



TransGlobe Energy
CORPORATION

**TRANSGLOBE ENERGY CORPORATION ANNOUNCES FIRST QUARTER
FINANCIAL AND OPERATING RESULTS**

TSX: "TGL" & NASDAQ: "TGA"

Calgary, Alberta, May 9, 2011 - TransGlobe Energy Corporation ("TransGlobe" or the "Company") is pleased to announce its financial and operating results for the three months ended March 31, 2010. All dollar values are expressed in United States dollars unless otherwise stated.

HIGHLIGHTS

- Explosive production growth in West Gharib, 1st quarter 8,738 Bopd up 20% from 2010 average; April production 11,468 Bopd up 58% from 2010
- Record first quarter average production of 11,218 Bopd, (Egypt 8,738 Bopd, Yemen 2,480 Bopd);
- Record April production of 11,970 Bopd (Egypt 11,468 Bopd, Yemen 502 Bopd), West Gharib production increases offset 2,300 Bopd of shut-in production at Block S-1;
- Production and reserve growth driven by capital investment in Lower Nukhul in West Gharib, Egypt;
- Conversion to International Financial Reporting Standards ("IFRS") accounting effective January 1, 2011 in Canada;
- Record first quarter funds flow of \$24.3 million (\$0.33/share), a 32% increase over fourth quarter 2010;
- First quarter net earnings of \$2.9 million (\$0.04/share), after an \$11.7 million (\$0.16/share) impairment of exploration and evaluation assets of the Nuqra Block in Egypt in accordance with IFRS;
- Drilled 14 wells in first quarter resulting in 11 oil wells (eight at West Gharib, two at Block S-1 and one at Block 72);
- Closed Cdn\$75.0 million financing in February;
- Signed \$60.0 million Sale and Purchase Agreement to acquire 4,000 Bopd at West Bakr, Egypt.

A conference call to discuss TransGlobe's first quarter results presented in this report will be held on Monday, May 9, 2011 at 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) and is accessible to all interested parties by dialing (416) 340-8530 or toll-free 1-877-240-9772 (see also TransGlobe's news release dated May 2, 2011). Online the webcast may be accessed at <http://events.digitalmedia.telus.com/transglobe/050911/index.php>

FINANCIAL AND OPERATING RESULTS

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

Financial	Three Months Ended March 31		
	2011	2010	% Change
Oil revenue	97,995	61,651	59
Oil revenue, net of royalties and other	52,863	37,404	41
Derivative gain (loss) on commodity contracts	(551)	(22)	2,405
Operating expense	7,547	5,787	30
General and administrative expense	4,519	3,356	35
Depletion, depreciation and accretion expense	7,760	6,253	24
Income taxes	16,535	8,740	89
Funds flow from operations*	24,298	18,854	29
Basic per share	0.34	0.29	
Diluted per share	0.33	0.28	
Net earnings (loss)	2,889	12,601	(77)
Basic per share	0.04	0.19	
Diluted per share	0.04	0.19	
Capital expenditures	20,307	13,229	54
Working capital	135,283	(5,780)	-
Long-term debt, including current portion	56,731	49,888	14
Common shares outstanding			
Basic (weighted-average)	71,103	65,432	9
Diluted (weighted-average)	73,765	66,550	11
Total assets	404,184	248,837	62
* Funds flow from operations is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital.			
Operating			
Average production volumes (Bopd)	11,218	9,694	16
Average price (\$ per Bbl)	97.06	70.66	37
Operating expense (\$ per Bbl)	7.48	6.63	13

CORPORATE SUMMARY

TransGlobe Energy Corporation's ("TransGlobe" or the "Company") total production increased to a record 11,218 barrels of oil per day ("Bopd") during the quarter. This record was achieved during a difficult period of political transition in both the Arab Republic of Egypt ("Egypt") and the Republic of Yemen ("Yemen"). The political environment in Egypt has stabilized and business processes and operations are returning to normal. Yemen is still unsettled and the Company has 2,300 Bopd shut-in on Block S-1 since March 17, 2011. Although the Company expects the situation in Yemen will be resolved and production will resume, it is difficult to predict when.

The focus of the 2011/2012 drilling program continues to be the expanding Arta/East Arta pools in the West Gharib project in Egypt. There are two drilling rigs assigned to this project and a third rig commenced drilling in May. The West Gharib project area is now the primary producing asset in the Company's portfolio and continues to be the growth engine for the future. Early production gains from the Lower Nukhul in Arta/East Arta have offset the shut in production in Yemen. This has allowed the Company to maintain 2011 production guidance of 13,000 to 13,500 Bopd, assuming Block S-1 is shut-in for up to six months.

The pending acquisition of 4,000 Bopd in the West Bakr Concession announced March 25 will add a new project area adjacent to the West Gharib properties. There are numerous development opportunities and operational synergies expected to arise from the acquisition. The Company is in the final stages of due diligence and Government approval. Closing could occur as early as June.

In the Western Desert, plans are underway to bring the East Ghazalat Safwa discovery into production in 2011. The commencement of first production (approximately 800 to 1,200 Bopd to TransGlobe) is expected by the fourth quarter.

Guidance will be adjusted following the resumption of 2,300 Bopd from Block S-1, the addition of 4,000 Bopd from West Bakr and initial production from East Ghazalat (800 to 1,200 Bopd).

The Company drilled two exploratory wells in the Nuqra Block in Egypt which were dry. Exploration and evaluation assets of approximately \$11.7 million (as of March 31, 2011) were recorded as an impairment loss in accordance with the International Financial Reporting Standard ("IFRS") which became effective January 1, 2011 in Canada. The \$11.7 million (\$0.16/share) impairment was applied to net earnings during the quarter. It is expected that approximately \$1.0 million of expenses incurred after March 31, 2011 will be booked as an impairment loss in the second quarter. Under the previous Canadian Generally Accepted Accounting Principles ("GAAP"), these costs would have been transferred to the full cost pool in Egypt and been depleted using the unit of production method which would have increased the Egypt DD&A rate by approximately \$0.49/Bbl.

During the first quarter the Company delayed payment of expenditures in Egypt due to the political unrest. Consequently, approximately \$5.6 million of expenses were not included in cost recovery for the first quarter in West Gharib.

The additional cost recovery would have increased the first quarter funds flow and net earnings by approximately \$2.5 million or \$0.03/share. These expenses are expected to be added to the cost recovery in the second quarter of 2011.

All of the Company's production is priced to Brent and shared with the respective governments through Production Sharing Agreements. When the price of oil goes up, it takes fewer barrels to recover costs (cost recovery barrels are assigned 100% to the Company) which generally results in more production sharing oil or profit oil. Production sharing oil is split with the respective Government. The splits are fixed for the life of the contract and do not change with the price of oil. During times of increased oil prices, the Company receives less cost oil and more production sharing oil (or profit oil). During times of increased oil prices, the Government receives more production sharing oil due to lower cost oil. For reporting purposes, the Company records the respective Government's share of production as royalties and taxes (all taxes are paid out of the Government's share of production).

The political unrest in the Middle East / North Africa region has contributed to market volatility in oil prices. The Brent oil prices were \$105 per barrel in the first quarter and over \$120 per barrel in April and early May. During the quarter, the Company had record funds flow of \$24.3 million, repaid \$30.0 million of debt and closed a Cdn\$75 million financing to exit the quarter with positive working capital of \$135.3 million and long-term debt of \$60 million.

Subsequent to the quarter, the Company has collected an additional \$59.1 million of receivables, primarily in Egypt.

The Company has a very strong financial position and is working on several business development opportunities in Egypt to expand its opportunity base.

Annual General and Special Meeting of the Shareholders

Wednesday, May 11, 2011 at 3:00 p.m. Mountain Time
Centennial Place West, Conference Rooms 1 & 2
3rd Floor, 250 5th Street S.W., Calgary, Alberta, Canada

OPERATIONS UPDATE

ARAB REPUBLIC OF EGYPT

West Gharib, Arab Republic of Egypt (100% working interest, TransGlobe operated)

Operations and Exploration

During the first quarter, eight oil wells were drilled resulting in three Upper Nukhul wells and five Lower Nukhul (dual Upper and Lower) wells in the Arta/East Arta pools. Subsequent to the quarter, four additional oil wells were drilled resulting in three Upper Nukhul and one Lower Nukhul (dual Upper and Lower) wells in the Arta/East Arta pools. To date, all dual Nukhul wells have been completed as Lower Nukhul producers and four of the six Upper Nukhul wells have been completed and fracture stimulated. The remaining two Upper Nukhul wells are scheduled for fracture stimulations. The two drilling rigs currently drilling at West Gharib are primarily focused on the Nukhul formation. A third drilling rig moved to West Gharib from the Nuqra Block and commenced drilling in the Hana West field last week. It is expected that up to 41 wells could be drilled in West Gharib during 2011, primarily focused on the Nukhul formation.

Production

Production from West Gharib averaged 8,738 Bopd to TransGlobe during the first quarter, a 10% (797 Bopd) increase from the previous quarter. Production increases were primarily attributable to increased Nukhul production from Arta and East Arta in March. West Gharib's production in April averaged 11,468 Bopd which represents a 31% increase over the first quarter.

The Lower Nukhul (Arta/East Arta) pool has dominated production growth, increasing from 1,246 Bopd in January to approximately 5,567 Bopd in April. The high quality Lower Nukhul sandstone reservoir is capable of high production rates. The wells are completed with 1,000 Bopd pumps to manage pressure depletion until a pressure maintenance water flood project is in place. The Lower Nukhul pool is estimated to have a Petroleum Initially in Place ("PIIP") of approximately 38 to 82 million barrels ("MMBbl") (P90 to P10). This estimate is based on in-house deterministic calculations using the current seven wells that have encountered the Lower Nukhul reservoir and the 3-D seismic interpretation. At year-end 2010, the Company's independent reserve evaluator assigned Lower Nukhul reserves to 9.5 MMBbl of PIIP which was approximately 25% of the mapped 36 MMBbl PIIP at year-end. The Company has initiated reservoir simulation modeling and design work on a waterflood project to provide pressure support for the pool and to improve reserve recoveries. The Company is targeting the start of water injection by Q3 of this year.

Quarterly West Gharib Production (Bopd)

	2011		2010	
	Q-1	Q-4	Q-3	Q-2
Gross production rate	8,738	7,941	7,601	6,631
TransGlobe working interest	8,738	7,941	7,601	6,631
TransGlobe net (after royalties)	4,820	4,634	4,626	4,040
TransGlobe net (after royalties and tax)*	3,293	3,338	3,460	3,009

* Under the terms of the West Gharib Production Sharing Concession, royalties and taxes are paid out of the Government's share of production sharing oil.

West Bakr, Arab Republic of Egypt (SUBJECT TO CLOSING 100% working interest, TransGlobe operated)

TransGlobe West Bakr Inc. ("TGWB"), a wholly owned subsidiary of TransGlobe Energy Corporation, has entered into a Sale and Purchase Agreement ("SPA") to acquire all the Egyptian assets of The Egyptian Petroleum Development Co. Ltd. (of Japan) ("EPEDECO") for \$60 million plus or minus adjustments, effective July 1, 2010 subject to approval from the Egyptian Government. EPEDECO holds a 100% working interest in the West Bakr Production Sharing Concession ("PSC"). EPEDECO is the operator of the West Bakr Concession through its joint venture operating company (West Bakr Petroleum Company). Subject to Government approval, TGWB will assume operatorship of the West Bakr Concession Agreement.

The West Bakr PSC is located onshore in the western Gulf of Suez rift basin of Egypt adjacent to TransGlobe's West Gharib Concession. The two West Bakr development leases encompass 45.2 square kilometres (approximately 11,600 acres) and are valid until 2020 with an optional five-year extension to 2025. Modern 3-D seismic covers the development leases. Current gross oil production from West Bakr is approximately 4,000 Bopd gross (before the production sharing split with the Government of Egypt). There are three oil fields on the lands with cumulative production of approximately 50 MMBbl. The Company's independent reserve evaluator (DeGolyer and MacNaughton Canada Limited) assigned remaining Proved reserves of 7.4 MMBbl and Proved plus Probable reserves of 8.8 MMBbl, effective July 1, 2010. The Company has identified a number of optimization/development projects and drilling opportunities that could increase production and recoverable reserves.

The produced oil ranges from 17 to 20 API and is pipeline connected to the Ras Gharib terminal on the coast, which is the same export terminal to which West Gharib production is currently trucked. The West Bakr blend has historically received Brent minus 25% pricing.

The West Bakr Concession Production Sharing terms are as follows: cost oil of 30%, production sharing of 15% to the Contractor and 85% to the Government, excess cost oil goes 100% to the Government, capital investments are amortized over five years and operating expenses are amortized in the quarter incurred. All Government royalties and taxes are paid out of the Government's share of production sharing oil.

TransGlobe intends to fund the acquisition with working capital and existing credit facilities. Closing is subject to customary due diligence, closing conditions and Government approval. TransGlobe expects to close the acquisition shortly after receiving the necessary Government approvals. TransGlobe cannot make assurances that it will successfully close the subject transaction.

East Ghazalat Block, Arab Republic of Egypt (50% working interest)

Operations and Exploration

During the first quarter, the Company drilled one exploration well (Nakhil #1) which was abandoned in early January.

The operator filed a declaration of Commercial Discovery for the Safwa field and is finalizing the initial Safwa development lease and development plan. The commencement of first production is expected in the fourth quarter. Initial production could add an additional 800 to 1,200 Bopd to the Company.

Nuqra Block 1, Arab Republic of Egypt (71.43% working interest, TransGlobe operated)

Operations and Exploration

During the first quarter, the Company drilled one exploration well (Selsella #1). Subsequent to the quarter, a second exploration well (Diwan #1) was drilled. Both wells were plugged and abandoned. Selsella #1 was drilled to a total depth of 8,930 feet, approximately 280 feet into the Basement and was not tested. Diwan #1 was drilled to a total depth of 6,750 feet, approximately 304 feet into the Basement. Both wells encountered good quality reservoir sands which were not hydrocarbon bearing.

The Company is remapping the Kom Ombo sub-basin to integrate the recent well data. The 3.65 million acre Nuqra Block exploration concession is in the second and final extension period which is scheduled to expire in July 2012. The Company has met all the work commitments of the second extension period.

The drilling rig has moved to the West Gharib/West Bakr area to focus on development drilling for the balance of 2011.

YEMEN EAST- Masila Basin

Block 32, Republic of Yemen (13.81% working interest)

Operations and Exploration

No wells were drilled during the first quarter.

Production

Production from Block 32 averaged 3,869 Bopd (534 Bopd to TransGlobe) during the quarter, representing an 8% decrease from the previous quarter primarily due to natural declines.

In April, production averaged approximately 3,634 Bopd (502 Bopd to TransGlobe).

Block 32 production is exported to the Indian Ocean via the Nexen operated export pipeline which has not been impacted by recent political unrest in Yemen.

Quarterly Block 32 Production (Bopd)

	2011		2010	
	Q-1	Q-4	Q-3	Q-2
Gross production rate	3,869	4,206	4,232	4,464
TransGlobe working interest	534	581	585	616
TransGlobe net (after royalties)	241	344	332	315
TransGlobe net (after royalties and tax)*	135	265	248	215

* Under the terms of the West Gharib Production Sharing Concession, royalties and taxes are paid out of the Government's share of production sharing oil.

