TransGlobe Energy CORPORATION

STONEGATE CAPITAL PARTNERS

December 21, 2020

Marco Rodriguez, CFA
marco@stonegateinc.com
214-987-4121

MARKET STATISTICS

Exchange / Symbol	NASDAQ: TGA
Price:	$0.90
Market Cap (mm):	$65.5
Enterprise Value (mm):	$66.8
Shares Outstanding (mm):	72.5
Float:	96.8%
Volume (3-mo. avg. NASDAQ):	779,212
52-week Range:	$0.30 - $1.57
Industry:	Oil and Gas E&P

CONDENSED BALANCE SHEET

($mm, except per share data)

Balance Sheet Date:	9/30/2020
Total Cash & Equivalents:	$27.1
Working Capital	$12.7
Total Debt	$28.4
Equity (Book Value):	$138.9
Equity/Share:	$1.91

CONDENSED INCOME STATEMENTS

($mm, except per share data)

FY - 12/31	Revenue	Net Inc	EBITDA	EPS
FY17	$148.6	$(78.7)	$68.8	$(1.09)
FY18	$176.8	$15.7	$95.7	$0.22
FY19	$140.6	$(4.0)	$69.2	$(0.06)
FY20E	$102.6	$(83.2)	$36.7	$(1.15)

TOP INSTITUTIONAL HOLDERS

Invesco, Ltd.	6,354,783
Renaissance Technologies Corp	3,100,946
Morgan Stanley, IB & Brokerage	3,044,061
Fidelidade-Companhia de Seguros	2,299,083
FMR LLC	2,105,000
Ross Clarkson	1,846,493
Acadian Asset Management	873,452
Connor, Clark & Lunn Investment Mgmt.	624,336
Fonden Management	535,500
Randall Neely	250,000

STOCK CHART

COMPANY DESCRIPTION

TransGlobe Energy Corporation ("Company") ("TGA") is an independent oil and gas exploration and production company, with current operations in Alberta, Canada, and the Arab Republic of Egypt. The Company has operated in Egypt since 2004 and holds interests in production sharing concessions in the Eastern Desert and the Western Desert regions. TransGlobe operated in Canada from 1999 to 2008 and re-entered Canada in December 2016. The Company's Canadian holdings include production and working interests in Cardium light oil and Mannville liquid-rich gas assets in the Harmattan area, located in west central Alberta. TransGlobe Energy is headquartered in Calgary, Alberta.

SUMMARY

TransGlobe is an international oil and gas player with over 20 years of experience across diverse geological basins in several countries with a variety of fiscal regimes. With a focus on capital discipline while building a profitable, growth oriented international portfolio, TransGlobe is well positioned to navigate future market volatility.

- **Well established production** – TransGlobe's average production in F19 was 16.0 Mboepd and recently reported 15.0 Mboepd, 14.3 Mboepd, and 12.0 Mboepd for Q120, Q220, and Q320, respectively. Due to the reduced 2020 capital expenditure program, corporate production in F20 is expected to range between 13.3 and 13.8 Mboepd.

- **And a solid reserve base** – Based on a February 2020 GLJ Petroleum Consultants evaluation, the Company reported 25.4 MMboe total proved (1P) reserves as well as 45.3 MMboe total proved + probable (2P) reserves. Additionally, TGA's 2P reserves have remained relatively flat in the past 3 years through exploration success and effective resource maturation.

- **Unique position in Egypt –** TGA has operated in Egypt for 15 years and is considered a best-in-class operator. The Company has a strong relationship with the Egyptian Government and in December 2020, it finalized negotiations to amend, extend and consolidate three concessions (located in Eastern Desert) into a single new concession. Importantly, the consolidation provides a platform for TGA to grow its Egyptian business at lower oil prices.

- **Poised for long-term growth in Egypt** – The Company's growth profile should improve post concession, as the field life extends from a near-term expiry to 2040, updated fiscal terms and extension will allow TGA to target an additional 59 MMbbl of contingent resources, and improved netbacks is expected to drive improved cash flows of 120% to 240% at benchmark crude oil prices of $40.00/bbl to $60.00/bbl. The Company is also targeting inorganic growth opportunities through acquisitions.

- **Additional upside in Canda –** In 2020, TGA drilled a development well in South Harmattan before the price of oil significantly declined. Well completion was deferred until oil prices improve. TGA also deferred drilling three horizontal wells. Furthermore, the 2019 outpost well derisked up to 72 additional horizontal well locations. As such, TGA believes in the medium-term, it will see production growth at South Harmattan to create value to shareholders.

- **Valuation –** Given the different geographic locations of TransGlobe's operating assets, we are using a sum-of-the-parts analysis. Based on our analysis, we arrive at a combined valuation range of ~ $1.80 to ~$3.20, with a midpoint of ~ $2.45. See page 9 and 10 for details.

BUSINESS OVERVIEW

TransGlobe Energy Corporation engages in the acquisition, exploration, development and production of crude oil and natural gas in Egypt and Canada. The Company has operated in Egypt since 2004 and holds interests in production sharing concessions in the Eastern Desert and the Western Desert regions. TransGlobe operated in Canada from 1999 to 2008 and re-entered Canada in December 2016. The Company's Canadian holdings include production and working interests in Cardium light oil and Mannville liquid-rich gas assets in the Harmattan area, located in west central Alberta.

Most recently reported reserves for TransGlobe as of year-end FY19 are 45.3 MMboe of 2P reserves, which was up 3% from 2018 levels of 44.1 MMboe.

