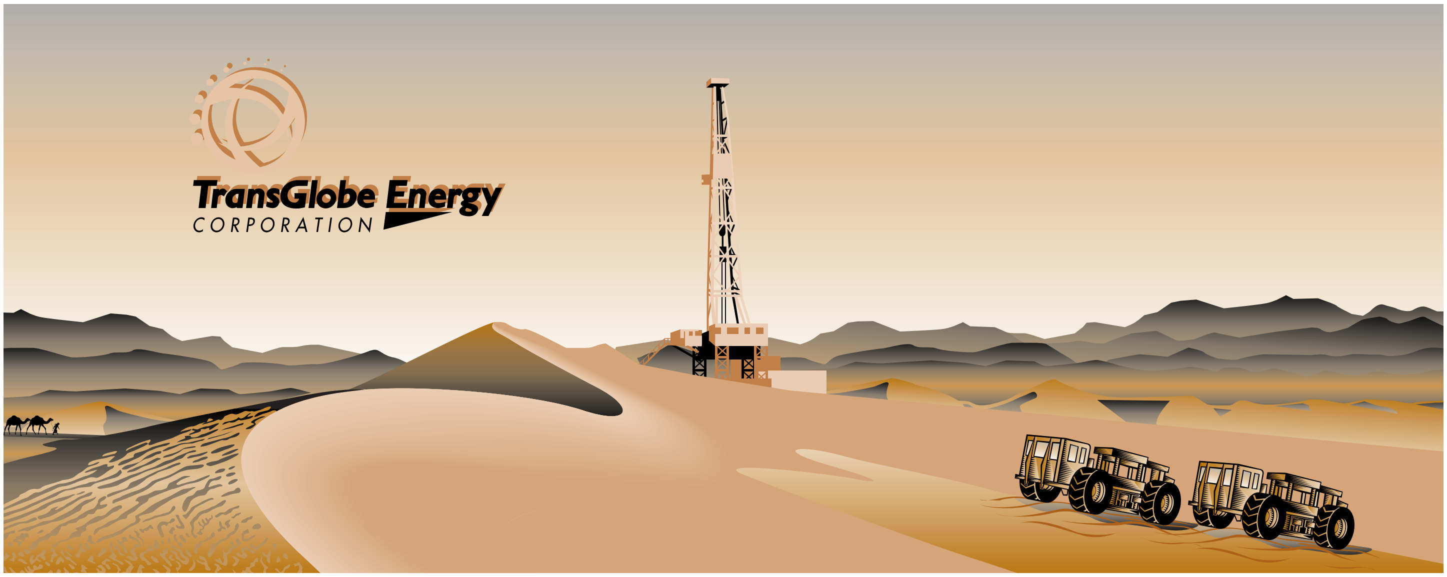

First Interim Report

FOR THE THREE MONTHS ENDED MARCH 31, 2001

TransGlobe Energy Corporation ("TransGlobe" or the "Company") is pleased to announce its financial and operating results for the three month period ended March 31, 2001. **All dollar values are expressed in United States dollars unless otherwise stated.**

HIGHLIGHTS

- Record daily production of 1,402 barrels of oil equivalent
- Record cash flow of $1,739,300 and earnings of $1,005,300
- Tasour #5, Block 32, Yemen initial production of 7,060 barrels of oil per day, February 2001
- Seismic contracts awarded for Block S-1 and Block 32, Yemen
- Increased land holdings in Canada

OPERATING UPDATE

Two significant events affected operations between the three month periods ended March 31, 2001 and 2000. The most significant is the new production from the Tasour field on Block 32, Yemen; this field started producing in November, 2000. The other 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 quarter of production for the Tasour field in Yemen yielded an average production rate of 1,215 barrels of oil per day ("Bopd") to TransGlobe. The field commenced production in November, 2000. Oil production was 862 Bopd to TransGlobe for November/December 2000. The increase from the last two months of 2000 was due to the addition of production from Tasour #5 in February 2001. It is expected that production from the Tasour field will average 7,200 Bopd (994 Bopd to TransGlobe) for the year 2001.

Production from Canada averaged 187 barrels of oil equivalent per day (Boed) in the first quarter of 2001 compared to 101 Boed in 2000 for the comparable period. The increase in production is attributable to two new gas wells which were brought into production at the end of 2000, increased production at Camao as a result of recompleting a gas well and the acquisition/tie-in of a gas well at Nevis. With the sale of the United States properties and the addition of gas production from new wells drilled/recompleted in Canada, 60% of TransGlobe's Canadian production was gas and 40% was oil in the first quarter of 2001, a reverse of product mix from 2000. Production in the United States averaged 48 Boed in 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 ended March 31, 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 quarter 2001 was $1,005,300 ($0.02 per share) compared to a net loss of $140,449 in 2000 with cash flow from operations of $1,739,300 ($0.03 per share) compared to a deficiency of $(42,655) 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 $2,489,965 for the first quarter 2001 compared to $266,815 for the same period in 2000 reflecting the impact of Yemen production on TransGlobe's operations. In 2001, revenues net of royalties were $1,865,432 and $624,533 from Yemen and Canada respectively. In 2000, revenues net of royalties in Canada amounted to $179,478 and $87,337 in the United States. Revenue in Canada increased due to a 215% increase in gas prices and an 85% increase in production. Gas prices averaged $6.24 per Mcf in Canada in 2001 and $1.98 per Mcf in 2000. Oil prices in Canada averaged $24.77 per barrel in 2001 and $26.26 per barrel in 2000. The average oil price for the Company's production in Yemen for the first quarter 2001 was $22.27 per barrel. Oil produced from the Tasour field in Yemen 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 $448,519 averaged $3.56 per barrel in the first quarter of 2001 compared to $86,037 ($6.17 per barrel) in 2000. The decrease on a relative basis is due to the Yemen Block 32 operations which averaged $3.02 per barrel in 2001.

