51-107 – *Disclosure of Climate-related Matters,* TransGlobe will have to transition to reporting in accordance with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework in the future. This proposed national instrument is not anticipated to come into force prior to December 31, 2022. These disclosures would therefore be required for fiscal 2023 annual filings due in March 2024.

Topic	Definition	Unit of Measure	SASB Metric	2021 Egypt	2021 Canada	2021 Corporate
Greenhouse Gas Emissions	Gross Scope 1 GHG Emissions	Metric tons (t) CO_2-e	EM-EP-110a.1	200,411	16,767	217,178
	Gross Scope 1 GHG Intensity Rate	kg CO_2-e / production (BOE)	EM-EP-110a.1	51.9	20.2	46.3
	Gross Scope 1 Methane Emissions as a percentage of GHG Emissions	Percentage (%)	EM-EP-110a.1	75	70	75
	Percentage of Scope 1 GHG Emissions covered under emissions-limiting regulations	Percentage (%)	EM-EP-110a.1	0	100	8
	Gross Scope 1 GHG emissions from flared hydrocarbons	Metric tons (t) CO_2-e	EM-EP-110a.2	15,915	703	16,618
	Gross Scope 1 GHG emissions from other combustion	Metric tons (t) CO_2-e	EM-EP-110a.2	33,905	4,404	38,308
	Gross Scope 1 GHG emissions from process emissions	Metric tons (t) CO_2-e	EM-EP-110a.2	0	0	0
	Gross Scope 1 GHG emissions from other vented emissions	Metric tons (t) CO_2-e	EM-EP-110a.2	150,591	11,303	161,894
	Gross Scope 1 GHG emissions from fugitive emissions	Metric tons (t) CO_2-e	EM-EP-110a.2	tbd	357	tbd
Air Quality	NOx Emissions	Metric tons (t)	EM-EP-120a.1	633	40	673
	Sulfur Dioxide (SO2) Emissions	Metric tons (t)	EM-EP-120a.1	10	0.9	10.8
	Volatile Organic Compounds (VOCs) Emissions	Metric tons (t)	EM-EP-120a.1	1,788	335	2,122
	Particulate Matter (PM10) Emissions	Metric tons (t)	EM-EP-120a.1	25	1.0	26.3
Water Management	Total Fresh Water withdrawn	Thousand cubic meters (m^3)	EM-EP-140a.1	38	26	64
	Percentage of total fresh water withdrawn in regions with High or Extremely High Baseline Water Stress	Percentage (%)	EM-EP-140a.1	100	0	60
	Total Fresh Water Consumed	Thousand cubic meters (m^3)	EM-EP-140a.1	38	26	64
	Percentage of total fresh water consumed in regions with High or Extremely High Baseline Water Stress	Percentage (%)	EM-EP-140a.1	100	0	60
	Volume of produced water	Thousand cubic meters (m^3)	EM-EP-140a.2	3,299	4	3,303
	Volume of flowback generated	Thousand cubic meters (m^3)	EM-EP-140a.2	0	0	0
	Percentage of produced water and flowback discharged	Percentage (%)	EM-EP-140a.2	5	0	0
	Percentage of produced water and flowback injected	Percentage (%)	EM-EP-140a.2	95	100	95
	Percentage of produce water and flowback recycled	Percentage (%)	EM-EP-140a.2	0	0	0
	Hydrocarbon content in discharged water	Metric tons (t)	EM-EP-140a.2	N/A	N/A	N/A
	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	Percentage (%)	EM-EP-140a.3	N/A	100	100
	Percentage of hydraulic fracturing sites where ground or surface water deteriorated compared to a baseline	Percentage (%)	EM-EP-140a.4	N/A	0	0

Topic	Definition	Unit of Measure	SASB Metric	2021 Egypt	2021 Canada	2021 Corporate
Biodiversity Impacts	Number of hydrocarbon spills	Number	EM-EP-160a.2	25	0	25
	Aggregate volume of hydrocarbon spills	Barrels (bbls)	EM-EP-160a.2	23	0	23
	Volume of hydrocarbon spills in the Arctic	Barrels (bbls)	EM-EP-160a.2	0	0	0
	Volume of hydrocarbon spills impacting shorelines with ESI rankings 8-10	Barrels (bbls)	EM-EP-160a.2	0	0	0
	Volume of hydrocarbon spills recovered	Barrels (bbls)	EM-EP-160a.2	12	0	0
	Percentage of proved reserves in or near sites with protected conservation status or endangered species habitat	Percentage (%)	EM-EP-160a.3	100	100	100
Security, Human Rights & Rights of Indigenous Peoples	Percentage of Proved reserves in or near areas of conflict	Percentage (%)	EM-EP-210a.1	100	0	60
	Percentage of Probable reserves in or near areas of conflict	Percentage (%)	EM-EP-210a.1	100	0	62
	Percentage of proved reserves in or near indigenous land	Percentage (%)	EM-EP-210a.2	0	0	0
	Percentage of probable reserves in or near indigenous land	Percentage (%)	EM-EP-210a.2	0	0	0
Community Relations	Number of non-technical delays	Number	EM-EP-210b.2	0	0	0
	Duration of non-technical delays	Days	EM-EP-210b.2	0	0	0
Workforce Health & Safety	Total recordable incident rate (TRIR)		EM-EP-320a.1	0.2	0.0	0.2
	Fatality Rate		EM-EP-320a.1	0.0	0.0	0.0
	Near miss frequency rate (NMFR)		EM-EP-320a.1	0.7	0.0	0.7
	Average hours of health, safety and emergency response training for fulltime employees	Hours (h)	EM-EP-320a.1	23.2	1.0	22.5
	Average hours of health, safety and emergency response training for contract employees	Hours (h)	EM-EP-320a.1	20.5	15.0	20.4
	Average hours of health, safety and emergency response training for short service employees	Hours (h)	EM-EP-320a.1	12.6	N/A	12.6
Reserves Valuation & Capital Expenditures	Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	Million barrels (MMbbls),Million standard cubic feet (MMscf)	EM-EP-420a.1	Not Significant		
	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	Metric tons (t) CO_2-e	EM-EP-420a.2	5041225	3060581	8101806
	Amount invested in renewable energy	$USD	EM-EP-420a.3	0	0	0
	Revenue generated by renewable energy sales	$USD	EM-EP-420a.3	0	0	0
Business Ethics & Transparency	Percentage of proved reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Percentage (%)	EM-EP-510a.1	0	0	0
	Percentage of probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Percentage (%)	EM-EP-510a.1	0	0	0
Critical Incident Risk Management	Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1)	Rate	EM-EP-540a.1	0	0	0

Topic	Definition	SASB Metric	
Greenhouse Gas Emissions	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	EM-EP-110a.3	TransGlobe has been measuring and reporting its scope 1 GHG emissions since 2019. The short-term strategy has focused on data gathering and analysis to better understand the starting point and where the greatest opportunities for reduction exist. The long-term strategy is to set a reduction target and implement a plan to achieve that reduction. TransGlobe operates in two very distinct environments: In Canada, TG operates in a highly regulated environment with strong rules and incentives in place to limit and reduce GHG emissions; Egypt is an environment with significantly less regulations and has yet to implement the fiscal incentives necessary to make many GHG emissions reduction projects viable. In Canada, the strategy, both short and long term, is to follow the requirements set out by the governments and regulators as a minimum, and to take advantage of the incentives offered (carbon credits etc.) to further reduce emissions. The Company intends to reduce GHG emissions in the most efficient and practical ways, going beyond compliance in the jurisdictions in which we operate. In Egypt, a different approach is required. This lesser-regulated environment provides opportunities for GHG reduction that are commonplace in other jurisdictions, thus TG short-term strategy is to take advantage of simple and low cost GHG reduction opportunities. Long-term, TG is working with the government and its state-owned partner to secure the appropriate incentives required to make more significant GHG reduction investments. The Company is committed to practical and economically efficient GHG reductions wherever possible and strives to go beyond compliance.
Biodiversity Impacts	Description of environmental management policies and practices for active sites	EM-EP-160a.1	TransGlobe's environmental management plan applies to all of the entity's sites and operations across its business units. The plan applies across all stages in the lifecycle from exploration through restoration (where applicable). The plan is designed to adhere to all local regulations (Egypt-EEAA, Canada-AER) and takes into account ecological and biodiversity impacts, waste generation, noise impacts, emissions to air, discharges to water, natural resource consumption, and hazardous chemical use. The Company environmental and social sustainability standards were generated in alignment with the IFC performance standards.
Security, Human Rights & Rights of Indigenous Peoples	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	EM-EP-210a.3	TransGlobe screens its current and potential activities, whether in existing areas or potential new areas, for human rights, indigenous rights, and areas of conflict. The Company seeks third party expert advice where appropriate. Any identified risks are a component in the assessment of investment, ongoing operational viability, and mitigation strategies. Company operations in Egypt are conducted through a local joint venture with the state-owned upstream company and as such are subject to in-country alignment at all stages of project lifecycle, and this includes with respect to local contractor content.
Community Relations	Discussion of process to manage risks and opportunities associated with community rights and interests	EM-EP-210b.1	Company conducts all operations and assesses new opportunities within the framework of its HSES Management System. Company operations in Egypt are conducted through a local joint venture with the State upstream company and as such are subject to in-country alignment at all stages of project lifecycle, and this includes with respect to local contractor content. In Egypt, the Company sends senior representatives to local industry HSES forums and bodies where community rights and interests are discussed and addressed. The Company environmental and social sustainability standards were generated in alignment with the IFC performance standards.
Workforce Health & Safety	Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle	EM-EP-320a.2	TransGlobe has an HSES management system in place. The system is the foundation for the culture of safety at the company. The Company uses technology (eg. Driver monitoring systems) to reduce risks, organizes staff and contractor HSES training sessions, records and investigates incidents and near-misses, has implemented site HSES audits and visits at a leadership level, has a system in Egypt for card reporting of HSES observations, and provides personal protective equipment to staff and contractors. Further, the Company organizes contractor HSES management workshops in Egypt to focus on key risks and to share mitigation knowledge, and uses HSES performance and capability as a key factor in contract awards. In Egypt, the Company sends senior representatives to local industry HSES forums and bodies.

Topic	Definition	SASB Metric	
Reserves Valuation & Capital Expenditures	Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	EM-EP-420a.4	TransGlobe has a long term view that includes demand for hydrocarbons during the energy transition, particularly in developing economies. Projections for demand (and related pricing) are regularly updated and are a key factor in the Company's capital expenditure allocation. Currently capital spending is allocated to projects with near term deliverability, with reserve lives that do not extend beyond the hydrocarbon demand projections contained in the scenarios included in EM-EP-420a.1 resulting in the relative insensitivity of the reserve base to those scenarios.
Business Ethics & Transparency	Description of the management system for prevention of corruption and bribery throughout the value chain	EM-EP-510a.2	The Governance Charter, Code of Conduct for the Corporation, Code of Conduct and Conflict of Interest Guidelines for Directors and Officers, and Whistleblower Protection Policy are in place and published on Company website. The Company conducts annual Corporate Policy awareness sessions for all employees. These charters/ codes are used in the context of both operations and new business development. Company operations in Egypt are conducted through a local joint venture with the State upstream company and similar business controls are in place to minimize this risk.
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	EM-EP-530a.1	Board R&HSES committee annually reviews changes to national regulations and reporting requirements, and, where appropriate assesses identified relevant risks to the business and potential to mitigate. In Egypt, the Company sends senior representatives to local industry HSES forums and bodies where environmental and social factors are discussed with State upstream operating company and regulatory representatives.
Critical Incident Risk Management	Description of the management systems used to identify and mitigate catastrophic and tail-end risks	EM-EP-540a.2	Company HSES Management System in place. Company maintains an active integrity management program on its wells and facilities. An emergency management system is active and exercised annually. Company hires directly, or through the Egypt joint operating venture, employees and contractors with relevant documented experience and qualifications to conduct operations and risk assessments. Company, where area-appropriate, retains expert external capability on contract to respond in emergencies. The Company has implemented site HSES audits and visits at a leadership and technical level. Further, the Company organizes contractor HSES management workshops in Egypt to focus on key risks and to share mitigation knowledge. On shore operations, well spaced-out, mitigate magnitude of these risks.

Forward-Looking Statements

This Annual Report contains certain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), which are based on our current internal expectations, estimates, projections, assumptions and beliefs. 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. 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. These statements are not guarantees of future performance.

In particular, forward-looking statements in this Annual Report include, but are 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; that TransGlobe will continue to invest in influencing behaviors in Egypt to encourage a thoughtful approach to HSE; that the Company will increase investment in Egypt and Canada to support its growth plans; the anticipated benefits to be derived from the Merged Concession agreement; the Company's expectations that future oil prices will continue to be strong; the Company's expectations that it will pay a dividend and the anticipated timing thereof; the Company's expected sources of funding for the development costs of its reserves; the Company's strategy and plans with respect to sustainability, including that it will execute operations in a socially responsible way to ensure its local communities benefit from its activities, minimize potential adverse impacts of its operations on health and safety and transparently report the sustainability performance of its business and move to full compliance with SASB; and other matters. 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 are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. 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 because the Company can give no assurance that such expectations will prove to be correct. Many factors could cause TransGlobe's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, TransGlobe.

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 EGPC to schedule cargoes; 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; the Company's 2022 production in Egypt and Canada will be less than anticipated; the Company's exit production rates will be less than anticipated; the Company will not increase investments and growth in Egypt and Canada; the Company will successfully drill less than the number of wells that it anticipates; the Company will be unable to maximize free cash flow and increase the Company's production base; the Company does not pay dividends in the future; 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. Future dividend payments, if any, and the level thereof is uncertain. The Company's dividend policy and any decision to pay dividends may depend on a variety of factors, including, without limitation, the funds available for the payment of dividends, 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, 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 impact of potential litigation and claims on the Company; the ability of the Company to successfully market and receive payment for its oil and natural gas products; that TransGlobe's conduct and results of its operations will be consistent with its expectations; that TransGlobe will have the ability to develop its properties in the manner currently contemplated; that TransGlobe will have sufficient financial resources in the future to pay a dividend; that the Board of Directors will declare dividends in the future; and other matters.

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.

Oil and Gas Advisories

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.

TransGlobe's 2021 Reserves Evaluation by GLJ uses the price forecast of the three consultants' average (GLJ, McDaniel & Associates Consultants Ltd. and Sproule Associates Ltd.), dated January 1, 2022, the 2020 Reserves Evaluation by GLJ uses GLJ's forecast pricing effective January 1, 2021, and are prepared in accordance with the Canadian Oil & Gas Evaluation Handbook. For a reconciliation of 2021 reserves to 2020 reserves, and a breakdown of reserves by product type, see the Company's annual information form dated March 17, 2022, which is available on SEDAR at www.sedar.com.

All oil and natural gas reserves information contained in this document has been prepared and presented in accordance with the Canadian Oil and Gas Evaluation Handbook. The recovery and reserve estimates of the reserves provided herein are estimates only, and there is no guarantee that the estimated reserves will be recovered. 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 estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. 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.

This document contains a number of oil and gas metrics, including recycle ratio, F&D recycle ratio, FD&A recycle ratio, and recycle netback, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate TransGlobe's operating results; however, such measures are not reliable indicators of the future performance of TransGlobe and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management of TransGlobe uses these oil and gas metrics for its own performance measurements and to provide securityholders with measures to compare TransGlobe's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this news release, should not be relied upon for investment or other purposes.

Production Disclosure

Production Summary (WI before royalties and taxes):					
	Q4 - 21	*Q3 - 21*	*Q2 - 21*	*Q1 - 21*	*Q4 - 20*
Egypt (bbls/d)	*10,065*	*11,276*	*10,727*	*10,238*	*10,268*
Eastern Desert of Egypt (bbls/d)	*9,770*	*10,653*	*9,917*	*10,052*	*10,132*
Heavy Crude (bbls/d)	*9,225*	*10,014*	*9,736*	*9,419*	*9,490*
Light and Medium Crude (bbls/d)	*545*	*639*	*181*	*633*	*642*
Western Desert of Egypt (bbls/d)	*295*	*623*	*810*	*186*	*136*
Light and Medium Crude (bbls/d)	*295*	*623*	*810*	*186*	*136*
Canada (boe/d)	*2,698*	*2,066*	*2,350*	*1,983*	*2,116*
Light and Medium Crude (bbls/d)	*1,176*	*601*	*687*	*564*	*618*
Conventional Natural Gas (Mcf/d)	*4,832*	*4,734*	*4,834*	*4,259*	*4,454*
Associated Natural Gas Liquids (bbls/d)	*716*	*677*	*857*	*710*	*755*
Total (boe/d)	*12,763*	*13,342*	*13,077*	*12,221*	*12,384*

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 17, 2022

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 message to shareholders and the audited consolidated financial statements of the Company for the years ended December 31, 2021 and 2020, together with the notes related thereto (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared in accordance 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

Throughout this MD&A and in other materials disclosed by the Company, TransGlobe adheres to generally accepted accounting principles ("GAAP"), however the Company also employs certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, "netback", "capital expenditures" and "funds flow from operating activities". Additionally, other financial measures are used to analyze performance including, but not limited to, "funds from operations" and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net earnings (loss), cash flow generated by operating activities, and cash flow used in investing activities, as indicators of TransGlobe's performance.

Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure in the sections entitled "Non-GAAP and Other Financial Measures", "Forward-looking Statements" and "Oil and Gas Advisories" included at the end of this MD&A.

MANAGEMENT STRATEGY AND OUTLOOK

The 2022 outlook provides information as to management's expectation for results of operations for 2022. Readers are cautioned that the 2022 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 at the end of this Management's Discussion and Analysis ("MD&A").**

2022 Outlook

The 2022 production outlook for the Company is provided as a range to reflect timing and performance contingencies.

