

## TRANSGLOBE (AND SUBSIDIARIES) (“TransGlobe”)

### HEDGING POLICY

Management shall have the authority to enter into hedging transactions provided that they have not been precluded from doing so pursuant to a resolution of the Board of Directors and provided that any transaction is in accordance with the following procedures:

**Authorization** – Any contemplated transaction shall be approved by any two of the CEO, President, COO and CFO as to terms and conditions and compliance with this policy prior to consummating a transaction.

**Exposures** – TransGlobe shall be authorized to enter into contracts to hedge exposure to fluctuations in oil prices, gas prices, interest rates and foreign exchange.

**Term** – TransGlobe shall not enter into any contracts with terms that extend beyond 3 years from the date that the contract is entered into.

**Nature** – TransGlobe may enter into forward sales, costless collars or floor price arrangements using reference pricing.

**Quantity of Hedge** – The aggregate amount hedged (on a rolling basis) shall not to exceed 50% of forecasted total 2P production (for the first year), 45% of forecasted total 2P production (for the 2<sup>nd</sup> year) and 40% of forecasted total 2P production (for the 3<sup>rd</sup> year), or, in the case of extracted entitlement oil located on or to be located on a tanker, 100% of such oil. For greater certainty, the amounts contemplated above are not to exceed 100% of the Company’s estimate of entitlement production (production net of government royalties and taxes) in any period.

**Counterpart Security** – TransGlobe shall only enter into contracts with financial institutions that would qualify as a Schedule 1 bank in Canada or a foreign bank of equivalent credit worthiness.

**Execution and Documentation** – Although transactions may be initiated upon verbal instructions, all completed transactions must be formally approved by two of the CEO, President, COO or CFO.

**Board Direction** – During the strategy discussion of each quarterly meeting of the Board of Directors current trends in commodity markets will be discussed so that management will receive input relevant to hedging decisions.

Any deviations from the above policies may occur with the written approval of the Board of Directors or pursuant to contracts approved by the Board.