Exhibit 1: TransGlobe Reserves

2019 Reserves Summary	PDP	1P	2P	3P
2018 Year End Reserves (MMboe)	17.5	26.9	44.1	61.8
2019 Adds/Revisions	6.8	4.3	7.0	7.3
2019 Production	-5.8			
2019 Year End Reserves (MMboe)	**18.5**	**25.4**	**45.3**	**63.3**
Change vs Year End 2018 (%)	6.0%	-5.0%	3.0%	2.0%
Production Replacement Ratio (%) – (ex A&D, economic factors)	119%	82%	135%	158%
NPV 10% Before tax $MM Dec 31/19	**$161**	**$200**	**$298**	**$393**
NPV 10% After tax $MM Dec 31/19	**$161**	**$198**	**$288**	**$376**

Source: Company Reports

TransGlobe's initial entry into Egypt focused on brownfield redevelopment, whereby TGA was able to increase the production of legacy assets. In recent years, under Egyptian President el-Sisi, Egypt has emphasized the importance of foreign investment, and with Egypt's cooperation, TransGlobe began directly marketing Eastern Desert entitlement crude oil to international buyers in 2015. The Company completed its first direct sale of Egyptian crude oil to a third-party buyer in Q115.

In February 2017, TransGlobe's subsidiary, TransGlobe Petroleum International, Inc. (TPI) completed a $75M crude oil prepayment agreement with Swiss-based Mercuria Energy Trading SA. This is an important strategic relationship that management hopes to broaden over time. In conjunction with the agreement, TPI entered into a marketing contract with Mercuria to market nine million barrels of TPI's entitlement production, with pricing based on indexed market prices at the time of sale, which incentivizes Mercuria to deliver the best pricing. The initial advance was used to refinance the 6.0% convertible debentures that matured in March 2017, with subsequent funds used for working capital purposes.

RECENT RESULTS

On November 16, 2020, the Company announced Q320 financial and operating results. The company produced an average of 12,044 boe/d, a decrease of 16% from the previous quarter. Egyptian production was 9,812 bbls/d and Canadian production was 2,232 boe/d. Production for Q320 fell below revised F20 guidance of 13,300 to 13,800 boe/d due to deferred well interventions in Egypt during low oil prices and natural declines. With well interventions performed in September and Q420, the company expects to be within F20 guidance on an annual basis.

Sales averaged 10,680 boe/d including 259.2 mbbls sold to EGPC (Egyptian General Petroleum Council) for net proceeds of $10.2M in Q320. Additionally, the average realized price for Q320 was $33.63/boe. In Egypt, the average realized price was $37.15/bbl. In Canada, the average realized prices was $20.80/boe.

Funds flow from operations was $0.3M for Q320 and the Company ended the quarter with positive working capital of $12.7M, including cash and equivalents of $27.1M.
The Company also reported a net loss of $6.0M or $(0.08/share), inclusive of a $0.3M unrealized derivative loss on commodity contracts.

In Egypt, the Company sold 259.2 Mbbls of entitlement crude oil to EGPC and had 534.2 Mbbls of entitlement crude inventory at Q320 end. The Company stated that the increase in inventoried crude oil was driven by a decrease in sales volumes, offset by a decrease in production in Q320. Subsequent to quarter end, the Company completed a ~452 Mbbls cargo lifting of Egypt entitlement crude, with process expected in December. In Canada, it sold the Q220 ending inventory balance of 6.3 Mbbls of Canadian light crude oil in July. All Canadian production was sold during Q320.

In Egypt, the Company contracted a workover rig to perform well interventions at West Bakr with work expected to begin in September and continuing into Q420. Also, consistent with the TransGlobe's revised 2020 budget, there was no drilling activity in Canada or Egypt during Q320.

Given the current low commodity price environment, TransGlobe remains focused on conserving cash. Even after successfully implementing an 80% reduction in the 2020 capital program, it continues to monitor G&A cost reduction. Estimated G&A reduction efforts should reduce monthly G&A by ~ 35%. Lastly, the Company's business continuity plans remain effective across its locations in response to COVID-19.

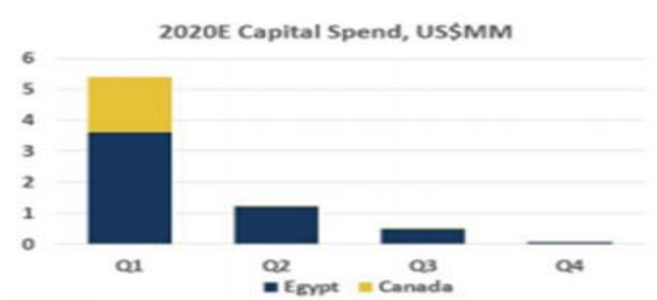
GROWTH STRATEGY

TransGlobe Energy is focused on cash flow and building value over the longer term. The 2020 capital budget has been set at roughly $7.1M, before capitalized G&A. This budget amount includes ~$5.0M for Egypt and ~$2.1M for Canada. This compares to a capital budget of $34.1M in 2019. The large decrease in the capital budget is due to the depressed price of oil and possible capital needs of the business for operations if low commodity prices continue.

The Company disclosed that the 2020 drilling program will focus primarily on the HW-2A development well at West Bakr, targeting the Yusr sands, which spudded prior to the recent price disruption. In addition, other expenditures will include required HSE equipment, contractual training bonuses and select recompletion and well optimization projects that will improve overall economics despite the depressed price environment.

The Company's Canada program consists of one horizontal well targeting the Cardium light oil resource in South Harmattan. This well also spudded prior the drop in commodity prices. This well was drilled but will not be completed to preserve the economic value of the flush production that comes in the initial phase of production.

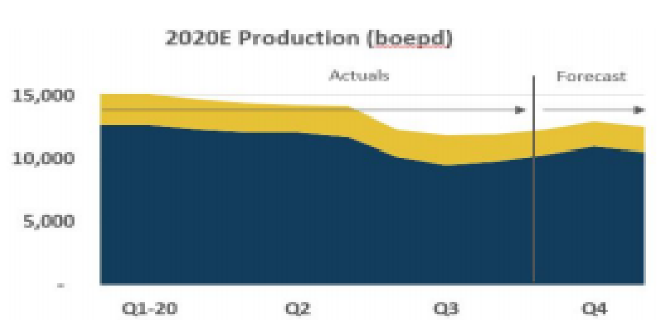
Exhibit 2: Planned Capital Expenditures



Source: Company Reports

The Company's current full year F20 production guidance is 13,300 to 13,800 boe/d to reflect deferred well interventions in Egypt during low oil prices.