Block 72, Republic of Yemen (20% working interest)

Operations and Exploration

During the quarter, the Company drilled two exploration wells resulting in one oil discovery (Gabdain #1) and one dry hole (Gabdain #2).

The Gabdain #1 Basement exploration well commenced drilling on November 19, 2010 and was drilled to total depth of 3,485 metres measured depth (approximately 636 metres measured depth into the Basement). Hydrocarbons were observed while drilling through the Kohlan sandstone overlaying the Basement interval and an oil sample (37° API) was recovered from the Kohlan using a wire line MDT tool prior to running casing. Hydrocarbon charged fractures were observed while drilling the Upper Basement interval. An open hole test was conducted on the Basement interval, but no flow to surface was achieved due to the limited fractures encountered in the wellbore. Following the Basement test, a 15 metre interval was perforated in the Kohlan. The Kohlan was placed on test on January 27 using a small electric submersible pump. The well continued to clean up and was producing at an unstabilized rate of approximately 130-180 barrels per day of 39° API oil at the end of the five-day test.

The presence of oil shows in the Basement and oil in the Kohlan demonstrates a working hydrocarbon generation and migration system. The Kohlan/Basement discovery in Gabdain #1 will be further analyzed prior to any further appraisal plan. The Operator filed a notice of Commercial Oil Well for Gabdain #1 on March 2, 2011.

Gabdain #1 was suspended and the drilling rig was moved to Gabdain #2 to test a shallow Qishn prospect. The Gabdain #2 exploration well commenced drilling on February 11, 2011 and was drilled to total depth of 1,920 metres measured depth and abandoned. The Qishn reservoir was wet.

The operator has requested a six-month extension to the second exploration period which has an expiry date of July 11, 2011. All work commitments of the Second exploration period have been completed.

In addition, the operator of Block 72, DNO Yemen AS is proceeding with the transfer of operatorship to Total E&P Yemen, as provided for in the 2010 farm-out agreement with Total E&P Yemen.

YEMEN WEST- Marib Basin

Block S-1, Republic of Yemen (25% working interest)

Operations and Exploration

During the quarter, two wells were drilled resulting in two oil wells (An Nagyah #5 and An Nagyah #28).

An Nagyah #5 was re-entered and drilled as a horizontal Lam A oil well and placed on production at an initial gross rate of 700+ Bopd in late January.

The An Nagyah #28 well encountered water in the horizontal section of the Lam B, and was plugged back to the intermediate casing for a future side track horizontal well in the oil section.

Following An Nagyah #28, the operator suspended the drilling program due to security and logistic concerns associated with the political events in Yemen.

Production

The oil export pipeline for Block S-1 production from Marib to the Ras Eisa port on the Red Sea has remained shut down since March 17. Production from TransGlobe's An Nagyah field on Block S-1 is shut-in until repairs to the export pipeline can be completed. The pipeline was damaged by a local tribal group who are preventing repair crew access to the pipeline because of a dispute with the government. It is difficult to predict when Block S-1 production will resume due to continued political unrest in Yemen.

Production from Block S-1 averaged 7,784 Bopd (1,946 Bopd to TransGlobe) during the first quarter, essentially flat with the previous quarter due to shut-in production for the final 14 days of the quarter. TransGlobe's working interest share of production was approximately 2,300 Bopd prior to being shut-in on March 17.

Production for April was zero.

Quarterly Block S-1 Production (Bopd)

	2011		2010	
	Q-1	Q-4	Q-3	Q-2
Gross field production rate	7,784	9,068	7,812	7,836
TransGlobe working interest	1,946	2,267	1,952	1,959
TransGlobe net (after royalties)	1,003	1,188	1,003	995
TransGlobe net (after royalties and tax)*	758	895	756	744

Block 75, Republic of Yemen (25% working interest)

Operations and Exploration

The PSA for Block 75 was ratified and signed into law effective March 8, 2008. The first, three-year exploration phase has a work commitment of 3-D seismic and one exploration well. The 3-D seismic was acquired in 2009. One exploration well was planned as part of the 2011 Block S-1/75 drilling program. The first exploration phase was extended six months to September 8, 2011.

With the suspension of the Block S-1/Block 75 drilling program, the Block 75 exploration well (Osaylan SW) which was scheduled for the second quarter of 2011 will be delayed. The Operator has declared Force Majeure under the PSA due to logistics and security concerns associated with the suspended drilling program. The Osaylan SW exploration well is targeting a Lam formation exploration prospect which has an internally estimated gross PIIP of 184 MMBbl using the probabilistic P-mean case.

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 5, 2011

Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2011 and 2010 and the audited financial statements and MD&A for the year ended December 31, 2010 included in the Company's annual report. 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 and Form 40-F may be found on EDGAR at www.sec.gov.

As of January 1, 2011, TransGlobe Energy Corporation adopted International Financial Reporting Standards ("IFRS"), and the following disclosure, as well as the associated Condensed Consolidated Interim Financial Statements have been prepared in accordance with IFRS. The Company's effective transition date is January 1, 2010, to accommodate 2010 IFRS comparative figures. The Company has provided information throughout this document to assist users in understanding the transition from Canadian Generally Accepted Accounting Principles ("GAAP"). A summary of all of the significant changes including the various reconciliations of GAAP financial statements to those prepared under IFRS is included in Note 23 in the Company's unaudited Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2011.

READER ADVISORIES

Forward-Looking Statements

This MD&A may include certain statements that may be deemed to be "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements relate to possible future events. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements 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 involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although TransGlobe's forward-looking statements are based on the beliefs, expectations, opinions and assumptions of the Company's management on the date the statements are made, such statements are inherently uncertain and provide no guarantee of future performance. Actual results may differ materially from TransGlobe's expectations as reflected in such forward-looking statements as a result of various factors, many of which are beyond the control of the Company. These factors include, but are not limited to, unforeseen changes in the rate of production from TransGlobe's oil and gas properties, changes in price of crude oil and natural gas, adverse technical factors associated with exploration, development, production or transportation of TransGlobe's crude oil and natural gas reserves, changes or disruptions in the political or fiscal regimes in TransGlobe's areas of activity, changes in tax, energy or other laws or regulations, changes in significant capital expenditures, delays or disruptions in production due to shortages of skilled manpower, equipment or materials, economic fluctuations, and other factors beyond the Company's control. TransGlobe does not assume any obligation to update forward-looking statements, other than as required by law, if circumstances or management's beliefs, expectations or opinions should change and investors should not attribute undue certainty to, or place undue reliance on, any forward-looking statements. Please consult TransGlobe's public filings at www.sedar.com and www.sec.gov for further, more detailed information concerning these matters.

Non-IFRS Measures

Funds Flow from Operations

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

Reconciliation of Funds Flow from Operations

(\$000s)	Three Months Ended March 31	
	2011	2010
Cash flow from operating activities	3,213	11,270
Changes in non-cash working capital	21,085	7,584
Funds flow from operations	24,298	18,854

Debt-to-funds flow ratio

Debt-to-funds flow is a non-IFRS measure that is used to set the amount of capital in proportion to risk. The Company's debt-to-funds flow ratio is computed as long-term debt, including the current portion, over funds flow from operations for the trailing twelve months. Debt-to-funds flow may not be comparable to similar measures used by other companies.

Netback

Netback is a non-IFRS measure that represents sales net of royalties (all government interests, net of income taxes), operating expenses and current taxes. 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 may not be comparable to similar measures used by other companies.

TRANSGLOBE'S BUSINESS

TransGlobe is a Canadian-based, publicly traded, oil exploration and production company whose activities are concentrated in two main geographic areas, the Arab Republic of Egypt ("Egypt") and the Republic of Yemen ("Yemen"). Egypt and Yemen include the Company's exploration, development and production of crude oil.

SELECTED QUARTERLY FINANCIAL INFORMATION

(\$000s, except per share, price and volume amounts)	2011		2010			2009***		
	Q-1	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2
Average sales volumes (Bopd)	11,218	10,789	10,138	9,206	9,694	8,656	8,864	9,619
Average price (\$/Bbl)	97.06	79.83	71.27	73.46	70.66	62.84	57.41	48.62
Oil sales	97,995	79,240	66,470	61,540	61,651	50,044	46,818	42,557
Oil sales, net of royalties and other	52,863	45,198	38,980	35,638	37,404	28,788	28,495	26,462
Cash flow from operating activities	3,213	16,129	13,590	13,603	11,270	12,594	1,264	15,052
Funds flow from operations*	24,298	18,464	19,081	16,579	18,854	9,703	12,603	14,117
Funds flow from operations per share								
- Basic	0.34	0.28	0.29	0.25	0.29	0.15	0.19	0.22
- Diluted	0.33	0.26	0.28	0.24	0.28	0.15	0.19	0.22
Net earnings (loss)	2,889	8,932	9,321	9,711	12,601	2,516	(1,618)	(4,361)
Net earnings (loss) per share								
- Basic	0.04	0.13	0.14	0.15	0.19	0.04	(0.02)	(0.07)
- Diluted	0.04	0.13	0.13	0.14	0.19	0.04	(0.02)	(0.07)
Total assets	404,184	345,625	278,426	264,490	248,837	228,882	228,964	229,658
Cash and cash equivalents	86,353	57,782	15,412	21,437	18,845	16,177	14,804	23,952
Total long-term debt, including current portion	56,731	86,420	46,045	49,977	49,888	49,799	52,686	52,551
Debt-to-funds flow ratio**	0.7	1.2	0.6	0.9	0.9	1.1	1.3	1.2

* Funds flow from operations is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital.

** Debt-to-funds flow ratio is a non-IFRS measure that represents total current and long-term debt over funds flow from operations for the trailing 12 months.

*** Financial information presented for 2009 has been prepared in accordance with GAAP. This information has not been restated for differences between GAAP and IFRS.

During the first quarter of 2011, TransGlobe has:

- Maintained a strong financial position, reporting a debt-to-funds flow ratio of 0.7 at March 31, 2011 (March 31, 2010 – 0.9);
- Funded capital programs entirely with funds flow from operations;
- Reported a 29% increase in funds flow from operations due to a 37% increase in commodity prices along with a 16% increase in sales volumes compared to Q1-2010; and
- Reported net income in Q1-2011 of \$2.9 million (Q1-2010 – \$12.6 million) mainly due to a recognized impairment loss on Nuqra exploration and evaluation assets in Egypt in accordance with IFRS in the amount of \$11.7 million (\$0.16/share). This impairment loss offset the higher commodity prices and production volumes in the quarter compared with the same period in 2010.

2011 VARIANCES

	\$000s	\$ Per Share Diluted	% Variance
Q1-2010 net income	12,601	0.19	
Cash items			
Volume variance	13,310	0.18	107
Price variance	23,034	0.31	184
Royalties	(20,885)	(0.28)	(166)
Expenses:			
Operating	(1,760)	(0.03)	(14)
Realized derivative loss	2	-	-
Cash general and administrative	(585)	(0.01)	(5)
Current income taxes	(7,708)	(0.11)	(61)
Realized foreign exchange gain	214	-	2
Interest on long-term debt	(635)	(0.01)	(5)
Other income	58	-	-
Total cash items variance	5,045	0.05	42
Non-cash items			
Unrealized derivative gain	(531)	(0.01)	(3)
Unrealized foreign exchange loss	(171)	-	(1)
Depletion and depreciation	(1,507)	(0.02)	(11)
Impairment loss	(11,660)	(0.16)	(92)
Stock-based compensation	(578)	(0.01)	(5)
Deferred income taxes	(87)	-	-
Amortization of deferred financing costs	(223)	-	(7)
Total non-cash items variance	(14,757)	(0.20)	(119)
Q1-2011 net income	2,889	0.04	(77)

Net income decreased to \$2.9 million in Q1-2011 compared to \$12.6 million in Q1-2010, which was due to the recognition of an impairment loss on Nuqra exploration and evaluation assets in Egypt in accordance with IFRS in the amount of \$11.7 million. Under Canadian GAAP these costs would have been transferred to the full cost pool in Egypt and would have been depleted using the unit of production method. Other significant variances of note were increases in commodity prices and production volumes, which were partially offset by higher royalties, income taxes, operating costs and depletion and depreciation.

BUSINESS ENVIRONMENT

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

	2011		2010		
	Q-1	Q-4	Q-3	Q-2	Q-1
Dated Brent average oil price (\$/Bbl)	104.97	86.41	76.86	78.30	76.10
U.S./Canadian Dollar average exchange rate	0.997	1.013	1.039	1.028	1.016

The price of Dated Brent oil averaged 38% higher in Q1-2011 compared with Q1-2010. Global markets are continually improving which has led to increased liquidity and access to capital, in addition to strengthening oil prices. Conversely, the recent political instability in Egypt and Yemen could present challenges to the Company if the issues persist over an extended period of time. TransGlobe's management believes the Company is well positioned to adapt to the current political situations in Egypt and Yemen due to its increasing production, manageable debt levels, positive cash generation from operations and the availability of cash and cash equivalents.

All of the Company's production is priced to Brent and shared with the respective governments through Production Sharing Agreements. When the price of oil goes up, it takes fewer barrels to recover costs (cost recovery barrels) which are assigned 100% to the Company. Generally the balance of the production is shared with the respective government (production sharing oil). Depending on the contract, the government receives 70 to 85% of the production sharing oil and the Company receives 30 to 15% of the production sharing oil. Production sharing splits are set in each contract for the life of the contract. Typically the government's split or share of production sharing oil increases when production exceeds pre-set production levels in the respective contracts. During times of increased oil prices, the Company receives less cost oil and more production sharing oil (or profit oil). During times of increased oil prices, the government receives more production sharing oil due to lower cost oil. For reporting purposes, the Company records the respective government's share of production as royalties and taxes (all taxes are paid out of the government's share of production).

The Company designed its 2011 budget to be flexible, allowing spending to be adjusted as commodity prices change and forecasts are reviewed.

OPERATING RESULTS AND NETBACK

Daily Volumes, Working Interest Before Royalties and Other (Bopd)

	Three Months Ended March 31		
	2011	2010	% Change
Egypt - Oil sales	8,738	6,848	28
Yemen - Oil sales	2,480	2,846	(13)
Total Company - daily sales volumes	11,218	9,694	16

Netback

Consolidated

(000s, except per Bbl amounts)	Three Months Ended March 31			
	2011		2010	
	\$	\$/Bbl	\$	\$/Bbl
Oil sales	97,995	97.06	61,651	70.66
Royalties and other	45,132	44.70	24,247	27.79
Current taxes	16,328	16.17	8,620	9.88
Operating expenses	7,547	7.48	5,787	6.63
Netback	28,988	28.71	22,997	26.36

Egypt

(000s, except per Bbl amounts)	Three Months Ended March 31			
	2011		2010	
	\$	\$/Bbl	\$	\$/Bbl
Oil sales	74,974	95.34	42,030	68.20
Royalties and other	33,617	42.75	15,943	25.87
Current taxes	13,105	16.66	6,313	10.24
Operating expenses	5,318	6.76	3,642	5.91
Netback	22,934	29.17	16,132	26.18

The netback per Bbl in Egypt increased 11% in the three months ended March 31, 2011 compared with the same period of 2010, mainly as a result of oil prices increasing by 40% which was partially offset by higher royalty and tax rates. The average selling price during the three months ended March 31, 2011 was \$95.34/Bbl, which represents a gravity/quality adjustment of approximately \$9.63/Bbl to the average Dated Brent oil price for the period of \$104.97/Bbl.