As announced on January 20, 2022, the Company has fully executed its agreement (the "Merged Concession agreement") with the Egyptian General Petroleum Corporation ("EGPC") to merge its three existing Eastern Desert concessions with a 15-year primary term and improved Company economics. In advance of the Minister of Petroleum and Mineral Resources of the Arab Republic of Egypt (the "Minister") executing the Merged Concession agreement with the Company, the Company paid the first modernization payment ($15.0 million) and signature bonus ($1.0 million) as part of the conditions precedent to the official signing ceremony on January 19, 2022. On February 1, 2022, TransGlobe paid the second modernization payment ($10.0 million). In accordance with the Merged Concession agreement, TransGlobe will make a further four annual equalization payments of $10.0 million each beginning February 1, 2023 until February 1, 2026. The Company also has 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.

The Merged Concession agreement consolidates the Company's three existing producing concessions in the Eastern Desert which, in December 2021, had a combined average production of 9,394 Bopd (8,590 Bopd heavy crude; 803 Bopd light and medium crude). As the Merged Concession agreement is effective as of February 1, 2020, there will be an effective date adjustment owed to the Company for the difference in the historic commercial terms and the revised commercial terms applied against the production since the effective date. The quantum of the effective date adjustment is expected to be finalized with EGPC in the coming months.

Total corporate production is expected to range between 12.4 and 13.4 Mboe/d (mid-point of 12.9 Mboe/d) for 2022 with a 93% weighting to oil and liquids. Egypt oil production is expected to range between 10.0 and 10.8 Mbbls/d (mid-point of 10.4 Mbbls/d) in 2022. Canadian production is expected to range between 2.4 and 2.6 Mboe/d (mid-point of 2.5 Mboe/d) in 2022.

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 2022. Funds flow from operations and inventory levels in Egypt may fluctuate significantly from quarter to quarter due to the timing of crude oil sales.

2022 Capital Budget

The Company's 2022 capital program of $57.7 million (before capitalized G&A) includes $33.1 million for Egypt and $24.6 million for Canada. The 2022 plan was prepared to focus on value accretive projects within its portfolio, maximize free cash flow to direct at future growth opportunities and to increase the Company's production base and return to shareholder distributions. The 2022 drilling program includes 17 Egypt wells and 7 Canadian Cardium wells in South Harmattan.

Egypt

The 2022 $33.1 million Egypt capital program is predominantly weighted towards 13 development wells within the Eastern Desert, including two Arta Nukhul horizontal multi-stage completion wells. Additionally, two exploration wells are planned for the second half of the year along with a further two water injection wells, bringing the total planned number of wells in Egypt to 17. The Egypt capital program includes $12.6 million of other spending, of which half relates to materials, including long-lead capital items which are expected to provide continuity into 2023. With the finalization of the Merged Concession agreement, the primary focus of the 2022 Egypt plan is to accelerate the exploitation of the Company's Eastern Desert acreage while optimizing the potential of modern, horizontal multi-stage completion wells in accessing the Company's contingent resource base.

The 13 well development program, already underway, consists of nine vertical development wells in K-field, the two previously mentioned horizontal wells in Arta field, and two further vertical wells in Arta field.

Egypt production is expected to average between 10.0 and 10.8 Mbbl/d for the year.

Canada

The $24.6 million Canada program consists of drilling seven (seven net) horizontal wells all targeting the Cardium light oil resource at South Harmattan along with additional maintenance/development capital. The Cardium drilling program in 2022 consists of six 1-mile and one 2-mile wells. Two of these wells are expected to be drilled in Q1-2022. The remaining five wells are expected to be drilled in late June through August, and all wells are expected to be completed and brought on-stream in late summer to early fall 2022.

Canada production is expected to average between 2.4 and 2.6 Mboe/d for the year.

The approved 2022 capital program is summarized in the following table:

	TransGlobe 2022 Capital ($MM)				Gross Well Count			
	Development		Exploration		Drilling			
Concession	**Wells**	**Other[1]**	**Wells**	**Total[2]**	**Development**	**Exploration**	**Injection**	**Total**
Eastern Desert	18.9	12.4	1.6	**32.9**	13	2	2	**17**
South Ghazalat	-	0.2	-	**0.2**	-	-	-	**-**
Egypt	**18.9**	**12.6**	**1.6**	**33.1**	**13**	**2**	**2**	**17**
Canada	**21.1**	**3.5**	**0.0**	**24.6**	**7**	**-**	**-**	**7**
2022 Total	**40.0**	**16.1**	**1.6**	**57.7**	**20**	**2**	**2**	**24**

[1] Other includes completions, workovers, recompletions and equipping.

[2] Table may not total due to rounding.

SELECTED ANNUAL INFORMATION

($000s, except per share amounts, price and volumes)	**2021**	% Change	2020	% Change	2019
Operations					
Average production volumes					
Crude oil (bbls/d)	**11,336**	(4)	11,858	(18)	14,527
NGLs (bbls/d)	**740**	(6)	785	35	582
Natural gas (Mcf/d)	**4,667**	-	4,686	(16)	5,594
Total (boe/d)	**12,854**	(4)	13,425	(16)	16,041
Average sales volume					
Crude oil (bbls/d)	**11,960**	(14)	13,871	3	13,441
NGLs (bbls/d)	**740**	(6)	785	35	582
Natural gas (Mcf/d)	**4,667**	-	4,686	(16)	5,594
Total (boe/d)	**13,478**	(13)	15,437	3	14,954
Average realized sales prices[1]					
Crude oil ($/bbl)	**63.12**	76	35.80	(35)	55.31
NGLs ($/bbl)	**32.16**	120	14.59	(36)	22.93
Natural gas ($/Mcf)	**2.93**	79	1.64	24	1.32
Total oil equivalent ($/boe)	**58.79**	76	33.41	(35)	51.10
Inventory (Mbbls)	**-**	(100)	227.9	(76)	964.5
Petroleum and natural gas sales[2]	**303,956**	61	188,771	(32)	278,929
Petroleum and natural gas sales, net of royalties[2]	**169,006**	47	114,675	(18)	140,096
Cash flow generated by operating activities	**44,962**	42	31,709	(29)	44,836
Funds flow from operations[3]	**44,831**	47	30,443	(35)	46,871
Funds flow from operations per share[4]:					
Basic	**0.62**		0.42		0.65
Diluted	**0.61**		0.42		0.65
Net earnings (loss)	**40,338**	(152)	(77,397)	1,837	(3,995)
Net earnings (loss) per share:					
Basic	**0.56**		(1.07)		(0.06)
Diluted	**0.55**		(1.07)		(0.06)
Capital expenditures[5]	**26,822**	258	7,498	(80)	36,932
Dividends declared	**-**	-	—	-	5,078
Dividends declared per share	**-**	-	—	-	0.070
Total assets	**239,095**	19	201,147	(35)	308,325
Cash and cash equivalents	**37,929**	10	34,510	4	33,251
Working capital[6]	**21,032**	37	15,349	(52)	32,194
Total long-term debt, including current portion	**3,040**	(86)	21,464	(42)	37,041

1 Supplementary financial measure that is comprised of petroleum and natural gas sales, as determined in accordance with IFRS, less overlift revenue, divided by the Company's average daily production volumes. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

2 Petroleum and natural gas sales for the year ended December 31, 2021 are inclusive of overlift revenues of $14.7 million.

3 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for funds flow from operations is cash flow generated by operating activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

4 Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Includes a non-GAAP financial measure component of funds flow from operations. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

5 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

6 Supplementary financial measure that is comprised of current assets less current liabilities, as determined in accordance with IFRS.

In 2021 compared with 2020, TransGlobe:

- Reported a 4% decrease in production volumes compared to 2020. This was primarily attributable to natural declines in Egypt, partially offset by the re-commencement of Eastern Desert drilling and well optimization activities;
- Ended 2021 with nil crude oil inventory, a decrease of 227.9 Mbbls over inventoried crude oil levels at December 31, 2020. This was primarily due to annual sales volumes exceeding production volumes and the Q3-2021 cargo lifting that resulted in an overlift;
- Reported positive funds flow from operations of $44.8 million (2020 - $30.4 million). The increase in funds flow from operations from 2020 is primarily due to higher commodity prices, partially offset by lower production and excess cost oil in West Bakr;
- Petroleum and natural gas sales increased by 61%, primarily due to a 76% increase in average realized sales prices, partially offset by a 13% decrease in sales volumes in 2021;
- Reported net earnings of $40.3 million (2020 - net loss of $77.4 million) inclusive of a $0.1 million unrealized derivative loss on commodity contracts and a combined $31.5 million non-cash impairment reversal on the Company's petroleum and natural gas ("PNG") assets;
- Ended the year with positive working capital of $21.0 million, including $37.9 million in cash as at December 31, 2021;
- Spent $26.8 million on capital expenditures, funded entirely from cash flow from operations and cash on hand; and
- Repaid $18.9 million of long-term debt with cash on hand.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2021				2020			
($000s, except per share amounts, price and volumes)	**Q-4**	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
Operations								
Average production volumes								
Crude oil (bbls/d)	**11,241**	11,877	11,414	10,802	10,886	10,473	12,696	13,404
NGLs (bbls/d)	**716**	677	857	710	755	798	826	761
Natural gas (Mcf/d)	**4,832**	4,734	4,834	4,259	4,454	4,633	4,665	4,996
Total (boe/d)	**12,763**	13,342	13,077	12,221	12,384	12,044	14,300	14,997
Average sales volumes[1]								
Crude oil (bbls/d)	**11,241**	13,402	14,879	8,271	14,215	9,110	10,865	21,341
NGLs (bbls/d)	**716**	677	857	710	755	798	826	761
Natural gas (Mcf/d)	**4,832**	4,734	4,834	4,259	4,454	4,633	4,665	4,996
Total (boe/d)	**12,763**	14,868	16,542	9,691	15,712	10,680	12,470	22,934
Average realized sales prices[2]								
Crude oil ($/bbl)	**71.84**	64.76	60.39	53.26	37.40	37.14	23.40	40.47
NGLs ($/bbl)	**40.76**	35.40	27.03	26.42	18.96	15.65	11.43	12.49
Natural gas ($/Mcf)	**3.88**	2.71	2.58	2.46	1.85	1.80	1.31	1.61
Total oil equivalent ($/boe)	**67.03**	60.85	56.48	48.47	35.27	33.63	21.63	38.42
Inventory (Mbbls)	**-**	-	140.3	455.7	227.9	534.0	408.7	242.1
Petroleum and natural gas sales[3]	**93,428**	83,234	85,018	42,277	50,989	33,046	24,549	80,187
Petroleum and natural gas sales, net of royalties[3]	**58,043**	42,316	50,595	18,052	33,309	16,740	11,392	53,234
Cash flow (used in) generated by operating activities	**(1,956)**	27,026	23,832	(3,940)	14,180	(3,349)	24,551	(3,672)
Funds flow from operations[4]	**15,269**	12,381	17,100	81	7,202	323	(2,764)	25,683
Basic per share[5]	**0.21**	0.17	0.24	-	0.10	-	(0.03)	0.35
Diluted per share[5]	**0.21**	0.17	0.24	-	0.10	-	(0.03)	0.35
Net earnings (loss)	**6,560**	37,080	7,722	(11,024)	(2,855)	(5,957)	(13,367)	(55,218)
Basic per share	**0.09**	0.51	0.11	(0.15)	(0.04)	(0.08)	(0.19)	(0.76)
Diluted per share	**0.09**	0.51	0.11	(0.15)	(0.04)	(0.08)	(0.19)	(0.76)
Capital expenditures[6]	**8,694**	11,624	3,597	2,907	254	437	1,229	5,577
Total assets	**239,095**	267,263	208,479	197,150	201,147	205,583	221,347	241,219
Cash and cash equivalents	**37,929**	53,952	43,639	28,669	34,510	27,065	34,837	23,830
Working capital[7]	**21,032**	17,667	17,136	7,055	15,349	12,708	35,112	53,294
Total long-term debt, including current portion	**3,040**	6,882	16,951	21,699	21,464	25,946	27,071	36,591

1 There are no sales volumes associated with overlift revenue.

2 Supplementary financial measure that is comprised of petroleum and natural gas sales, as determined in accordance with IFRS, less overlift revenue, divided by the Company's average daily production volumes. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

3 Petroleum and natural gas sales for the three and twelve months ended December 31, 2021 are inclusive of overlift revenues of ($0.8 million) and $14.7 million, respectively.

4 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for funds flow generated by operations is cash flow from operating activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

5 Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Includes a non-GAAP financial measure component of funds flow from operations. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

6 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

7 Supplementary financial measure that is comprised of current assets less current liabilities, as determined in accordance with IFRS.

During the fourth quarter of 2021, TransGlobe:

- Reported a 3% increase in production volumes compared to Q4-2020, primarily due to the three Harmattan horizontal wells, drilled in Q3-2021, being successfully brought into production in Canada in September and October, 2021. This was partially offset by natural declines;
- Settled the Q3-2021 overlift liability of ($15.6 million or 221.7 Mbbls) during the quarter from equivalent crude oil entitlement production of ~124.2 Mbbls ($8.7 million) and against outstanding receivables from EGPC for $6.8 million (~97.5 Mbbls);
- Reported positive funds flow from operations of $15.3 million;
- Petroleum and natural gas sales increased by 83% compared to Q4-2020, primarily due to a 90% increase in realized prices, partially offset by a 19% decrease in sales volumes;
- Reported net earnings of $6.6 million, inclusive of a $2.8 million unrealized derivative gain on commodity contracts;
- Spent $8.7 million on capital expenditures, funded entirely from cash flows from operations and cash on hand; and
- Repaid $3.9 million of long-term debt with cash on hand.

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:

Average reference prices and exchange rates	2021	2020
Crude oil		
Dated Brent average oil price ($/bbl)	**70.68**	41.76
Edmonton Sweet index ($/bbl)	**63.66**	34.04
Natural gas		
AECO ($/MMBtu)	**2.91**	1.68
US/Canadian Dollar average exchange rate	**1.25**	1.34

In 2021, the average price of Dated Brent oil was 69% higher than in 2020. 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 85% 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 may receive 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 2021, the average price of Edmonton Sweet index oil (expressed in US$) was 87% higher than in 2020. In 2021, the average price of AECO natural gas increased by 73% compared to 2020.

OPERATING RESULTS AND NETBACK

Daily Volumes, Working Interest before Royalties

Production Volumes

	2021	2020
Egypt crude oil (bbls/d)	**10,578**	11,147
Canada crude oil (bbls/d)	**758**	711
Canada NGLs (bbls/d)	**740**	785
Canada natural gas (Mcf/d)	**4,667**	4,686
Total Company (boe/d)	**12,854**	13,425

Sales Volumes (excludes volumes held as inventory)

	2021	2020
Egypt crude oil (bbls/d)[1]	**11,202**	13,160
Canada crude oil (bbls/d)	**758**	711
Canada NGLs (bbls/d)	**740**	785
Canada natural gas (Mcf/d)	**4,667**	4,686
Total Company (boe/d)	**13,478**	15,437

1 There are no sales volumes associated with overlift revenue.

Netback

Consolidated netback

	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Petroleum and natural gas sales, excluding overlift[1]	**289,233**	**58.79**	188,771	33.41
Royalties[2]	**134,950**	**27.43**	74,096	13.11
Current taxes[2]	**22,411**	**4.56**	13,530	2.39
Production and operating expenses	**61,430**	**12.49**	64,462	11.41
Selling costs	**3,921**	**0.80**	2,111	0.37
Netback[3]	**66,521[1]**	**13.51[4]**	34,572[1]	6.13[4]

1 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to "Non-GAAP and Other Financial Measures" contained within this MD&A.

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.

3 The Company achieved the netbacks above on sold barrels of oil equivalent for the year ended December 31, 2021 and December 31, 2020.

4 Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Includes a non-GAAP financial measure component of netback. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

Egypt

	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Oil sales, excluding overlift[1]	**257,338**	**62.94**	173,086	35.94
Royalties[2]	**129,891**	**31.77**	71,741	14.89
Current taxes[2]	**22,411**	**5.48**	13,530	2.81
Production and operating expenses	**54,379**	**13.30**	58,305	12.11
Selling costs	**3,921**	**0.96**	2,111	0.44
Netback[3]	**46,736[1]**	**11.43[4]**	27,399[1]	5.69[4]

1 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to "Non-GAAP and Other Financial Measures" contained within this MD&A.

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.

3 The Company achieved the netbacks above on sold barrels of oil equivalent for the year ended December 31, 2021 and December 31, 2020.

4 Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Includes a non-GAAP financial measure component of netback. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

Netback per barrel in Egypt increased by 101% in 2021 compared to 2020. The increase was primarily due to 75% higher average realized sales price, partially offset by 110% higher royalties and taxes per bbl, 10% higher production and operating expenses per bbl and 118% higher selling costs per bbl.

In Egypt, petroleum and natural gas sales increased by $84.3 million to $257.3 million from 2020. This was primarily due to an increase in realized prices, partially offset by a decrease in sales volumes from the prior year. The realized sales price for the year ended December 31, 2021 was $62.94/bbl (2020 - $35.94/bbl), which was $7.74/bbl lower (2020 - $5.82/bbl lower) than the average Dated Brent oil price of $70.68/bbl for 2021 (2020 - $41.76/bbl). The difference between the average selling price and Dated Brent is due to a gravity/quality adjustment and is also impacted by the specific timing of direct sales.

In Egypt, royalties and taxes in 2021 increased by $67.0 million from 2020, representing 59% of petroleum and natural gas sales in 2021 (2020 - 49%). 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 year, royalties and taxes as a percentage of revenue would have been 63% (2020 - 58%). 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 increase in total royalties and taxes, and the relative increase from 49% in 2020 to 59% in 2021, was due to excess cost oil in the West Bakr concession, partially offset by sales outpacing production in 2021. Excess cost oil occurs when the current costs and historic cost amortization, permissible within the PSCs, 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 royalties and taxes burden.

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 decreased by 7% ($3.9 million) in 2021 compared with 2020. The decrease was primarily due to a decrease in crude oil sales in 2021 compared to 2020, resulting in less operating costs previously capitalized to inventory being expensed in 2021 compared to 2020 ($2.2 million). The decrease was also due to lower production handling fees. These decreases were partially offset by an increase in manpower cost and workovers. The increase in production and operating expenses per bbl from $12.11/bbl in 2020 to $13.30/bbl in 2021 was primarily due to a comparative 5% decrease in production in Egypt.