Exhibit 3: TransGlobe Production Update



Source: Company Reports

EGYPTIAN PORTFOLIO

The Company has operated in Egypt for 15 years and is considered a best-in-class operator. TransGlobe reported year-end 2019 gross 2P reserves of 26.7 MMbbl. The Company has two areas of focus in Egypt: (1) the Eastern Desert and (2) the Western Desert.

Exhibit 4: TransGlobe's Egyptian Assets

Source: Company Reports

THE EASTERN DESERT

TransGlobe has three operated concessions in the Eastern Desert: West Gharib, West Bakr, and North West Gharib. Importantly, in December 2020, TransGlobe finalized negotiations with the EGPC to amend, extend and consolidate the three Eastern concession agreements into one. The Company has worked on this negotiation since mid-2018 and believes it has struck a win-win merged concession agreement with improved terms. Key items from the announcement include:

- Modernized financial terms to allow increased investment at various commodity prices.
- Netback is expected to increase by $5/bbl to $7/bbl at $40/bbl Brent crude price.
- Extended terms bring the field life to 2040, up from near-term expiry.
- Changes to the fiscal terms and the extension will allow TransGlobe to target an additional 59.1 MMbbl of contingent resources.
- Importantly, these new terms have an effective date of February 1, 2020, implying that the Company is already benefiting from the improved terms.
- Upon ratification (early 2021), TransGlobe to make a $15M equalization payment plus a $1M bonus payment. Five additional payments of $10M will be made annually, beginning in 2022.

Exhibit 5: TransGlobe's Eastern Desert Merged Concession

	Current Eastern Desert Concessions				Merged Concession[1]
	West Gharib	West Bakr	NW Gharib	.	PetroGlobe
2020E Production (Bopd)[2]	3,310 Bopd	7,530 Bopd	390 Bopd		11,230 Bopd
Profit Oil	30%	15%	15%		~30%[1]
PSC Expiry	2026 + 5Yr Ext	2025	2037 + 5 Yr Ext		2035 + 5Yr Ext
Cost Recovery Oil	30%	30%	25%		40%
Excess Cost Oil	30%	0%	5%		15%

Source: Company Reports

The improved fiscal terms outlined above greatly increases the netbacks and hence cash flows for the Company at differing oil prices.

Exhibit 6: Netback Improvements & Cash Flow Impact

Netback Improvement			
Benchmark crude oil price ($/bbl)	40.00	50.00	60.00
Netback increase - low ($/bbl)	5.00	7.00	9.00
Netback increase - high ($/bbl)	7.00	9.00	11.00

Annualized Cash Flow Impact			
Benchmark crude oil price ($/bbl)	40.00	50.00	60.00
Eastern Desert Production (bbl/d)	11,230	11,230	11,230
Annualized Eastern Desert Production (mmbbl)	4.1	4.1	4.1
Netback improvement ($/bbl)	6.00	8.00	10.00
Annualized cash flow impact ($mm)	24.6	32.8	41.0

Source: Company Reports

As seen in Exhibit 7, looking at the $40 oil price, using the $6/bbl mid-point of the netback improvement, and annual production guidance of 11,230 bbl/d, TransGlobe realizes an incremental improvement to its cash flow of ~$24.6M/year. Importantly, upon ratification, the new agreement is effective as of February 1, 2020. As such, the incremental improvement in cash flows should substantially fund the equalization payment of $15M plus the $1M bonus payment.

Exhibit 7: Incremental Cash Flow Impacts & Paybacks

Equalization Payments			
Year	**2021**	**2022 to 2026**	**Total**
Equalization payment ($mm)	(16)	(50)	(66)
Incremental cash flow impact ($mm)			
Brent at $40/bbl	25	123	148
Brent at $50/bbl	33	164	197
Brent at $60/bbl	41	205	246
Net (outflow) / inflow ($mm)			
Brent at $40/bbl	9	73	82
Brent at $50/bbl	17	114	131
Brent at $60/bbl	25	155	180
Payback (years)			
Brent at $40/bbl	0.7	0.4	0.4
Brent at $50/bbl	0.5	0.3	0.3
Brent at $60/bbl	0.4	0.2	0.3

Based on the assumption that production remains flat at 11,230 bbl/d

Source: Company Reports

The Company is also required to a minimum financial work commitment of $50M per each 5-year period, or $10M per year. Any investments which exceed the 5-year, $50M minimum, will carry forward to the next 5-year period and offset those future commitments. We note TransGlobe's average annual capex in Egypt over the past 5 years has been greater than $30M annually. As a result of the new agreement, TransGlobe is required to spend significantly less on capex and should be able to fund these investments from the incremental cash flow from the improved terms.

Management believes it has gained valuable efficiencies from this consolidation. Along with the improved netbacks mentioned above, and the extended term, TransGlobe now has the financial incentives and time to unlock meaningful additional reserves and increase production using modern technology and optimization of its infrastructure.

Exhibit 8: Eastern Desert Concession

Source: Company Reports

The Eastern Desert is comprised of 10 development leases. Prior to the amend, extend, and consolidate agreement, there were several development leases approaching their primary terms in the next few years. However, with the modernized fiscal terms mentioned above, TransGlobe can increase investment to recover additional oil volumes in the mid-term expected Brent oil price environment of $40 to $60/bbl.

New investable projects will target a Company Gross risked best estimate of an incremental 59.1MMbbls of contingent resources through drilling, increased operating efficiencies, and the application of new technologies over the 20-year term (15 yr. primary plus a 5-year option period).