Royalties and taxes as a percentage of revenue increased to 62% in the three months ended March 31, 2011, compared with 53% in the same period of 2010. Royalty and tax rates fluctuate in Egypt due to changes in the cost oil whereby the Production Sharing Contract ("PSC") allows for recovery of operating and capital costs through a reduction in government take. Cost recovery for the purposes of calculating cost oil is based on expenses incurred and paid in the period. During the first quarter of 2011 the Company delayed payment of expenditures due to the events which occurred in Egypt. Consequently, approximately \$5.6 million of expenses were not included in cost recovery for the first quarter. The additional cost recovery would have increased the first quarter netback by approximately \$2.5 million (or \$3.14/Bbl) to approximately \$32.31/Bbl. These expenses are expected to be added to the cost recovery in the second quarter of 2011.

Operating expenses on a per Bbl basis for the three months ended March 31, 2011 increased by \$1.41 (24%) compared with the same period of 2010. This is mainly due to increases in marketing fees, oil treatment fees, fuel costs and labour costs during the three month period ended March 31, 2011 compared with the same period in 2010.

Yemen

(000s, except per Bbl amounts)	Three Months Ended March 31			
	2011		2010	
	\$	\$/Bbl	\$	\$/Bbl
Oil sales	23,021	103.14	19,621	76.60
Royalties and other	11,515	51.59	8,304	32.42
Current taxes	3,223	14.44	2,307	9.01
Operating expenses	2,229	9.99	2,145	8.37
Netback	6,054	27.12	6,865	26.80

In Yemen, the netback per Bbl increased 1% in the three months ended March 31, 2011, compared with the same period in 2010. Oil prices increased by 35%, which reduced the number of barrels required to recover costs. This increased the number of production sharing barrels which is split with the government, with the government share being booked as royalties and taxes.

Royalties and taxes as a percentage of revenue increased to 64% from 54% in the three months ended March 31, 2011, compared with 2010 due to lower capital investment in Block 32. Royalty and taxes fluctuate in Yemen due to changes in the amount of cost sharing oil, whereby the Block 32 and Block S-1 Production Sharing Agreements ("PSAs") allow for the recovery of operating and capital costs through a reduction in Ministry of Oil and Minerals' take of oil production. In addition, approximately \$0.8 million or \$3.43/Bbl of prior period expenses was reclassified as royalties and taxes in Block 32 in the first quarter of 2011 which reduced the first quarter netback from \$30.48 to \$27.12/Bbl.

Operating expenses on a per Bbl basis for the three months ended March 31, 2011 increased by \$1.62/Bbl (19%), mostly due to a 13% decrease in production compared to the same period in 2010.

DERIVATIVE COMMODITY CONTRACTS

TransGlobe uses hedging arrangements as part of its risk management strategy to manage commodity price fluctuations and stabilize cash flows for future exploration and development programs. The hedging program is actively monitored and adjusted as deemed necessary to protect the cash flows from the risk of commodity price exposure.

The estimated fair value of unrealized commodity contracts is reported on the Condensed Consolidated Interim Balance Sheets, with any change in the unrealized positions recorded to earnings. The fair values of these transactions are based on an approximation of the amounts that would have been paid to, or received from, counter-parties to settle the transactions outstanding as at the balance sheet date with reference to forward prices and market values provided by independent sources. The actual amounts realized may differ from these estimates.

The realized losses on commodity contracts in the first three months of 2011 and 2010 relates mostly to the purchase of separate new financial floor derivative commodity contracts for \$0.4 million each, in each respective period. The mark-to-market valuation of TransGlobe's future derivative commodity contracts decreased from a \$0.3 million asset at December 31, 2010 to a \$0.1 million asset at March 31, 2011, thus resulting in a \$0.2 million unrealized loss on future derivative commodity contracts being recorded in the period.

(\$000s)	2011	2010
Realized cash loss on commodity contracts*	(364)	(365)
Unrealized gain (loss) on commodity contracts**	(187)	343
Total derivative loss on commodity contracts	(551)	(22)

* Realized cash gain (loss) represents actual cash settlements, receipts and premiums paid under the respective contracts.

** The unrealized loss on derivative commodity contracts represents the change in fair value of the contracts during the period.

If the Dated Brent oil price remains at the level experienced at the end of Q1-2011, the derivative asset will be realized over the balance of the year. However, a 10% decrease in Dated Brent oil prices would result in a \$0.1 million increase in the derivative commodity contract asset, thus decreasing the unrealized loss by the same amount. Conversely, a 10% increase in Dated Brent oil prices would result in a \$0.1 million decrease in the derivative commodity contract asset, thus increasing the unrealized loss by the same amount. The following commodity contracts are outstanding as at March 31, 2011:

Period	Volume	Type	Dated Brent Pricing Put
<u>Crude Oil</u>			
April 1, 2011 – December 31, 2011	40,000 Bbl/month	Financial Floor	\$65.00
April 1, 2011 – December 31, 2011	20,000 Bbl/month	Financial Floor	\$75.00

The total volumes hedged for the balance of 2011 are:

	Nine Months 2011
Bbl	540,000
Bopd	1,964

At March 31, 2011, all of the derivative commodity contracts were classified as current assets.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three Months Ended March 31			
	2011		2010	
(000s, except per Bbl amounts)	\$	\$/Bbl	\$	\$/Bbl
G&A (gross)	4,180	4.14	3,391	3.88
Stock-based compensation	713	0.71	134	0.15
Capitalized G&A and overhead recoveries	(374)	(0.37)	(169)	(0.20)
G&A (net)	4,519	4.48	3,356	3.83

G&A expenses (net) increased 35% (17% increase on a per Bbl basis) in the three months ended March 31, 2011, compared with the same period in 2010. This is mostly due to an increase in stock-based compensation, which is due to new options awarded subsequent to the first quarter of 2010 and treatment of stock-based compensation under IFRS which accelerates the expensing of stock options. Stock-based compensation expense was also reduced in the first quarter of 2010 due to a number of stock option cancellations. Furthermore, the Company issued share appreciation rights during 2010 that are being now amortized into expense, whereas no expense was recorded in the first quarter of 2010. Increased staffing levels have also contributed to increased general and administrative expenses.

FINANCE COSTS

Finance costs for the three months ended March 31, 2011 increased to \$1.3 million (2010 - \$0.5 million). Finance costs include interest on long-term debt and amortization of transaction costs associated with long-term debt. In the quarter, the Company expensed \$0.3 million of transaction costs (2010 - \$0.1 million). The Company had \$60.0 million of debt outstanding at March 31, 2011 (March 31, 2010 - \$50.0 million). The long-term debt that was outstanding at March 31, 2011 bore interest at LIBOR plus an applicable margin that varies from 3.75% to 4.75% (2010 - LIBOR plus 3.0%) depending on the amount drawn under the facility.

DEPLETION AND DEPRECIATION ("DD&A")

	Three Months Ended March 31			
	2011		2010	
(000s, except per Bbl amounts)	\$	\$/Bbl	\$	\$/Bbl
Egypt	6,242	7.94	4,465	7.24
Yemen	1,390	6.23	1,737	6.78
Corporate	128	-	51	-
	7,760	7.69	6,253	7.17

In Egypt, DD&A increased 10% on a per Bbl basis for the three month period ended March 31, 2011, due to capital additions and increased estimated future capital costs which were partially offset by increased Proved and Probable reserves.

In Yemen, DD&A decreased 8% on a per Bbl basis for the three months ended March 31, 2011, due to a reduction in estimated future capital costs.

In Egypt, exploration and evaluation properties of \$1.6 million (2010 - \$12.2 million) relating to West Gharib (\$0.5 million) and East Ghazalat (\$1.1 million) were excluded from the costs subject to DD&A in the quarter. In Yemen, exploration and evaluation property costs of \$13.5 million (2010 - \$11.7 million) relating to Block 72 and Block 75 were excluded from the costs subject to DD&A in the quarter.

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

On the Nuqra Block, the Company drilled one exploration well during the quarter and a second exploration well subsequent to the quarter, both of which were dry. The 3.65 million acre Nuqra Block exploration concession is in the second and final extension period which is scheduled to expire in July 2012. The Company has met all the work commitments of the second extension period and has no plans for further exploration in the Nuqra Block at this time. As a result, the Company recorded an impairment loss on these exploration and evaluation assets in the amount of \$11.7 million (\$0.16/share) during the three month period ended March 31, 2011. The impairment relates to all intangible exploration and evaluation asset costs carried at Nuqra as at March 31, 2011.

Under IFRS, these costs had to be applied directly against net earnings as Nuqra has been identified as one of the Company's cash-generating units. Impairment testing under IFRS is performed at the cash-generating unit level as opposed to the country level under previous Canadian GAAP, under which, these costs would have been transferred to the full cost pool in Egypt and would have been depleted using the unit of production method.

Subsequent to March 31, 2011, it is estimated that an additional \$1.0 million of drilling expenses were incurred and will be recognized as an impairment loss applied directly to earnings in the second quarter of 2011.

CAPITAL EXPENDITURES

(\$000s)	Three Months Ended March 31	
	2011	2010
Egypt	16,754	12,514
Yemen	2,187	661
Corporate	1,366	54
Total	20,307	13,229

In Egypt, total capital expenditures in the first three months of 2011 were \$16.8 million (2010 - \$12.5 million). The Company drilled 10 wells, resulting in eight oil wells (five at Arta and three at East Arta) and two dry holes (one at East Ghazalat and one at Nuqra).

In Yemen, total capital expenditures in 2011 were \$2.2 million (2010 - \$0.7 million). Two oil development wells were drilled in the first three months of 2011 at Block S-1, along with one oil development well and one dry hole at Block 72.

Corporate expenditures in 2011 were primarily due to costs incurred for the new head office in Calgary.

OUTSTANDING SHARE DATA

As at March 31, 2011, the Company had 72,916,071 common shares issued and outstanding. On February 1, 2011, the Company closed an equity offering of 5,000,000 common shares at C\$15.00 per common share for gross proceeds of C\$75.0 million (US\$75.6 million).

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 necessary to maintain and increase production and reserves, to acquire strategic oil and gas assets and to repay debt. TransGlobe's capital programs are funded principally by cash provided from operating activities. A key measure that TransGlobe uses to evaluate the Company's overall financial strength is debt-to-funds flow from operating activities (calculated on a 12-month trailing basis). TransGlobe's debt-to-funds flow from operating activities ratio, a key short-term leverage measure, remained strong at 0.7 times at March 31, 2011. This was within the Company's target range of no more than 2.0 times.

The following table illustrates TransGlobe's sources and uses of cash during the periods ended March 31, 2011 and 2010:

Sources and Uses of Cash

(\$000s)	Three Months Ended March 31	
	2011	2010
Cash sourced		
Funds flow from operations*	24,298	18,854
Transfer from restricted cash	1,164	-
Exercise of options	1,199	130
Issuance of common shares, net of share issuance costs	71,588	-
	98,249	18,984
Cash used		
Capital expenditures	18,491	8,732
Repayment of long-term debt	30,000	-
Other	102	-
	48,593	8,732
Changes in non-cash working capital	49,656	10,252
	(21,085)	(7,584)
Increase in cash and cash equivalents	28,571	2,668
Cash and cash equivalents – beginning of period	57,782	16,177
Cash and cash equivalents – end of period	86,353	18,845

* Funds flow from operations is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital.

Funding for the Company's capital expenditures was provided by funds flow from operations. The Company expects to fund its 2011 exploration and development program of \$90.0 million (\$69.7 million remaining) and contractual commitments through the use of working capital and cash generated by operating activities. The use of new financing during 2011 may also be utilized to finance new opportunities. Fluctuations in commodity prices, product demand, foreign exchange rates, interest rates and various other risks may impact capital resources.

Working capital is the amount by which current assets exceed current liabilities. At March 31, 2011, the Company had working capital of \$135.3 million (December 31, 2010 - \$88.2 million). The increase to working capital in 2011 is the result of a higher cash balance due to the issuance of common shares in the first quarter of 2011 along with increased accounts receivable due to higher oil prices, higher sales volumes and slower collections. These receivables are not considered to be impaired; however, to mitigate this risk, the Company entered into an insurance program on a portion of the receivable balance. Subsequent to March 31, 2011, the Company has received payments of \$59.1 million against the outstanding receivable balance at March 31, 2011.

At March 31, 2011, TransGlobe had a \$100.0 million Borrowing Base Facility of which \$60.0 million was drawn. As repayments on the Borrowing Base Facility are not expected to commence until 2013, the entire balance is presented as a long-term liability on the Condensed Consolidated Balance Sheets. Repayments will be made on a semi-annual basis according to the scheduled reduction of the facility.

(\$000s)	March 31, 2011	December 31, 2010
Bank debt	60,000	90,000
Deferred financing costs	(3,269)	(3,580)
Long-term debt (net of deferred financing costs)	56,731	86,420

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:

(\$000s)		Payment Due by Period ^{1,2}					
		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		53,590	53,590	-	-	-
Long-term debt	Yes-Liability		60,000	-	38,736	21,264	-
Office and equipment leases	No		10,546	1,318	3,252	1,934	4,042
Minimum work commitments ³	No		1,750	1,750	-	-	-
Total			125,886	56,658	41,988	23,198	4,042

¹ Payments exclude ongoing operating costs related to certain leases, finance costs and payments made to settle derivatives.

² Payments denominated in foreign currencies have been translated at March 31, 2011 exchange rates.

³ Minimum work commitments include contracts awarded for capital projects and those commitments related to exploration and drilling obligations.

Pursuant to the PSA for Block 75 in Yemen, the Contractor (Joint Venture Partners) has a remaining minimum financial commitment of \$3.0 million (\$0.8 million to TransGlobe) for one exploration well. The first, 36-month exploration period commenced March 8, 2008. During the first quarter of 2011, the Contractor received an extension on the first exploration period to September 8, 2011 and subsequently has declared Force Majeure under the PSA due to logistic and security issues. The Company issued a \$1.5 million letter of credit (expiring November 15, 2011) to guarantee the Company's performance under the first exploration period. The letter is secured by a guarantee granted by Export Development Canada.

Pursuant to the August 18, 2008 asset purchase agreement for a 25% financial interest in eight development leases on the West Gharib Concession in Egypt, the Company has committed to paying the vendor a success fee to a maximum of \$2.0 million if incremental reserve thresholds are reached in the South Rahmi development lease to be evaluated annually. As at December 31, 2010, no additional fees are due in 2011.

Pursuant to a one-year extension to the West Hoshia development lease, which is part of the Concession agreement for West Gharib in Egypt, the Company provided a \$1.0 million production guarantee to drill one exploration well prior to October 14, 2011.

In the normal course of its operations, the Company may be subject to litigations 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.

Although the Company believes that it has title to its petroleum properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

The Company is not aware of any material provisions or other contingent liabilities as at March 31, 2011.

