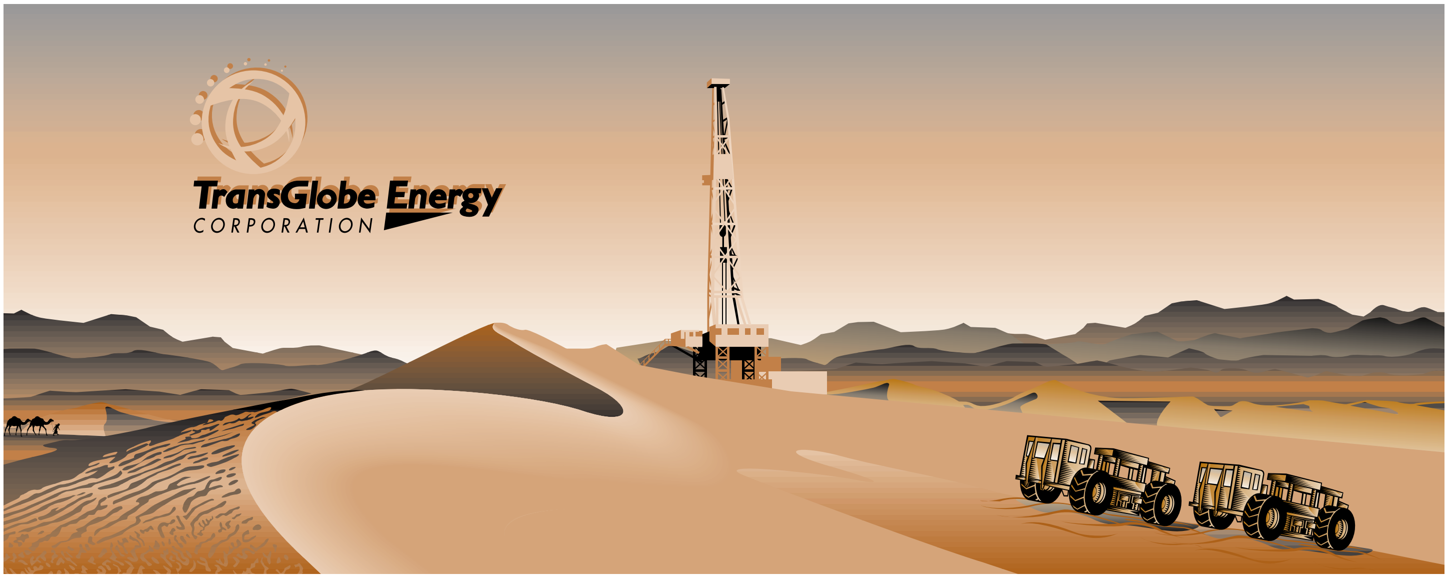

Second Interim Report

FOR THE SIX MONTHS ENDED JUNE 30, 2001

TransGlobe Energy Corporation ("TransGlobe" or the "Company") is pleased to announce its financial and operating results for the six month period ended June 30, 2001. **All dollar values are expressed in United States dollars unless otherwise stated.** Per barrel of oil equivalent ("Boe") amounts have been calculated using a conversion of 10,000 cubic feet of natural gas to one barrel of oil.

HIGHLIGHTS

- Record daily production of 1,370 barrels of oil equivalent for first six months
- Record cash flow of $3,544,619 and earnings of $2,039,401 for first six months
- 120 km 2-D seismic acquisition program completed on Block 32, Yemen
- 230 square km 3-D seismic acquisition program commenced on Block S-1, Yemen
- Successful gas exploration in Canada

EXPLORATION UPDATE

Block 32, Republic of Yemen (13.81087% working interest)
The 2001 seismic acquisition program, consisting of 120 kilometers 2-D seismic, commenced in late May and was completed in early August. The data is currently being processed. The primary focus of this year's seismic program is to further define the Tasour field and to refine drilling locations on several prospects located in the northwestern portion of the Block 32 development area. The new seismic in the northwestern portion of the development area was shot to evaluate the trend mapped towards Block 32 from the non-owned Sharyoof discovery on the adjacent Block 53. Two Qishn wells were drilled on Block 53 at Sharyoof with well tests of 5,000 and 16,500 barrels of oil per day ("Bopd") respectively. It is expected that drilling operations will commence in October/November with at least one Tasour development well followed by an exploration well in the northwest portion of the development block. Now that the Tasour facilities and pipeline are operational they can be used to develop any new discoveries quickly, which significantly enhances future investment in Block 32.