Exhibit 9: Incremental Resource Recovery Potential

	Best Estimate Risked Contingent Resources[1]	
	Heavy Crude Oil	
Project Maturity Sub-Class	Gross (MMbbl)	Net (MMbbl)
Development Pending/ On Hold	20.5	13.4
Development Unclarified	38.6	22.8
Total Economic Contingent Resources	59.1	36.2
Development Not Viable	2.1	1.3

Source: Company Reports

As seen in Exhibit 9, TransGlobe has technically matured a risked best estimate incremental 20.5MMbbls from the Arta Nukhul, K-Field, and H-Field pools based on their respective dynamic modeling, the merged concession terms, and an estimated ~$125M future capital investment. The Company will prioritize the Arta Nukhul, H-Field, and K-Field pools' resource projects and will start as soon as reasonably possible.

There are additional incremental projects also identified for maturation in the K-Field/ H-Field via enhanced recovery; and Nukuhl / Thebes via development and enhanced recovery that is targeting ~ 38.6 MMbbls of contingent resources.

THE WESTERN DESERT

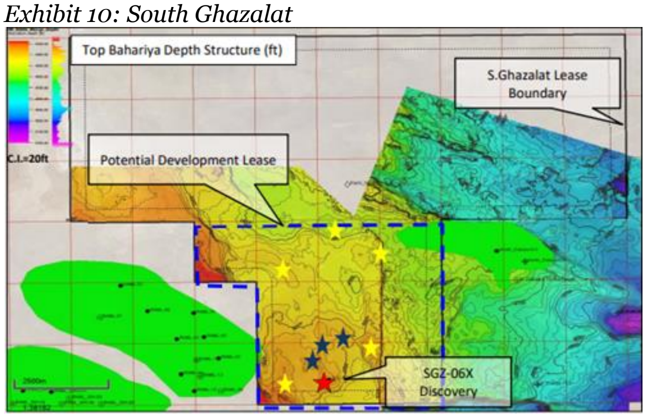
TransGlobe currently operates in the Western Desert in the South Ghazalat concession.

South Ghazalat

In November 2013, TransGlobe acquired a 100% working interest in the South Ghazalat concession. The 349,302-acre South Ghazalat PSC is in the prolific Abu Gharadig basin. At South Ghazalat the Company committed to a work program of $8M in the first phase, which has been met, and consisted of 400 square kilometers of 3-D seismic and two wells. During Q418, the Company drilled and cased prospect SGZ-6X in the eastern portion of the concession to a depth of 5,195 feet. Based on positive testing results, the Company filed a declaration of a Commercial Discovery with EGPC (as well as an initial development plan in February 2019). The Company completed the SGZ-6X discovery well in Q319 as an oil producer in the upper Bahariya formation. The well was brought on stream on December 24, 2019 at field estimated initial rate 800- 1,000 bopd light and medium crude. The well is currently producing at a rate restricted to a field estimated 140 bopd to evaluate the well, manage the reservoir and optimize the separation of oil, gas, and water.

The Company installed an Early Production Facility (EPF) from which oil will be transported to the South Dabaa receiving facility and onward to market via existing pipeline infrastructure. The Company is also committed to drill one additional exploration well under the agreement, the drilling of which has been deferred given the current economic environment. In the meantime, seismic mapping is ongoing on reprocessed data to identify opportunities in the area.

Exhibit 10: South Ghazalat



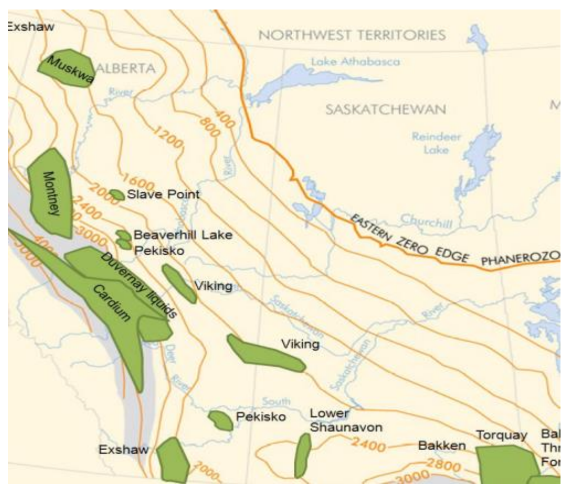
Source: Company Reports

CANADIAN PORTFOLIO

At the end of December 2016, the Company re-entered Canada, acquiring production and high working interest assets (88% of current Canadian production) in the Harmattan area of west central Alberta, an area with proven, low-risk Cardium light oil and Mannville liquids-rich gas. The Canadian portfolio is located just 40 minutes from the Company's headquarters in Calgary. Most recently the Company reported 2P reserves of 18.6 MMboe for the Canadian asset.

The Cardium formation in central Alberta currently has over 10,000 producing wells (3,900 of which are horizontal wells). The royalty and tax structure and the low operating costs make this area especially attractive in the current pricing environment. The Cardium property that TransGlobe purchased contains 39 horizontal wells drilled in 2012 and 2013 using an older technology with average frac density of 18 fracs per linear mile. TransGlobe is using a 40-stage frac program on these new wells, which they expect will provide a substantially higher recovery rate. The property also contains 100% interest in a central oil battery and flow lines with under-utilized capacity. The other play in the acquisition, the Ellerslie/Viking sands, is a deeper gas play that the Company may drill as gas prices improve.