Selling costs increased by $1.8 million to $3.9 million in 2021. Selling costs per bbl increased by 118% to $0.96/bbl in 2021. These increases were due to the specific shipping terms of the two cargo liftings that occurred in Egypt in 2021 when compared to the two cargo liftings that occurred in 2020.

Canada

	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe**	$	$/boe
Crude oil sales	**18,225**	**65.87**	8,679	33.36
Natural gas sales	**4,984**	**17.55**	2,815	9.85
NGL sales	**8,686**	**32.16**	4,191	14.59
Total sales	**31,895**	**38.40**	15,685	18.82
Royalties	**5,059**	**6.09**	2,355	2.83
Production and operating expenses	**7,051**	**8.49**	6,157	7.39
Netback	**19,785[1]**	**23.82[2]**	7,173[1]	8.60[2]

1 Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

2 Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Includes a non-GAAP financial measure component of netback. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

Netbacks per boe in Canada increased by 177% in 2021 compared with 2020. The increase was primarily due to a 104% higher average realized sales price, partially offset by a 115% increase in royalties per boe and a 15% increase in production and operating expenses per boe.

In Canada, petroleum and natural gas sales increased by $16.2 million to $31.9 million from 2020. This was primarily due to an increase in realized prices, partially offset by a decrease in sales volumes from the prior year.

In Canada, royalties increased by $2.7 million from 2020, representing 16% of petroleum and natural gas sales during 2021 compared to 15% during the prior year. This increase was primarily due to an increase in crown royalties and in freehold and overriding royalties as a result of improved commodity pricing, and a decrease in Gas Cost Allowance ("GCA") rebates received in 2021 compared to 2020. This was partially offset by lower royalties due to royalty holidays on the three oil wells drilled during 2021. 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 15% ($0.9 million) in 2021 compared with 2020. The increase was primarily due to an increase in chemical costs and power and utilities due to an increase in commodity prices and the strengthening of the Canadian dollar in 2021. This was partially offset by a decrease in transportation costs and gas processing fees.

OVERLIFT

Overlift refers to a situation where the Company lifts barrels in excess of its entitlement crude oil inventory at the time of sale. An overlift liability represents an obligation for the Company to deliver the equivalent future entitlement production. Settlement of the overlift liability occurs when this entitlement production is delivered or when there is an agreement in place to offset amounts owed from the counterparty. At the time of an overlift, the Company recognizes the revenue from the cargo lifting, with an equivalent cost recorded to an expense resulting in no net earnings impact related to the overlifted barrels during the period.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe[1]**	$	$/boe[1]
Gross G&A	**11,760**	**2.39**	11,893	2.10
Stock-based compensation	**9,267**	**1.88**	857	0.15
Capitalized G&A and overhead recoveries	**(674)**	**(0.14)**	(760)	(0.13)
Net G&A	**20,353**	**4.13**	11,990	2.12

1 Supplementary financial measure that is comprised of general and administrative expenses, determined in accordance with IFRS, divided by the Company's average daily production volumes. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

Gross G&A decreased by 1% in 2021 compared with 2020. This decrease was primarily due to lower salary expense in 2021 resulting from one-time restructuring charges, partially offset by higher professional fees and increased corporate travel.

Share-based compensation increased significantly in 2021 compared to 2020. This increase was primarily due to an increase in the Company's average share price in 2021 and the associated revaluation of the Company's potential obligations.

Capitalized G&A decreased by 11% from the prior year due to less staff time allocated to capital projects as a result of reduced headcounts, partially offset by increased capital activity in 2021. The increase in capitalized G&A and overhead recoveries per boe is primarily due the decrease in sales volumes in 2021, partially offset by the decrease in capitalized G&A and overhead recoveries noted from the prior year.

FINANCE COSTS

	Years Ended December 31	
($000s)	**2021**	2020
Interest on long-term debt	**536**	1,597
Interest on borrowing base facility	**320**	317
Amortization of deferred financing costs	**103**	395
Interest on lease obligations	**182**	211
Finance costs	**1,141**	2,520
Interest paid	**856**	1,918

Finance costs decreased by 55% to $1.1 million in 2021, primarily due to a lower balance of long-term debt outstanding in the year when compared to 2020.

During 2021, TransGlobe repaid the remaining $15.0 million outstanding on the Mercuria prepayment. This agreement expired on December 31, 2021.

As at December 31, 2020 the Company had in place a revolving Canadian reserves-based lending facility with ATB Financial totaling C$15.0 million ($11.0 million). On June 4, 2021, the ATB facility was renewed and increased to C$22.5 million ($17.7 million), of which C$3.9 million ($3.0 million) was drawn at December 31, 2021 (December 31, 2020 - C$8.3 million/$6.6 million). 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 year ended December 31, 2021, the Company repaid C$5.0 million ($3.9 million) and drew C$0.5 million ($0.4 million) on the revolving facility.

The prepayment agreement and reserves-based lending facility are subject to certain covenants, the details of which are outlined in Note 17 to the Company's Consolidated Financial Statements. The Company was in compliance with its covenants as at December 31, 2021. Refer to the related description of TransGlobe's debt included in the December 31, 2021 Consolidated Financial Statements.

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

	2021		2020	
($000s, except per boe amounts)	**$**	**$/boe[2]**	$	$/boe[2]
Egypt[1]	**17,120**	**4.19**	22,927	4.76
Canada	**7,905**	**9.52**	7,320	8.78
Corporate	**409**	**-**	802	-
Total	**25,434**	**5.17**	31,049	5.50

1 Egypt DD&A per barrel is calculated on a sales basis for the years ended December 31, 2021 and December 31, 2020 (these figures do not include TransGlobe's Egypt entitlement barrels held as inventory at December 31, 2021 and 2020).

2 Supplementary financial measure that is comprised of depletion, depreciation and amortization, determined in accordance with IFRS, divided by the Company's average daily production volumes. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

In Egypt, gross DD&A fluctuates periodically due to changes in inventory volumes as the DD&A per barrel associated with capitalized inventory barrels is also capitalized and subsequently expensed when sold. In 2021, DD&A decreased by 25% ($5.8 million) for the year ended December 31, 2021, compared to 2020. This decrease was primarily due to a lower depletable base and a decrease in production.

In Canada, gross DD&A increased by 8% ($0.6 million) during the year ended December 31, 2021, compared to 2020. The increase was primarily attributable to an increase in depletable base as a result of higher expected future development costs, partially offset by a decrease in production.

IMPAIRMENT REVERSAL AND IMPAIRMENT LOSS

Intangible exploration and evaluation ("E&E") assets are tested for impairment if facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amount and when they are reclassified to petroleum and natural gas assets. There were no indicators of impairment or impairment reversal on the Company's E&E assets as at December 31, 2021.

During the first quarter of 2020, TransGlobe recorded an impairment loss of $33.5 million on its E&E assets. 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. The impairment loss recognized on these two concessions represented the entire E&E asset balances in the concessions. The E&E impairment losses were taken after consideration of the scale of exploration results compared to investments to date and consideration of the uncertainly of the timing of additional exploration activities in these areas given the economic environment in Q1-2020.

In 2020, the disruption to the oil and gas industry experienced during Q1-2020 and the resulting downward pressure on commodity prices led to an assessment of impairment indicators present on the Company's PNG assets that required it to perform an assessment of the recoverability of these assets as at March 31, 2020. The Company recorded a non-cash impairment loss of $40.0 million on its PNG assets during the first quarter of 2020. 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. These impairment losses were recorded to reduce the carrying value of these PNG assets to their projected recoverable amounts, which was $23.8 million in West Gharib, $55.0 million in West Bakr, $nil in North West Gharib and $60.0 million in Canada. No further impairment losses were recognized in 2020.

In Q3-2021, TransGlobe determined that there were indicators of impairment reversal present on its petroleum and natural gas ("PNG") assets in the West Gharib, West Bakr, North West Gharib and Canada cash-generating units ("CGU") due to an increase and stabilization in forecasted commodity prices. Based on the results of the impairment reversal calculations completed, recoverable amounts were determined to be greater than the carrying values of the CGUs tested, resulting in $31.5 million of impairment reversal being recorded. This was comprised of a $20.5 million impairment reversal on the West Gharib concession, a $4.6 million impairment reversal on the West Bakr concession, a $3.0 million reversal on the North West Gharib concession and a $3.4 million reversal on the Canadian assets. The impairment reversal for all CGUs was limited to total accumulated impairments adjusted for depletion.

There were no indicators of impairment or impairment reversal on TransGlobe's developed and producing ("D&P") assets as at December 31, 2021.

CAPITAL EXPENDITURES

($000s)	**2021**	2020
Egypt	**14,561**	5,256
Canada	**12,222**	2,067
Corporate	**39**	175
Total[1]	**26,822**	7,498

[1] Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Refer to "*Non-GAAP and Other Financial Measures*" contained within this MD&A.

Capital expenditures in 2021 were $26.8 million (2020 - $7.5 million).

In Egypt, the Company incurred $14.6 million in capital expenditures during 2021 primarily associated with drilling seven development wells in West Bakr, one development well in NW Gharib, performing six recompletions in West Bakr, and completing development/maintenance projects in the Eastern Desert. In the Western Desert, the Company drilled an oil exploration well at South Ghazalat, recompleted the SGZ-6X well to the lower Bahariya reservoir, and expanded the South Ghazalat early production facility in 2021.

In Canada, the Company incurred $12.2 million in capital expenditures during 2021 associated with drilling and completing three horizontal Cardium oil wells in the Harmattan area. TransGlobe also stimulated, equipped and tied in the Cardium oil well that was drilled, but not completed in 2020.

OUTSTANDING SHARE DATA

As at December 31, 2021 and March 17, 2022, the Company had 72,774,830 common shares issued and outstanding and 3,083,249 stock options issued and outstanding, of which 1,809,727 were 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.

Funding for the Company's capital expenditures is provided by cash flows from operations and cash on hand. The Company expects to fund its 2022 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 December 31, 2021, the Company had a working capital surplus of $21.0 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 during the year, an increase in accounts receivable due to increased sales, and a decrease in the current portion of long-term debt with full repayment of the Mercuria prepayment agreement occurring in 2021. These increases were partially offset by a decrease in crude oil inventory and an increase in accounts payable driven by the 2021 capital program.

As at December 31, 2021, all of the Company's cash is on deposit with high credit-quality financial institutions.

Over the past 10 years, the Company experienced delays in the collection of accounts receivable from EGPC. The length of delay peaked in 2013, returned to historical delays of up to six months in 2017, and has since fluctuated within an acceptable range. As at December 31, 2021, amounts owing from EGPC were $6.1 million. The Company considers there to be minimal credit risk associated with amounts receivable from EGPC.

In Egypt, the Company sold 1,120.0 Mbbls of entitlement crude oil to EGPC in 2021 for net proceeds of $63.5 million. During the year, the Company collected a total of $63.1 million of accounts receivable from EGPC, an additional $6.6 million has been collected subsequent to the year end. 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 December 31, 2021, the Company held no crude oil inventory.

As at December 31, 2021, the Company has a revolving Canadian reserves-based lending facility with ATB totaling C$22.5 million ($17.7 million), of which C$3.9 million ($3.0 million) was drawn and outstanding. During 2021, the Company repaid C$5.0 million ($3.9 million) and had drawings of C$0.5 million ($0.4 million) on this facility. During 2021, the $15.0 million outstanding under the prepayment agreement with Mercuria was repaid in full.

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.

To date, the Company has experienced no difficulties with transferring funds abroad (see "Risks and Uncertainties").

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 December 31, 2021, the Company held nil crude inventory. Since the Company began directly marketing its oil on January 1, 2015, crude oil inventory levels have fluctuated from year to year. These fluctuations in crude oil inventory levels impact the Company's financial condition, financial performance and cash flows.

(Mbbls)	**Years Ended December 31, 2021**	Year Ended December 31, 2020
Product inventory, beginning of year	**227.9**	964.5
TransGlobe entitlement production	**1,663.3**	1,769.9
Crude oil sales	**(1,891.2)**	(2,506.5)
Product inventory, end of year	**-**	227.9

Inventory reconciliation

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

	Years Ended December 31, 2021	Year Ended December 31, 2020
Production and operating expenses ($/bbl)	**-**	22.29
Depletion ($/bbl)	**-**	3.29
Unit cost of inventory ($/bbl)	**-**	25.57
Product inventory, end of year (Mbbls)	**-**	227.9
Product inventory, end of year ($000s)	**-**	5,828

COMMITMENTS AND CONTINGENCIES

As part of its principal 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 as at December 31, 2021 are as follows:

			Payment Due by Period[1]			
($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	26,112	26,112	-	-	-
Long-term debt	Yes-Liability	3,040	-	3,040	-	-
Lease obligations[2]	Yes-Liability	800	764	36	-	-
Drilling commitment	No	1,000	1,000	-	-	-
Share-based compensation liabilities	Yes-Liability	10,133	6,174	3,959	-	-
Derivative commodity contracts	Yes-Liability	88	88	-	-	-
Equipment and facility leases[3]	No	481	481	-	-	-
Total		**41,654**	**34,619**	**7,035**	**-**	**-**

1 Payments denominated in foreign currencies have been translated at December 31, 2021 exchange rates.

2 These amounts include the notional principal and interest payments.

3 Equipment lease includes 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 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 December 31, 2021.

The Merged Concession Agreement was fully executed on January 19, 2022. Pursuant to the Merged Concession Agreement, the Company is committed to remit modernization payments of $65.0 million over six years from the February 1, 2020 effective date of the agreement; $15.0 million due prior to signing and five further instalments of $10.0 million payable annually from February 1, 2022 – February 1, 2026.

ASSET RETIREMENT OBLIGATION

As at December 31, 2021, TransGlobe had an asset retirement obligation ("ARO") of $14.1 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 0.95% and 1.68% (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% per annum (December 31, 2020 - 2%).

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 December 31, 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 was committed to hedge 60% of its forecasted 1P entitlement production. This agreement matured on December 31, 2021.

In conjunction with the 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%; and utilization of 70% and above requires a hedge of 60%.

The following table summarizes TransGlobe’s outstanding derivative commodity contract positions as at December 31, 2021, the fair values of which have been presented on the Consolidated Balance Sheet:

Financial AECO natural gas contracts

Period Hedged	Contract	Remaining Volume (GJ)	Daily Volume (GJ)	Bought Put C$/GJ	Sold Call C$/GJ
Jan 2022 - Mar 2022	Collar	351,000	3,900	2.50	4.20
Apr 2022 - Jun 2022	Collar	354,900	3,900	2.50	3.35
Jul 2022 - Sep 2022	Collar	358,800	3,900	2.50	3.10
Oct 2022 - Dec 2022	Collar	358,800	3,900	2.50	4.00

RISKS AND UNCERTAINTIES

TransGlobe’s results are affected by a variety of business risks and uncertainties in the international petroleum industry. Many of these risks are not within the control of management, however, the Company has adopted several strategies to reduce and minimize the effects of these risks:

Financial risk

Financial risk is the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on TransGlobe.

The Company actively manages its cash position and maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that future cash flow from operations, working capital and availability under existing credit facilities will be adequate to support these financial liabilities and its capital programs.

The political changes that created financial instability in Egypt in 2011 could present challenges to the Company if the issues re-emerge in future years. Future instability could reduce the Company's ability to access debt, capital and banking markets. To mitigate potential financial risk factors, the Company maintains a strong liquidity position. Management regularly evaluates operational and financial risk strategies and continues to monitor the 2022 capital budget and the Company's long-term plans. In January 2015, TransGlobe began direct sales of Eastern Desert entitlement production to international buyers. The Company anticipates that direct sales will continue to reduce financial risk in future periods.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and the associated impact on the 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 have a positive or negative impact on TransGlobe.

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.

Any movement in commodity prices would have an effect on the Company's financial condition which could result in the delay or cancellation of drilling, development or construction programs, all of which could have a material adverse impact on the Company. The Company uses financial derivative contracts from time to time, as deemed necessary, to manage fluctuations in commodity prices in the normal course of operations. The use of derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors.

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 year ended December 31, 2021 by approximately $0.8 million and conversely, a 10% decrease in the value of the Canadian dollar against the U.S. dollar would increase net earnings by $0.8 million for the same period.

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, 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 for 2021 was $1.3 million (2020 - $3.0 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 year ended December 31, 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 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 year ended December 31, 2021, by $0.1 million and conversely, the effect of interest rates decreasing by 1% would increase the Company's net earnings, for the year ended December 31, 2021, by $0.1 million.

Credit risk

Credit risk is the risk of loss if counterparties do not 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 gas operations. The Company is currently, and may in the future, be exposed to third-party credit risk through its contractual arrangements with its current or future joint interest partners, marketers of its petroleum production and other parties, including the government of Egypt. Significant changes in the oil and gas industry, including fluctuations in commodity prices and economic conditions, environmental regulations, government policy, royalty rates and other geopolitical factors, could adversely affect the Company's ability to realize the full value of its accounts receivable. The Company has historically had significant receivables outstanding from the Government of Egypt. In the past, the timing of payments on these receivables from the Government of Egypt were longer than the industry standard. Despite these factors, the Company expects to collect these receivables in full, though there can be no assurance that this will occur. In the event the Government of Egypt fails to meet its obligations, or other third-party creditors fail to meet their obligations to the Company, such failures could individually or in the aggregate have a material adverse effect on the Company, its cash flow from operating activities and its ability to conduct its ongoing capital expenditure program. The Company has not experienced any material credit loss in the collection of accounts receivable to date.

TransGlobe entered into a joint marketing arrangement with EGPC in December 2014. In January 2015, TransGlobe began direct sales of Eastern Desert entitlement production to international buyers. Buyers may be required to post irrevocable letters of credit to support the sales prior to the cargo liftings. The Company anticipates that direct sales will continue to reduce credit risk in future periods.