Block S-1, Republic of Yemen (25 % working interest)
The 230 square kilometer 3-D seismic and surface geo-chemistry acquisition program commenced in June 2001. The completion of the acquisition, processing and interpretation are projected for December 2001. A new exploration drilling program, along with an appraisal well on the Harmel structure, is expected to start in the first quarter of 2002. The 3-D seismic program is designed to evaluate a potential trend of the Alif and Lam formations identified on existing 2-D seismic. The trend extends from the adjacent Jannah Hunt, Dhahab and Al Nasr oil fields (currently producing in excess of 40,000 Bopd) southeast to the Shell discovery at An Nagyah. An exploration well is planned for this area in early 2002. The proposed Harmel #2 appraisal well will be designed to test and evaluate the shallow oil zones encountered in Harmel #1. To save costs Harmel #2 will be drilled in conjunction with the exploration drilling program during the first quarter of 2002. Assuming Harmel #2 encounters similar oil reservoirs to Harmel #1, a pilot project is planned to complete and equip both Harmel #1 and #2 for longer-term production to determine the feasibility of a full-scale commercial development. Although the

production rates are low by Yemen standards, the Harmel structure's size and the shallow drilling depth enhance the economics of a potential development. The gas condensate discovery at An Naeem #1 and #2 will be further evaluated during 2001 to determine if an oil rim does indeed exist down dip. TransGlobe's management continues to view Block S-1 as highly prospective for large oil accumulations and will focus a significant amount of exploration effort on the area. It will take several years to evaluate the potential of Block S-1 due to the size of the block and the numerous potential reservoir zones.

Canada

At Morningside, Alberta, the Company re-entered and successfully completed a Mannville Gas well (100% working interest) which is expected to produce 400-500 thousand cubic feet per day of natural gas ("Mcfpd") and 10-20 barrels per day of liquids. In addition to the re-entry, the Company acquired an additional section of land in July (75% working interest) and will re-enter an abandoned well on the section for Mannville gas production. TransGlobe has increased its working interest to 75% from 37.5% in the Morningside 8-20 well drilled over year end. The 8-20 well will be recompleted for potential Mannville gas production in August. It is anticipated that the three Morningside wells (2.5 net wells) will be tied in for production prior to the winter heating season.

The Company acquired a suspended oil well in a new property at Morinville Alberta. The well was successfully re-completed as a dual zone gas well that tested in excess of 1,000 Mcfd. It is expected that the gas well (32% working interest) will be tied in for production by year end.

At Elk Island the Company drilled a Mannville gas test (50% working interest) which was plugged and abandoned.

OPERATING UPDATE

Two significant events affected operations between the six month periods ended June 30, 2001 and 2000. The most significant event is the new production from the Tasour field on Block 32, Yemen; this field started producing in November, 2000. The other significant event is the absence of operations in the United States in 2001. The Company divested its oil and gas properties in the United States effective October 31, 2000. Proceeds from the sale of these properties were re-invested in Yemen.

Production

The first full two quarters of production for the Tasour field in Yemen yielded an average production rate of 1,193 Bopd to TransGlobe. The field commenced production in November, 2000. It is expected that production from the Tasour field will average approximately 7,200 Bopd (994 Bopd to TransGlobe) for the year 2001.

Production from Canada averaged 177 barrels of oil equivalent per day ("Boed") in the first half of 2001 compared to 90 Boed in 2000 for the comparable period. The increase in production is attributable to two new gas wells brought into production at the end of 2000 and the acquisition/tie-in of a gas well at Nevis in July 2000. With the sale of the United States properties and the addition of gas production from new wells drilled or recompleted in Canada, 65% of TransGlobe's Canadian production was gas and 35% was oil and liquids in the first half of 2001. Production in the United States averaged 45 Boed in the first half of 2000, primarily oil, from four wells in Montana.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements for the three months and six months ended June 30, 2001 and 2000 and the audited financial statements and MD&A for the year ended December 31, 2000 included in the Company's annual report. **All dollar values are expressed in United States dollars unless otherwise stated.**

Operating Results

Net income for the first six months of 2001 was $2,039,401 ($0.04 per share) compared to a net loss of $335,633 in 2000 with cash flow from operations of $3,544,619 ($0.07 per share) compared to a deficiency of $158,339 respectively. The increase in net income and cash flow in 2001 is primarily a result of the addition of production from Yemen on Block 32.