The netback per barrel of oil equivalent ("Boe") was $16.19 during the first quarter 2001. The comparable figure for the same period in 2000 was $13.21 per Boe. The increase in netbacks between periods is primarily due to the significant increase in gas prices and reduction in per unit operating costs.

General and administrative expenses were $132,723 for the three month period ended March 31, 2001 as compared to $217,447 in the comparable period. In 2000 costs of $70,000 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 $734,000 for the first quarter 2001 compared to $92,500 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 18% for the first quarter reflecting the conservative proven reserves assigned to the Tasour field at year end 2000. Unproven properties in the amount of $10,186,704 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 $169,167 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 quarter of 2001.

Capital Expenditures

Capital expenditures were $751,029 and $368,346 in Yemen and Canada respectively in 2001. Expenditures in Yemen were primarily for drilling and completing Tasour #5 on Block 32 and costs for the Harmel long term production test on Block S-1. In 2000, the Company incurred $219,790 in capital expenditures for a seismic program and commencement of the Tasour development program on Block 32. Canadian capital expenditures in 2001 relate to several Crown land purchases, drilling a well at Morningside and recompletion costs in the Morinville area. Capital expenditures of $200,243 in Canada in the first quarter 2000 relate mainly to Crown land purchases at Cherhill and Elk Island, completion costs at Elk Island, and recompletion costs on a horizontal well at Camao. Capital expenditures in the United States were minimal in 2000 as the domestic focus shifted to Canada. The properties in the United States were divested in 2000 to fund activity in Yemen.

OUTLOOK

The Company's growth strategy for 2001 will continue to favor exploration and development on the Yemen properties. Seismic acquisition and drilling on both our Yemen projects is planned for 2001/2002. In the Block 32 development area (13.81087% working interest) 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 seismic, drilling at least one development well in the Tasour field and one exploration well. 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 development area. The northwestern portion of the development area was selected to evaluate the trend mapped towards Block 32 from the recently announced discovery at Sharyoof on the adjacent Block 53. Two Qishn wells were drilled on Block 53 at Sharyoof with announced well tests of 5,000 and 16,500 Bopd respectively. The seismic acquisition is anticipated to take place between June and August and drilling is expected to commence in October. 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.

The results of the four well drilling program carried out on Block S-1 in 2000 (25% working interest) are very encouraging. Both discoveries, Harmel a large shallow oil pool and An Naeem a gas condensate discovery, will see further appraisal work. The 2001 joint venture budget included an additional 230 square kilometers (90 square miles) of 3-D seismic, one exploration well, one appraisal well at Harmel #2 and conducting extended production tests on Harmel #1 and #2. The start-up of the 3-D seismic acquisition is expected in July 2001. The completion of the acquisition, processing and interpretation are projected for December 2001 which will defer the drilling schedule into the first quarter of 2002. The 3-D seismic program will 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 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. It is anticipated that Harmel #2 will be drilled in conjunction with the exploration drilling program during the first quarter 2002 to save costs. 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 greatly improve 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.

The Minister of Oil and Mineral Resources extended the first exploration period on Block S-1 to March 28, 2002 in recognition of the planned appraisal work at Harmel. At the end of the first exploration period TransGlobe expects that the Block S-1 Joint Venture Group will elect to proceed with a second exploration period of 2 1/2 years. The An Naeem #2 well drilled in 2000 has pre-qualified as a second exploration period commitment well. Two additional wells and a 3-D seismic acquisition program are required to satisfy the balance of the second exploration period commitments.

In Canada, the Company participated in an exploratory multi-zone gas test at Morningside in central Alberta. The well (37.5% working interest) was cased as a potential gas well. In May 2001, TransGlobe took over operatorship and acquired the balance of the interest in the joint lands (1,400 net acres) and increased its working interest in the well to 60%. In addition to re-completing the well the Company plans to re-enter a suspended well for Mannville gas production during the second quarter. The wells could be tied in for production during the third quarter. Additional drilling on the 100% acreage will be contingent upon the re-completion activities. At Elk Island in Central Alberta, the Company acquired an additional 1,980 acres (990 net acres) of land. A multi-zone exploratory gas well (50% working interest) is scheduled to be drilled in the second quarter of 2001. The Company has assembled acreage on gas prospects at Cherhill, Thorsby, Rimbey, Fort Kent and Wrentham. During 2001, the Company plans to either drill or farm out these prospects.