Exhibit 11: Tight Oil Developments in the Western Canada Sedimentary Basin

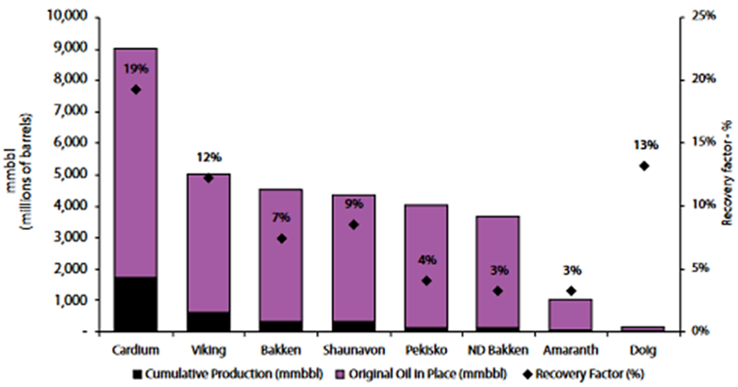


Source: Canadian National Energy Board

Importantly, the acquired assets provide a stable production base, with a low decline rate and access to surplus infrastructure that will accommodate production growth. The acquisition provided 149 gross potential drilling locations and the opportunity to materially increase reserves and production using horizontal drilling and multi-stage frac technology. TransGlobe management has stated the Company will be seeking additional synergistic opportunities in Canada that can be tucked into its existing infrastructure, for example, the Company purchased an additional 9.920 acres of Cardium rights in the Harmattan area in 2018, which increased the Cardium drilling location inventory by up to 30 locations (success dependent).

Industry reports often cite original oil in place (OOIP) for regions with proven or potential oil and gas potential. Simply put, the OOIP is the amount of oil trapped in underground reservoirs. Exhibit 9 illustrates the potential for additional recovery from existing fields in western Canada if new technologies are applied. The graph illustrates the amount of oil recovered to date compared with the estimated OOIP. The percentage value indicates the amount of oil that has been recovered from the reservoir to date. Using horizontal drilling and multi-stage hydraulic fracturing, the industry is successfully extracting significant oil from older reservoirs.

Exhibit 12: The Cardium in Canada Is a Tight Oil Play



Source: Canadian Society for Unconventional Resources

The Cardium formation in western Canada is known as a tight oil play. Tight oil is conventional oil that is often found in regions where reservoir properties inhibit production using conventional drilling. Typically, horizontal drilling combined with multi-stage fracturing is used to access these difficult to produce reservoirs. Tight oil is high quality and requires very little refinement, and existing surface infrastructure can often be utilized, reducing capital investment.

Extensive oil and gas resources are known to be present in these reservoirs; however, these resources typically will not flow to the wellbore at economic rates without using advanced drilling techniques. Many of the larger IOCs, such as Apache (NYSE: APA), have taken the easily assessed, low-hanging fruit in its fields, and are selling these assets in the Cardium to smaller companies. For example, Apache sold its Cardium assets producing 5,000 Boepd to Cardinal Energy, Ltd. (TSX: CJ) in 2017. TransGlobe's Canadian production is illustrated below.

Exhibit 13: Canadian Quarterly Production Trends

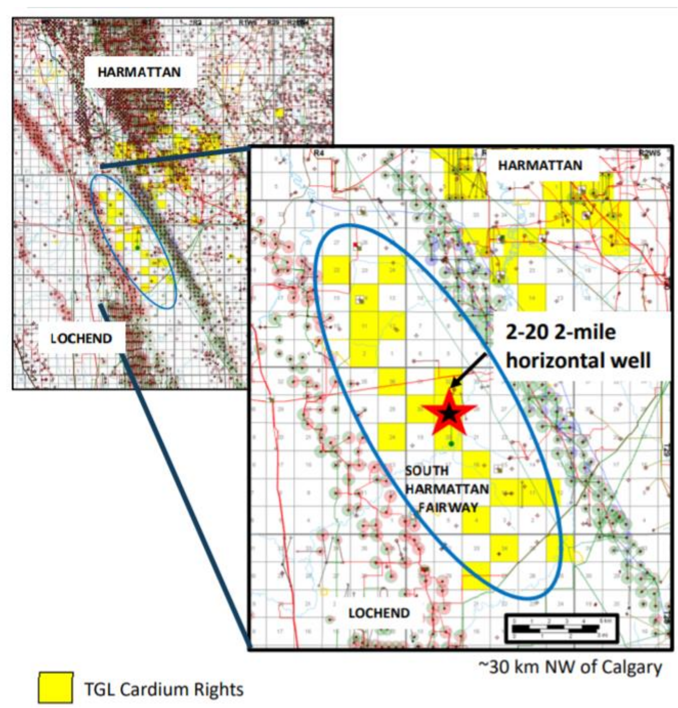
Quarterly Canada Production	2020			2019
	Q-3	Q-2	Q-1	Q-4
Canada crude oil (bbls/d)	**661**	706	860	908
Canada NGLs (bbls/d)	**798**	826	761	735
Canada natural gas (Mcf/d)	**4,633**	4,665	4,996	5,331
Total production (boe/d)	**2,232**	2,310	2,453	2,531

Source: Company Reports

The Cardium drilling program initially began Q317, with the Company drilling and completing three horizontal wells. In 2018, the Company drilled and cased five one-mile horizontal wells and one two-mile horizontal well from a common pad to reduce costs and improve efficiencies. Following frac stimulation, the six wells were placed into production early 2019 in a systematic manner to maximize ultimate recoveries. Additionally, the Company completed construction of a 2.7-kilometer pipeline to connect the wells to the central production facility. In 2019, The Company drilled four horizontal Cardium oil wells in the Harmattan area and stimulated, equipped, and tied these four wells.

In 2020, the Company capital program consists of one horizontal well in South Harmattan. This well spudded before the price of oil significantly reduced. To preserve the economic value of the flush production of this initial phase of production, TransGlobe will not complete the well until oil prices recover.

Exhibit 14: Canadian Assets



Source: Company Reports

INDUSTRY

In response to a changing set of dynamics, several trends are shaping the oil and gas sector:

Global Demand – 2020 has been a challenging year for those companies that depend on oil for the majority or all of its revenue. As the COVID-19 virus swept through China in January and February, demand for oil began to decrease. As the virus has spread throughout Europe, North America, and the rest of the world, oil demand has continued to decrease as many individuals have been confined to their homes, and many businesses have been forced to temporarily close their doors in order to contain the spread of the virus. At this time, it is unknown how long these government-imposed lockdowns will continue, thus creating an uncertain environment of demand in the near term.

