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SNAPSHOT

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SPEC BUY

Current Price \$0.11
Market Cap \$32.09

Shares on Issue (m): 306.7
Market Cap (\$m): \$32.09
Cash (\$m): 5.1
Debt (\$m): 2.9
Enterprise Value (\$m): 29.89

Performance Rights (m): 0.4
Convertible Note (\$m): 17.1

52 wk High/Low: 0.06 0.14
12m Av Daily Vol (m): 0.137

Cash Flow (\$'000's)	16A	17A	18A
Operating CF	(1,309)	(660)	(85)
Investing CF	(5,782)	(2,771)	(287)
Financing CF	(720)	3,658	1,734
Closing Cash	3,836	2,179	2,959

Directors
Edward Farrell Non Exec Chairman
Robert Towner MD/CEO
Darren Bromley Exec Director/CFO
Jsaon Peacock Non-Exec Director
Wai-Lid Wong Non-Exec Director
Tim Monchton Non-Exec Director

Share Price Graph



Please refer to important disclosures at end of the report (from page 11)

Monday, 11 February 2019

Triangle Energy (TEG)

Perth Basin Oil Producer with some Gas

Analyst | Michael Eidne

Quick Read

Triangle Energy (TEG) is a Perth Basin oil producer with several projects that could extend the life of its operations. TEG owns 35% of State Gas (GAS), a Queensland based gas developer that has just completed a successful drilling program. Currently, the value of TEG GAS holding exceeds its market cap by \$11.3m. On the basis that TEG's value is underpinned by its GAS holding as well as owning several attractive production and exploration assets, we initiate with a Speculative Buy recommendation.

Company Update

State Gas (GAS) Holding is worth more than TEG market cap: In 2017 TEG spun a Queensland Gas prospect out into a new listed entity, GAS. GAS has recently completed a very successful two well drilling program. The second well was drilled to a depth of 1,100m and intersected over 60m of gas and oil shows across a mixed lithology of coal and sandstones. TEG has retained a 35% holding in GAS and while its shares are escrowed this holding is now worth \$43.5m, which exceeds TEG current market cap of \$32.09m. This gives TEG a negative EV of \$11.3m.

Cliffhead production recovers: In 2018, the Cliffhead oil field suffered several setbacks impacting production. TEG has completed a workover on several wells in the field and has replaced downhole pumps. All of these new pumps are now online, and daily production has recovered to over 1,000 bbls/day.

TEG own 45% of the Xanadu discovery: At the end of 2018, TEG acquired Whitebark Energy's share of the Xanadu oil discovery. This gives TEG a 45% holding in the project. We are expecting appraisal work to ramp up this year. Commerciality of the discovery still needs to be proven but considering oil was recovered to surface that matches Cliff Head oil there is a strong possibility the discovery will be commercial.

Cliffhead redevelopment potential: The Cliffhead oil field was developed over 15 years ago and before TEG acquiring the field no follow up work on finding unswept oil or nearfield exploration has been done. Modern horizontal drilling technology has developed to the degree that it allows for very accurate geo-steering of the drill bit into previously unreachable parts of the reservoir.

Recommendation

We initiate on TEG with a Speculative Buy recommendation. TEG owns 35% of the listed ASX Queensland Gas developer, State Gas (GAS), which is worth \$43.5m. This value of the GAS holding exceeds TEG market cap by \$11.3m (08/02/2019) and therefore underpins the TEG value. TEG is currently producing 1,000 bopd, is planning workover of the Mount Horner field, is in the process of identifying more oil the Cliff Head field, and it owns 45% of the Xanadu Oil Discovery.

Company Overview

TEG has retained a 35% holding in GAS and while its shares are escrowed this holding is now worth \$43.5m which exceeds TEG current market cap of \$32.09m.