Revenue net of royalties was $4,978,085 for the first six months of 2001 compared to $488,732 for the same period in 2000 reflecting the impact of Yemen production on TransGlobe's operations. In 2001, revenues net of royalties were $3,878,411 and $1,099,674 from Yemen and Canada respectively. In 2000, revenues net of royalties amounted to $334,836 in Canada and $153,896 in the United States. The properties in the United States were divested in 2000 to fund activity in Yemen. Revenue in Canada increased due to a 118% increase in gas prices and a 97% increase in production. Gas prices averaged $5.17 per Mcf in Canada in 2001 and $2.37 per Mcf in 2000. Oil prices in Canada averaged $24.60 per barrel in 2001 and $26.27 per barrel in 2000. The average oil price for the Company's production in Yemen for the first six months of 2001 was $23.46 per barrel. The Tasour field oil production is marketed by Nexen Marketing International Ltd. and the oil price is based on a Brent price less a quality/transportation differential between the Brent blend and the Yemen Masila crude oil blend.

Operating costs of $777,832 averaged $3.14 per Boe in the first two quarters of 2001 compared to $179,169 ($7.35 per Boe) in 2000. The decrease on a relative basis is due to the Yemen Block 32 operations which averaged $2.60 per barrel in 2001.

The netback was $16.94 per Boe during the first two quarters of 2001. The comparable figure for the same period in 2000 was $12.71 per Boe. The increase in netbacks between periods is primarily due to the addition of Yemen production, the increase in Canadian gas prices and a reduction in per unit operating costs.

General and administrative expenses were $320,190 ($1.29 per Boe) for the six month period ended June 30, 2001 as compared to $461,871 in the comparable period. In 2000, costs of $140,000 were associated with legal fees incurred to defend the Company against a shareholder's claim, in the State of Florida, relating to a 1996 private placement transaction concluded by previous management. The claim was settled later in 2000. In addition, the Company recognized a bad debt of $40,000 in 2000.

Depletion and depreciation was $1,489,000 for the first two quarters of 2001 compared to $172,000 in 2000. The increase is attributable to the inclusion of a depletable base from Block 32 in the Republic of Yemen. The rate of depletion for the Yemen properties was 41% for the first two quarters reflecting the conservative proven reserves assigned to the Tasour field at year end 2000. Unproven properties in the amount of $10,384,000 were excluded from costs subject to depletion and depreciation representing all costs incurred in Block S-1 and costs on Block 32 relating to exploration and development not directly incurred on the currently producing property. These costs will be included in the depletable base over the period of the development term of 20-25 years as the Block is fully developed.

Current income tax in the amount of $351,658 represents income taxes incurred and paid under the laws of the Republic of Yemen pursuant to the production sharing agreement on Block 32 in the first two quarters of 2001.

Capital Expenditures
Capital expenditures were $1,059,818 and $688,123 in Yemen and Canada respectively in 2001. Expenditures in Yemen were primarily for drilling and completing Tasour #5 on Block 32, costs for the Harmel long term production test and annual Yemen government bonus payments on Block S-1. Canadian capital expenditures in 2001 relate to several Crown land purchases, drilling wells at Morningside and Elk Island, and recompletion costs in the Morinville, Morningside and Thorsby areas.

OUTLOOK

The Company's growth strategy for 2001 will continue to favor exploration and development on the Yemen properties. Seismic acquisition is currently underway on both our Yemen projects and drilling is planned for 2001/2002. In the Block 32 development area drilling and seismic work will be carried out on the Tasour structure as well as seismic and exploration drilling on some of the additional eleven prospects. The 2001 Block 32 joint venture budget and work program includes the acquisition of 120 kilometers of 2-D seismic, drilling at least one development well in the Tasour field and one exploration well. In Block S-1 it is expected that the 230 square kilometer 3-D seismic program will be processed and interpreted by the end of 2001, with a multi-well drilling program consisting of an appraisal well at Harmel and several exploration wells commencing in the first quarter of 2002.