OPEC Alliance Breakdown – In 2016, Russia and Saudi Arabia joined forces to create an alliance dubbed OPEC+ to stabilize decreasing oil prices globally. The two commodity powers cut supply by 2.1 million barrels per day. In 2020, Saudi Arabia expressed interest in furthering that cut to 3.6 million barrels per day as demand dwindled. However, Russian President Vladimir Putin refused to the cut as American producers have continued to fill the supply gap. In response to this, Saudi Arabia cut prices by $4-$7 a barrel in addition to lifting production. Additionally, Russia has also announced that companies can produce as much as they please by April 1. This increase in supply has continued downward pressure on oil prices.

Cost cutting measures – Plummeting oil prices have prompted a surge in cost reduction measures. Many companies have already cut dividends including Occidental Petroleum, who cut its dividend by 86%. Additionally, many companies have begun to dramatically reduce planned capital expenditures in effort to keep more cash on the balance sheet if these depressed prices continue for the foreseeable future.

Free cash flow – Given the unpredictability of the market, companies' business plans emphasize profitability that is sustainable under multiple price scenarios. Growth in production and reserves has often been the key metric driving oil and gas companies. However, in the current climate, free cash flow is a top priority.

Specialization – Companies are specializing in capabilities that are key to its growth. The scenario involving large oil companies discovering, developing, and operating fields until depletion has given way to ownership changes that match the specialized capabilities of companies with the life cycle of the field.

Short-term EIA outlook – The U.S. Energy Information Administration (EIA) November 2020 short-term energy outlook forecasts that global consumption of petroleum and liquid fuels will average 92.9M b/d for all of 2020, down 8.6M b/d from 2019, before increasing by 5.9M b/d in 2021.The EIA expects global oil inventory levels and surplus crude oil production capacity will limit upward press on oil prices and that Brent prices will remain near $40.00/b through the end of 2020. As global oil demand rises, the EIA forecasts inventory draws in 2021 will cause some upward oil price pressures. The EIA forecasts Brent crude oil prices will average $47.00/b in 2021.

RISKS

As with any investment, there are certain risks associated with TransGlobe's operations as well as with the surrounding economic and regulatory environments common to the industry. We note that this is not an exhaustive list of risks but view these as the highest risks to TransGlobe's business.

Environmental and government regulation – Federal, state, and international laws and regulations relating to the release of materials into the environment and the disposal of wastes from oil and gas activities may affect the Company's business and increase costs.

Price volatility – Prices for crude oil sales have historically been unpredictable and volatile, and that volatility is expected to continue.

Political and economic instability – The country of Egypt experienced instability following the Arab Spring movement. TransGlobe's business may be adversely affected by changes in political and economic conditions in Egypt.

Reserve estimates – Reserve estimates in the oil industry, particularly for new discoveries, are inherently imprecise. Inaccuracies in assumptions could affect the ultimate recovery of hydrocarbons and may result in the economic value of the reserves being understated or overstated.

INCOME STATEMENT

TransGlobe Energy Corp. (NASDAQ: TGA)
Consolidated Statements of Income (in millions US$, except per share amounts)
Fiscal Year: December

	FY 2017	FY 2018	FY 2019	FY 2020E
Revenues				
Petroleum and natural gas sales, net of royalties	$ 148.5	$ 176.2	$ 140.1	$ 102.1
Finance revenue	0.1	0.6	0.5	0.2
Other revenue	-	-	-	0.3
Total revenues	**148.6**	**176.8**	**140.6**	**102.6**
Operating expenses				
Production and operating	51.0	53.3	50.6	60.2
Selling costs	2.5	2.1	1.3	1.8
General and administrative	15.3	18.7	16.6	11.5
Foreign exchange (gain) loss	0.2	(0.3)	(0.1)	0.1
Finance costs	6.2	5.1	4.3	2.6
Depletion, depreciation and amortization	40.0	34.3	34.9	30.9
Asset Retirement Obligation Accretion	0.3	0.3	0.2	0.3
(Gain) loss on financial instruments	11.0	7.1	2.8	(7.6)
Impairment of exploration and evaluation assets	79.0	14.5	7.9	73.5
Gain (Loss) on corporate dispositions	-	(0.2)	(0.1)	-
Total expenses	**205.5**	**134.8**	**118.5**	**173.2**
Earnings before income taxes	(56.9)	42.0	22.1	(70.6)
Income tax expense (recovery) - current	21.8	26.3	26.1	12.6
Net income (loss)	**$ (78.7)**	**$ 15.7**	**(4.0)**	**(83.2)**
Basic EPS (loss)	**$ (1.09)**	**$ 0.22**	**$ (0.06)**	**$ (1.15)**
Diluted EPS (loss)	**$ (1.09)**	**$ 0.22**	**$ (0.06)**	**$ (1.15)**
Basic shares outstanding	72.2	72.2	72.5	72.5
Diluted shares outstanding	72.2	72.6	72.5	72.5
EBITDA	**$ 68.8**	**$ 95.7**	**$ 69.2**	**$ 36.7**
Growth Rate Analysis Y/Y				
Total revenues	132.8%	19.0%	-20.5%	-27.0%
EBITDA	104.4%	39.0%	-27.7%	-47.0%
Pre-tax income	24.3%	173.8%	-47.4%	-419.4%
Net income	10.2%	119.9%	-125.5%	-1982.8%
EPS - fully diluted	10.2%	119.8%	-125.5%	-1982.0%
Share count - fully diluted	0.0%	0.6%	-0.2%	0.0%

Source: Company Reports, Stonegate Capital Partners estimates

STONEGATE CAPITAL PARTNERS

VALUATION

Given the different geographic locations of TransGlobe's operating assets, we are using a sum-of-the-parts analysis. As seen below, we arrive at a combined valuation range of ~ $1.80 to ~$3.20, with a midpoint of ~ $2.45.