Proposed Transaction

On March 25, 2011, the Company entered into an agreement to acquire a 100% working interest in the West Bakr Concession agreement in the Arab Republic of Egypt from the Egyptian Petroleum Development Co. Ltd. (of Japan) ("EPEDECO") subject to the approval of the Egyptian Government and customary closing conditions. The proposed transaction provides for operatorship of three fields with 28 producing wells, located immediately adjacent to the Company's West Gharib development leases. West Bakr is producing approximately 4,000 Bopd and had Proved reserves of 7.4 million barrels and Proved Plus Probable reserves of 8.8 million barrels effective July 1, 2010 (third party evaluator). The Company has structured the transaction as an all-cash deal, effective July 1, 2010, to acquire all the Egyptian assets of EPEDECO, funded through working capital and the existing credit facility. Consideration for the transaction is \$60 million plus or minus adjustments to be determined based on customary due diligence and other closing conditions. Because of uncertainty related to the amount of closing adjustments affecting total consideration and the successful approval of the transaction by the Egyptian Government, management is not able to estimate the amount of any contingent assets or liabilities nor provide any assurances that it will successfully close the subject transaction. Accordingly, no amount has been accrued in the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2011 related to the contingency.

MANAGEMENT STRATEGY AND OUTLOOK FOR 2011

The 2011 outlook provides information as to management's expectation for results of operations for 2011. Readers are cautioned that the 2011 outlook may not be appropriate for other purposes. The Company's expected results are sensitive to fluctuations in the business environment and may vary accordingly. This outlook contains forward-looking statements that should be read in conjunction with the Company's disclosure under "Forward-Looking Statements", outlined on the first page of this MD&A.

2011 Outlook Highlights

- Production is expected to average between 13,000 Bopd and 13,500 bopd, a 33% increase over the 2010 average production;
- Exploration and development spending is budgeted to be \$90 million, a 34% increase from 2010 (allocated 90% to Egypt, 8% to Yemen and 2% to Corporate) funded from funds flow from operations and cash on hand; and
- Using the mid-point of the revised production guidance and an average oil price assumption of \$75.00/Bbl for Dated Brent oil for the remaining three quarters of 2011, funds flow from operations is expected to be \$99 million for the year.

2011 Revised Production Outlook

Production for 2011 is expected to average between 13,000 and 13,500 Bopd, representing a 33% increase over the 2010 average production of 9,960 Bopd. Production from Egypt is expected to average approximately 11,620 Bopd during 2011, up 60% from an average of 7,259 Bopd in 2010. The balance of approximately 1,630 Bopd from the Yemen properties represents a 40% decrease from an average of 2,701 Bopd in 2010 due to production shutdown on Block S-1. The Block S-1 export pipeline was damaged March 17 and has not been repaired due to continuing political unrest in Yemen. In this forecast, Block S-1 in Yemen is assumed to return to full production in mid-September; the forecast will be adjusted up or down depending on the production status of Block S-1. This revised production forecast assumes that the 1,300 Bopd increased forecast for West Gharib is offset by approximately 1,300 Bopd of shut-in production on Block S-1. This forecast excludes any production contributions from the East Ghazalat project and West Bakr acquisition. The forecast will be revised upwards when the timing of these additions is determined.

Production Forecast

	2011 Guidance	2010 Actual	% Change
Barrels of oil per day	13,000 – 13,500	9,960	33

2011 Revised Funds Flow From Operations Outlook

Expected funds flow from operations outlook was developed using the mid-point of guidance (13,250 Bopd) in the revised production forecast and a range of average Dated Brent oil prices for the next three quarters of 2011. The revised funds flow forecasts listed below are lower than original 2011 guidance primarily due to the following factors:

- Assuming Block S-1 remains shut-in for six months, Yemen production is approximately 1,300 Bopd less in 2011. West Gharib production forecast was increased by approximately 1,300 Bopd in 2011.
- Block S-1 production is priced at Brent pricing and West Gharib production is priced at Brent less 10% pricing.
- Company receives approximately 28% of the Block S-1 production sharing oil and 25% of the West Gharib production sharing oil on the incremental 1,300 Bopd of production.

Capital expenditures in Block S-1 and in West Gharib are expected to be less than originally planned in 2011, thereby reducing expenses eligible for cost oil. In Block S-1 capital expenditures are expected to be \$5.0 million less in 2011 due to the suspension of the drilling program. In West Gharib, capital expenditures are expected to be \$5.0 million less in 2011 due to a delay in the third drilling rig program. The \$10.0 million of reduced capital expenditures (\$5.0 million in Block S-1 and \$5.0 million in West Gharib) has been allocated to New Ventures in Egypt.

The revised funds flow forecasts are shown below assuming a range of Dated Brent oil pricing for the next three quarters of 2011:

Average Dated Brent for Remainder of Year (\$/Bbl)	Revised 2011 Funds Flow From Operations (\$ millions)	2010 Funds Flow From Operations (\$ millions)	% Change
75	99	73	36
95	118	73	62
115	139	73	90

* Funds flow from operations is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital.

TransGlobe has entered into a Sale and Purchase Agreement to acquire 100% working interest in the West Bakr Production Sharing Concession. The expected impact on TransGlobe's 2011 funds flow from operations is initially in the range of \$1.2 million per month at \$95/Bbl average Dated Brent oil price. Closing is subject to customary due diligence, closing conditions and Egyptian Government approval. TransGlobe cannot make assurances that it will successfully close the subject transaction.

2011 Capital Budget

(\$ million)	Three Months Ended March 31, 2011 Actual	2011 Annual Budget
Egypt	16.8	81.5
Yemen	2.2	6.8
Corporate	1.3	1.7
Total	20.3	90.0

The 2011 capital program is split 80:20 between development and exploration, respectively. The Company plans to participate in 61 wells in 2011. The Company will fund its entire 2011 capital budget from funds flow and working capital. The Company designed its 2011 budget to be flexible, allowing spending to be adjusted as commodity prices change and forecasts are reviewed.

West Bakr 2011 Contingent Budget

(\$ million)	2011 Annual Budget
Acquisition budget	60.0*
Work program	8.0**

* The acquisition price of \$60.0 million effective July 1, 2010 will be adjusted to the closing date.

** The West Bakr work program for 2011 is dependent on when closing occurs. The Company has identified approximately \$8.0 million of projects for the balance of 2011 which includes approximately \$1.0 million for recompletion/workovers, \$5.0 million for 3 - 4 wells and \$2.0 million for facility upgrades/inventory/contingency projects.

CHANGES IN ACCOUNTING POLICIES

New Accounting Policies

International Financial Reporting Standards ("IFRS")

In October 2009, the Accounting Standards Board issued a third and final IFRS Omnibus Exposure Draft confirming that publicly accountable enterprises were required to apply IFRS, in full and without modification, for all financial periods beginning on or after January 1, 2011. The adoption of IFRS required the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The Company's first financial statements prepared under IFRS are the interim financial statements for the three months ended March 31, 2011. These financial statements include full disclosure of its new IFRS policies in Note 3 and also include reconciliations of the previously disclosed comparative period financial statements prepared in accordance with Canadian GAAP to IFRS, as set out in Note 23.

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. 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, focusing in particular on controls over information contained in the annual and interim financial statements. 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.

All changes in accounting policies that were required to address reporting and first-time adoption of IFRS have been made in consideration of the integrity of internal control over financial reporting and disclosure controls and procedures. Throughout TransGlobe's transition project, the Company ensured that all changes in accounting policies relating to IFRS had controls and procedures to ensure that information was captured appropriately. With respect to internal controls over financial reporting and disclosure controls and procedures, the Company did not require any material changes in control procedures as a result of the transition to IFRS; however, the Company supplemented its existing control procedures for the transition period by increasing the level of third party consultation, management and executive involvement, monitoring, and governance, as well as the level of awareness and education of key parties involved in the transition project in order to ensure the project was successful.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Statement of Earnings and Comprehensive Income

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

		Three Months Ended March 31,	
	Notes	2011	2010 (Note 23)
REVENUE			
Oil sales, net of royalties and other	5	\$ 52,863	\$ 37,404
Derivative (loss) on commodity contracts		(551)	(22)
Finance revenue	7	62	4
		52,374	37,386
EXPENSES			
Production and operating		7,547	5,787
General and administrative	6	4,519	3,356
Foreign exchange loss		121	164
Finance costs	7	1,343	485
Depletion, depreciation and amortization	12	7,760	6,253
Impairment of exploration and evaluation assets	11	11,660	-
		32,950	16,045
Earnings before income taxes		19,424	21,341
Income taxes - current		16,328	8,620
Income taxes - deferred		207	120
		16,535	8,740
NET EARNINGS AND COMPREHENSIVE INCOME FOR THE PERIOD		\$ 2,889	\$ 12,601
Earnings per share			
Basic	20	\$ 0.04	\$ 0.19
Diluted		\$ 0.04	\$ 0.19

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Balance Sheets

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

	Notes	As at March 31, 2011	As at December 31, 2010 (Note 23)	As at January 1, 2010 (Note 23)
ASSETS				
Current				
Cash and cash equivalents	8	\$ 86,353	\$ 57,782	\$ 16,177
Accounts receivable	9	100,592	69,085	35,319
Derivative commodity contracts		116	303	-
Prepays and other		1,812	2,867	1,909
		188,873	130,037	53,405
Non-Current				
Restricted cash	10	2,223	3,387	-
Intangible exploration and evaluation assets	11	15,051	22,609	20,403
Property and equipment				
Petroleum properties	12	185,944	178,639	144,009
Other assets	12	3,913	2,773	2,405
Goodwill	13	8,180	8,180	8,180
		\$ 404,184	\$ 345,625	\$ 228,402
LIABILITIES				
Current				
Accounts payable and accrued liabilities	14	\$ 53,590	\$ 41,808	\$ 14,879
Derivative commodity contracts		-	-	514
Current portion of long-term debt	15	-	-	49,799
		53,590	41,808	65,192
Non-Current				
Long-term debt	15	56,731	86,420	-
Deferred taxes		35,414	35,207	33,313
		145,735	163,435	98,505
SHAREHOLDERS' EQUITY				
Share capital	17	153,309	80,106	66,106
Contributed surplus		5,952	5,785	8,057
Retained earnings		99,188	96,299	55,734
		258,449	182,190	129,897
		\$ 404,184	\$ 345,625	\$ 228,402

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Approved on behalf of the Board:

Signed by:

"Ross G. Clarkson"

Ross G. Clarkson
President and CEO,
Director

"Fred J. Dymant"

Fred J. Dymant
Director

Consolidated Statement of Changes in Shareholders' Equity

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

		Three Months Ended March 31,	
	Notes	2011	2010 (Note 23)
Share Capital			
Balance, beginning of period		\$ 80,106	\$ 66,106
Stock options exercised	17	1,199	130
Share issuance	17	75,594	-
Share issue costs	17	(4,006)	-
Stock-based compensation on exercise	17	416	41
Balance, end of period		\$ 153,309	\$ 66,277
Contributed Surplus			
Balance, beginning of period		\$ 5,785	\$ 8,057
Stock-based compensation expense	18	583	132
Transfer to share capital on exercise of options		(416)	(41)
Balance, end of period		\$ 5,952	\$ 8,148
Retained Earnings			
Balance, beginning of period		\$ 96,299	\$ 55,734
Net earnings		2,889	12,601
Balance, end of period		\$ 99,188	\$ 68,335

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Cash Flows

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

		Three Months Ended March 31,	
	Notes	2011	2010 (Note 23)
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING			
Net earnings for the period		\$ 2,889	\$ 12,601
Adjustments for:			
Depletion, depreciation and amortization	12	7,760	6,253
Impairment of exploration and evaluation costs	11	11,660	-
Stock-based compensation	18	713	135
Finance costs		1,343	485
Income tax expense		16,535	8,740
Unrealized (gain) loss on commodity contracts		187	(344)
Unrealized loss on foreign currency translation		171	-
Interest paid		(632)	(396)
Taxes paid		(16,328)	(8,620)
Changes in non-cash working capital	22	(21,085)	(7,584)
Net cash generated by (used in) operating activities		3,213	11,270
INVESTING			
Additions to petroleum properties		(16,094)	(6,548)
Additions to intangible exploration and evaluation assets		(1,960)	(1,895)
Additions to other assets		(437)	(289)
Changes in restricted cash		1,164	-
Net cash generated by (used in) investing activities		(17,327)	(8,732)
FINANCING			
Issue of common shares for cash	17	76,793	130
Issue costs for common shares	17	(4,006)	-
Repayments of long-term debt		(30,000)	-
Net cash generated by (used in) financing activities		42,787	130
Currency translation differences relating to cash and cash equivalents		(102)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		28,571	2,668
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		57,782	16,177
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 86,353	\$ 18,845

See accompanying notes to the Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at March 31, 2011, December 31, 2010 and January 1, 2010 and for the periods ended March 31, 2011 and 2010
(Unaudited - Expressed in U.S. Dollars)

1. CORPORATE INFORMATION

TransGlobe Energy Corporation is a publicly listed company incorporated in Alberta, Canada and its shares are listed on the Toronto Stock Exchange ("TSX") and NASDAQ Exchange ("NASDAQ"). The address of its registered office is 2300, 250 - 5th Street SW, Calgary, Alberta, Canada, T2P 0R4. TransGlobe Energy Corporation together with its subsidiaries ("TransGlobe" or the "Company") is engaged primarily in oil exploration, development and production and the acquisition of properties.

2. BASIS OF PREPARATION

Statement of compliance

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP", "Canadian GAAP" or "Cdn. GAAP") for all publicly accountable profit-oriented enterprises.

These Condensed Consolidated Interim Financial Statements include the accounts of the Company as at March 31, 2011, December 31, 2010, January 1, 2010 and for the three month periods ended March 31, 2011 and 2010. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and do not contain all the disclosures required for full annual financial statements.

Compliance with IAS 34 requires the Company to disclose information material to the understanding of the current interim period. These are the Company's first Condensed Consolidated Interim Financial Statements for the first quarter of the period covered by the first consolidated annual financial statements presented in accordance with IFRS for the year ending December 31, 2011. Accordingly, IFRS 1 *First-time Adoption of IFRS* ("IFRS 1") has been applied effective January 1, 2010 using IFRS in place as at January 1, 2011. The effect of transition from Canadian GAAP to IFRS is quantified in Note 23 and explained throughout the notes to the Condensed Consolidated Interim Financial Statements.

In 2011 and beyond, the Company may not provide the same amount of disclosure as the reader will be able to rely on these Condensed Consolidated Interim Financial Statements and/or the Annual Consolidated Financial Statements which will be prepared in accordance with IFRS.

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on May 5, 2011.

Basis of measurement

The preparation of these Condensed Consolidated Interim Financial Statements resulted in changes to accounting policies and methods of computation as compared to the most recent Annual Financial Statements for the year-ended December 31, 2010 prepared under GAAP. Refer to Note 3, *Significant Accounting Policies*, for details of changes and Note 23, *First Time Adoption of IFRS*, for a reconciliation between the IFRS and GAAP computations. However, many disclosures, including nature of business and corporate information, have not changed and accordingly, these should be read in conjunction with the consolidated financial statements for the year-ended December 31, 2010 and the accompanying notes thereto.