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 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 its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that future cash flows from operations, working capital and availability under existing credit facilities will be adequate to support these financial liabilities and its capital programs. All of the payments received from the lifting and sale of the Company's entitlement crude oil are deposited directly to its accounts held in London, England.

Crude oil inventory levels fluctuate from quarter to quarter depending on the timing and size of tanker liftings in Egypt. Since the Company began directly marketing its oil on January 1, 2015, both increases and decreases in crude oil inventory levels have been experienced from quarter to quarter. During 2020 crude inventory levels decreased as sales exceeded production. Throughout 2021 crude inventory levels decreased as sales exceeded production. These fluctuations in crude oil inventory levels impact the Company's financial condition, financial performance and cash flows.

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

Operational risk

The Company's future success largely depends on its ability to exploit its current reserves base and to find, develop or acquire additional oil reserves that are economically recoverable. Failure to acquire, discover or develop these additional reserves will have an impact on cash flows of the Company. To mitigate these operational risks, as part of its capital approval process, the Company applies rigorous geological, geophysical and engineering analysis to each prospect. The Company utilizes its in-house expertise for all international and domestic ventures or employs and contracts professionals to handle each aspect of the Company's business. The Company retains independent reserves evaluators to determine year-end Company reserves and estimated future net revenues.

The Company also mitigates operational risks by maintaining a comprehensive insurance program according to customary industry practice, but cannot fully insure against all risks.

Safety, environmental, social and regulatory risk

To mitigate safety, environmental and social risks, TransGlobe conducts its operations in accordance with the Company's Health, Safety, Environmental, and Social Responsibility Policy to ensure compliance with government regulations and guidelines. Monitoring and reporting programs for environmental health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Security risks are managed through security procedures designed to protect TransGlobe's personnel and assets. The Company has a Whistleblower Protection Policy which protects employees if they raise any concerns regarding TransGlobe's operations, accounting or internal control matters.

Regulatory and legal risks are identified and monitored by TransGlobe's corporate team and external legal professionals to ensure that the Company continues to comply with laws and regulations.

Political risk

TransGlobe operates in countries with political, economic and social systems, which subject the Company to a number of risks that are not within the control of the Company. These risks may include, among others, currency restrictions and exchange rate fluctuations, loss of revenue and property and equipment as a result of expropriation, nationalization, war, insurrection and geopolitical and other political risks, increases in taxes and governmental royalties, changes in laws and policies governing operations of companies, economic and legal sanctions and other uncertainties arising from foreign and domestic governments.

Egypt experienced significant political changes over the past ten years and while this had an impact on the efficient operations of the government in general, business processes and the Company's operations generally proceeded as normal. The current government has added stability in the Egyptian political landscape; however, the possibility of future political changes exists. Future political changes could have a material adverse impact on the Company's operations.

Russian Ukrainian Conflict

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("**NATO**") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy.

In addition, certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy. As part of the sanctions package, the German government paused the certification process for the 1,200 km Nord Stream 2 natural gas pipeline that was built to carry natural gas from Russia to Germany. Russia is a major exporter of oil and natural gas. Disruption of supplies of oil and natural gas from Russia could cause a significant worldwide supply shortage of oil and natural gas and have a significant impact on worldwide prices of oil and natural gas. A lack of supply and high prices of oil and natural gas could have a significant adverse impact on the world economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain.

COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic which prompted many countries around the world to close international borders and implement various other restrictive measures. This resulted in a swift and significant reduction in economic activity and a sudden drop in demand for commodities. Since 2020, crude oil prices have largely recovered from their historic lows, but price support from future demand remains uncertain as countries experience varying degrees of virus outbreak and newly emerging virus variants following efforts to re-open local economies and international borders. Low commodity prices resulting from reduced demand associated with the impact of COVID-19 has had, and may continue to have, a negative impact on TransGlobe's operational results and financial condition. Low prices for oil, liquids and natural gas will reduce the Company's funds from operations, and impact the Company's level of capital investment and may result in the reduction of production at certain producing properties.

While the duration and full impact of the COVID-19 pandemic is not yet known, effects of COVID-19 may also include disruptions to production operations, access to materials and services, increased employee absenteeism from illness, and temporary closures of the Company's facilities.

The extent to which the Company's operational and financial results are affected by COVID-19 will depend on various factors and consequences beyond its control such as the duration and scope of the pandemic; additional actions taken by business and government in response to the pandemic, and the speed and effectiveness of responses to combat the virus. Additionally, COVID-19 and its effect on local and global economic conditions stemming from the pandemic could also aggravate the other risk factors identified in this MD&A, the extent of which is not yet known.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires that management make appropriate decisions with respect to the selection of accounting policies and in formulating estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following is included in the MD&A to aid the reader in assessing the critical accounting policies and practices of the Company. The information will also aid in assessing the likelihood of materially different results being reported depending on management's assumptions and changes in prevailing conditions which affect the application of these policies and practices. Significant accounting policies are disclosed in Note 3 of the Consolidated Financial Statements, and critical judgements and accounting estimates are disclosed in Note 4.

Oil and gas reserves

TransGlobe's proved and probable oil and gas reserves are evaluated and reported on by independent reserves evaluators to the Reserves, Health, Safety, Environment and Social Responsibility Committee comprised of a majority of independent directors. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change to reflect updated information. Reserves estimates can be revised upward or downward based on the results of future drilling, testing, production levels and economics of recovery based on cash flow forecasts.

Production sharing concessions

International operations conducted pursuant to PSCs are reflected in the Consolidated Financial Statements based on the Company's working interest in such operations. Under the PSCs, the Company and other non-governmental partners pay all operating and capital costs for exploring and developing the concessions. Each PSC establishes specific terms for the Company to recover these costs and to share in the production sharing oil. Cost recovery oil is determined in accordance with a formula that is generally limited to a specified percentage of production during each quarter. Production sharing oil is that portion of production remaining after cost recovery oil and is shared between the joint interest partners and the government of each country, varying with the level of production. Production sharing oil that is attributable to the government includes an amount in respect of all income taxes payable by the Company under the laws of the respective country. Revenue represents the Company's share and is recorded net of royalty payments to government and other mineral interest owners. For the Company's international operations; all government interests, except for income taxes, are considered royalty payments. The Company's revenue also includes the recovery of costs paid on behalf of foreign governments in international locations.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2021, an evaluation was carried out, under the supervision and with the participation of the Company's management including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15 under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the fiscal year, the design and operation of these disclosure controls and procedures were effective to ensure that all information required to be disclosed by the Company in its annual filings is recorded, processed, summarized and reported within the specified time periods.

Disclosure controls and procedures are defined as controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

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.

Management has assessed the effectiveness of the Company's internal control over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission framework on *Internal Control - Integrated Framework (2013)*. Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021. No changes were made to the Company's internal controls over financial reporting during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, TransGlobe employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net earnings (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of the Company’s performance.

Non-GAAP financial measures

Capital Expenditures

TransGlobe uses capital expenditures to measure its capital investments compared to the Company’s annual capital budgeted expenditures. The Company’s capital budget excludes the accounting impact of any accrual changes. The most directly comparable measure under IFRS is cash flow used in investing activities. The table below details the composition of capital expenditures and its reconciliation to cash flow used in investing activities.

	Years Ended December 31		
($000s)	**2021**	2020	2019
Net cash used in investing activities	**(19,221)**	(11,042)	(37,109)
Proceeds from asset dispositions	**-**	-	(114)
Changes in non-cash working capital	**(7,601)**	3,544	291
Capital expenditures	**(26,822)**	(7,498)	(36,932)

	2021				2020			
($000s)	**Q-4**	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
Net cash used in investing activities	**(9,082)**	(5,982)	(3,075)	(1,082)	(1,254)	(2,320)	(2,823)	(4,645)
Changes in non-cash working capital	**388**	(5,642)	(522)	(1,825)	1,000	1,883	1,594	(932)
Capital expenditures	**(8,694)**	(11,624)	(3,597)	(2,907)	(254)	(437)	(1,229)	(5,577)

Funds flow from operations

TransGlobe uses funds flow from operations to measure the Company’s ability to generate the necessary funds to maintain production at current levels, enable future growth through capital investment and repay debt. Management believes that such a measure provides an insightful assessment of TransGlobe’s operations on a continuing basis by eliminating certain non-cash charges. The most directly comparable measure under IFRS is cash flow generated by operating activities. The tables below details the composition of funds flow from operations and its reconciliation to cash flow generated by operating activities.

	Years Ended December 31		
($000s)	**2021**	2020	2019
Cash flow generated by operating activities	**44,962**	31,709	44,836
Changes in non-cash working capital	**(131)**	(1,266)	2,035
Funds flow from operations[1]	**44,831**	30,443	46,871

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

	2021				2020			
($000s)	**Q-4**	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
Cash flow (used in) generated by operating activities	(1,956)	27,026	23,832	(3,940)	14,180	(3,349)	24,551	(3,672)
Changes in non-cash working capital	17,225	(14,645)	(6,732)	4,021	(6,978)	3,672	(27,315)	29,355
Funds flow from operations[1]	15,269	12,381	17,100	81	7,202	323	(2,764)	25,683

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

Net debt

TransGlobe considers net debt to be a key measure to assess the Company's liquidity position at a point in time. The Company's net debt is computed as long-term debt, including the current portion, net of working capital. Net debt does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies. The tables below detail the composition of net debt.

	Years Ended December 31		
($000s)	**2021**	2020	2019
Long-term debt, including the current portion	**3,040**	21,464	37,041
Current assets	**(54,170)**	(53,864)	(65,786)
Current liabilities, excluding the current portion of long-term debt	**33,138**	23,618	33,592
Net debt	**(17,992)**	(8,782)	4,847

	2021				2020			
($000s)	**Q-4**	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
Long-term debt, including the current portion	3,040	6,882	16,951	21,699	6,567	25,946	27,071	36,591
Current assets	(54,170)	(86,624)	(63,847)	(51,360)	(53,864)	(55,139)	(68,667)	(85,828)
Current liabilities, excluding current portion of long-term debt	33,138	68,957	36,711	29,305	38,515	22,636	33,555	32,534
Net debt	(17,992)	(10,785)	(10,185)	(356)	(8,782)	(6,557)	(8,041)	(16,703)

Petroleum and natural gas sales, excluding overlift

Petroleum and natural gas sales, excluding overlift is a measure of operating results and is computed as petroleum and natural gas sales, net of overlift revenue. Management believes that petroleum and natural gas sales, excluding overlift 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 overlift revenue. Petroleum and natural gas sales, excluding overlift does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies.

The table below reconciles petroleum and natural gas sales, excluding overlift to the most directly comparable GAAP measure, petroleum and natural gas sales.

($000s)	**2021**	2020
Petroleum and natural gas sales	**303,956**	188,771
Overlift	**(14,723)**	-
Petroleum and natural gas sales, excluding overlift	**289,233**	188,771

[1] Petroleum and natural gas sales, excluding overlift are equal for all periods disclosed prior to 2021.

Netback

Netback is a measure of operating results and is computed as petroleum and natural gas sales, excluding overlift, 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.

Refer to the "*Netback*" section of this MD&A which includes the most directly comparable GAAP measure, petroleum and natural gas sales.

Non-GAAP financial ratios

Netback per boe

TransGlobe calculates netback per boe as netback divided by average daily production. Netback is a non-GAAP financial measure component of netback per boe. Management believes that netback per boe is a key industry performance measure of operational efficiency and one that provides investors with information that is also commonly presented by other crude oil and natural gas producers. The Company's netback per boe is disclosed in the "*Netback*" section within this MD&A.

Funds flow from operations per share

TransGlobe presents funds flow from operations per share by dividing funds flow from operations by the Company's diluted or basic weighted average common shares outstanding. Funds flow from operations is a non-GAAP financial measure. Management believes that funds flow per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Supplementary Financial Measures

"Average realized sales price" is comprised of total petroleum and natural gas sales, excluding overlift, divided by the Company's average daily production volumes.

"DD&A expense per boe" is comprised of DD&A expense, as determined in accordance with IFRS, divided by the Company's average daily production volumes.

"F&D costs" are calculated as the sum of development costs plus the change in FDC for the period when appropriate, divided by the change in reserves within the applicable reserves category, excluding those reserves acquired or disposed.

"FD&A costs" are calculated as the sum of development costs plus net acquisition costs plus the change in FDC for the period when appropriate, divided by the change in reserves within the applicable reserves category, inclusive of changes due to acquisitions and dispositions.

"G&A expense per boe" is comprised of G&A expense, as determined in accordance with IFRS, divided by the Company's average daily production volumes.

"Production and operating expenses per boe" is comprised of production and operating expenses, as determined in accordance with IFRS, divided by the Company's average daily production volumes.

"Royalties and taxes as a percentage of revenue" is comprised of royalties and current taxes, as determined in accordance with IFRS, divided by the Company's petroleum and natural gas sales.

"Royalties and taxes per boe" is comprised of royalties and current taxes, as determined in accordance with IFRS, divided by the Company's average daily production volumes.

"Selling costs per bbl" is comprised of selling costs, as determined in accordance with IFRS, divided by the Company's average daily production volumes.

"Working capital" is a supplementary financial measure that is comprised of current assets less current liabilities, as determined in accordance with IFRS.

Forward-Looking Statements

This MD&A contains certain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), which are based on our current internal expectations, estimates, projections, assumptions and beliefs. 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. 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. These statements are not guarantees of future performance.

In particular, forward-looking statements in this MD&A include, but are 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 anticipated benefits to be derived from the Merged Agreement; the Company's expectations; the Company's expectations that it will pay dividends and the anticipated timing thereof; the Company's expected sources of funding for the development costs of its reserves; the anticipated timing of when the effective date adjustment will be finalized with EGPC; the Company's estimated 2022 capital spending in Egypt and Canada, including the capital spending to be allocated to each well; the Company's anticipated 2022 capital budget; the Company's anticipated 2022 production, including the allocation of such production between development and exploration wells and other spending; the Company's strategy and focus in 2022 including the drilling of wells and growing production; anticipated on-stream dates of the Company's wells; the focus of the Egypt 2022 capital program; the number of and location of wells to be drilled by the Company in 2022 and the anticipated timing thereof; the Company's expectations that it will be able to fund its 2022 exploration and development program through the use of working capital and cash flow from operations; the Company's future commitments and the anticipated timing thereof; the Company's anticipated abandonment and reclamation costs; the Company's ability to manage fluctuations in commodity prices, interest rates and foreign currency exchange rates; that the Company will ensure that it will have sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost; Management's expectations that its future cash flow from operations, working capital and availability under existing credit facilities will be adequate to support its financial liabilities and its capital programs; the collection of accounts receivable from the Egyptian Government; the timing of liftings of crude oil produced from the Company's Egyptian operations; and other matters. 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 are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. 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 because the Company can give no assurance that such expectations will prove to be correct. Many factors could cause TransGlobe's actual results to differ materially from those *expressed or implied in any forward-looking statements made by, or on behalf of, TransGlobe.*

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 EGPC to schedule cargoes; 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; the Company's 2022 production in Egypt and Canada will be less than anticipated; the Company's exit production rates will be less than anticipated; the Company will not increase investments and growth in Egypt and Canada; the Company will successfully drill less than the number of wells that it anticipates; the Company will be unable to maximize free cash flow and increase the Company's production base; the Company does not pay dividends in the future; the amount and allocation of 2022 capital spending disclosed herein will be different than anticipated; the Company's drilling plans and the anticipated timing thereof will be different than as disclosed herein; 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. Future dividend payments, if any, and the level thereof is uncertain. The Company's dividend policy and any decision to pay dividends may depend on a variety of factors, including, without limitation, the funds available for the payment of dividends, 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 impact of potential litigation and claims on the Company; the ability of the Company to successfully market and receive payment for its oil and natural gas products; that TransGlobe's conduct and results of its operations will be consistent with its expectations; that TransGlobe will have the ability to develop its properties in the manner currently contemplated; that TransGlobe will have sufficient financial resources in the future to pay a dividend; that the Board of Directors will declare dividends in the future; and other matters.

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.

This MD&A also contains financial outlook within the meaning of applicable securities laws, including but not limited to: the Company's estimated 2022 capital spending in Egypt and Canada, including the capital spending to be allocated to each well. The financial outlook has been prepared by TransGlobe's management to provide an outlook of the Company's activities and results. The financial outlook has been prepared based on a number of assumptions including those set forth below in this MD&A, the assumptions discussed above and assumptions with respect to the costs and expenditures to be incurred by the Company, capital equipment and operating costs, foreign exchange rates, taxation rates for the Company, general and administrative expenses and the prices to be paid for the Company's production. Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the financial outlook or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not objectively determinable. The actual results of operations of the Company and the resulting financial results will likely vary from the amounts set forth in the analysis presented in this MD&A, and such variation may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis as of January 27, 2022, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, TransGlobe's expected expenditures and results of operations. However, because this information is highly subjective and subject to numerous risks including the risks discussed above, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, TransGlobe undertakes no obligation to update such financial outlook and forward-looking statements and information, *whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.*

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.

Oil and Gas Advisories

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.

This MD&A contains a number of oil and gas metrics, including operating netback, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate TransGlobe's operating results; however, such measures are not reliable indicators of the future performance of TransGlobe and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management of TransGlobe uses these oil and gas metrics for its own performance measurements and to provide securityholders with measures to compare TransGlobe's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this news release, should not be relied upon for investment or other purposes.

MANAGEMENT'S REPORT

Management's Responsibility for Financial Statements

The Consolidated Financial Statements of TransGlobe Energy Corporation were prepared by management within acceptable limits of materiality and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management is responsible for ensuring that the financial and operating information presented in this annual report is consistent with that shown in the Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared by management in accordance with the accounting policies as described in the notes to the Consolidated Financial Statements. Timely release of financial information sometimes necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. When necessary, such estimates are based on informed judgments made by management.

To ensure the integrity of the Consolidated Financial Statements, we carefully select and train qualified personnel. We also ensure our organizational structure provides appropriate delegation of authority and division of responsibilities. Our policies and procedures are communicated throughout the organization and include a written Code of Conduct that applies to all employees, including the Chief Executive Officer and Chief Financial Officer.