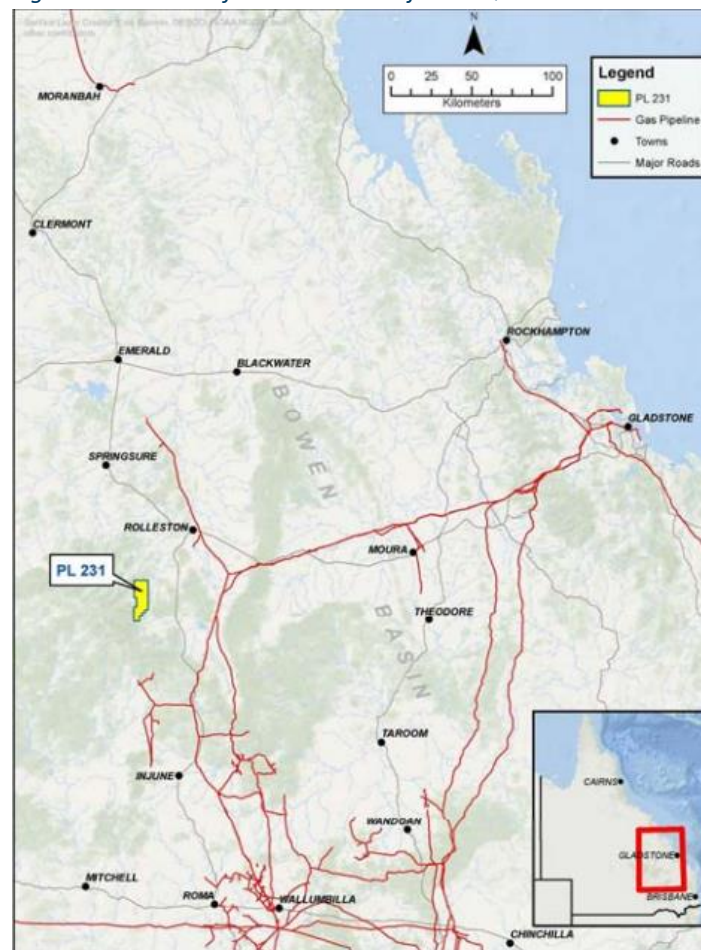
State Gas (GAS) Holding is worth more than TEG market cap

In 2017 TEG spun a Queensland Gas prospect out into a new listed entity, GAS. GAS's key asset is Reids Dome (PL231) which is a conventional/coal seam gas accumulation in the Bowen Basin in Queensland.

GAS has recently completed a successful two well drilling program. The second well was drilled to a depth of 1,100m and intersected greater than 60 m of gas and oil shows across a mixed lithology of coal and sandstones. TEG has retained a 35% holding in GAS and while its shares are escrowed this holding is now worth \$43.5m which exceeds TEG current market cap of \$32.09m. This gives TEG a negative EV of \$11.3m.

The East Coast is experiencing a shortage of gas due to constrained development in NSW and Victoria as well as the prioritisation of gas for exports. State Gas recently appointed financial advisors to help with the inbound queries it is receiving from interested parties.

Figure 1: Location of Reids Dome Project in Queensland



Source: Triangle

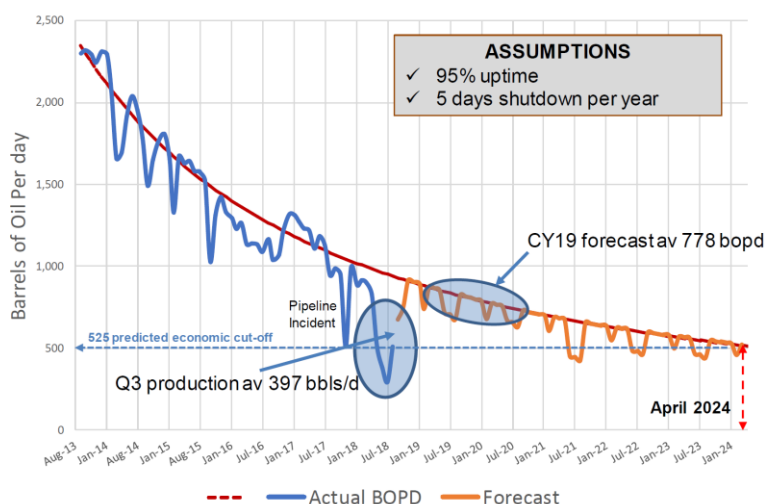
Gas recently appointed financial advisors to help with the inbound queries it is receiving from interested parties.

Cliffhead production recovers to 1,000bopd

Daily production has recovered to over 1,000 bbls/day.

In 2018 the Cliffhead oil field suffered several setbacks impacting production. TEG has completed a workover on several wells in the field and has replaced downhole pumps. All of these new pumps are now online, and daily production has recovered to over 1,000 bbls/day. While it is encouraging that production has returned to higher levels, it is still expected that the field will continue to decline until economic cutoff is reached at 500 bbl/day in 2024.

Figure 2: Cliffhead forecast production based on current reserves in the field.



Source: Triangle

TEG own 45% of the Xanadu discovery

At the end of 2018, TEG acquired Whitebark Energy's share of the Xanadu oil discovery. This gives TEG a 45% holding in the project.

At the end of 2018, TEG acquired Whitebark Energy's share of the Xanadu oil discovery. This gives TEG a 45% holding in the project. We are expecting appraisal work to ramp up this year. As TEG is the owner of the nearby Arrowsmith facility, the field will be commercialised through the plant as it is sited approximately 11km from the proposed well location.