The Company prepared these Condensed Consolidated Interim 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, these Condensed Consolidated Interim Financial Statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The method used to measure fair value is discussed further in Notes 3 and 4.

Functional and presentation currency

In these Condensed Consolidated Interim Financial Statements, unless otherwise indicated, all dollar amounts are expressed in United States (U.S.) dollars, which is the Company's functional currency. All references to US\$ or to \$ are to United States dollars and references to C\$ are to Canadian dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Condensed Consolidated Financial Statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of transition to IFRS.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The Condensed Consolidated Interim Financial Statements include the financial statements of the Company and its controlled subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Company and other venturers of assets acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. Interests in jointly controlled assets are accounted for using the proportionate consolidation method, whereby the Company's proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

Foreign currency translation

The Condensed Consolidated Interim Financial Statements are presented in U.S. dollars. The Company's reporting and functional currency is the U.S. dollar as this is the principal currency of the primary economic environment the entity operates in and is normally the one in which it primarily generates and expends cash. Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between its functional currency equivalent at the beginning of the period or when the transaction was entered into if it occurred during the period and the functional currency equivalent translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. The foreign currency gain or loss on non-monetary items is the difference in fair value measured in the functional currency between measurement dates.

Foreign currency differences arising on re-translation are recognized in earnings, except for differences arising on the re-translation of available-for-sale equity instruments and available-for-sale non-monetary items, which are recognized in total comprehensive income and accumulated as a separate component in equity.

Use of estimates and judgments

Timely preparation of the financial statements in conformity with IFRS 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 financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Specifically, amounts recorded for depletion, depreciation, amortization and accretion expense, fair value measurements, stock based compensation, financial derivative contracts, and amounts used in impairment tests for intangible assets, goodwill, and property, plant and equipment are based on estimates. These estimates include petroleum reserves, future petroleum prices, future interest rates and future costs required to develop those reserves as well as other fair value assumptions. By their nature, these estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change on the financial statements. The effect of these estimates, assumptions and the use of judgments are discussed in Note 3 and explained throughout the notes to the condensed consolidated interim 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.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investment in accounts receivable, cash and cash equivalents, restricted cash, loans and borrowings, and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, any transaction costs attributable to the financial instruments are recognized through earnings when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in earnings.

Other

Other non-derivative financial instruments, such as accounts receivable, loans and borrowings, and accounts payable and accrued liabilities are measured at amortized cost using the effective interest method, less any impairment losses

Derivative financial instruments

The Company has entered into certain financial derivative contracts 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 has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the balance sheet at fair value. Attributable transaction costs are recognized in earnings 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 clearly and closely related to those of the host contract, the terms of the embedded derivatives are the same as those of a freestanding derivative and the combined contract is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

The Company applies trade-date accounting for the recognition of a purchase of derivative contracts.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit in the transaction is transferred to/from retained earnings.

Property and equipment and intangible exploration and evaluation assets

Recognition and measurement

The Company accounts for exploration and evaluation ("E&E") costs, in accordance with the requirements of IFRS 6: "Exploration for and Evaluation of Mineral Resources." 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 overhead and administration 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 earnings as they are incurred.

Tangible assets acquired for use in E&E activities are classified as other assets; however, to the extent that such a tangible asset is consumed in developing an intangible exploration asset, the amount reflecting that consumption is recorded as part of the cost of the intangible exploration and evaluation asset.

Intangible exploration and evaluation assets are not depleted. They are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. 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. A review of each concession agreement is carried out at least annually. Intangible exploration and evaluation assets are transferred to petroleum properties as development and production ("D&P") assets upon determination of technical feasibility and commercial viability.

Petroleum properties 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.

As at January 1, 2010, the date of transition to IFRS, the cost of petroleum properties and other assets was determined by reference to IFRS 1: "First-time Adoption of International Financial Reporting Standards". The methodology adopted for initial recognition of these costs at transition was the cost model, whereby all non-petroleum assets and all E&E assets were measured at the amount recognized under the Company's previous accounting framework, Canadian GAAP, and assets in the development and production phases were measured at the amount determined for the cost centre to which they relate. The adopted process allocated the development and production asset amounts to the underlying assets pro rata based on reserve values as at the date of transition.

Gains and losses on disposal of items of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in earnings 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 earnings 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 field or geotechnical area basis.

The carrying amount of any replaced or sold component is derecognized.

Depletion, depreciation and amortization

The depletion, depreciation and amortization of petroleum properties and other assets, and any eventual reversal thereof, are recognized in earnings.

The net carrying value of D&P assets included in petroleum properties is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and 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 reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve evaluator reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. The specified degree of certainty must be a minimum 90% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and a minimum 50% statistical probability for proved and probable reserves to be considered commercially viable.

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

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

Goodwill

Goodwill arises on the acquisition of businesses.

Recognition and measurement

For acquisitions on or after January 1, 2010, goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in earnings.

Goodwill arising on the acquisition of a minority interest represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortized but instead tested for impairment annually.

Impairment

Financial assets

(i) Assets carried at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. Any such reversal is recognized in profit or loss.

(ii) Available-for-sale assets

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity through its decline in value before impairment is transferred from equity to profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment, except for E&E assets, inventories and deferred tax assets, which are reviewed when circumstances indicate impairment may exist and at least annually, as discussed in more detail below. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. The Company's CGU's are not larger than a segment. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 and probable reserves.

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 profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is 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.

For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss in respect of goodwill is calculated by reference to the recoverable amount determined at that time. Costs of exploring for and evaluating petroleum properties are capitalized and the resulting intangible E&E assets are tested for impairment by reference to CGU's. E&E assets are assessed for impairment when they are reclassified to petroleum properties and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Any resulting impairment loss is recognized through earnings.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU's that are expected to benefit from the synergies of the combination. E&E assets are allocated to the CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to D&P assets (petroleum properties).

An impairment loss in respect of goodwill is not reversed.

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 binomial option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). Awards where vesting is conditional upon a market condition are treated as vesting regardless of whether the market condition is satisfied as long as all other conditions are satisfied. 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; representing 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 earnings, with a corresponding entry in equity.

When the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled 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 cost of cash-settled transactions is measured at fair value using the lattice-based binomial pricing model and recognized as an expense over the vesting period, with a corresponding liability recognized on the balance sheet.

The grant date fair value of options granted to employees is recognized as compensation expense, within general and administrative expenses, with a corresponding increase in accounts payable and accrued liabilities, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met. Until the liability is ultimately settled, it is re-measured at each reporting date with changes to fair value recognized through profit or loss.

Provisions

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 pre-tax 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.

Revenue recognition

Revenues associated with the sales of the Company's crude oil are recognized by reference to actual volumes produced and quoted market prices in active markets for identical assets, adjusted according to specific terms and conditions in partner agreements, when the significant risks and rewards of ownership have been transferred, which is when title passes from the Company to its customer. Crude oil produced and sold by the Company below or above its working interest share in the related resource properties results in production under-liftings or over-liftings. Under-liftings are recorded as inventory and over-liftings are recorded as deferred revenue.

International operations conducted pursuant to Production Sharing Agreements and Production Sharing Concessions (together defined as "PSAs") are reflected in the Condensed Consolidated Interim Financial Statements based on the Company's working interest in such operations. The Company and other non-governmental partners pay all operating and capital costs for exploring and developing the PSA. Each PSA establishes specific terms for the Company to recover these costs (Cost Recovery Oil) 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 fiscal year. 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.

Finance revenue and costs

Finance revenue comprises interest income on funds invested and positive changes in the fair value of financial assets or liabilities measured at fair value through profit or loss. Interest income is recognized as it accrues in earnings, using the effective interest rate method.

Finance costs comprises interest expense on borrowings, unwinding of the discount on provisions, negative changes in the fair value of financial assets or liabilities measured at fair value through profit or loss, and impairment losses recognized on financial assets.

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 those that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognized in earnings using the effective interest method.

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the year.

Foreign currency gains and losses, reported under finance revenue and costs, are reported on a net basis.

Income tax

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

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.

Future changes to accounting policies

As at the date of authorization of these financial statements the following Standards and Interpretations which have not yet been applied in these financial statements were in issue but not yet effective:

IFRS 7 (revised) "Financial Instruments: Disclosures"
IFRS 9 (revised) "Financial Instruments: Classification and Measurement"

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values of Financial Instruments

The Company has classified its cash and cash equivalents and restricted cash as assets held for trading and its derivative commodity contracts as financial assets or liabilities held for trading, which are both measured at fair value with changes being recognized through profit or loss. Accounts receivable are classified as loans and receivables; accounts payable and accrued liabilities, and long-term debt are classified as other liabilities, all of which are measured initially at fair value, then at amortized cost after initial recognition.

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

Classification (000s)	March 31, 2011		December 31, 2010		January 1, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets held-for-trading	\$ 88,692	\$ 88,692	\$ 61,472	\$ 61,472	\$ 16,177	\$ 16,177
Loans and receivables	100,592	100,592	69,085	69,085	35,319	35,319
Financial liabilities held-for-trading	-	-	-	-	514	514
Other liabilities	110,321	113,590	128,228	131,808	64,678	64,879

Assets and liabilities at March 31, 2011 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents, restricted cash and derivative commodity contracts are assessed on the fair value hierarchy described above. TransGlobe's cash and cash equivalents and restricted cash are classified as Level 1 and derivative commodity contracts 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.

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Condensed Consolidated Interim Financial Statements.

The Board of Directors oversees 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 loss if the counterparties do not fulfill their contractual obligations. The Company's exposure to credit risk primarily relates to accounts receivable, the majority of which are in respect of oil operations, and derivative commodity contracts. 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. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit and an insurance program on a portion of the receivable balance. The Company has not experienced any material credit losses in the collection of accounts receivable to-date.

Trade and other receivables are analyzed in the table below. The majority of these receivables are due from the Egyptian Government, and the recent political unrest in the country has increased the delay in payments, which increases TransGlobe's credit risk. Despite these factors, the Company still expects to collect in full all outstanding receivables.

(000s)	
Trade and other receivables at March 31, 2011	
Neither impaired nor past due	\$ 29,679
Impaired (net of valuation allowance)	-
Not impaired and past due in the following period:	
Within 30 days	10,482
31-60 days	10,454
61-90 days	9,071
Over 90 days	40,906

In Egypt, the Company sold all of its 2011 and 2010 production to one purchaser. In Yemen, the Company sold all of its 2011 and 2010 Block 32 production to one purchaser and all of its 2011 and 2010 Block S-1 production to one purchaser. Management considers such transactions normal for the Company and the international oil industry in which it operates.

Subsequent to March 31, 2011, the Company collected \$59.1 million of the receivables that were outstanding at the end of the quarter.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The market price movements that the Company is exposed to include oil prices (commodity price risk), 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Commodity price risk

The Company's operational results and financial condition are partially dependent on the commodity prices received for its oil production. Commodity prices have fluctuated significantly during recent years.

Any movement in commodity prices would have an effect on the Company's financial condition. Therefore, the Company has entered into various financial derivative contracts to manage fluctuations in commodity prices in the normal course of operations. The following contracts are outstanding as at March 31, 2011:

Period	Volume	Type	Dated Brent Pricing Put
Crude Oil			
April 1, 2011-December 31, 2011	40,000 Bbl/month	Financial Floor	\$65.00
April 1, 2011-December 31, 2011	20,000 Bbl/month	Financial Floor	\$75.00

The estimated fair value of unrealized commodity contracts is reported on the Condensed Consolidated Interim Statement of Financial Position, with any change in the unrealized positions recorded to income. The Company assessed 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 counter-parties to settle the transactions outstanding as at the date of the Condensed Consolidated Balance Sheets with reference to forward prices and market values provided by independent sources. The actual amounts realized may differ from these estimates.

When assessing the potential impact of commodity price changes on its financial derivative commodity contracts, the Company believes 10% volatility is a reasonable measure. The effect of a 10% increase in commodity prices on the derivative commodity contracts would decrease the net earnings, for the three months ended March 31, 2011, by \$0.1 million. The effect of a 10% decrease in commodity prices on the derivative commodity contracts would increase the net earnings, for the three months ended March 31, 2011, by \$0.1 million.

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 to certain cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities denominated in Canadian dollars. When assessing the potential impact of foreign currency exchange risk, the Company believes 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 result in an increase in the net earnings for the three months ended March 31, 2011, of approximately \$0.6 million and conversely a 10% decrease in the value of the Canadian dollar against the U.S. dollar would decrease the net earnings by \$0.8 million for the same period. The Company does not utilize derivative instruments to manage this risk.

Interest rate risk

Fluctuations in interest rates could result in a significant change in the amount the Company pays to service variable-interest, U.S.-dollar-denominated debt. No derivative contracts were entered into during 2011 to mitigate this risk. When assessing interest rate risk applicable to the Company's variable-interest, U.S.-dollar-denominated debt the Company believes 1% volatility is a reasonable measure. The effect of interest rates increasing by 1% would decrease the Company's net earnings, for the three months ended March 31, 2011, by \$0.2 million. The effect of interest rates decreasing by 1% would increase the Company's net earnings, for the three months ended March 31, 2011, by \$0.2 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 March 31, 2011:

(000s)	Recognized in Financial Statements	Payment Due by Period ^{1,2}				
		Contractual Cash Flows	Less than 1 year	1-3 years	4-5 years	More than 5 years
Accounts payable and accrued liabilities	Yes-Liability	\$ 53,590	\$ 53,590	\$ -	\$ -	\$ -
Long-term debt	Yes-Liability	60,000	-	38,736	21,264	-
Office and equipment leases	No	10,546	1,318	3,252	1,934	4,042
Minimum work commitments ³	No	1,750	1,750	-	-	-
Total		\$ 125,886	\$ 56,658	\$ 41,988	\$ 23,198	\$ 4,042

¹ Payments exclude ongoing operating costs related to certain leases, interest on long-term debt and payments required made to settle derivatives.

² Payments denominated in foreign currencies have been translated at March 31, 2011 exchange rates.

³ Minimum work commitments include contracts awarded for capital projects and those commitments related to exploration and drilling obligations.

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. In addition, the Company raised gross proceeds of C\$75.0 million (US\$75.6 million) in the first quarter of 2011 through an equity offering.

The existing banking arrangements at March 31, 2011 consist of a Borrowing Base Facility of \$100.0 million of which \$60.0 million is drawn.

Capital disclosures

The Company's objectives when managing capital are 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 relies on cash flow to fund its capital investments. However, due to long lead cycles of some of its developments and corporate acquisitions, the Company's capital requirements may exceed its cash flow generated in any one period. This requires the Company to maintain financial flexibility and liquidity. The Company sets the amount of capital in proportion to risk and manages to ensure that the total of the long-term debt is not greater than two times the Company's funds flow from operations for the trailing twelve months. For the purposes of measuring the Company's ability to meet the above stated criteria, funds flow from operations is defined as the profit or loss before any deduction for depletion, depreciation and accretion, amortization of deferred financing charges, non-cash stock-based compensation, and non-cash derivative (gain) loss on commodity contracts. Funds flow from operations is a non-IFRS measure and may not be comparable to similar measures used by other companies.