BDO Canada LLP, an independent registered public accounting firm appointed by the shareholders, has conducted an examination of the corporate and accounting records in order to express their opinion on the Consolidated Financial Statements. The Audit Committee, consisting of three independent directors, has met with representatives of BDO Canada LLP and management in order to determine if management has fulfilled its responsibilities in the preparation of the Consolidated Financial Statements. The Board of Directors has approved the Consolidated Financial Statements.

Management's Report on Internal Controls over Financial Reporting

Management has designed and maintains an appropriate system of internal controls to provide reasonable assurance that all assets are safeguarded and financial records are properly maintained to facilitate the preparation of Consolidated Financial Statements for reporting purposes. Management's evaluation concluded that the internal controls over financial reporting were effective as of December 31, 2021.

The effectiveness of TransGlobe's internal controls over financial reporting as of December 31, 2021 have been audited by BDO Canada LLP, the Company's Independent Registered Public Accounting Firm, who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2021.

Signed by:

"Randy C. Neely"

Randy C. Neely
President & Chief Executive Officer

"Edward D. Ok"

Edward D. Ok
Vice President, Finance & Chief Financial Officer

March 17, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of TransGlobe Energy Corporation and its subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of earnings (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021**,** in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (collectively "IFRS").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 17, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

The impact of estimates of proved plus probable oil, natural gas and natural gas liquids reserves on petroleum and natural gas assets

As described in Note 13 to the consolidated financial statements, the Company has a Petroleum and natural gas assets of $173,804 (000's) at December 31, 2021. Additionally, an impairment reversal of $31,521 (000's) was recorded during the year ended December 31, 2021. The process of estimating oil and gas reserves is complex and involves decisions and assumptions in evaluating the available geological, geophysical, engineering and economic data. The accuracy of the Company's reserves estimates is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions, and the judgment of the management and 3rd party reserves engineers preparing the estimate. The determination of the present value of the reserves estimates requires both management and the 3rd party reserves engineers to make significant estimations and assumptions related to pricing, differentials, volume, operating costs, division of interest, taxes, future development costs, and discount rate. The Company's oil and natural gas reserves estimates directly impact (1) oil and natural gas properties, (2) depreciation, depletion, and amortization and (3) the assessment of impairment (reversal) of oil and natural gas properties. As disclosed by management, any significant variance in these assumptions could materially affect the estimated quantities and present value of their reserves.

The cost of petroleum and natural gas assets comprise the purchase or construction costs, and any costs directly attributable to bring the asset into operation, including qualifying exploration and evaluation ("E&E") costs. Petroleum and natural gas assets are measured at cost less accumulated depletion, depreciation and amortization, and accumulated impairment losses.

We identified the impact of estimates of proved plus probable oil, natural gas and natural gas liquids reserves on petroleum and natural gas assets as a critical audit matter. Certain inputs and assumptions required to estimate volumes and future net revenues of proved plus probable reserves, involve a high degree of subjectivity which could have a significant impact on the measurement of depletion expense and impairment (reversal).

Our audit procedures included the following, among others:

- We evaluated the design and tested the operating effectiveness of certain controls relating to the critical audit matter, including controls over the calculation of depletion expense and controls over the estimation of the proved and probable reserves, including the reserve assumptions.
- We evaluated the independence, objectivity, and professional qualifications of the Company's reserves engineers, made inquiries of those specialists regarding the process followed and judgments made to estimate the Company's proved plus probable reserves volumes, and read the reserves report prepared by the Company's specialists;
- We evaluated the reasonableness of management's key inputs and assumptions used to determine proved plus probable reserves volumes and other cash flow inputs and assumptions including:

  - Internal communications to management and the Board of Directors.
  - Permits and approval for expenditures.
  - Agree significant inputs to source documentation where available.
  - Assess inputs for reasonableness based on review of corroborative evidence.
  - Applied analytical procedures to the reserves report forecasted production by comparing to historical actual results, and to the prior year reserves report.
  - Compared the estimated pricing differentials used in the reserves report to realized prices related to revenue transactions recorded in the current year and examined contractual support for the pricing differentials.
- We evaluated management's estimated future oil and natural gas prices by:
  - Understanding the methodology used by management for developing future prices and comparing the estimated prices to an independently determined range of prices.
  - Comparing management's estimates to published forward pricing indices and third-party industry sources.
- Engaged our fair value specialist to review the appropriateness of discounts rates used in the calculations of recoverable amounts.

/s/ BDO Canada LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2020.

Calgary, Alberta

March 17, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Opinion on Internal Control over Financial Reporting

We have audited TransGlobe Energy Corporation's (the "Company's") internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of earnings (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes and our report dated March 17, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta

March 17, 2022

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

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

	Notes	Years Ended December 31 2021	2020
REVENUE			
Petroleum and natural gas sales, net of royalties	24	**169,006**	114,675
Finance revenue	7	**9**	106
Other revenue	6	**32**	641
		169,047	115,422
EXPENSES			
Production and operating	10,24	**61,430**	64,462
Overlift	24	**14,723**	-
Selling costs	8	**3,921**	2,111
General and administrative	26	**20,353**	11,990
Foreign exchange loss		**47**	24
Finance costs	7	**1,141**	2,520
Depletion, depreciation and amortization	13	**25,434**	31,049
Asset retirement obligation accretion	14	**207**	259
Loss (gain) on financial instruments	5	**10,563**	(6,621)
Impairment (reversal) loss	12,13	**(31,521)**	73,495
		106,298	179,289
Earnings (loss) before income taxes		**62,749**	(63,867)
Income tax expense - current	11	**22,411**	13,530
NET EARNINGS (LOSS)		**40,338**	(77,397)
OTHER COMPREHENSIVE INCOME (LOSS)			
Currency translation adjustments		**(62)**	766
COMPREHENSIVE INCOME (LOSS)		**40,276**	(76,631)
Net earnings (loss) per share	21		
Basic		**0.56**	(1.07)
Diluted		**0.55**	(1.07)

See accompanying notes to the Consolidated Financial Statements

Consolidated Balance Sheets

(Expressed in thousands of U.S. Dollars)

	Notes	As at December 31, 2021	As at December 31, 2020
ASSETS			
Current			
Cash		**37,929**	34,510
Accounts receivable	5,9	**12,217**	9,996
Prepaids and other		**4,024**	3,530
Product inventory	10	**-**	5,828
		54,170	53,864
Non-Current			
Intangible exploration and evaluation assets	12	**2,673**	584
Property and equipment			
Petroleum and natural gas assets	13	**173,804**	140,059
Other	13	**2,202**	2,917
Deferred taxes	11	**6,246**	3,723
		239,095	201,147
LIABILITIES			
Current			
Accounts payable and accrued liabilities	16	**26,112**	20,176
Current portion of share-based compensation liabilities	20	**6,174**	1,491
Derivative commodity contracts	5	**88**	398
Current portion of lease obligations	15	**764**	1,553
Current portion of long-term debt	17	**-**	14,897
		33,138	38,515
Non-Current			
Long-term debt	17	**3,040**	6,567
Asset retirement obligations	14	**14,102**	13,042
Share-based compensation liabilities	20	**3,959**	544
Lease obligations	15	**36**	461
Deferred taxes	11	**6,246**	3,723
		60,521	62,852
SHAREHOLDERS' EQUITY			
Share capital	19	**153,021**	152,805
Accumulated other comprehensive income		**1,838**	1,900
Contributed surplus	20	**24,896**	25,109
Deficit		**(1,181)**	(41,519)
		178,574	138,295
		239,095	201,147

Commitments and Contingencies (Note 18)

See accompanying notes to the Consolidated Financial Statements

Approved on behalf of the Board of Directors

Signed by:

"Randy C. Neely" *"Steven Sinclair"*

Randy C. Neely
President & CEO
Director

Steven Sinclair
Audit Committee Chair
Director

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of U.S. Dollars)

	Notes	Years Ended December 31 2021	2020
Share Capital			
Balance, beginning of year	19	**152,805**	152,805
Stock options exercised	19	**(340)**	-
Transfer from contributed surplus on exercise of options	19	**556**	-
Balance, beginning and end of year	19	**153,021**	152,805
Accumulated Other Comprehensive Income			
Balance, beginning of year		**1,900**	1,134
Currency translation adjustment		**(62)**	766
Balance, end of year		**1,838**	1,900
Contributed Surplus			
Balance, beginning of year		**25,109**	24,673
Share-based compensation expense	20	**343**	436
Transfer to share capital on exercise of options	20	**(556)**	-
Balance, end of year		**24,896**	25,109
(Deficit) Retained Earnings			
Balance, beginning of year		**(41,519)**	35,878
Net earnings (loss)		**40,338**	(77,397)
Balance, end of year		**(1,181)**	(41,519)

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. Dollars)

	Notes	Years Ended December 31 2021	2020
OPERATING			
Net earnings (loss)		**40,338**	(77,397)
Adjustments for:			
Depletion, depreciation and amortization	13	**25,434**	31,049
Asset retirement obligation accretion	14	**207**	259
Impairment (recovery) loss	12,13	**(31,521)**	73,495
Share-based compensation	20	**9,267**	857
Finance costs	7	**1,141**	2,520
Unrealized loss on financial instruments	5	**88**	180
Unrealized loss (gain) on foreign currency translation		**12**	(62)
Asset retirement obligations settled	14	**(135)**	(458)
Changes in working capital	25	**131**	1,266
Net cash generated by operating activities		**44,962**	31,709
INVESTING			
Additions to intangible exploration and evaluation assets	12	**(2,089)**	(337)
Additions to petroleum and natural gas assets	13	**(24,636)**	(6,726)
Additions to other assets	13	**(97)**	(435)
Changes in working capital	25	**7,601**	(3,544)
Net cash used in investing activities		**(19,221)**	(11,042)
FINANCING			
Issue of common shares	19	**(340)**	-
Interest paid	7	**(856)**	(1,918)
Increase in long-term debt	17	**415**	406
Payments on lease obligations	15	**(1,932)**	(1,703)
Repayments of long-term debt	17	**(18,937)**	(16,504)
Changes in working capital	25	**(365)**	161
Net cash used in financing activities		**(22,015)**	(19,558)
Currency translation differences relating to cash		**(307)**	150
NET INCREASE IN CASH		**3,419**	1,259
CASH, BEGINNING OF YEAR		**34,510**	33,251
CASH, END OF YEAR		**37,929**	34,510

See accompanying notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2021 and December 31, 2020

(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

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policies used in the preparation of the Consolidated Financial Statements are described in Note 3 *Significant Accounting Policies*.

The Company prepared the Consolidated Financial Statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due. Accordingly, the Consolidated Financial Statements have been prepared on a historical cost basis, except for cash, derivative commodity contracts and share-based compensation liabilities that have been measured at fair value. The method used to measure fair value is discussed further in Notes 3 and 5.

The Consolidated 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.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on March 16, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all subsidiaries and periods presented in these Consolidated Financial Statements.

Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned, controlled subsidiaries. Control exists when the Company has the power to govern the financial and operating policies of an entity, it is exposed to or has rights to variable returns associated with its involvement in the entity, and it has the ability to use that power to influence the amount of returns it is exposed to or has rights to. In assessing control, potential voting rights need to be considered. All subsidiaries of the Company are wholly-owned by the parent company, TransGlobe Energy Corporation.

All intra-company transactions, balances, income and expenses, unrealized gains and losses are eliminated on consolidation.

Foreign currency translation

The Consolidated Financial Statements are presented in U.S. dollars. The Company's functional currency is the Canadian dollar, and the functional currency of all subsidiaries is the U.S. dollar. Foreign currency translations include the translation of foreign currency transactions and translation of the Canadian operations.

Foreign currency translations occur when translating transactions in foreign currencies to the applicable functional currency of TransGlobe Energy Corporation and its subsidiaries. Gains and losses from foreign currency transactions are recorded as foreign exchange gains or losses. Foreign currency transaction translations occur as follows:

- Income and expenses are translated at the prevailing rates on the date of the transaction
- Non-monetary assets or liabilities are carried at the prevailing rates on the date of the transaction
- Monetary items are translated at the prevailing rates at the balance sheet date

Translation gains and losses occur when translating the financial statements of non-U.S. functional currency operations to the U.S. dollar. These translation gains and losses are recorded as currency translation adjustments and presented as other comprehensive income on the Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss). Translations occur as follows:

- Income and expenses are translated at the date of the transaction
- Assets and liabilities are translated at the prevailing rates on the balance sheet date

Cash

Cash comprises cash on hand. As at December 31, 2021, all of the Company's cash is on deposit with high credit-quality financial institutions.

Financial instruments

Financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument:

- Fair value through profit or loss - subsequently carried at fair value with changes recognized in net earnings (loss). Financial instruments under this classification include cash, and derivative commodity contracts; and
- Amortized cost - subsequently carried at amortized cost using the effective interest method. Financial instruments under this classification include accounts receivable, accounts payable and accrued liabilities and long-term debt.

The Company enters into certain financial derivative contracts from time to time in order to reduce its exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company does not designate financial derivative contracts as effective accounting hedges, and thus does not apply hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, the Company's policy is to classify all financial derivative contracts at fair value through profit or loss and to record them on the Consolidated Balance Sheet at fair value with a corresponding gain or loss in net earnings (loss). Attributable transaction costs are recognized in net earnings (loss) when incurred. The estimated fair value of all derivative instruments is based on quoted market prices and/or third-party market indications and forecasts.

Embedded derivatives are derivatives embedded in a host contract. They are recorded separately from the host contract when their economic characteristics and risks are not closely related to those of the host contract; when the terms of the embedded derivatives are the same as those of a freestanding derivative; and when the combined contract is not measured at fair value through profit or loss.

Refer to Note 5 for the classification and measurement of these financial instruments.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Leases

A contract is, or contains, a lease if the contract provides the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term measured as the present value of the lease payments not already paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and net payments are applied against the lease obligation. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term.

Property and equipment and intangible exploration and evaluation assets

Exploration and evaluation assets

Exploration and evaluation ("E&E") costs related to each license/prospect are initially capitalized within "intangible exploration and evaluation assets". Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable expenses, including remuneration of production personnel and supervisory management, and the projected costs of retiring the assets (if any), but do not include pre-licensing costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to net earnings (loss) as they are incurred and presented as exploration expenses on the Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss).

Intangible exploration and evaluation assets are not depleted. They are carried forward until technical feasibility and commercial viability of extracting a mineral resource is determined, at which point they are transferred to petroleum and natural gas ("PNG") assets. The technical feasibility and commercial viability is considered to be determined when proved and/or probable reserves are determined to exist or they can be empirically supported with actual production data or conclusive formation tests.

Petroleum and natural gas assets

PNG assets and other assets are measured at cost less accumulated depletion, depreciation and amortization, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, including qualifying E&E costs on reclassification from intangible exploration and evaluation assets, and for qualifying assets, where applicable, borrowing costs. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Gains and losses on disposal of items of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in net earnings (loss) immediately.

Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum properties or other assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized property and equipment generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a well, field or geotechnical area basis, together with the discounted value of estimated future costs of asset retirement obligations.

When components of PNG assets are replaced, disposed of or no longer in use, the carrying amount is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings (loss) as incurred.

Depletion, depreciation and amortization

The depletion, depreciation and amortization of PNG assets and other assets are recognized in net earnings (loss).

The net carrying value of the PNG assets included in petroleum properties is depleted using the unit of production method by reference to the ratio of production to the related proved plus probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future development costs necessary to bring those reserves into production. These estimates are reviewed by independent reserves engineers at least annually and determined in accordance with the standards set out in the Canadian Oil and Gas Evaluation Handbook (the "*COGE Handbook*") and the reserves definitions contained in National Instrument 51-101 *Standards of Disclosure of Oil and Gas Activities*. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

Furniture and fixtures are depreciated at declining balance rates of 20% to 30%, whereas vehicles and leasehold improvements are depreciated on a straight-line basis over their estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Product inventory

Product inventory consists of the Company's unsold Egypt entitlement crude oil barrels, valued at the lower of cost, using the first-in, first-out method, or net realizable value. Cost includes operating expenses and depletion associated with the entitlement crude oil barrels as determined on a concession by concession basis.

Overlift liability

Overlift refers to a situation where the Company lifts barrels in excess of its entitlement crude oil inventory at the time of sale. An overlift liability represents an obligation for the Company to deliver the equivalent future entitlement production. Settlement of the overlift liability occurs when this entitlement production is delivered or when there is an agreement in place to offset amounts owed from the counterparty. At the time of an overlift, the Company recognizes the revenue from the cargo lifting, with an equivalent cost recorded to an expense resulting in no net earnings impact related to the overlifted barrels during the period.

Overlift liabilities are valued based on the Dated Brent oil price, less Gharib quality differential, at the balance sheet date. A gain/loss on overlifted oil volumes is recorded on the difference between the original liability and the fair value of the liability at the balance sheet date.

Impairment

Financial assets carried at amortized cost

TransGlobe applies the simplified approach to providing for expected credit losses (“ECL”) prescribed by IFRS 9 Financial Instruments (“IFRS 9”) which permits the use of the lifetime expected loss provision for all trade receivables carried at amortized cost.

At each reporting date, the Company measures the lifetime expected loss provision taking into consideration TransGlobe’s historical credit loss experience as well as forward-looking information in order to establish loss rates. The amount recognized for ECL that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized in net earnings (loss).

Non-financial assets

At each reporting date, the carrying amounts of the Company’s non-financial assets are reviewed to determine whether there is an indication of impairment, except for E&E assets, which are reviewed when circumstances indicate impairment may exist. If there is an indication of impairment, the asset's recoverable amount is estimated and compared to its carrying value.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The recoverable amount of an asset or a cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. The Company’s CGUs are not larger than a segment. In assessing both fair value less costs to sell and value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings (loss).

For PNG assets, fair value less costs to sell and value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved plus probable reserves.