The Canadian focus will continue to be on the exploration and development of gas prospects in Central Alberta to capitalize on the strong North American natural gas prices. In addition to the acreage the Company has assembled on gas prospects at Cherhill, Thorsby, Rimbey, Mikwan, Fort Kent and Wrentham, a number of new prospects have been posted for upcoming land sales this fall.

The Company's management intends to continue with the successful business plan developed over the previous three years. That strategy is to focus the majority of our capital and efforts on our highly prospective projects in Yemen. We will continue to grow the Canadian production as the financial and operating platform supporting our international endeavors.

On Behalf of the Board

Ross G. Clarkson
President & Chief Executive Officer
August 20, 2001

Consolidated Statements of Operations

(Unaudited - Expressed in U.S. Dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	**2001**	2000
REVENUE				
Oil and gas revenue net of royalties	**$ 2,488,120**	$ 221,917	**$ 4,978,085**	$ 488,732
Interest income	**2,320**	(45)	**4,062**	703
	2,490,440	221,872	**4,982,147**	489,435
EXPENSES				
Operating	**329,313**	93,132	**777,832**	179,169
General and administrative	**187,467**	244,424	**320,190**	461,871
Interest expense on long-term debt	**2,068**	-	**4,066**	12,028
Depletion and depreciation	**755,000**	79,500	**1,489,000**	172,000
	1,273,848	417,056	**2,591,088**	825,068
Net income (loss) before income taxes	**1,216,592**	(195,184)	**2,391,059**	(335,633)
Income taxes	**182,491**	-	**351,658**	-
NET INCOME (LOSS) FOR THE PERIOD	**1,034,101**	(195,184)	**2,039,401**	(335,633)
DEFICIT, BEGINNING OF PERIOD	**(19,781,635)**	(21,570,371)	**(20,786,935)**	(21,429,922)
DEFICIT, END OF PERIOD	**$ (18,747,534)**	$ (21,765,555)	**$ (18,747,534)**	$ (21,765,555)
Net income (loss) per basic and diluted share	**$ 0.02**	$ (0.01)	**$ 0.04**	$ (0.01)

Consolidated Balance Sheets

(Expressed in U.S. Dollars)

	June 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current		
Cash	**$ 1,336,025**	$ 64,914
Accounts receivable	**1,566,128**	1,616,908
Prepaid expenses	**50,779**	51,110
	2,952,932	1,732,932
Capital assets		
Canada	**2,524,981**	2,001,858
Republic of Yemen	**12,339,892**	12,590,074
	$ 17,817,805	$ 16,324,864
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 1,015,408**	$ 1,541,952
Long-term debt	**-**	77,634
Provision for site restoration and abandonment	**96,209**	82,209
	1,111,617	1,701,795
SHAREHOLDERS' EQUITY		
Share capital	**35,453,722**	35,410,004
Deficit	**(18,747,534)**	(20,786,935)
	16,706,188	14,623,069
	$ 17,817,805	$ 16,324,864

APPROVED BY THE BOARD

Ross G. Clarkson, Director

Lloyd W. Herrick, Director

Consolidated Statements of Cash Flows

(Unaudited - Expressed in U.S. Dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	**2001**	2000
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net income (loss)	**$ 1,034,101**	$ (195,184)	**$ 2,039,401**	$ (335,633)
Items not involving cash:				
Performance bonus expense paid in shares	**16,218**	-	**16,218**	-
Interest expense paid in shares	**-**	-	**-**	5,294
Depletion and depreciation	**755,000**	79,500	**1,489,000**	172,000
Cash flow from operations	**1,805,319**	(115,684)	**3,544,619**	(158,339)
Change in non-cash working capital	**290,860**	218,216	**624,652**	297,168
	2,096,179	102,532	**4,169,271**	138,829
FINANCING				
Issue of share capital	**22,001**	113,125	**27,500**	1,099,818
Repayment of long-term debt	**(81,260)**	-	**(77,634)**	-
Change in non-cash working capital	**-**	(96,834)	**-**	(77,638)
	(59,259)	16,291	**(50,134)**	1,022,180
INVESTING				
Purchase of capital assets				
Canada	**(319,777)**	(166,372)	**(688,123)**	(366,615)
United States	**-**	(14,419)	**-**	(16,184)
Yemen	**(308,789)**	(428,901)	**(1,059,818)**	(648,691)
Change in non-cash working capital	**(417,855)**	(227,026)	**(1,100,085)**	(495,045)
	(1,046,421)	(836,718)	**(2,848,026)**	(1,526,535)
NET INCREASE (DECREASE) IN CASH	**990,499**	(717,895)	**1,271,111**	(365,526)
CASH, BEGINNING OF PERIOD	**345,526**	791,975	**64,914**	439,606
CASH, END OF PERIOD	**$ 1,336,025**	$ 74,080	**$ 1,336,025**	$ 74,080
Cash flow per basic and diluted share	**$ 0.04**	-	**$ 0.07**	-