The Company defines and computes its capital as follows:

(000s)	As at	As at	As at
	March 31, 2011	December 31, 2010	January 1, 2010
Shareholders' equity	\$ 258,449	\$ 182,190	\$ 129,897
Long-term debt, including the current portion (net of unamortized transaction costs)	56,731	86,420	49,799
Cash and cash equivalents	(86,353)	(57,782)	(16,177)
Total capital	\$ 228,827	\$ 210,828	\$ 163,519

The Company's debt-to-funds flow ratio is computed as follows:

(000s)	12 months trailing	
	March 31, 2011	December 31, 2010
Long-term debt, including the current portion (net of unamortized transaction costs)	\$ 56,731	\$ 86,420
Cash flow from operating activities	46,535	54,592
Changes in non-cash working capital	31,887	18,386
Funds flow from operations	\$ 78,422	\$ 72,978
Ratio	0.7	1.2

The Company's financial objectives and strategy as described above have remained substantially unchanged over the last two completed fiscal years. These objectives and strategy are reviewed on an annual basis. The Company believes that its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives. The Company is also subject to financial covenants in the Borrowing Base Facility that existed as at March 31, 2011. The key financial covenants are as follows:

- Consolidated Financial Indebtedness to EBITDAX will not exceed 3.0 to 1.0. For the purposes of this calculation, Consolidated Financial Indebtedness shall mean the aggregate of all Financial Indebtedness of the Company. EBITDAX shall be defined as Consolidated Net Income before interest, income taxes, depreciation, depletion, amortization, accretion of abandonment liability, unrealized hedging losses and other similar non-cash charges (including expenses related to stock options), minus unrealized hedging gains and all non-cash income added to Consolidated Net Income.
- Current ratio (current assets to current liabilities, excluding the current portion of long-term debt) of greater than 1.0 to 1.0.

The Company is in compliance with all financial covenants at March 31, 2011.

5. OIL REVENUE

(000s)	Three Months Ended March 31	
	2011	2010
Oil sales	\$ 97,995	\$ 61,651
Less: Royalties and other	45,132	24,247
Oil sales, net of royalties and other	\$ 52,863	\$ 37,404

6. PERSONNEL EXPENSES

The aggregate payroll expense of employees and executive management recognized in general and administrative expenses was as follows:

(000s)	Three Months Ended March 31	
	2011	2010
Wages, salaries and benefits	\$ 2,607	\$ 2,197
Equity-settled share-based payment transactions	583	132
Cash-settled share-based payment transactions	130	2
Total employee remuneration	3,320	2,331
Capitalized portion of total remuneration	(362)	(164)
	\$ 2,958	\$ 2,167

7. FINANCE REVENUE AND COSTS

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

Finance costs recognized in earnings were as follows:

(000s)	Three Months Ended March 31	
	2011	2010
Interest expense	\$ 1,031	\$ 396
Amortization of deferred financing costs	312	89
Finance costs	\$ 1,343	\$ 485

8. CASH AND CASH EQUIVALENTS

Cash is comprised of cash on hand and balances with banks. There were no term deposits outstanding as at March 31, 2011, December 31, 2010 or January 1, 2010 with maturities longer than three months.

The Company's exposure to interest rate risk is disclosed in Note 4.

9. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of current trade receivables due from third parties. There were no amounts due from related parties and no loans to management or employees as at March 31, 2011, December 31, 2010, or January 1, 2010.

The Company's exposure to credit, currency and interest rate risks related to trade and other receivables is disclosed in Note 4.

10. RESTRICTED CASH

As at March 31, 2011, the Company had restricted cash of \$2.2 million (December 31, 2010 - \$3.4 million and January 1, 2010 - \$Nil) set aside in a debt service reserve account, as required by the Borrowing Base Facility (Note 15). This represents the aggregate amount of interest for six months on the loan balance outstanding based on the five-year forward interest strip. Amounts are deposited as required to maintain minimum reserve requirements.

11. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

(000s)	
Balance at January 1, 2010	\$ 20,403
Additions	13,000
Transferred to property and equipment	(10,794)
Balance at December 31, 2010	22,609
Additions	4,102
Impairment loss	(11,660)
Balance at March 31, 2011	\$ 15,051

The Company recorded an impairment loss in the amount of \$11.7 million during the three-month period ended March 31, 2011. The impairment relates to Nuqra Block 1 in Egypt and represents all intangible exploration and evaluation asset costs carried at Nuqra as at March 31, 2011. It was determined that an impairment loss was necessary as no commercially viable quantities of oil have been discovered at Nuqra. The Company no longer has a firm plan for further expenditures on exploration and evaluation at Nuqra at this time.

There were no intangible exploration and evaluation asset impairment losses determined for the 12 months ended December 31, 2010, or the three months ended March 31, 2010, nor were there any impairment losses determined on transition at January 1, 2010.

12. PROPERTY AND EQUIPMENT

(000s)	Petroleum Properties	Other Assets	Total
Cost or deemed cost at January 1, 2010	\$ 144,009	\$ 4,420	\$ 148,429
Additions	51,051	1,293	52,344
Transferred from exploration and evaluation assets	10,794	-	10,794
Balance at December 31, 2010	205,854	5,713	211,567
Additions	14,762	1,443	16,205
Balance at March 31, 2011	\$ 220,616	\$ 7,156	\$ 227,772
Accumulated depletion, depreciation, amortization and impairment losses at January 1, 2010	\$ -	\$ 2,015	\$ 2,015
Depletion, depreciation and amortization for the period	27,215	925	28,140
Balance at December 31, 2010	27,215	2,940	30,155
Depletion, depreciation and amortization for the period	7,457	303	7,760
Balance at March 31, 2011	\$ 34,672	\$ 3,243	\$ 37,915
Net Book Value			
At January 1, 2010	\$ 144,009	\$ 2,405	\$ 146,414
At December 31, 2010	178,639	2,773	181,412
At March 31, 2011	\$ 185,944	\$ 3,913	\$ 189,857

Future development costs of \$60.6 million (2010 - \$69.2 million) for Proved and Probable reserves were included in the depletion calculation for the three months ended March 31, 2011.

13. GOODWILL

(000s)	Goodwill
Cost, January 1, 2010	\$ 8,180
Acquisitions through business combinations	-
Balance at December 31, 2010	8,180
Acquisitions through business combinations	-
Balance at March 31, 2011	\$ 8,180

Goodwill was assessed for impairment as at January 1, 2010, December 31, 2010 and March 31, 2011. The after-tax cash flows used to determine the recoverable amounts of the cash-generating units were discounted using an estimated year-end weighted average cost of capital of 14%. As at January 1, 2010, December 31, 2010 and March 31, 2011, the recoverable amounts exceeded the aggregated carrying values of the cash-generating units, therefore no impairment was recognized.

14. 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 March 31, 2011, December 31, 2010 or January 1, 2010.

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 4.

15. LONG-TERM DEBT

The contractual terms of the Company's interest-bearing loans and borrowings are measured at amortized cost. As at March 31, 2011, the only significant interest-bearing loans and borrowings related to the Borrowing Base Facility described below. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 4.

	March 31, 2011	December 31, 2010	January 1, 2010
Bank debt	\$ 60,000	\$ 90,000	\$ 50,000
Deferred financing costs	(3,269)	(3,580)	(201)
	56,731	86,420	49,799
Current portion of long-term debt	-	-	49,799
	\$ 56,731	\$ 86,420	\$ -

On July 22, 2010, the Company entered into a five-year \$100.0 million Borrowing Base Facility and paid out the previous Revolving Credit Agreement. The Borrowing Base Facility is secured by a pledge over certain bank accounts, a pledge over the Company's subsidiaries, and a fixed and floating charge over certain assets. The credit facility bears interest at the LIBOR rate plus an applicable margin, which ranges from 3.75% to 4.75% and is dependent on the amount drawn. During the three months ended March 31, 2011, the average effective interest rate was 7.7% (2010 - 3.1%). As repayments on the Borrowing Base Facility are not expected to commence until 2013, the entire balance has been presented as a long-term liability on the Condensed Consolidated Interim Balance Sheets. Repayments will be made on a semi-annual basis in order to reduce amount borrowed to an amount no greater than the Borrowing Base. The amount of the Borrowing Base may fluctuate over time and is determined principally by the net present value of the Company's Proved and Probable reserves over the term of the facility, up to a pre-defined commitment amount which is subject to pre-determined semi-annual reductions. Accordingly, for each balance sheet date, the timing of repayment is estimated based on the most recent redetermination of the Borrowing Base and repayment schedules may change in future periods.

The estimated future debt payments on long-term debt, as of March 31, 2011 are as follows:

(000s)	
2011	\$ -
2012	-
2013	26,803
2014	24,743
2015	8,454
	\$ 60,000

16. COMMITMENTS AND CONTINGENCIES

On March 25, 2011, the Company entered into an agreement to acquire a 100% working interest in the West Bakr Concession agreement in the Arab Republic of Egypt from the Egyptian Petroleum Development Co. Ltd. (of Japan) ("EPEDECO"), subject to the approval of the Egyptian Government and customary closing conditions. The Company has structured the transaction as an all-cash deal, effective July 1, 2010, to acquire all the Egyptian assets of EPEDECO, funded through working capital and the existing Borrowing Base Facility. Consideration for the transaction is \$60 million plus or minus adjustments to be determined based on customary due diligence and other closing conditions. Because of uncertainty related to the amount of closing adjustments affecting total consideration and the successful approval of the transaction by the Egyptian Government, management is not able to estimate the amount of any contingent assets or liabilities nor provide any assurances that it will successfully close the subject transaction. Accordingly, no amount has been accrued in these condensed consolidated interim financial statements related to the contingency.

The Company is subject to certain office and equipment leases (Note 4).

Pursuant to the PSA for Block 75 in Yemen, the Contractor (Joint Interest Partners) has a remaining minimum financial commitment of \$3.0 million (\$0.8 million to TransGlobe) for one exploration well. The first, 36-month exploration period commenced March 8, 2008. During the first quarter of 2011, the Contractor received an extension on the first exploration period to September 8, 2011 and subsequently has declared Force Majeure under the PSA due to logistic and security issues. The Company issued a \$1.5 million letter of credit (expiring November 15, 2011) to guarantee the Company's performance under the first exploration period. The letter is secured by a guarantee granted by Export Development Canada.

Pursuant to the August 18, 2008 asset purchase agreement for a 25% financial interest in eight development leases on the West Gharib Concession in Egypt, the Company has committed to paying the vendor a success fee to a maximum of \$2.0 million if incremental reserve thresholds are reached in the South Rahmi development lease to be evaluated annually. As at December 31, 2010, no additional fees are due in 2011.

Pursuant to a one-year extension to the West Hoshia development lease, which is part of the Concession agreement for West Gharib in Egypt, the Company provided a \$1.0 million production guarantee to drill one exploration well prior to October 14, 2011.

In the normal course of its operations, the Company may be subject to litigations 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.

Although the Company believes that it has title to its petroleum properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

The Company is not aware of any material provisions or other contingent liabilities as at March 31, 2011.

17. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Issued

(000s)	Three Months Ended March 31, 2011		Year Ended December 31, 2010	
	Shares	Amount	Shares	Amount
Balance, beginning of period	67,576	\$ 80,106	65,399	\$ 66,106
Share issuance	5,000	75,594	-	-
Stock options exercised	341	1,199	2,177	9,959
Stock-based compensation on exercise	-	416	-	4,041
Share issue costs	-	(4,006)	-	-
Balance, end of period	72,917	\$ 153,309	67,576	\$ 80,106

On February 1, 2011, the Company closed an equity offering of 5,000,000 common shares at C\$15.00 per common share for gross proceeds of C\$75.0 million (US\$75.6 million).

18. SHARE-BASED PAYMENTS

The Company adopted a stock option plan in May 2007 (the "Plan") and reapproved unallocated options issuable pursuant to the Plan in May 2010. 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 not less than the trading market value of the common shares at the date of grant. All grants of stock options vest one-third on each of the first, second and third anniversaries of the grant date. 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 tranches.

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

(000s, except per share amounts)	Three Months Ended March 31, 2011		Year Ended December 31, 2010	
	Number of Options	Weighted- Average Exercise Price (C\$)	Number of Options	Weighted-Average Exercise Price (C\$)
Options outstanding, beginning of period	4,156	4.89	5,478	4.12
Granted	100	13.19	1,430	7.22
Exercised	(341)	3.75	(2,177)	4.67
Forfeited	(32)	4.98	(575)	4.04
Options outstanding, end of period	3,883	5.19	4,156	4.89
Options exercisable, end of period	1,177	3.89	1,366	3.80

Exercise Prices (C\$)	Options Outstanding			Options Exercisable		
	Number Outstanding at Mar. 31, 2011 (000s)	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price (\$C)	Number Exercisable at Mar. 31, 2011 (000s)	Weighted- Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price (C\$)
2.22-3.50	1,441	2.9	2.97	530	2.8	2.90
3.51-5.00	1,042	2.5	4.55	528	2.1	4.60
5.01-6.50	194	2.5	5.47	119	1.5	5.18
6.51-8.00	812	4.1	7.35	-	-	-
8.01-15.12	394	4.5	10.43	-	-	-
	3,883	3.2	5.19	1,177	2.3	3.89

Stock-based compensation

Compensation expense of \$0.6 million has been recorded in general and administrative expenses in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income and Changes in Shareholders' Equity during the first quarter of 2011 (2010 - \$0.1 million) in respect of equity-settled share-based payment transactions. The fair value of all common stock options granted is estimated on the date of grant using the lattice-based binomial option pricing model. The weighted average fair value of options granted during the period and the assumptions used in their determination are as noted below:

	2011	2010
Weighted-average fair market value per option (C\$)	4.41	1.50
Risk free interest rate (%)	2.18	2.80
Expected volatility (%)	49.13	51.80
Dividend per share	0.00	0.00
Expected forfeiture rate (non-executive employees) (%)	10.36	5.81
Suboptimal exercise factor	1.25	1.25

Options granted vest annually over a three-year period and expire five years after the grant date. During the three month period ended March 31, 2011, employees exercised 341,000 (2010 - 48,000) stock options. In accordance with International Financial Reporting Standards, the fair value related to these options was \$0.4 million (2010 - \$0.1 million) at time of grant and has been transferred from contributed surplus to common shares.

Share appreciation rights plan

In addition to the Company's stock option plan, the Company also issues share appreciation rights ("units") under the share appreciation rights plan, which was adopted in March 2010. Share appreciation rights are similar to stock options except that the holder does not have the right to purchase the underlying share of the Company but receives cash. Units granted under the share appreciation rights plan vest one-third on each of the first, second and third anniversaries of the grant date. Share appreciation rights granted expire five years after the grant date. The following table summarizes information about the share appreciation rights outstanding and exercisable at the dates indicated:

	Three Months Ended March 31, 2011		Year Ended December 31, 2010	
	Number of Units	Weighted- Average Exercise Price (C\$)	Number of Units	Weighted- Average Exercise Price (C\$)
(000s, except per share amounts)				
Units outstanding, beginning of period	150	6.61	-	-
Granted	-	-	150	6.61
Exercised	-	-	-	-
Forfeited	-	-	-	-
Units outstanding, end of period	150	6.61	150	6.61
Units exercisable, end of period	20	4.61	-	-

Compensation expense of \$0.1 million has been recorded in general and administrative expenses in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income for the three-month period ended March 31, 2011 (2010 - \$Nil) in respect of cash-settled, share-based payment transactions. The carrying amount of liabilities for cash-settled arrangements and the total fair value of the liability for vested benefits as at March 31, 2011 were \$0.7 million (2010 - \$Nil) and \$0.2 million (2010 - \$Nil), respectively.