E&E assets are tested for impairment when they are transferred to petroleum properties and also if facts and circumstances suggest that the carrying amount of E&E assets may exceed the recoverable amount. Impairment indicators are evaluated at a CGU level. Indication of impairment includes:

1. Expiry or impending expiry of lease with no expectation of renewal;
2. Lack of budget or plans for substantive expenditures on further E&E;
3. Cessation of E&E activities due to a lack of commercially viable discoveries; and
4. Carrying amounts of E&E assets are unlikely to be recovered in full from a successful development project.

Impairment losses recognized in prior periods are assessed at each reporting date for indication that the loss has decreased or no longer exists. An impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Share-based payment transactions

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which equity instruments are granted and is recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using the lattice-based trinomial option pricing model. An estimated forfeiture rate is taken into consideration when assigning a fair value to options granted such that no expense is recognized for awards that do not ultimately vest.

At each financial reporting date before vesting, the cumulative expense is calculated, which represents the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous financial reporting date is recognized in net earnings (loss), with a corresponding entry in contributed surplus in equity.

When the terms of an equity-settled award are modified or a new award is designated as replacing a canceled or settled award, the cost based on the original award terms continues to be recognized over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognized if this difference is negative.

Cash-settled transactions

The expense related to the share units granted under these plans is measured at fair value based on the estimated grant date share price fair value of the respective awards, net of estimated forfeitures. The expense is recognized over the vesting period, with a corresponding liability recognized on the Consolidated Balance Sheet.

The grant date fair value of cash-settled units granted to employees is recognized as compensation expense within general and administrative expenses, with a corresponding increase in share-based compensation liabilities over the period that the employees become unconditionally entitled to the units. The amount recognized as an expense over the related service period is adjusted to reflect the actual number of units that eventually vest and considers both non-market and market conditions. Until the liability is ultimately settled, it is re-measured at each reporting date with changes to fair value recognized in net earnings (loss).

Provisions and asset retirement obligations

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

The Company provides for asset retirement obligations on all of its Canadian operations based on current legislation and industry operating practices. The estimated present value of the asset retirement obligation is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. This increase is depleted with the related depletion unit and is allocated to a CGU for impairment testing. The liability is increased each reporting period to reflect the passage of time with a corresponding charge to accretion expense. The asset retirement obligation can also increase or decrease due to changes in the estimated timing of cash flows, changes in the discount rate and/or changes in the original estimated undiscounted costs. Increases or decreases in the obligation will result in a corresponding change in the carrying amount of the related asset. Actual costs incurred upon settlement of the asset retirement obligation are charged against the asset retirement obligation to the extent of the liability recorded. Asset retirement obligations are measured at each reporting period to reflect the discount rates in effect at that time. On an annual basis, the Company reviews its estimates of the expected costs to reclaim the net interest in its wells and facilities. Resulting changes are accounted for prospectively as a change in estimate.

In accordance with all of the Company's Production Sharing Agreements and Production Sharing Concessions (collectively defined as "PSCs"), the Company does not, at any time, hold title to the lands on which it operates. 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.

In relation to petroleum wells, under good oilfield practices, the contractor is responsible for decommissioning non-producing wells under a decommissioning plan approved by the Egyptian General Petroleum Corporation ("EGPC") during the life of the concession agreement. If EGPC agrees that a producing well is not economic, then the contractor will 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. In accordance with the respective concession agreements, expenses approved by EGPC are recoverable through the cost recovery mechanism.

As at December 31, 2021 there is no ARO associated with the Egypt PSCs.

Revenue recognition

The Company's revenue is derived exclusively from contracts with customers, except for immaterial amounts related to interest and other income. Royalties are considered to be part of the price of the sale transaction and are therefore presented as a reduction to revenue. Revenue associated with the sale of crude oil, natural gas and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with customers.

Revenue from contracts with customers is recognized when the Company satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of the good or service. The transfer of control of oil, natural gas and NGLs usually coincides with title passing to the customer and the customer taking physical possession. TransGlobe mainly satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

Revenues associated with the sales of the Company's crude oil in Egypt are recognized by reference to actual volumes sold and quoted market prices in active markets (Dated Brent), adjusted according to specific terms and conditions as applicable per the sales contracts. Revenue is measured at the fair value of the consideration received or receivable. For reporting purposes, the Company records the government's share of production as royalties and taxes as all royalties and taxes are paid out of the government's share of production.

Revenues from the sale of crude oil, natural gas, condensate and NGLs in Canada are recognized by reference to actual volumes delivered at contracted delivery points and prices. Prices are determined by reference to quoted market prices in active markets (crude oil - NYMEX WTI, natural gas - AECO C, condensate - NYMEX WTI, and NGLs - various based on product), adjusted according to specific terms and conditions applicable per the sales contracts. Revenues are recognized prior to the deduction of transportation costs. Revenues are measured at the fair value of the consideration received. TransGlobe pays royalties to the Alberta provincial government and other mineral rights owners in accordance with the established royalty regime.

Revenue segregated by product type and geographical market is disclosed in Note 24.

Finance revenue and costs

Finance revenue comprises interest income on funds invested. Interest income is recognized as it accrues in net earnings (loss), using the effective interest method.

Finance costs comprise interest expense on borrowings.

Borrowing costs incurred for qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. Qualifying assets are comprised of those significant assets that require a period greater than one year to be available for their intended use. All other borrowing costs are recognized in net earnings (loss).

Income tax

Income tax expense is comprised of current and deferred tax. TransGlobe is subject to income taxes based on the tax legislation of each respective country in which TransGlobe conducts business.

Current tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the Consolidated Financial Statements.

The Company's contractual arrangements in Egypt stipulate that income taxes are paid by the government out of its entitlement share of production sharing oil. Such amounts are included in current income tax expense at the statutory rate in effect at the time of production.

Deferred tax

The Company determines the amount of deferred income tax assets and liabilities based on the difference between the carrying amounts of the assets and liabilities reported for financial accounting purposes from those reported for tax. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized to the extent it is probable the Company will have sufficient future taxable earnings available against which the unused tax losses can be utilized.

Joint arrangements

A joint arrangement involves joint control and offers joint ownership by the Company and other joint interest partners of the financial and operating policies, and of the assets associated with the arrangement. Joint arrangements are classified into one of two categories: joint operations or joint ventures.

A joint operation is a joint arrangement whereby the Company and the other parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Parties involved in joint operations must recognize in relation to their interests in the joint operation their proportionate share of the revenues, expenses, assets and liabilities. A joint venture is a joint arrangement whereby the Company and the other parties that have joint control of the arrangement have rights to the net assets of the arrangement. Parties involved in joint ventures must recognize their interests in joint ventures as investments and must account for that investment using the equity method.

In Canada, the Company conducts some of its oil and gas production activities through joint operations and the Consolidated Financial Statements reflect only the Company's proportionate interest in such activities. Joint control exists for contractual agreements governing TransGlobe's assets whereby TransGlobe has less than 100% working interest, all of the partners have control of the arrangement collectively, and spending on the project requires the unanimous consent of all parties that collectively control the arrangement and share the associated risks. TransGlobe does not have any joint arrangements that are individually material to the Company or that are structured through joint venture arrangements.

In Egypt, joint arrangements in which the Company is involved are conducted pursuant to PSCs. Given the nature and contractual terms associated with the PSCs, the Company has determined that it has rights to the assets and obligations for the liabilities in all of its joint arrangements and that there are no joint arrangements where the Company has rights to the net assets. Accordingly, all joint arrangements have been classified as joint operations, and the Company has recognized its share of all revenues, expenses, assets and liabilities in accordance with the PSCs in the Consolidated Financial Statements.

Future Accounting Pronouncements

TransGlobe plans to adopt the following amendment to accounting standards, issued by the IASB that is effective for the annual periods beginning on or after January 1, 2022. The pronouncement will be adopted on its respective effective date, however; is not expected to have a material impact on the financial statements.

Amendments to IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements,* to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective on January 1, 2023.

4. 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 Consolidated Financial Statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. The effect of these estimates, assumptions and the use of judgments are explained throughout the notes to the Consolidated Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Recoverability of asset carrying values

The recoverability of PNG asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgment of the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets or properties. The factors used by TransGlobe to determine CGUs may vary by country due to unique operating and geographic circumstances in each country. In general, TransGlobe assesses the following factors in determining whether a group of assets generate largely independent cash inflows:

- geographic proximity of the assets within a group to one another;
- geographic proximity of the group of assets to other groups of assets; and
- homogeneity of the production from the group of assets and the sharing of infrastructure used to process and/or transport production.

In Egypt, each PSC is considered a separate CGU. In Canada, CGUs are determined by regional geography and one CGU has been identified. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of the Company's petroleum properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less costs to sell and value-in-use. The recoverable amounts of the Company's CGUs are estimated as their fair value less costs to sell based on the net present value of the after-tax cash flows from the oil and natural gas reserves of each CGU based on reserves estimated by the Company's independent reserves evaluator.

Key input estimates used in the determination of cash flows from oil and natural gas reserves include the following:

- Reserves - There are numerous uncertainties inherent in estimating oil and gas reserves. An external reserves engineering report which incorporates a full evaluation of reserves is prepared on an annual basis with internal reserves updates completed at each quarterly period. Estimating reserves is highly complex, requiring many judgments including forward price estimates, production costs, and recovery rates based on available geological, geophysical, engineering and economic data. Changes in these judgments may have a material impact on the estimated reserves. These estimates may change, resulting in either negative or positive impacts on net earnings (loss) as further information becomes available and as the economic environment changes.
- Commodity prices - Forward price estimates of crude oil and natural gas prices are incorporated into the determination of expected future net cash flows. Commodity prices have fluctuated significantly in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, foreign exchange rates, economic, and geopolitical factors.
- Discount rate - The discount rate used to determine the net present value of future cash flows is based on the Company's estimated weighted average cost of capital. Changes in the economic environment could change the Company's weighted average cost of capital.

Depletion of petroleum properties

Reserves and resources are used in the units of production calculation for depletion, depreciation and amortization. Depletion of petroleum properties is calculated based on total proved plus probable reserves as well as estimated future development costs associated with these reserves as determined by the Company's independent reserves evaluator. See above for discussion of estimates and judgments involved in reserves estimation.

Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the Consolidated Financial Statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly affect the amount of the deferred tax asset or liability calculated at a point in time. Tax interpretations, regulations and legislation in the various jurisdictions in which TransGlobe and its subsidiaries operate are subject to change and interpretation. Such changes can affect the timing of the reversal of temporary tax differences, the tax rates in effect when such differences reverse and TransGlobe's ability to use tax losses and other tax pools in the future. The Company's income tax filings are subject to audit by taxation authorities in different jurisdictions and the results of such audits may increase or decrease the tax liability. The determination of current and deferred tax amounts recognized in the Consolidated Financial Statements are based on management's assessment of the tax positions, which includes consideration of their technical merits, communications with tax authorities and management's view of the most likely outcome. These differences could materially impact net earnings (loss).

Financial instruments

The fair values of financial instruments are estimated based upon market and third-party inputs. These estimates are subject to change with fluctuations in commodity prices, interest rates, foreign currency exchange rates and estimates of non-performance risk.

Share-based payments

The fair value estimates of equity-settled and cash-settled share-based payment awards depend on certain assumptions including share price volatility, risk-free interest rate, the term of the awards, and the forfeiture rate which, by their nature, are subject to measurement uncertainty. The fair value estimate of TransGlobe's Performance Share Units ("PSUs") is dependent upon an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier that is estimated by management.

Asset retirement obligations

The provision for site restoration and abandonment in Canada is based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

Recoverability of accounts receivable

The recoverability of accounts receivable due from EGPC is assessed to determine the carrying value of accounts receivable on the Company's Consolidated Balance Sheets. Management judgment is required in performing the recoverability assessment. No material credit losses have been experienced to date, and the Company expects to collect the accounts receivable balance in full.

E&E Assets

Management uses judgment to determine whether a sufficient amount of economically recoverable reserves have been discovered. This requires estimates of the quantity and realizable value of a discovery. E&E assets are subject to ongoing technical, commercial and management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery.

Leases

Management uses judgement to determine the incremental borrowing rate and lease term related to the application of IFRS 16. Incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying amount of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values of financial instruments

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

The Company has classified its cash and derivative commodity contracts as fair value through profit or loss. Both are measured at fair value with subsequent changes recognized through net 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:

	December 31, 2021		December 31, 2020	
Classification ($000s)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets at fair value through profit or loss	**37,929**	**37,929**	34,510	34,510
Financial assets at amortized cost	**12,217**	**12,217**	9,996	9,996
Financial liabilities at fair value through profit or loss	**88**	**88**	398	398
Financial liabilities at amortized cost	**29,952**	**29,952**	43,654	43,757

Assets and liabilities as at December 31, 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 derivative commodity contracts are assessed on the fair value hierarchy described above. TransGlobe's cash is 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 17), 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 was based on market prices at the time of sale. The Company was committed to hedge 60% of its forecasted 1P entitlement production. The prepayment agreement matured on December 31, 2021.

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 December 31, 2021, the fair values of which have been presented on the Consolidated Balance Sheet:

Financial AECO natural gas contracts

Period Hedged	Contract	Remaining Volume (GJ)	Daily Volume (GJ)	Bought Put C$/GJ	Sold Call C$/GJ
Jan 2022 - Mar 2022	Collar	351,000	3,900	2.50	4.20
Apr 2022 - Jun 2022	Collar	354,900	3,900	2.50	3.35
Jul 2022 - Sep 2022	Collar	358,800	3,900	2.50	3.10
Oct 2022 - Dec 2022	Collar	358,800	3,900	2.50	4.00

The gains and losses on financial instruments for 2021 and 2020 are comprised as follows:

	Years Ended December 31	
($000s)	**2021**	2020
Realized derivative loss (gain) on derivative commodity contracts during the year	**10,475**	(6,801)
Unrealized derivative loss on commodity contracts outstanding at year end	**88**	180
Loss (gain) on financial instruments	**10,563**	(6,621)

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 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)	**December 31, 2021**	December 31, 2020
Neither impaired nor past due	**4,022**	6,542
Not impaired and past due in the following period:		
Within 30 days	**6,067**	2,255
31-60 days	**851**	34
61-90 days	**608**	510
Over 90 days	**669**	655
Accounts receivable	**12,217**	9,996

The Company sold two cargoes of Gharib blend crude in Egypt during 2021 (2020 - two). 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 2021, the Company also completed monthly sales of inventoried entitlement crude oil to EGPC for a total of 1,120.0 Mbbls with total proceeds of $63.5 million. As at December 31, 2021, $6.1 million (December 31, 2020 – $6.0 million) of the total accounts receivable balance of $12.2 million (December 31, 2020 - $10.0 million) is due from EGPC.

Prior credit losses in the collection of accounts receivable by TransGlobe have been negligible and the Company does not anticipate any significant future credit losses based on forward looking information. Accordingly, no provision has been recorded for ECL.

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 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 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, 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 year ended December 31, 2021 by approximately $0.8 million and conversely, a 10% decrease in the value of the Canadian dollar against the U.S. dollar would increase net earnings by $0.8 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 for 2021 was $1.3 million (2020 - $3.0 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 year ended December 31, 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 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 year ended December 31, 2021, by $0.1 million and conversely, the effect of interest rates decreasing by 1% would increase the Company's net earnings, for the year ended December 31, 2021, 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 December 31, 2021:

			Payment Due by Period[1]			
($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	26,112	26,112	-	-	-
Long-term debt	Yes-Liability	3,040	-	3,040	-	-
Lease obligations[2]	Yes-Liability	800	764	36	-	-
Drilling commitment	No	1,000	1,000	-	-	-
Share-based compensation liabilities	Yes-Liability	10,133	6,174	3,959	-	-
Derivative commodity contracts	Yes-Liability	88	88	-	-	-
Equipment and facility leases[3]	No	481	481	-	-	-
Total		**41,654**	**34,619**	**7,035**	**-**	**-**

1 Payments denominated in foreign currencies have been translated at December 31, 2021 exchange rates

2 These amounts include the notional principal and interest payments.

3 Equipment lease includes one workover rig.

As at December 31, 2021, the Company had $17.7 million of revolving credit facilities with $3.0 million drawn and $14.7 million available. During 2021, the prepayment agreement with Mercuria was fully repaid in the amount of $15.0 million (See Note 17). The Company also has a revolving Canadian reserves-based lending facility with ATB totaling C$22.5 million ($17.7 million), of which C$3.9 million ($3.0 million) was drawn and outstanding. During 2021, the Company repaid C$5.0 million ($3.9 million) and had drawings of C$0.5 million ($0.4 million) on this facility (See Note 17).

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.

Capital disclosures

TransGlobe's objective when managing capital is to ensure the Company will have the financial capacity, liquidity and flexibility to fund the ongoing exploration and development of its petroleum assets. The Company's financial objectives and strategy have remained substantially unchanged over the last two completed fiscal years. These objectives and strategy are reviewed on an annual basis.

The Company was subject to, and in compliance with, financial covenants as at December 31, 2021 and 2020. TransGlobe defines and computes its capital as follows:

	Years Ended December 31	
($000s)	**2021**	2020
Long-term debt, including the current portion	**3,040**	21,464
Current assets	**(54,170)**	(53,864)
Current liabilities, excluding the current portion of long-term debt	**33,138**	23,618
Net debt	**(17,992)**	(8,782)
Shareholder's equity	**178,574**	138,295
Total capital	**160,582**	129,513

6. OTHER REVENUE

Other revenue includes funding received under the Alberta Site Rehabilitation Program (ASRP). Government grants are recognized when the Company has reasonable assurance that it has complied with the relevant conditions of the grant and that it will be received.

7. FINANCE REVENUE AND COSTS

Finance revenue relates to interest earned on the Company's bank account balances.

Finance costs recognized in net earnings (loss) were as follows:

	Years Ended December 31	
($000s)	**2021**	2020
Interest on long-term debt	**536**	1,597
Interest on borrowing base facility	**320**	317
Amortization of deferred financing costs	**103**	395
Interest on lease obligations	**182**	211
Finance costs	**1,141**	2,520
Interest paid	**856**	1,918

8. SELLING COSTS

Selling costs include transportation and marketing costs associated with the sale of the Company's Egyptian crude oil production to third-party buyers and EGPC. The Company completed two direct crude oil sales to third-party buyers during the year ended December 31, 2021 (2020 - two). The Company also completed monthly sales of inventoried entitlement crude oil to EGPC in 2021 and 2020.