Canada

Based on F20 estimates, TransGlobe currently trades at a significant discount to peers. Below we compare just the Company's Canadian production vs. its Canadian peers.

Exhibit 15: Comparable Analysis (in US$)

Name	Ticker	Price (1)	S/O	Mrkt Cap	EV	BOE/d (2) 2019	BOE/d (2) 2020E	EV/Boe/d (2) 2019	EV/Boe/d (2) 2020E
Bonterra Energy Corp.	BNE	$ 1.42	33.4	$ 61.0	$277.3	12,305	12,450	22,277	22,539
Cardinal Energy Ltd.	CJ	$ 0.72	113.5	$ 104.5	$275.2	20,319	17,700	15,548	13,544
Gear Energy Ltd.	GXE	$ 0.21	216.5	$ 58.5	$101.3	6,962	5,250	19,300	14,554
InPlay Oil Corp.	TSX:IPO	$ 0.18	68.3	$ 15.4	$ 60.4	5,000	3,950	15,287	12,077
Surge Energy Inc.	SGY	$ 0.26	339.8	$ 113.8	$407.7	21,175	18,000	22,649	19,253
Tamarack Valley Energy Ltd	TVE	$ 1.06	220.0	$ 299.1	$398.1	24,072	21,500	18,517	16,539
TORC Oil & Gas Ltd.	TOG	$ 2.13	222.6	$ 605.5	$743.1	28,328	25,000	29,722	26,231
Yangarra Resources Ltd.	YGR	$ 0.55	85.4	$ 59.8	$212.7	12,572	10,000	21,270	16,919
							Avg	**20,571**	**17,707**
							Median	**20,285**	**16,729**
TransGlobe Energy	**TGA**	**$ 0.90**	**72.5**	**$ 65.5**	**$ 66.8**	**16,041**	**13,550**	**4,931**	**4,165**

(1) Previous day's closing price
(2) Estimates are from Capital IQ and reflect either Company guidance or extrapolated YTD production; TGA production are Stonegate estimates

Source: Company Reports, Capital IQ, Stonegate Capital Partners

As seen above, Canadian peers with operations in the Cardium are trading at an average EV/Boe/d multiple of $17,688. As TransGlobe's Canadian production is ~ 15% of its total annual production, the Company is trading at a significant discount. Just looking at TransGlobe's Canadian production of 2,150 Boe/d, and using peer valuation metrics, we arrive at a valuation range of ~$0.35 to $0.75 with a mid-point of ~$0.50 for its Canadian asset.

Exhibit 16: Implied Valuation Range for Canadian Assets

	EV/Boe/d Range 12,077	EV/Boe/d Range 17,707	EV/Boe/d Range 26,231
Canadian Production:	2,150	2,150	2,150
Enterprise Value:	26.0	38.1	56.4
Net Debt:	1.4	1.4	1.4
Market Cap:	24.6	36.7	55.0
S/O:	72.5	72.5	72.5
Price	**$ 0.34**	**$ 0.51**	**$ 0.76**

Source: Capital IQ, Stonegate Capital Partners

Egypt
Obtaining proper comparable companies for the Egyptian assets is very difficult given the varying contractual terms of other players in the area. As such, we employ a cash flow analysis to help frame the valuation of the Egyptian assets.

The current mid-point of Egyptian production guidance is 11,400 boe/d. We then add the incremental benefit to the netback derived from the new contractual agreement to the existing netback to arrive at total netback and hence, annualized cash flow. As obtaining comps is very difficult, we use a relatively standard industry cash flow multiple of 3.0x to 5.0x.

Exhibit 17: Implied Valuation Range for Egyptian Assets

Production guidance	11,400	boe/d	
Annualized production (MMbbl)	4.2		
Oil benchmark price ($/bbl)	40.00	50.00	60.00
Existing Netback ($/bbl)	2.50	6.10	8.30
Netback - low ($/bbl)	5.00	7.00	9.00
Netback - high ($/bbl)	7.00	9.00	11.00
Total Netback - low ($/bbl)	7.50	13.10	17.30
Total Netback - high ($/bbl)	9.50	15.10	19.30
$40 benchmark price - midpt ($/bbl)	8.50		
Annual CF ($m)	35.4		
S/O	72.5		
CF/Sh	$ 0.49		
CF multiple	3.0x	4.0x	5.0x
Price	**$ 1.46**	**$ 1.95**	**$ 2.44**

Source: Capital IQ, Stonegate Capital Partners

Using the lower benchmark price of $40/bbl and using the mid-point benchmark at that oil price, we arrive at a valuation range of ~$1.45 to ~$2.45, with a midpoint of ~$1.95.

RECENT NEWS

December 3, 2020 – TransGlobe Energy Corporation Announces an Agreement to Merge, Extend and Modernize its Eastern Desert Concessions.

November 18, 2020 – TransGlobe Energy Corporation a Corporate Update.

November 16,2020 – TransGlobe Energy Corporation Announces Third Quarter 2020 Financial and Operating Results for the Three and Nine Months Ended September 30, 2020.

August 11, 2020 – TransGlobe Energy Corporate Announces Second Quarter 2020 Financial and Operating Results for the Three and Six Months Ended June 30, 2020.

June 29, 2020 – TransGlobe Energy Corporation Announces an Operations Update.

June 26, 2020 – TransGlobe Energy Corporation Announces Director/PDMR Shareholdings.

June 09, 2020 — TransGlobe Energy Corporation Announces Its Participation in the Virtual Summer Summit.

May 14, 2020 – TransGlobe Energy Corporation Announces AGM Voting Results and Confirmation of Board Changes.