19. PER SHARE AMOUNTS

In calculating the profit per share, basic and diluted, the following weighted average shares were used:

(000s)	March 31, 2011	March 31, 2010
Weighted average number of shares outstanding	71,103	65,432
Dilution effect stock options	2,662	1,118
Weighted average number of diluted shares outstanding	73,765	66,550

In determining diluted earnings per share, the Company assumes that the proceeds received from the exercise of "in-the-money" stock options are used to repurchase common shares at the average market price. In calculating the weighted average number of diluted common shares outstanding for the three months ended March 31, 2011, the Company excluded 60,000 stock options (2010 - 2,222,000) as their exercise price was greater than the average common share market price in the respective periods.

20. RELATED PARTY DISCLOSURES

Details of controlled entities are as follows:

	Country of Incorporation	Ownership Interest 2011 (%)	Ownership Interest 2010 (%)
TransGlobe Petroleum International Inc.	Turks & Caicos	100	100
TG Holdings Yemen Inc.	Turks & Caicos	100	100
TG West Yemen Inc.	Turks & Caicos	100	100
TransGlobe Petroleum Egypt Inc.	Turks & Caicos	100	100
TransGlobe West Bakr Inc.	Turks & Caicos	100	100
TransGlobe West Gharib Inc.	Turks & Caicos	100	100
TransGlobe GOS Inc.	Turks & Caicos	100	100

21. SEGMENTAL ANALYSIS

The Company has two reportable operating segments: the Arab Republic of Egypt and the Republic of Yemen. The Company, through its operating segments, is engaged primarily in oil exploration, development and production and the acquisition of 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 described in Note 3. The following is an analysis of reported segment earnings, revenues, operating expenses and depreciation, depletion and amortization expenses analyzed by operating segment and reconciled to the Company's Consolidated Financial Statements:

	Egypt		Yemen		Total	
	Three months Ended		Three Months Ended		Three Months Ended	
	March 31,		March 31,		March 31,	
(000s)	2011	2010	2011	2010	2011	2010
Revenue						
Oil sales, net of royalties and other	\$ 41,357	\$ 26,087	\$ 11,506	\$ 11,317	\$ 52,863	\$ 37,404
Segmented expenses						
Production and operating	5,318	3,642	2,229	2,145	7,547	5,787
Depletion, depreciation and amortization	6,242	4,465	1,390	1,737	7,632	6,202
Income taxes - current	13,105	6,313	3,223	2,307	16,328	8,620
Impairment loss	11,660	-	-	-	11,660	-
Total segmented expenses	36,325	14,420	6,842	6,189	43,167	20,609
Segmented earnings	\$ 5,032	\$ 11,667	\$ 4,664	\$ 5,128	9,696	16,795
Non-segmented expenses (income)						
Derivative loss on commodity contracts					551	22
General and administrative					4,519	3,356
Foreign exchange loss					121	164
Depreciation and amortization					128	51
Income taxes - deferred					207	120
Finance revenue					(62)	(4)
Finance costs					1,343	485
Total non-segmented expenses					6,807	4,194
Net earnings for the period					\$ 2,889	\$ 12,601
Capital expenditures						
Exploration and development	\$ 16,754	\$ 12,514	\$ 2,187	\$ 661	\$ 18,941	\$ 13,175
Corporate					1,366	54
Total capital expenditures	\$ 16,754	\$ 12,514	\$ 2,187	\$ 661	\$ 20,307	\$ 13,229

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

March 31, 2011			
(000s)	Egypt	Yemen	Total
Assets			
Intangible exploration and evaluation assets	\$ 1,563	\$ 13,488	\$ 15,051
Property and equipment			
Petroleum properties	150,403	35,541	185,944
Other assets	1,532	-	1,532
Goodwill	8,180	-	8,180
Other	100,857	13,293	114,150
Segmented assets	262,535	62,322	324,857
Non-segmented assets			79,327
Total assets			\$ 404,184
Liabilities			
Accounts payable and accrued liabilities	\$ 46,094	\$ 3,962	\$ 50,056
Segmented liabilities	46,094	3,962	50,056
Non-segmented liabilities			95,679
Total liabilities			\$ 145,735
December 31, 2010			
(000s)	Egypt	Yemen	Total
Assets			
Intangible exploration and evaluation assets	\$ 9,783	\$ 12,826	\$ 22,609
Property and equipment			
Petroleum properties	143,233	35,406	178,639
Other assets	1,630	-	1,630
Goodwill	8,180	-	8,180
Other	71,504	11,378	82,882
Segmented assets	234,330	59,610	293,940
Non-segmented assets			51,685
Total assets			\$ 345,625
Liabilities			
Accounts payable and accrued liabilities	\$ 31,321	\$ 5,980	\$ 37,301
Segmented liabilities	31,321	5,980	37,301
Non-segmented liabilities			126,134
Total liabilities			\$ 163,435
January 1, 2010			
(000s)	Egypt	Yemen	Total
Assets			
Intangible exploration and evaluation assets	9,874	10,529	20,403
Property and equipment			
Petroleum properties	107,327	36,682	144,009
Other assets	1,836	-	1,836
Goodwill	8,180	-	8,180
Other	41,347	5,877	47,224
Segmented assets	168,564	53,088	221,652
Non-segmented assets			6,750
Total assets			\$ 228,402
Liabilities			
Accounts payable and accrued liabilities	\$ 10,788	\$ 1,373	\$ 12,161
Segmented liabilities	10,788	1,373	12,161
Non-segmented liabilities			86,344
Total liabilities			\$ 98,505

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

(000s)	2011	2010
Operating activities		
Increase (decrease) in current assets		
Accounts receivable	\$ (31,507)	\$ (10,497)
Prepays and other	1,206	(286)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	9,216	3,199
	\$ (21,085)	\$ (7,584)

23. FIRST TIME ADOPTION OF IFRS

These are the Company's first Condensed Consolidated Interim Financial Statements for the first quarter of the period covered by the first consolidated annual financial statements presented in accordance with IFRS for the year ending December 31, 2011.

IFRS is applied retrospectively at the transition date of January 1, 2010 with all adjustments to assets and liabilities as stated under Canadian Generally Accepted Accounting Principles ("GAAP") taken to retained earnings unless certain exceptions and exemptions are applied.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", permits first time adopters of IFRS a number of exemptions. The Company has elected to utilize the following exemptions for first-time adoption of IFRS:

- (i) With respect to IFRS 3, *Business Combinations*, IFRS 1 allows for an implementation of the IFRS business combination rules on a prospective basis, therefore, business combinations entered into prior to January 1, 2010 will not be retrospectively restated;
- (ii) With respect to IAS 21, *The Effects of Changes in Foreign Exchange Rates*, IFRS 1 allows foreign currency translation adjustments classified in accumulated other comprehensive income to be deemed zero and reclassified to retained earnings on January 1, 2010, and for the retrospective restatement of foreign currency translation under IFRS to not be required;
- (iii) With respect to IFRS 2, *Share-based payments*, IFRS 1 does not require stock options that vested prior to January 1, 2010 and share appreciation rights that settled prior to January 1, 2010 to be retrospectively restated. Therefore, IFRS requirements apply only to those options that were unvested and share appreciation rights that were unsettled at the date of transition;
- (iv) With respect to IAS 16, *Property, Plant and Equipment* and IFRS 6, *Exploration for and Evaluation of Mineral Resources*, IFRS 1 allows for the petroleum asset balance as determined under the Company's previous accounting framework (Canadian GAAP) to be allocated to the IFRS categories of exploration and evaluation assets and development and production properties. Under the exemption, for assets in the development or production phases, the amount is allocated to the underlying IFRS transitional assets on a pro-rata basis using reserve values as of the IFRS transition date.
- (v) With respect to IFRS 23, *Borrowing Costs*, IFRS 1 allows borrowing cost disclosures relating to qualifying assets to be applied prospectively from the IFRS transition date.

These mandatory exceptions and optional exemptions are applied in preparing:

- (i) The Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2011,
- (ii) The Condensed Consolidated Financial Statements as at and for the year ended December 31, 2010 prepared in accordance with IFRS for comparative purposes,
- (iii) The Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2010 prepared in accordance with IFRS for comparative purposes, and
- (iv) The opening IFRS consolidated balance sheet on January 1, 2010.

IFRS employs a conceptual framework that is similar to Canadian GAAP. While the adoption of IFRS has not changed the net increase or decrease in cash and cash equivalents for any given period, the adoption has resulted in changes to the reported financial position and results of operations of the Company. The Company has prepared the following summary of adjustments to reconcile the assets, liabilities, equity, earnings and cash flows of the Company under IFRS with those reported under Canadian GAAP:

Reconciliation of assets, liabilities and shareholders' equity as at January 1, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	As at January 1, 2010 (Cdn GAAP)	Effect of Transition to IFRS	As at January 1, 2010 (IFRS)
ASSETS				
Current				
Cash and cash equivalents		\$ 16,177	\$ -	\$ 16,177
Accounts receivable		35,319	-	35,319
Prepays and other		1,909	-	1,909
Derivative commodity contracts		-	-	-
		53,405	-	53,405
Non-Current				
Restricted cash		-	-	-
Intangible exploration and evaluation assets	(c) (d)	-	20,403	20,403
Property and equipment	(c)	167,297	(167,297)	-
Petroleum properties	(c)	-	144,009	144,009
Other assets	(c)	-	2,405	2,405
Goodwill		8,180	-	8,180
		\$ 228,882	\$ (480)	\$ 228,402
LIABILITIES				
Current				
Accounts payable and accrued liabilities		\$ 14,879	\$ -	\$ 14,879
Derivative commodity contracts		514	-	514
Current portion of long-term debt		49,799	-	49,799
		65,192	-	65,192
Non-current				
Long-term debt		-	-	-
Deferred taxes	(f)	-	33,313	33,313
		65,192	33,313	98,505
SHAREHOLDERS' EQUITY				
Share capital		66,106	-	66,106
Contributed surplus	(a)	6,691	1,366	8,057
Accumulated other comprehensive income	(b)	10,880	(10,880)	-
Retained earnings	(a) (b) (d) (f)	80,013	(24,279)	55,734
		163,690	(33,793)	129,897
		\$ 228,882	\$ (480)	\$ 228,402

Reconciliation of assets, liabilities and shareholders' equity as at March 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	As at March 31, 2010 (Cdn GAAP)	Effect of Transition to IFRS	As at March 31, 2010 (IFRS)
ASSETS				
Current				
Cash and cash equivalents		\$ 18,845	\$ -	\$ 18,845
Accounts receivable		45,815	-	45,815
Prepays and other		2,204	-	2,204
Derivative commodity contracts		-	-	-
		66,864	-	66,864
Non-Current				
Restricted cash		-	-	-
Intangible exploration and evaluation assets	(c) (d)	-	26,350	26,350
Property and equipment	(c)	173,402	(173,402)	-
Petroleum properties	(c) (e)	-	144,965	144,965
Other assets	(c)	-	2,478	2,478
Goodwill		8,180	-	8,180
		\$ 248,446	\$ 391	\$ 248,837
LIABILITIES				
Current				
Accounts payable and accrued liabilities	(a)	\$ 22,583	\$ 3	\$ 22,586
Derivative commodity contracts		170	-	170
Current portion of long-term debt		49,888	-	49,888
		72,641	3	72,644
Non-current				
Long-term debt		-	-	-
Deferred taxes	(f)	-	33,433	33,433
		72,641	33,436	106,077
SHAREHOLDERS' EQUITY				
Share capital		66,277	-	66,277
Contributed surplus	(a)	7,037	1,111	8,148
Accumulated other comprehensive income	(b)	10,880	(10,880)	-
Retained earnings	(a) (b) (c) (d) (e) (f)	91,611	(23,276)	68,335
		175,805	(33,045)	142,760
		\$ 248,446	\$ 391	\$ 248,837

Reconciliation of assets, liabilities and shareholders' equity as at December 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	As at December 31, 2010 (Cdn GAAP)	Effect of Transition to IFRS	As at December 31, 2010 (IFRS)
ASSETS				
Current				
Cash and cash equivalents		\$ 57,782	\$ -	\$ 57,782
Accounts receivable		69,085	-	69,085
Prepays and other		2,867	-	2,867
Derivative commodity contracts		303	-	303
		130,037	-	130,037
Non-Current				
Restricted cash		3,387	-	3,387
Intangible exploration and evaluation assets	(c) (d)	-	22,609	22,609
Property and equipment	(c)	200,297	(200,297)	-
Petroleum properties	(c) (e)	-	178,639	178,639
Other assets	(c)	-	2,773	2,773
Goodwill		8,180	-	8,180
		\$ 341,901	\$ 3,724	\$ 345,625
LIABILITIES				
Current				
Accounts payable and accrued liabilities	(a)	\$ 41,772	\$ 36	\$ 41,808
Derivative commodity contracts		-	-	-
Current portion of long-term debt		-	-	-
		41,772	36	41,808
Non-Current				
Long-term debt		86,420	-	86,420
Deferred taxes	(f)	-	35,207	35,207
		128,192	35,243	163,435
SHAREHOLDERS' EQUITY				
Share capital	(a)	80,193	(87)	80,106
Contributed surplus	(a)	4,756	1,029	5,785
Accumulated other comprehensive income	(b)	10,880	(10,880)	-
Retained earnings	(a) (b) (c) (d) (e) (f)	117,880	(21,581)	96,299
		213,709	(31,519)	182,190
		\$ 341,901	\$ 3,724	\$ 345,625

Reconciliation of earnings and comprehensive income for three months ended March 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	March 31, 2010 (Cdn GAAP)	Effect of Transition to IFRS	March 31, 2010 (IFRS)
REVENUE				
Oil sales, net of royalties and other		\$ 37,404	\$ -	\$ 37,404
Derivative loss on commodity contracts		(22)	-	(22)
Finance revenue		-	4	4
		<u>37,382</u>	<u>4</u>	<u>37,386</u>
EXPENSES				
Production and operating		5,787	-	5,787
General and administrative	(c) (d)	3,385	(29)	3,356
Foreign exchange loss		164	-	164
Finance costs		485	-	485
Depletion, depreciation and amortization	(e)	7,343	(1,090)	6,253
		<u>17,164</u>	<u>(1,119)</u>	<u>16,045</u>
Earnings before income taxes		20,218	1,123	21,341
Income taxes – current		8,620	-	8,620
Income taxes – deferred	(f)	-	120	120
		<u>8,620</u>	<u>120</u>	<u>8,740</u>
Net earnings and comprehensive income for the period		\$ 11,598	\$ 1,003	\$ 12,601