9. ACCOUNTS RECEIVABLE

Accounts receivable are comprised principally of amounts owed from EGPC. There were no amounts due from related parties and no loans to management or employees as at December 31, 2021 or December 31, 2020.

10. 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 December 31, 2021, the Company held nil crude oil in inventory (December 31, 2020 – 227.9 Mbbls valued at approximately $25.57/bbl). During 2021, product inventory of $5.8 million was expensed (2020 - $11.7 million expensed).

11. INCOME TAXES

The Company's deferred income tax assets and liabilities are as follows:

($000s)	**2021**	2020
Deferred income tax asset and liability, beginning of year	**-**	-
Expenses related to the origination and reversal of temporary differences for:		
Property and equipment	**10,390**	(25,507)
Non-capital losses carried forward	**1,580**	(4,459)
Long-term liabilities	**-**	—
Share issue expenses	**-**	—
Changes in unrecognized tax benefits	**(11,968)**	29,967
Deferred income tax expense recognized in net earnings (loss)	**6,246**	3,723
Deferred income tax recovery recognized in net earnings (loss)	**(6,246)**	(3,723)
Deferred income tax asset, end of year	**6,246**	3,723
Deferred income tax liability, end of year	**(6,246)**	(3,723)

The Company has non-capital losses of $110.1 million (2020 - $117.0 million) that expire between 2027 and 2041. A deferred tax asset of $6.3 million (2020 - $3.7 million) was recognized in respect of unused tax losses in West Gharib. The Company has an additional $33.2 million (2020 - $42.5 million) in unrecognized tax benefits arising in foreign jurisdictions.

Current income taxes represent income taxes incurred and paid under the laws of Egypt pursuant to the PSCs on the West Gharib, West Bakr, NW Gharib and South Ghazalat concessions.

Income taxes vary from the amount that would be computed by applying the average Canadian statutory income tax rate of 23% (2020 – 24%) to income before taxes as follows:

($000s)	2021	2020
Income taxes calculated at the Canadian statutory rate	**14,432**	(15,328)
Increases (decreases) in income taxes resulting from:		
Non-deductible expenses	**2,539**	5,260
Changes in unrecognized tax benefits	**(11,968)**	29,966
Effect of tax rates in foreign jurisdictions[1]	**16,176**	(6,562)
Changes in tax rates and other	**1,232**	194
Income tax expense - current	**22,411**	13,530

[1] The statutory tax rate in Egypt is 40.55%.

The Company's consolidated effective income tax rate for 2021 was 35.7% (2020 – 21.2%).

12. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

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

($000s)	2021	2020
Balance, beginning of year	**584**	33,706
Additions to exploration and evaluation assets	**2,089**	337
Impairment loss	**-**	(33,459)
Balance, end of year	**2,673**	584

At December 31, 2021, there were no indicators of impairment present on the Company's E&E assets.

In 2020, the disruption experienced by the industry, related to the effects caused by the COVID-19 pandemic, which began during the first quarter of 2020 resulted in the Company identifying indicators of impairment on its intangible exploration and evaluation ("E&E") assets as at March 31, 2020. Further consideration was given to the scale of exploration results compared to investments to date and consideration of the uncertainty of the timing of additional exploration activities in these areas given the current economic environment. For the year ended December 31, 2020, the Company recorded a non-cash impairment loss of $33.5 million on its exploration and evaluation assets, which included a $29.5 million impairment loss on the South Ghazalat concession and a $4.0 million impairment loss on the North West Gharib concession. The impairment loss recognized represented the entire E&E asset balance in the two concessions.

Exploration and evaluation assets as at December 31, 2021 includes $0.6 million in Canada (December 31, 2020- $0.6 million) and $2.1 million in South Ghazalat (December 31, 2020- $nil).

13. 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, 2019	712,552	19,267	731,819
Increase in right-of-use assets	1,650	49	1,699
Additions	6,726	435	7,161
Change in estimate for asset retirement obligations	(624)	-	(624)
Balance at December 31, 2020	720,304	19,751	740,055
Increase in right-of-use assets	-	536	536
Additions	24,636	97	24,733
Change in estimate for asset retirement obligations (Note 14)	1,000	-	1,000
Balance at December 31, 2021	**745,940**	**20,384**	**766,324**
Accumulated depreciation, depletion, amortization and impairment losses			
Balance at December 31, 2019	518,408	14,971	533,379
Depletion, depreciation and amortization for the year[1]	24,786	1,863	26,649
Impairment loss	40,036	-	40,036
Balance at December 31, 2020	583,230	16,834	600,064
Depletion, depreciation and amortization for the year[1]	23,338	1,348	24,686
Impairment reversal	(31,521)	-	(31,521)
Balance at December 31, 2021	**575,047**	**18,182**	**593,229**
Foreign Exchange			
Balance at December 31, 2019	2,006	-	2,006
Currency translation adjustments	979	-	979
Balance at December 31, 2020	2,985	-	2,985
Currency translation adjustments	(74)	-	(74)
Balance at December 31, 2021	**2,911**	**-**	**2,911**
Net book value			
At December 31, 2020	140,059	2,917	142,976
At December 31, 2021	**173,804**	**2,202**	**176,006**

1 Depletion, depreciation and amortization for the period includes amounts capitalized to product inventory for barrels produced but not sold in the period.

At September 30, 2021 indicators of impairment reversal were present on the Company's PNG assets in the West Gharib, West Bakr, North West Gharib and Canada cash-generating units ("CGU") due to an increase and stabilization in forecasted commodity prices. As a result of the indicators of impairment reversal, the Company performed impairment reversal calculations at September 30, 2021 on the identified CGUs based on fair value less costs to sell (fair value hierarchy Level 3), using estimated after-tax cash discounted cash flows on proved plus probable reserves.

The Company used a discount rate of 15% for Egypt and 10% for Canada and the following commodity price estimates:

	Egypt[1]	Canada[1]						
	Brent Crude Oil	WTI Oil	AECO Gas	Edmonton Pentane	Edmonton Butane	Edmonton Propane	Spec Ethane	Exchange Rate
Year	**$/Bbl**	**$/Bbl**	**$C/Mcf**	**$C/Bbl**	**$C/Bbl**	**$C/Bbl**	**$C/Bbl**	**USD/CAD**
2021	70.30	67.33	3.52	96.20	78.47	65.84	13.69	0.790
2022	75.00	72.00	3.75	91.19	59.87	47.04	12.16	0.795
2023	72.51	69.01	3.20	85.01	48.38	32.26	10.26	0.800
2024	71.24	67.24	2.99	82.78	46.96	31.31	9.56	0.800
2025	72.66	68.58	3.05	84.42	47.90	31.94	9.77	0.800
2026	74.12	69.96	3.12	86.12	48.86	32.57	9.98	0.800
2027	75.59	71.35	3.17	87.84	49.84	33.23	10.18	0.800
2028	77.11	72.78	3.24	89.60	50.83	33.89	10.41	0.800
2029	78.66	74.24	3.31	91.39	51.85	34.57	10.63	0.800
2030	80.22	75.72	3.37	93.22	52.89	35.26	10.86	0.800
Thereafter[2]	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.800

1 GLJ Petroleum Consultants Ltd. ("GLJ") price forecasts, effective October 1, 2021.

2 Percentage change represents the increase in each year after 2030 to the end of the reserves life.

Based on the results of the impairment reversal calculations completed, recoverable amounts were determined to be greater than the carrying values of the CGUs tested resulting in $31.5 million of impairment reversal being recorded:

CGU	2021[1]	2020
West Gharib	**(20,527)**	24,769
West Bakr	**(4,615)**	6,610
North West Gharib	**(3,028)**	4,596
Canada	**(3,351)**	4,061
Total	**(31,521)**	40,036

[1] The impairment reversal for all CGUs was limited to total accumulated impairments less subsequent depletion.

At December 31, 2021, there were no impairment indicators present on the Company's D&P assets.

The collapse in commodity prices during the first quarter of 2020 and the resulting impact to the Company resulted in an increase in the market capitalization deficit from December 31, 2019 which led the Company to conclude there were indicators of impairment present on its petroleum and natural gas ("PNG") assets as at March 31, 2020.

Impairment tests were carried out at March 31, 2020 on all of its cash-generating units ("CGU") and were based on fair value less costs to sell calculations (fair value hierarchy Level 3), using estimated after-tax cash discounted cash flows on proved plus probable reserves. The Company used discount rates based on a calculated cost of capital of 15% in Egypt and 11% in Canada along with the following commodity price estimates:

	Egypt[1]	Canada[1]						
	Brent Crude Oil	WTI Oil	AECO Gas	Edmonton Pentane	Edmonton Butane	Edmonton Propane	Spec Ethane	Exchange Rate
Year	**$/Bbl**	**$/Bbl**	**$C/Mcf**	**$C/Bbl**	**$C/Bbl**	**$C/Bbl**	**$C/Bbl**	**USD/CAD**
2020	34.00	30.00	1.95	37.47	21.23	9.61	5.99	0.720
2021	45.50	41.00	2.25	52.05	33.08	19.18	7.01	0.730
2022	52.50	47.50	2.35	61.56	39.52	25.41	7.36	0.735
2023	57.50	52.50	2.45	68.92	45.57	28.89	7.71	0.740
2024	62.50	57.50	2.55	75.84	50.99	32.32	8.05	0.745
2025	62.95	58.95	2.65	77.27	52.02	32.97	8.39	0.750
2026	64.13	60.13	2.70	78.84	53.14	33.68	8.57	0.750
2027	65.33	61.33	2.76	80.44	54.27	34.40	8.76	0.750
2028	66.56	62.56	2.81	82.08	55.44	35.14	8.94	0.750
2029	67.81	63.81	2.87	83.75	56.62	35.89	9.13	0.750
Thereafter[2]	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.750

[1] GLJ Petroleum Consultants Ltd. ("GLJ") price forecasts, effective April 1, 2020.

[2] Percentage change represents the increase in each year after 2029 to the end of the reserves life.

The 2020 impairment losses were recorded in Q1-2020 to reduce the carrying value of these PNG assets to their recoverable amounts, which was $23.8 million in West Gharib, $55.0 million in West Bakr, $nil in North West Gharib and $60.0 million in Canada as at March 31, 2020. There were no further impairment losses recorded in the fiscal year ending December 31, 2020.

The following table discloses the carrying amount and depreciation charge for right-of-use assets by the class of underlying asset as at and for the year ended December 31, 2021:

($000s)	PNG Assets	Other Assets	Total
Net book value at January 1, 2020	374	1,285	1,659
Increase in right-of-use assets	1650	49	1,699
Depreciation for the year	(581)	(937)	(1,518)
Net book value at December 31, 2020	1,443	397	1,840
Increase in right-of-use assets	-	536	536
Depreciation for the year	(1,067)	(687)	(1,754)
Net book value at December 31, 2021	**376**	**246**	**622**

14. ASSET RETIREMENT OBLIGATION

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

($000s)	2021	2020
Balance, beginning of year	**13,042**	13,612
Changes in estimates for asset retirement obligations and additional obligations recognized	**1,000**	(624)
Obligations settled	**(135)**	(458)
Asset retirement obligation accretion	**207**	259
Effect of movements in foreign exchange rates	**(12)**	253
Balance, end of year	**14,102**	13,042

As at December 31, 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 obligation to be $14.1 million as at December 31, 2021 (2020 - $13.0 million) based on a total undiscounted future liability of $18.8 million (2020 - $18.5 million). These payments are expected to be made between 2022 and 2066. TransGlobe calculated the present value of the obligations using discount rates between 0.95% and 1.68% (2020 – 2.00%) to reflect the market assessment of the time value of money as well as risks specific to liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2% per annum (2020 – 2% per annum).

As at December 31, 2021 there is no ARO associated with the Egypt production sharing concessions.

15. LEASE OBLIGATIONS

The following table reconciles TransGlobe's lease obligations:

($000s)	As at December 31, 2021	As at December 31, 2020
Less than 1 year	**783**	1,760
1 - 3 years	**36**	434
Total lease payments	**819**	2,194
Amounts representing interest	**19**	180
Present value of net lease payments	**800**	2,014
Current portion of lease obligations	**764**	1,553
Non-current portion of lease obligations	**36**	461

During the year ended December 31, 2021, the Company spent $0.2 million (2020 - $0.2 million) on interest expense and paid a total cash outflow of $1.9 million (2020 - $1.7 million) relating to lease obligations.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of current trade payables and accrued expenses due to third-parties. There were no amounts due to related parties as at December 31, 2021 or December 31, 2020.

17. LONG-TERM DEBT

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

($000s)	2021	2020
Balance, beginning of year	**21,464**	37,041
Draws on revolving credit facility	**415**	406
Repayment of long-term debt	**(18,937)**	(16,504)
Amortization of deferred financing costs	**103**	395
Effects of movements in foreign exchange rates	**(5)**	126
Balance, end of year	**3,040**	21,464
Current portion of long-term debt	-	(14,897)
Non-current portion of long-term debt	**3,040**	6,567

The Company's interest-bearing loans and borrowings are measured at amortized cost.

Based on the Company's current forecast of future production and prices the estimated future debt payments on long-term debt as of December 31, 2021 are as follows:

($000s)	Prepayment Agreement	Reserves Based Lending Facility	Total
2023	-	**3,040**	**3,040**

Prepayment Agreement

($000s)	December 31, 2021	December 31, 2020
Prepayment agreement - amount drawn	**-**	15,000
Deferred financing costs	**-**	(103)
	-	14,897

On February 10, 2017, the Company completed a $75 million crude oil prepayment agreement between its wholly-owned subsidiary, TransGlobe Petroleum International Inc. ("TPI") and Mercuria.

TPI's obligations under the prepayment agreement were guaranteed by the Company and the subsidiaries of TPI (the "Guarantors"). The obligations of TPI and the Guarantors were supported by, among other things, a pledge of equity held by the Company in TPI and a pledge of equity held by TPI in its subsidiaries. The funding arrangement had an initial term of four years, initially set to mature on March 31, 2021. Effective March 31, 2020 the Company received a six month extension on the prepayment agreement. On September 27, 2021 the prepayment agreement was amended to $10.0 million (undrawn) and further extended to December 31, 2021 to coincide with the expiry of TransGlobe's remaining Brent crude oil hedges. Advances bore interest at a rate of LIBOR plus 6.0%. The funding arrangement was revolving with each advance to be satisfied through the delivery of crude oil to Mercuria. Further advances became available upon delivery of crude oil to Mercuria up to a maximum of $75.0 million and were subject to compliance with the other terms and conditions of the prepayment agreement. The prepayment agreement was initially recognized at fair value, net of financing costs, and was subsequently measured at amortized cost. Financing costs of $1.5 million were amortized over the term of the prepayment agreement using the effective interest rate method.

The Company was subject to certain financial covenants in accordance with the terms of the prepayment agreement. These covenants were tested on June 30 and December 31 of each year for the life of the prepayment agreement. The financial covenants included financial measures defined within the prepayment agreement that are not defined under IFRS. These financial measures were defined by the prepayment agreement as follows:

- the ratio of the Company's total consolidated indebtedness (calculated by including any outstanding letters of credit or bank guarantees and adding back any cash held by the Company on a consolidated basis) on each financial covenant test date to the Company's consolidated net cash generated by (used in) operating activities (where net cash generated includes the fair market value of crude oil inventory held as at the financial covenant test date) for the trailing 12 month period ending on that financial covenant test date could not exceed 4.00:1.00. The ratio as at December 31, 2020 was (0.32):1.00;
- the ratio of Current Assets of the Company on a consolidated basis (calculated, in the case of crude oil inventory, by adjusting the value to market value) to Current Liabilities of the Company on a consolidated basis on each financial covenant test date could not be less than 1.00:1.00. The ratio as at December 31, 2020 was 1.47:1.00; and
- the ratio of the parent's non-consolidated asset value to the aggregate amount of indebtedness outstanding under the advance documents on each financial covenant test date could not be less than 2.00:3.00. The ratio as at December 31, 2020 was 18.21:3.00.

As at December 31, 2020, the Company was in compliance with all the financial covenants under the prepayment agreement which matured at year end fully repaid.

The Company was also subject to a cover ratio provision. The cover ratio, defined as the value of the Company's Egyptian forecasted entitlement crude oil production on a forward 12-month basis to the prepayment service obligations, could not be less than 1.25:1.00. Prepayment service obligations included the principal outstanding of the advances at the time and any costs, fees, expenses, interest and other amounts outstanding or forecasted to be due during the applicable prepayment period. In the event the cover ratio fell below 1.25:1.00, TransGlobe was required to:

- reimburse in cash the relevant portion of the advances such that the cover ratio becomes equal to or greater than 1.25:1.00; and/or
- amend the initial commercial contract to extend its duration and amend the maturity date under the agreement.

The cover ratio as at December 31, 2020 was 5.08:1.00; the Company was in compliance with the cover ratio provision under the prepayment agreement.

During the third quarter of 2021, the Company repaid the remaining $10.0 million outstanding under the prepayment agreement in full. The Mercuria prepayment agreement matured on December 31, 2021.

Reserves-Based Lending Facility

($000s)	**December 31, 2021**	December 31, 2020
Reserves-based lending facility - amount drawn	**3,040**	6,567

As at December 31, 2020 the Company had in place a revolving Canadian reserves-based lending facility with ATB Financial totaling C$15.0 million ($11.0 million). On June 4, 2021, the ATB facility was renewed for C$22.5 million ($17.7 million), of which C$3.9 million ($3.0 million) was drawn at December 31, 2021 (December 31, 2020 - C$8.3 million/$6.6 million). 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 year ended December 31, 2021, the Company repaid C$5.0 million ($3.9 million) and drew C$0.5 million ($0.4 million) on the revolving facility.