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.

Mary Chandler, Vice President, Finance and Chief Financial Officer, has informed the Company of her intent to resign her position at the end of June. On behalf of the board, management would like to thank Ms. Chandler for her contributions over the years and wishes her success in her future endeavors. The Board welcomes Dave Ferguson to the management team as Vice President, Finance and Chief Financial Officer. Mr. Ferguson is a chartered accountant and has over 18 years' experience in the oil and gas industry with public and private companies.

On Behalf of the Board

Ross Clarkson

Ross G. Clarkson
President & Chief Executive Officer
May 18, 2001

Consolidated Statements of Operations

FOR THE THREE MONTH PERIOD ENDED MARCH 31
(Unaudited - Expressed in U.S. Dollars)

	2001	2000 (restated)
REVENUE		
Oil and gas sales, net of royalties	**$ 2,489,965**	$ 266,815
Other income	**1,742**	748
	2,491,707	267,563
EXPENSES		
Operating	**448,519**	86,037
General and administrative	**132,723**	217,447
Interest on long-term debt	**1,998**	12,028
Depletion and depreciation	**734,000**	92,500
	1,317,240	408,012
Net income (loss) before income taxes	**1,174,467**	(140,449)
Income taxes	**169,167**	-
NET INCOME (LOSS)	**1,005,300**	(140,449)
Deficit, beginning of period	**(20,786,935)**	(21,429,922)
Deficit, end of period	**$ (19,781,635)**	$ (21,570,371)
Net income (loss) per basic and diluted share	**$ 0.02**	-

Consolidated Balance Sheets

(Expressed in U.S. Dollars)

	March 31, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current		
Cash	**$ 345,526**	$ 64,914
Accounts receivable	**1,500,474**	1,616,908
Prepaid expenses	**45,019**	51,110
	1,891,019	1,732,932
Capital assets		
Canada	**2,288,204**	2,001,858
Republic of Yemen	**12,696,103**	12,590,074
	$ 16,875,326	$ 16,324,864
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 1,070,988**	$ 1,541,952
Long term debt	**81,260**	77,634
Provision for site restoration and abandonment	**89,209**	82,209
	1,241,457	1,701,795
SHAREHOLDERS' EQUITY		
Share capital	**35,415,504**	35,410,004
Deficit	**(19,781,635)**	(20,786,935)
	15,633,869	14,623,069
	$ 16,875,326	$ 16,324,864

APPROVED BY THE BOARD

Ross G. Clarkson, Director

Lloyd W. Herrick, Director

Consolidated Statements of Cash Flows

FOR THE THREE MONTH PERIOD ENDED MARCH 31
(Unaudited - Expressed in U.S. Dollars)

	2001	2000 (restated)
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income (loss)	**$ 1,005,300**	$ (140,449)
Adjustments for:		
Depletion and depreciation	**734,000**	92,500
Interest expense paid in common shares	**-**	5,294
Cash flow from operations	**1,739,300**	(42,655)
Changes in non-cash working capital	**333,792**	78,952
	2,073,092	36,297
FINANCING		
Issue of share capital	**5,499**	986,693
Issuance of long-term debt	**3,626**	-
Change in non-cash working capital	**-**	19,196
	9,125	1,005,889
INVESTING		
Purchase of capital assets		
Canada	**(368,346)**	(200,243)
United States	**-**	(1,765)
Yemen	**(751,029)**	(219,790)
Change in non-cash working capital	**(682,230)**	(268,019)
	(1,801,605)	(689,817)
NET INCREASE IN CASH	**280,612**	352,369
Cash, beginning of period	**64,914**	439,606
Cash, end of period	**$ 345,526**	$ 791,975
Cash flow per basic and diluted share	**$ 0.03**	-

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 periods ended March 31, 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 period ended March 31, 2001, the diluted weighted average number of shares was 51,301,932 (2000 - 40,306,837). 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	25,000	**5,500**
Balance, March 31, 2001	50,525,801	**$35,415,504**

4. Segmented information

	Three months ended March 31, 2001		
	Canada	**Republic of Yemen**	**Total**
REVENUE			
Oil and gas sales, net of royalties	**$624,533**	**$1,865,432**	**$2,489,965**
EXPENSES			
Operating	**118,516**	**330,003**	**448,519**
Depletion and depreciation	**89,000**	**645,000**	**734,000**
Segmented operations	**$417,017**	**$890,429**	**1,307,446**
Other income			**1,742**
			1,309,188
General and administration			**132,723**
Interest on long-term debt			**1,998**
Income taxes			**169,167**
NET INCOME			**$1,005,300**

	Three months ended March 31, 2000		
	Canada	United States	Total
REVENUE			
Oil and gas sales, net of royalties	$179,478	$87,337	$266,815
EXPENSES			
Operating	62,129	23,908	86,037
Depletion and depreciation	69,000	23,500	92,500
Segmented operations	$48,349	$39,929	88,278
Other income			748
			89,026
General and administration			217,447
Interest on long-term debt			12,028
NET LOSS			$(140,449)

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