Reconciliation of earnings and comprehensive income for year ended December 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	December 31, 2010 (Cdn GAAP)	Effect of Transition to IFRS	December 31, 2010 (IFRS)
REVENUE				
Oil sales, net of royalties and other		\$ 157,220	\$ -	\$ 157,220
Derivative gain (loss) on commodity contracts		(670)	-	(670)
Finance revenue		28	-	28
		156,578	-	156,578
EXPENSES				
Production and operating		26,850	-	26,850
General and administrative	(c) (d)	14,588	1,201	15,789
Foreign exchange (gain) loss		216	-	216
Finance costs		3,317	-	3,317
Depletion, depreciation and amortization	(e)	33,933	(5,793)	28,140
		78,904	(4,592)	74,312
Earnings before income taxes		77,674	4,592	82,266
Income taxes - current		39,807	-	39,807
Income taxes - deferred	(f)	-	1,894	1,894
		39,807	1,894	41,701
Net earnings and comprehensive income for the period		\$ 37,867	\$ 2,698	\$ 40,565

Reconciliation of cash flows for three months ended March 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	March 31, 2010 (Cdn GAAP)	Effect of transition to IFRS	March 31, 2010 (IFRS)
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings for the period		\$ 11,598	\$ 1,003	\$ 12,601
Adjustments for:				
Depletion, depreciation and amortization	(e)	7,343	(1,090)	6,253
Amortization of deferred financing costs		89	(89)	-
Stock-based compensation	(a)	387	(252)	135
Finance costs		-	485	485
Income tax expense		-	8,740	8,740
Unrealized (gain) loss on commodity contracts		(344)	-	(344)
Interest paid		-	(396)	(396)
Taxes paid		-	(8,620)	(8,620)
Changes in non-cash working capital		(14,819)	7,235	(7,584)
Net cash generated by (used in) operating activities		4,254	7,016	11,270
INVESTING				
Additions to petroleum properties	(c)	-	(6,548)	(6,548)
Additions to intangible exploration and evaluation assets	(c)	-	(1,895)	(1,895)
Additions to other assets	(c)	-	(289)	(289)
Additions to property and equipment	(c)	(13,447)	13,447	-
Changes in non-cash working capital		11,731	(11,731)	-
Net cash generated by (used in) investing activities		(1,716)	(7,016)	(8,732)
FINANCING				
Issue of common shares for cash		130	-	130
Net cash generated by (used in) financing activities		130	-	130
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,668	-	2,668
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		16,177	-	16,177
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 18,845	\$ -	\$ 18,845

Reconciliation of cash flows for year ended December 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	December 31, 2010 (Cdn GAAP)	Effect of transition to IFRS	December 31, 2010 (IFRS)
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings for the year		\$ 37,867	\$ 2,698	\$ 40,565
Adjustments for:				
Depletion, depreciation and amortization	(e)	33,933	(5,793)	28,140
Amortization of deferred financing costs		836	(836)	-
Stock-based compensation	(a)	2,749	(389)	2,360
Finance costs		-	3,317	3,317
Income tax expense		-	41,701	41,701
Unrealized (gain) loss on commodity contracts		(816)	-	(816)
Interest paid		-	(2,481)	(2,481)
Taxes paid		-	(39,807)	(39,807)
Changes in non-cash working capital		(23,065)	4,679	(18,386)
Net cash generated by (used in) operating activities		51,504	3,089	54,593
INVESTING				
Additions to petroleum properties	(c)	-	(52,360)	(52,360)
Additions to intangible exploration assets	(c)	-	(2,105)	(2,105)
Additions to other assets	(c)	-	(879)	(879)
Additions to property and equipment		(66,932)	66,932	-
Changes in restricted cash	(c)	(3,387)	-	(3,387)
Changes in non-cash working capital		14,677	(14,677)	-
Net cash generated by (used in) investing activities		(55,642)	(3,089)	(58,731)
FINANCING				
Issue of common shares for cash		9,959	-	9,959
Increase in long-term debt		95,916	-	95,916
Repayments of long-term debt		(55,916)	-	(55,916)
Deferred financing costs		(4,216)	-	(4,216)
Net cash generated by (used in) financing activities		45,743	-	45,743
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		41,605	-	41,605
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		16,177	-	16,177
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 57,782	\$ -	\$ 57,782

Reconciliation of changes in shareholders' equity for the three months ended March 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	March 31, 2010 (Cdn GAAP)	Effect of Transition to IFRS	March 31, 2010 (IFRS)
Share Capital				
Balance, beginning of period		\$ 66,106	\$ -	\$ 66,106
Stock options exercised		130	-	130
Share issuance		-	-	-
Share issue costs		-	-	-
Stock-based compensation on exercise	(a)	41	-	41
Balance, end of period	(a)	\$ 66,277	\$ -	\$ 66,277
Contributed Surplus				
Balance, beginning of period	(a)	\$ 6,691	\$ 1,366	\$ 8,057
Stock-based compensation expense	(a)	387	(255)	132
Transfer to share capital on exercise of options		(41)	-	(41)
Balance, end of period	(a)	\$ 7,037	\$ 1,111	\$ 8,148
Accumulated Other Comprehensive Income				
Balance, beginning of period	(b)	\$ 10,880	\$ (10,880)	\$ -
Other comprehensive income		-	-	-
Balance, end of period	(b)	\$ 10,880	\$ (10,880)	\$ -
Retained Earnings				
Balance, beginning of period	(a)(b)(c)	\$ 80,013	\$ (24,279)	\$ 55,734
Net earning	(a)(b)(c)(e)	11,598	1,003	12,601
Balance, end of period	(a)(b)(c)(e)	\$ 91,611	\$ (23,276)	\$ 68,335

Reconciliation of changes in shareholders' equity for the year ended December 31, 2010

(Expressed in thousands of U.S. Dollars)

	Notes	December 31, 2010 (Cdn GAAP)	Effect of Transition to IFRS	December 31, 2010 (IFRS)
Share Capital				
Balance, beginning of period		\$ 66,106	\$ -	\$ 66,106
Stock options exercised		9,959	-	9,959
Share issuance		-	-	-
Share issue costs		-	-	-
Stock-based compensation on exercise	(a)	4,128	(87)	4,041
Balance, end of period	(a)	\$ 80,193	\$ (87)	\$ 80,106
Contributed Surplus				
Balance, beginning of period	(a)	\$ 6,691	\$ 1,366	\$ 8,057
Stock-based compensation expense	(a)	2,193	(424)	1,769
Transfer to share capital on exercise of options		(4,128)	87	(4,041)
Balance, end of period	(a)	\$ 4,756	\$ 1,029	\$ 5,785
Accumulated Other Comprehensive Income				
Balance, beginning of period	(b)	\$ 10,880	\$ (10,880)	\$ -
Other comprehensive income		-	-	-
Balance, end of period	(b)	\$ 10,880	\$ (10,880)	\$ -
Retained Earnings				
Balance, beginning of period	(a)(b)(c)	\$ 80,013	\$ (24,279)	\$ 55,734
Net earning	(a)(b)(c)(e)	37,867	2,698	40,565
Balance, end of period	(a)(b)(c)(e)	\$ 117,880	\$ (21,581)	\$ 96,299

Explanation of the above reconciliations from Canadian GAAP to IFRS

(a) Share-based payment transactions

Under Canadian GAAP – The Company measured share-based compensation related to share-purchase options at the fair value of options granted using the lattice-based binomial option pricing model and recognized this expense on a straight-line basis over the vesting period of the options. The fair value of the options granted was measured on the date of the grant. The Company measured the share-based compensation related to share appreciation rights at their intrinsic value less any unvested portion, and accrued the unvested portion evenly over the vesting period. The mark-to-market change in the obligation of the share appreciation rights was determined each reporting period and recognized through earnings.

Under IFRS – The Company continued to measure share-based compensation related to share-purchase options at the fair value of options granted using the same option pricing model; however, the fair value of the options granted was determined separately for each tranche of awards with different vesting dates, as each tranche is considered a separate grant for the purpose of calculating fair value. The fair value of options granted was recognized as compensation expense over the vesting period of the respective tranche. The Company measured share-based compensation related to share appreciation rights at the grant date fair value using the same option-pricing model used for share-purchase options. Subsequent to grant, the liability was re-measured at each reporting date with changes to fair value recognized through earnings.

The effect of transition to IFRS for share-based payments related to share-purchase options is an accelerated expensing of the share-based payments as the fair value is weighted more heavily toward the periods closer to the date of issuance of the stock options. The adjustment for the change in treatment of share-based payments results in an increase in contributed surplus of \$1.4 million with a corresponding decrease in retained earnings. There were no share appreciation rights outstanding at January 1, 2010, therefore, there was no effect on transition to IFRS with respect to cash-settled share-based payments. The effect of transition to IFRS on the December 31, 2010 and March 31, 2010 comparative balances are as presented.

(b) Cumulative translation differences

Under Canadian GAAP – Translation differences and cumulative net exchange differences for each self-sustaining foreign operation are classified in a separate component of equity. Prior to May 1, 2008, the Company's foreign operations were considered to be self-sustaining and consequently were translated using the current rate method. Under the current rate method, assets and liabilities were translated at the period-end exchange rates, while revenues and expenses were translated using rates for the period and gains and losses were included in accumulated other comprehensive income.

Under IFRS – The classification of translation differences and cumulative net exchange differences is dependent on the functional currency of the entity and is measured based on the currency of the primary economic environment in which it operates. The IFRS 1 exemption allows a first-time adopter to eliminate the cumulative net exchange differences classified in accumulated other comprehensive income and avoid retrospective restatement of foreign currency translation requirements.

The effect of transition to IFRS for cumulative translation differences is a decrease in accumulated other comprehensive income of \$10.9 million with a corresponding increase in retained earnings. The effect of transition to IFRS on the December 31, 2010 and March 31, 2010 comparative balances are as presented.

(c) Property and equipment

Under Canadian GAAP – The Company followed full cost accounting as prescribed in Accounting Guideline 16, Oil and Gas Accounting – Full Cost, whereby all pre-exploration and evaluation costs, E&E costs, including undeveloped land and costs relating to pre-commercial exploration or development, and D&P costs were included in the property and equipment balance on the Consolidated Balance Sheet and depleted at the country level.

Under IFRS – Commencing January 1, 2010, the Company has applied both IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and IAS 16, *Property, Plant and Equipment*, depending on the nature of the expenditures, as follows:

- i. Pre-E&E costs are expensed as incurred.
- ii. E&E costs, as determined based on Canadian GAAP, are moved out of the property and equipment balance and reported separately as intangible exploration and evaluation assets on the Condensed Consolidated Interim Balance Sheet. E&E costs are not depleted but assessed for impairment and unrecoverable costs are expensed. When a project is considered technically feasible and commercially viable, the costs are moved to D&P category of petroleum properties and depletion commences.
- iii. D&P costs, as determined under Canadian GAAP, remain in the petroleum assets balance on the Condensed Consolidated Interim Balance Sheet. D&P costs have been allocated to the underlying IFRS transitional assets on a pro-rata basis using the reserve value as of the IFRS transition date.

The effect on the Company's opening balance sheet was a decrease in the property and equipment balance of \$20.9 million and a \$20.4 million increase in the intangible exploration and evaluation assets balance, now presented separately from property and equipment, and a reallocation of property and equipment costs (\$146.4 million) to the underlying transitional assets, categorized within petroleum properties (\$144.0 million) and other assets (\$2.4 million), based on reserve values. The effect of transition to IFRS on the December 31, 2010 and March 31, 2010 comparative balances are as presented.

The effect of transition to IFRS was the expensing of certain previously capitalized pre-licensing costs, resulting in a decrease to intangible exploration and evaluation assets of \$0.5 million and a corresponding decrease in retained earnings. The effect of transition to IFRS on the December 31, 2010 and March 31, 2010 comparative balances are as presented.

(d) Impairment

Under Canadian GAAP - An impairment loss was recognized when the carrying amount of a cost centre was not recoverable. Each country in which the Company operates was defined as a separate cost centre.

Under IFRS - An impairment loss is also recognized when the carrying amount of the assets is not recoverable. However, the assessment must be determined at the Cash Generating Unit level as opposed to the country level. Under IFRS, previous impairment calculations can be reversed when circumstances indicate impairment no longer exists.

(e) Depletion and depreciation

Under Canadian GAAP - Development and production costs were included in the property and equipment balance and were depleted using a reserve base of Proved reserves.

Under IFRS - The Company continues to capitalize development and production costs as property and equipment; however, these costs are depleted using a reserve base of Proved plus Probable reserves.

The effect of transition to IFRS was the expensing of development and production costs over a larger reserve base and including future capital costs associated with the larger reserve base, resulting in a decrease to depletion and depreciation expense and a corresponding increase in retained earnings on the December 31, 2010 and March 31, 2010 comparative balances as presented.

(f) Income tax

Under Canadian GAAP - The Company used the liability method to account for income taxes, whereby future income taxes were determined based on the difference between assets and liabilities reported for financial accounting purposes from those reported for income tax. Future income tax assets and liabilities were measured using the substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences were expected to be recovered or settled. When the cost of an asset was not deductible in determining taxable income and any proceeds arising from its eventual disposal would not be included in the determination of taxable income, no temporary differences arose.

Under IFRS - The Company continues to account for all deferred income taxes consistent with the previous methodology; however, deferred tax liabilities are recognized for all taxable temporary differences, except to the extent it arises from the initial recognition of an asset or liability that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit. The existing contractual arrangements in foreign jurisdictions continue to be in effect and in accordance with IAS 12, *Income Taxes*, certain transactions have been determined to have deferred income tax consequences.

The effect of transition to IFRS was an increase to deferred tax liabilities of \$24.2 million with a corresponding decrease in retained earnings. The effect of transition to IFRS on the December 31, 2010 and March 31, 2010 comparative balances are as presented.

Cash flows

The adoption of IFRS has had no impact on the Company's net increase or decrease in cash and cash equivalents for any given period. The changes made to the Condensed Consolidated Interim Balance Sheet and Condensed Consolidated Interim Statement of Comprehensive Income have resulted in reclassifications of various amounts on the Condensed Consolidated Interim Statement of Cash Flows.

Cautionary Statement to Investors:

This news release may include certain statements that may be deemed to be "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements relate to possible future events. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements 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 involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although TransGlobe's forward-looking statements are based on the beliefs, expectations, opinions and assumptions of the Company's management on the date the statements are made, such statements are inherently uncertain and provide no guarantee of future performance. Actual results may differ materially from TransGlobe's expectations as reflected in such forward-looking statements as a result of various factors, many of which are beyond the control of the Company. These factors include, but are not limited to, unforeseen changes in the rate of production from TransGlobe's oil and gas properties, changes in price of crude oil and natural gas, adverse technical factors associated with exploration, development, production or transportation of TransGlobe's crude oil and natural gas reserves, changes or disruptions in the political or fiscal regimes in TransGlobe's areas of activity, changes in tax, energy or other laws or regulations, changes in significant capital expenditures, delays or disruptions in production due to shortages of skilled manpower, equipment or materials, economic fluctuations, and other factors beyond the Company's control. TransGlobe does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, other than as required by law, and investors should not attribute undue certainty to, or place undue reliance on, any forward-looking statements. Please consult TransGlobe's public filings at www.sedar.com and www.sec.gov/edgar.shtml for further, more detailed information concerning these matters.

For further information, please contact:

Investor Relations

Scott Koyich

Tel: 403.264.9888

E-mail: investor.relations@trans-globe.com

Web site: www.trans-globe.com