May 13, 2020 – TransGlobe Energy Corporation Announces First Quarter 2020 Financial and Operating Results for the Three Months Ended March 31, 2020.

April 09, 2020 – TransGlobe Energy Corporation Announces an Update to Its 2020 Hedge Program.

April 02, 2020 – TransGlobe Energy Corporation Announces Financial, Operations and Corporate Update.

March 20, 2020 – TransGlobe Energy Corporation Announces Board of Directors Transitions.

March 12, 2020 – TransGlobe Energy Corporation Announces Year End 2019 Financial and Operating Results.

March 11, 2020 – TransGlobe Energy Corporation Announces Revised 2020 Budget and Guidance.

February 05, 2020 – TransGlobe Energy Corporation Announces Its 2020 Capital Budget and 2019 Year-End Reserves.

January 30, 2020 – TransGlobe Energy Corporation Announces a Canadian Operations Update.

CORPORATION GOVERNANCE

Randy Neely – President, Chief Executive Officer, Director – Mr. Neely, who has more than 25 years of experience in executive financial positions, has been with TransGlobe since May 2012 and was most recently appointed CEO as of 12/31/18. Mr. Neely was appointed President of the Company in January 2018 and was previously appointed as Vice President, Finance and CFO in May 2012. Prior experience includes serving as CFO of Pearl (Blackpearl) Exploration and Production, and CFO of Trident Exploration. His experience outside of the oil and gas industry includes working for TD Securities investment banking firm for over 3 years and KPMG for eight years. Mr. Neely holds designations as a Chartered Accountant (CA) and a Chartered Financial Analyst (CFA). He earned a commerce degree from University of Calgary**.**

Edward Ok – Vice President, Finance, Chief Financial Officer - Mr. Ok was appointed Vice President, Finance and Chief Financial Officer of the Company in January 2018. He was most recently at Zodiac Exploration and has over 10 years of corporate finance and accounting experience. Mr. Ok holds a Bachelor of Commerce from the University of Alberta, is a Chartered Accountant licensed in the Province of Alberta and a Certified Public Accountant licensed in Washington State.

Geoffrey Probert – Vice President, Chief Operating Officer - Mr. Probert was appointed Vice President and Chief Operating Officer in March 2019. A recognized expert at exploration drilling, field appraisal, development and rehabilitation operations, Mr. Probert has over 30 years of experience across: the UK, Europe, Middle East, Africa, and North and South America. Most recently Mr. Probert was the North Africa Managing Director for Petroceltic International plc and Chief Operating Officer for Echo Energy plc. Mr. Probert has a degree in Chemical Engineering and holds a Master of Petroleum Engineering from Heriot Watt University, Edinburgh.

Board of Directors:

David Cook – *Independent Director, Chairman of the Board*

Ross Clarkson – *Non-independent Director*

Randy Neely – *Non-independent Director*

Dr. Carol Bell – *Independent Director*

Edward LaFehr - *Independent Director*

Dr. Timothy Marchant- *Independent Director*

Steven Sinclair – *Independent Director*

IMPORTANT DISCLOSURES AND DISCLAIMERS

The following disclosures are related to Stonegate Capital Partners (SCP) research reports.

The information used for the creation of this report has been obtained from sources we considered to be reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice and SCP does not undertake to advise you of any such changes. In preparing this research report, SCP analysts obtain information from a variety of sources, including to but not limited to, the issuing Company, a variety of outside sources, public filings, the principals of SCP and outside consultants. SCP and its analyst may engage outside contractors with the preparation of this report. The information contained in this report by the SCP analyst is believed to be factual, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. While SCP endeavors to update the information contained herein on a reasonable basis, there may be regulatory, compliance, or other reasons that prevent us from doing so. The opinions or information expressed are believed to be accurate as of the date of this report; no subsequent publication or distribution of this report shall mean or imply that any such opinions or information remains current at any time after the date of this report. Reproduction or redistribution of this report without the expressed written consent of SCP is prohibited. Additional information on any securities mentioned is available on request. SCP does not rate the securities covered in its research. SCP does not have, nor has previously had, a rating for any securities of the Company. SCP does not have a price target for any securities of the Company.

Recipients of this report who are not market professionals or institutional investors should seek the advice of their independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. Because the objectives of individual clients may vary, this report is not to be construed as an offer or the solicitation of an offer to sell or buy the securities herein mentioned. This report is the independent work of SCP and is not to be construed as having been issued by, or in any way endorsed or guaranteed by, any issuing companies of the securities mentioned herein.

SCP does not provide, nor has it received compensation for investment banking services on the securities covered in this report. SCP does not expect to receive compensation for investment banking services on the securities covered in this report. SCP has a non-exclusive Advisory Services agreement to provide research coverage, retail and institutional awareness, and overall Investor Relations support and for which it is compensated $1,500 per month. SCP's equity affiliate, Stonegate Capital Markets (SCM) - member FINRA/SIPC - may seek to provide investment banking services on the securities covered in this report for which it could be compensated.

SCP Analysts are restricted from holding or trading securities in the issuers which they cover. Research Analyst and/or a member of the Analyst's household do not own shares of this security. Research Analyst, employees of SCP, and/or a member of the Analyst's household do not serve as an officer, director, or advisory board member of the Company. SCP and SCM do not make a market in any security nor do they act as dealers in securities.

SCP Analysts are paid in part based on the overall profitability of SCP and SCM. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by SCP for services described above. No part of Analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. This security is eligible for sale in one or more states. This security may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.

CONTACT INFORMATION

Investor Relations
TransGlobe Energy Corp.
2300, 250 - 5th Street S.W.
Calgary, Alberta, Canada T2P 0R4
Phone: 403.444.4787
investor.relations@trans-globe.com

Investor Relations
Stonegate Capital Partners
8201 Preston Rd.-Suite 325
Dallas, Texas 75225
Phone: 214-987-4121
www.stonegateinc.com