The facility borrowing base is re-calculated no less frequently than on a semi-annual basis of May 31 and November 30 of each year, or as requested by the lender. Lender shall notify the Company of each change in the amount of the borrowing base. In the event that the lender re-calculates the borrowing base to be an amount that is less than the borrowings outstanding under the facility, the Company shall repay the difference between such borrowings outstanding and the new borrowing base within 45 days of receiving notice of the new borrowing base.

The Company may request an extension of the term date by no later than 90 days prior to the then-current term date, and the lender may in its sole discretion agree to extend the term date for a further period of 364 days. Unless extended, before May 30, 2022 any unutilized amount of the facility will be canceled, and the amount of the facility will be reduced to the aggregate borrowings outstanding on that date. The balance of all amounts owing under the facility are due and payable in full on the date falling one year after the term date. If no extension is granted by the lender, the amounts owing pursuant to the facility are due at the maturity date. 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. The revolving reserves-based lending facility was initially recognized at fair value, net of financing costs, and has subsequently been measured at amortized cost. Financing costs of $0.1 million were amortized over the initial term of the agreement using the effective interest rate method. The Company is subject to certain financial covenants in accordance with the terms of the agreement. These financial measures are defined by the agreement as follows:

- the Company shall not permit the working capital ratio (calculated as current assets plus any undrawn availability under the facility, to current liabilities less any amount drawn under the facility) to fall below 1.00:1.00. The working capital ratio as at December 31, 2021 is 2.22:1.00 (2020 – 2.82:1.00); and
- the Company shall not permit the ratio of net debt to trailing cash flows as at the end of any fiscal quarter to exceed 3.00:1.00. According to the agreement net debt is, as of the end of any fiscal quarter and as determined in accordance with IFRS on a non-consolidated basis, and without duplication, an amount equal to the amount of total debt less current assets. Trailing cash flow is defined as the two most recently completed fiscal quarters, annualized. The net debt to trailing cash flows ratio as at December 31, 2021 is 0.26:1.00 (2020 - 0.53:1.00).

As at December 31, 2021 and 2020, the Company was in compliance with all the financial covenants under the reserves-based lending facility.

18. 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]			
($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	26,112	26,112	-	-	-
Long-term debt	Yes-Liability	3,040	-	3,040	-	-
Lease obligations[2]	Yes-Liability	800	764	36	-	-
Drilling commitment	No	1,000	1,000	-	-	-
Share-based compensation liabilities	Yes-Liability	10,133	6,174	3,959	-	-
Derivative commodity contracts	Yes-Liability	88	88	-	-	-
Equipment and facility leases[3]	No	481	481	-	-	-
Total		**41,654**	**34,619**	**7,035**	**-**	**-**

1 Payments denominated in foreign currencies have been translated at December 31, 2021 exchange rates.

2 These amounts include the notional principal and interest payments.

3 Equipment lease includes 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 had issued a production guarantee in the amount of $1.0 million which was met subsequent to the commitment well being drilled in 2021.

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 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 December 31, 2021.

19. SHARE CAPITAL

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

	Years Ended December 31, 2021		Year Ended December 31, 2020	
(000s)	**Shares**	**Amount ($)**	Shares	Amount ($)
Balance, beginning of year	**72,543**	**152,805**	72,543	152,805
Stock options exercised	**232**	**(340)**	-	-
Contributed surplus re-class on exercise	**-**	**556**	-	-
Balance, end of year	**72,775**	**153,021**	72,543	152,805

20. SHARE-BASED PAYMENTS

Stock option plan

The Company operates a stock option plan (the "Plan") to provide equity-settled share-based remuneration to directors, officers and employees. The number of common shares that may be issued pursuant to the exercise of options awarded under the Plan and all other Security-Based Compensation Arrangements of the Company is 10% of the common shares outstanding from time to time. All incentive stock options granted under the Plan have a per-share exercise price equal to the weighted average trading price of the common shares for the five trading days prior to the date of grant. Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective tranche.

The following tables summarize information about the stock options outstanding and exercisable at the dates indicated:

	2021		2020	
(000s)	**Number of Options**	**Weighted-Average Exercise Price ($C)**	Number of Options	Weighted-Average Exercise Price ($C)
Options outstanding, beginning of year	**4,589**	**2.16**	4,481	2.86
Granted	**402**	**2.16**	819	0.79
Exercised	**(906)**	**2.34**	-	-
Expired	**(1,002)**	**2.19**	(711)	4.99
Options outstanding, end of year	**3,083**	**2.10**	4,589	2.16
Options exercisable, end of year	**1,810**	**2.35**	2,797	2.35

	Options Outstanding			**Options Exercisable**		
Exercise Price (C$)	**Number Outstanding at Dec. 31, 2021 (000s)**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise price (C$)**	**Number Exercisable at Dec. 31, 2021 (000s)**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise price (C$)**
0.79 - 1.48	819	3.4	0.79	273	3.4	0.79
1.49 - 2.39	684	2.6	2.16	282	0.4	2.16
2.40 - 2.73	604	1.4	2.62	604	1.4	2.62
2.74 - 2.83	976	2.2	2.83	651	2.2	2.83
	3,083	**2.5**	**2.10**	**1,810**	**1.8**	**2.35**

Compensation expense of $0.3 million was recorded during the year ended December 31, 2021 (2020 - $0.4 million) in general and administrative expenses in the Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss) and 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.

The weighted average fair value of options granted during the period and the assumptions used in their determination are noted below:

	2021	2020
Weighted average fair market value per option (C$)	**0.83**	0.29
Risk free interest rate	**1.00%**	0.37%
Expected volatility (based on actual historical volatility)	**61.48%**	58.36%
Dividend rate	**-**	-
Suboptimal exercise factor	**1.25**	1.25

All options granted vest annually over a three-year period and expire five years after the grant date. During the year ended December 31, 2021, employees exercised 0.9 million stock options valued at C$2.1 million (2020 – nil). As at December 31, 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, performance share unit and deferred share unit plans

In May 2014, the Company implemented a restricted share unit ("RSU") plan, a performance share unit ("PSU") plan and a deferred share unit ("DSU") plan.

RSUs may be issued to directors, officers and employees of the Company, and each RSU entitles the holder to a cash payment equal to the fair market value of a TransGlobe common share on the vesting date of the RSU. All RSUs granted vest annually over a three-year period, and all must be settled within 30 days of their respective vesting dates.

PSUs are similar to RSUs, except that the number of PSUs that ultimately vest is further dependent upon an adjustment to the final number of PSU awards that eventually vest based on a performance multiplier. The performance multiplier is based on TransGlobe's relative total shareholder return performance compared to a defined peer group. The performance multiplier is calculated at the time of payment and can result in cash compensation issued upon vesting of the PSUs ranging from 0% to 200% of the original PSU grant. All PSUs granted vest on the third anniversary of their grant date, and all must be settled within 60 days of their vesting dates.

DSUs are similar to RSUs, except that they become fully vested on the date of grant and are only issued to directors of the Company. Distributions under the DSU plan do not occur until the retirement of the DSU holder from the Company's Board of Directors.

The number of RSUs, PSUs and DSUs outstanding as at December 31, 2021 are as follows:

(000s)	**RSUs**	**PSUs**	**DSUs**
Units outstanding, December 31, 2019	839	1,640	589
Granted	689	1,196	392
Exercised	(385)	(431)	(155)
Forfeited	(308)	(133)	-
Units outstanding, December 31, 2020	835	2,272	826
Granted	362	602	200
Exercised/Expired	(346)	(592)	(94)
Forfeited	(28)	-	-
Units outstanding, December 31, 2021	**823**	**2,282**	**932**

Compensation expense of $8.9 million was recorded in general and administrative expenses in the Consolidated Statement of Earnings (Loss) and Comprehensive Earnings (Loss) during the year ended December 31, 2021 in respect of share units granted under the three plans described above (2020 - $0.4 million).

21. PER SHARE AMOUNTS

The basic weighted-average number of common shares outstanding for the year ended December 31, 2021 was 72,544,000 (2020 – basic 72,542,071). The diluted weighted-average number of common shares outstanding for the year ended December 31, 2021 was 73,181,834 (2020 – diluted 72,542,071). These outstanding share amounts were used to calculate net earnings (loss) per share in the respective periods.

In determining diluted net earnings (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 year ended December 31, 2021, the Company excluded 1,580,327 stock options (2020– 4,589,042) as their exercise price was greater than the average common share market price in the year.

22. RELATED PARTY DISCLOSURES

Details of controlled and consolidated entities active as at December 31, 2021 are as follows*:

	Country of Incorporation	**Ownership Interest 2021**	**Ownership Interest 2020**
TG Energy UK Ltd	United Kingdom	100%	100%
TransGlobe Petroleum International Inc.	Turks & Caicos	100%	100%
TG Holdings Yemen Inc.	Turks & Caicos	100%	100%
TransGlobe West Bakr Inc.	Turks & Caicos	100%	100%
TransGlobe West Gharib Inc.	Turks & Caicos	100%	100%
TG Energy Marketing Inc.	Turks & Caicos	100%	100%
TG NW Gharib Inc.	Turks & Caicos	100%	100%
TG S Ghazalat Inc.	Turks & Caicos	100%	100%

*Includes only entities that were active as at December 31, 2021.

23. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel have been identified as the Board of Directors and the three executive officers of the Company (2020 – three executive officers). Salaries, incentives and short-term benefits are composed of salaries and directors' fees, annual bonuses, and other benefits. Share-based compensation includes compensation to TransGlobe's key management personnel under the PSU, DSU and stock option Plans.

The compensation relating to key management personnel is as follows:

($000s)	**2021**	2020
Salaries, incentives and short-term benefits	**2,231**	1,762
Share-based compensation	**1,324**	826
Total	**3,555**	2,588

24. SEGMENTED INFORMATION

The Company has two reportable segments for the years ended December 31, 2021 and December 31, 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.

	Years Ended December 31							
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
($000s)	**Egypt**		**Canada**		**Corporate**		**Total**	
Revenue								
Oil sales	**257,338**	173,086	**18,225**	8,679	**-**	-	**275,563**	181,765
Natural gas sales	**-**	-	**4,984**	2,815	**-**	-	**4,984**	2,815
Natural gas liquids sales	**-**	-	**8,686**	4,191	**-**	-	**8,686**	4,191
Overlift	**14,723**	-	**-**	-	**-**	-	**14,723**	-
Less: royalties	**(129,891)**	(71,741)	**(5,059)**	(2,355)	**-**	-	**(134,950)**	(74,096)
Petroleum and natural gas sales, net of royalties	**142,170**	101,345	**26,836**	13,330	**-**	-	**169,006**	114,675
Finance revenue	**-**	16	**-**	-	**9**	90	**9**	106
Other revenue	**-**	-	**-**	-	**32**	641	**32**	641
Total segmented revenue	**142,170**	101,361	**26,836**	13,330	**41**	731	**169,047**	115,422
Segmented expenses								
Production and operating	**54,379**	58,305	**7,051**	6,157	**-**	-	**61,430**	64,462
Overlift	**14,723**	-	**-**	-	**-**	-	**14,723**	-
Selling costs	**3,921**	2,111	**-**	-	**-**	-	**3,921**	2,111
General and administrative	**4,574**	4,781	**1,019**	920	**14,760**	6,289	**20,353**	11,990
Foreign exchange loss	**-**	-	**-**	-	**47**	24	**47**	24
Finance costs	**797**	2,159	**337**	343	**7**	18	**1,141**	2,520
Depletion, depreciation and amortization	**17,120**	22,927	**7,905**	7,320	**409**	802	**25,434**	31,049
Asset retirement obligation accretion	**-**	-	**207**	259	**-**	-	**207**	259
Loss (gain) on financial instruments	**9,783**	(6,621)	**780**	-	**-**	-	**10,563**	(6,621)
Impairment (reversal) loss	**(28,170)**	69,434	**(3,351)**	4,061	**-**	-	**(31,521)**	73,495
Income tax expense	**22,411**	13,530	**-**	-	**-**	-	**22,411**	13,530
Segmented net earnings (loss)	**42,632**	(65,265)	**12,888**	(5,730)	**(15,182)**	(6,402)	**40,338**	(77,397)
Capital expenditures								
Exploration and development	**14,561**	5,256	**12,222**	2,067	**-**	-	**26,783**	7,323
Corporate	**-**	-	**-**	-	**39**	175	**39**	175
Total capital expenditures	**14,561**	5,256	**12,222**	2,067	**39**	175	**26,822**	7,498

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

	As at December 31, 2021				As at December 31, 2020			
($000s)	**Egypt**	**Canada**	**Corporate**	**Total**	Egypt	Canada	Corporate	Total
Assets								
Cash	**27,966**	**2,248**	**7,715**	**37,929**	25,236	1,831	7,443	34,510
Accounts receivable	**7,335**	**4,352**	**530**	**12,217**	6,594	2,821	581	9,996
Intangible exploration and evaluation assets	**2,089**	**584**	**-**	**2,673**	-	584	-	584
Property and equipment								
Petroleum and natural gas assets	**95,478**	**78,326**	**-**	**173,804**	70,331	69,728	-	140,059
Other assets	**1,304**	**20**	**878**	**2,202**	1,985	11	921	2,917
Other	**2,926**	**312**	**786**	**4,024**	8,335	331	692	9,358
Deferred taxes	**6,246**	**-**	**-**	**6,246**	3,723	-	-	3,723
Total segmented assets	**143,344**	**85,842**	**9,909**	**239,095**	116,204	75,306	9,637	201,147
Liabilities								
Accounts payable and accrued liabilities	**18,193**	**4,117**	**3,802**	**26,112**	14,342	2,040	3,794	20,176
Share-based compensation liabilities	**-**	**-**	**10,133**	**10,133**	-	-	2,035	2,035
Derivative commodity contracts	**-**	**88**	**-**	**88**	398	-	-	398
Long-term debt	**-**	**3,040**	**-**	**3,040**	14,897	6,567	-	21,464
Asset retirement obligation	**-**	**14,102**	**-**	**14,102**	-	13,042	-	13,042
Lease obligation	**452**	**89**	**259**	**800**	1,466	302	246	2,014
Deferred taxes	**6,246**	**-**	**-**	**6,246**	3,723	-	-	3,723
Total segmented liabilities	**24,891**	**21,436**	**14,194**	**60,521**	34,826	21,951	6,075	62,852

25. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Years ended December 31	
($000s)	**2021**	2020
Operating activities		
(Increase) decrease in current assets		
Accounts receivable	**(2,220)**	685
Prepaids and other	**(202)**	886
Product inventory[1]	**5,079**	7,288
(Decrease) increase in current liabilities		
Accounts payable and accrued liabilities[2]	**(5,941)**	(7,523)
Share-based compensation liabilities	**3,415**	(70)
Total changes in non-cash working capital	**131**	1,266
Investing activities		
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**7,601**	(3,544)
Total changes in non-cash working capital	**7,601**	(3,544)
Financing activities		
(Increase) decrease in current liabilities		
Other liabilities	**(365)**	161
Total changes in non-cash working capital	**(365)**	161

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.

2 Inclusive of changes in current portion of share-based compensation liabilities.

26. SUPPLEMENTAL EMPLOYEE COMPENSATION EXPENSE INFORMATION

TransGlobe's Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss) is prepared primarily by nature of item, with the exception of employee compensation expense which is included in both production and operating, and general and administrative ("G&A") expense line items. The following table details the amount of total employee compensation expense included in production and operating expense and G&A expense line items:

($000s)	**2021**	2020
Production and operating	**3,547**	3,569
G&A	**12,804**	5,207
Total	**16,351**	8,776

27. SUBSEQUENT EVENTS

In December of 2021, the Company announced that its agreement with EGPC to merge, amend and extend its three existing Eastern Desert concessions (the "Agreement") had been ratified into Egyptian Law. The effective date of the new Agreement will be February 01, 2020 (the "Effective Date").

Subsequent to year-end, the Company remitted the initial modernization payment of $15.0 million and signature bonus of $1.0 million as part of the conditions precedent to the official signing of the Agreement, which occurred on January 19, 2022. In accordance with the Agreement, TransGlobe made another modernization payment to EGPC in the amount of $10.0 million on February 1, 2022. As previously disclosed, the total modernization payment is $65.0 million and will be payable over six years from the Effective Date of the agreement; $15.0 million due prior to signing and five further instalments of $10.0 million payable annually from February 01, 2022 – February 01, 2026.

It is expected that the Agreement will impact management's assessment of impairment reversal and its CGU determination. This will be fully assessed and concluded upon in the first half of 2022.

On March 16, 2022 the Company declared a dividend of $0.10 per common share, which will be paid in cash on May 12, 2022 to shareholders of record on April 29, 2022.

CORPORATE & SHAREHOLDER INFORMATION

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

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

HEAD OFFICE
Suite 900, 444 – 5th Avenue S.W.
Calgary, Alberta, Canada T2P 2T8
Telephone: +1 (403) 264-9888
Facsimile: +1 (403) 770-8855

EGYPT OFFICE
6 Badr Towers, 10th Floor
Ring Road
New Maadi, Cairo, Egypt

UK OFFICE
Suite 600 - 105 Victoria Street
London, UK SW1E 6QT

WEBSITE
www.trans-globe.com

LEGAL COUNSEL
Burnet, Duckworth & Palmer LLP
Calgary, Alberta

INVESTOR RELATIONS
Tailwind Associates
Darren Engels
darren@tailwindassociates.ca
www.tailwindassociates.ca
Telephone: +1 (403) 618-8035

investor.relations@trans-globe.com
Telephone: +1 (403) 264-9888

NOMINATED ADVISER & JOINT BROKER
Canaccord Genuity Limited
8 Wood Street
London, UK EC2V 7QR

JOINT BROKER
Shore Capital Stockbrokers Limited
57 St James's Street
London, UK SW1A 1LD

AUDITORS
BDO Canada LLP
Calgary, Alberta

EVALUATION ENGINEERS
GLJ Ltd.
Calgary, Alberta

BANKS
ATB Financial
Calgary, Alberta, Canada

www.trans-globe.com

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