Notes to the Consolidated Financial Statements

1. Basis of presentation

The interim consolidated financial statements of TransGlobe Energy Corporation ("TransGlobe" or the "Company") for the three month and six month periods ended June 30, 2001 and 2000 have been prepared by management in accordance with accounting principles generally accepted in Canada on the same basis as the audited consolidated financial statements as at and for the year ended December 31, 2000, except as outlined in Note 2. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in TransGlobe's annual report for the year ended December 31, 2000.

2. Earnings per share

Effective January 1, 2001 the Company retroactively adopted the new Canadian accounting recommendations for the computation and disclosure of earnings per share with the prior period being restated. Under the new standard, the treasury method for calculating diluted earnings per share must be used. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the period. During the periods presented, outstanding stock options and warrants are the only instruments that are dilutive to earnings per share. For the three month and six month periods ended June 30, 2001, the diluted weighted average number of shares was 51,238,336 (2000 - 43,099,324). This change in accounting policy did not result in a change in the earnings per share and cash flow per share presented in either period.

3. Share capital

The Company is authorized to issue 100,000,000 common shares with no par value.

Continuity of common shares	2001	
	Shares	**Amount**
Balance, December 31, 2000	50,500,801	**$35,410,004**
Exercise of stock options and stock bonus	175,000	**43,718**
Balance, June 30, 2001	50,675,801	**$35,453,722**

4. Segmented information

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	**2001**	2000
Oil and gas revenue net of royalties				
Yemen	**$ 2,012,979**	$ -	**$ 3,878,411**	$ -
Canada	**475,141**	155,358	**1,099,674**	334,836
United States	**-**	66,559	**-**	153,896
	2,488,120	221,917	**4,978,085**	488,732
Operating				
Yemen	**231,958**	-	**561,961**	-
Canada	**97,355**	59,476	**215,871**	121,605
United States	**-**	33,656	**-**	57,564
	329,313	93,132	**777,832**	179,169
Depletion and depreciation				
Yemen	**665,000**	-	**1,310,000**	-
Canada	**90,000**	58,000	**179,000**	127,000
United States	**-**	21,500	**-**	45,000
	755,000	79,500	**1,489,000**	172,000
Segmented operations	**1,403,807**	49,285	**2,711,253**	137,563
Other income	**2,320**	(45)	**4,062**	703
General and administrative	**187,467**	244,424	**320,190**	461,871
Interest on long-term debt	**2,068**	-	**4,066**	12,028
Income taxes	**182,491**	-	**351,658**	-
Net income (loss)	**$ 1,034,101**	$ (195,184)	**$ 2,039,401**	$ (335,633)

Corporate Information

OFFICERS AND DIRECTORS

Robert A. Halpin
Director, Chairman of the Board

Ross G. Clarkson
Director, President & CEO

Lloyd W. Herrick
Director, Vice President & COO

Erwin L. Noyes
Director

Geoffrey C. Chase
Director

David C. Ferguson
Vice President, Finance, CFO & Secretary

EXECUTIVE OFFICES
TransGlobe Energy Corporation
#1450, 505-3rd Street S.W., Calgary, Alberta, Canada, T2P 3E6
Telephone: (403) 264-9888 • Facsimile: (403) 264-9898
Website: www.trans-globe.com • E-mail: trglobe@trans-globe.com

TRANSFER AGENT & REGISTRAR
Computershare Trust Company of Canada
Vancouver, Calgary, Toronto

LEGAL COUNSEL
Davis & Co.
Vancouver, British Columbia

BANKERS
National Bank of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING

TSE:	TGL
OTC-BB:	TGLEF