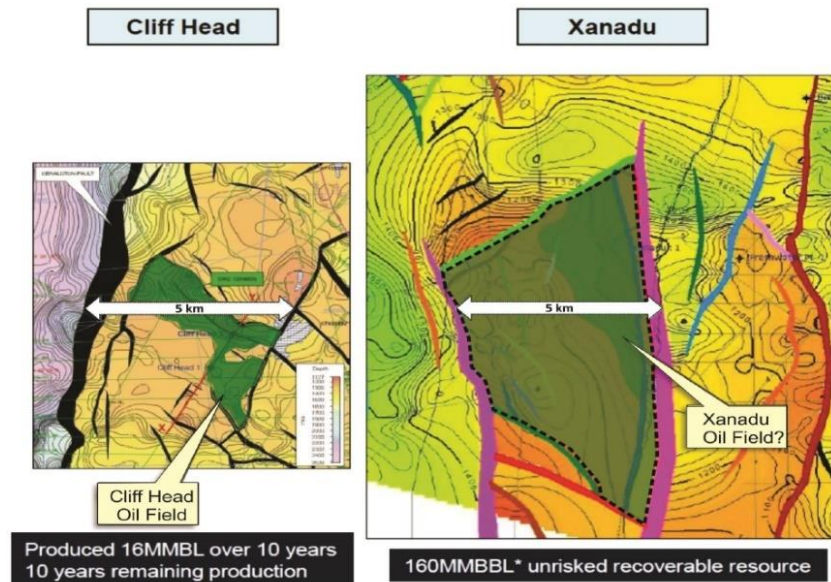
Commerciality of the discovery still needs to be proven but considering oil was recovered to surface that matches Cliff Head oil there is a strong possibility the discovery will be commercial.

Figure 3: Xanadu's Estimated un-risked recoverable volumes

Un-risked Prospective Resource: recoverable volumes oil (MMstb) ¹			
Reservoir	Low estimate	Best estimate	High estimate
Dongara Sandstone	3	12	22
Irwin River Coal Measures	13	88	159
High Cliff Sandstone	29	60	256
Total	45	160	437

Source: Norwest

Figure 4: Comparison of the Cliff Head and Xanadu Structures

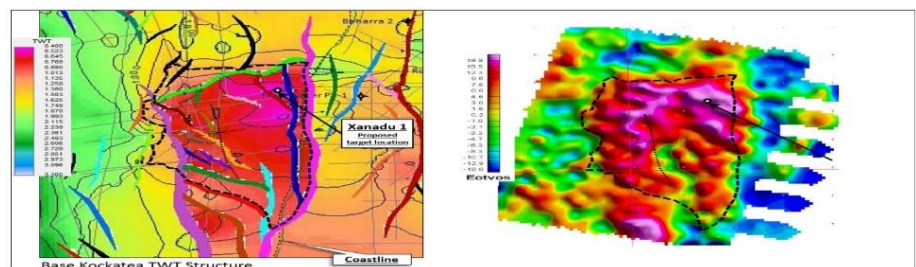


Source: Triangle

The play is the same as Hovea/Eremia fields and nearby Cliff Head field

The play is the same as Hovea/Eremia fields and nearby Cliff Head field but is a larger structure. Cliff Head has produced 15m bbls of oil and Hovea has produced 4m bbls, and it is estimated that Xanadu could be 8 times larger than Hovea. Structurally the field is a horst block lying parallel to the coastline in very shallow water. The closer to shore sands of the Dongara sandstone is the primary target, and the secondary targets are the fluvio-deltaic Irwin River Coal Measures and the regressive marine sands of the High Cliff Sandstone.

Figure 5: Left: Seismically derived structural definition at the top of the Permian reservoir sequence (Dongara/Wagina-IRCM – Kingia/High Cliff Sandstone) Right: Gravity expression supports seismic mapping.



Source: Whitebark Energy

Wireline logs run over 330m of reservoir quality sand intervals and have confirmed the presence of a 4.6m oil column at the top of the Irwin Coal Measures. Porosity in this sand package ranges from 15% to 16% with hydrocarbon saturation ranging from 41% to 66% over the entire package. The JV believes this field is therefore analogous with nearby Cliff Head. The hydrocarbon saturated zones are near the top of the area of interest, and the JV thinks that drilling up-dip could intersect a larger oil column. Preliminary analysis has shown that the well may only have intersected a small part of the accumulation and the bulk of the oil lies updip from the position of the Xanadu-1 well. This is analogous with the

The JV recovered oil to the surface via a specialised sampling tool from Schlumberger.

Thanks to the proximity of the Arrowsmith plant it will be possible to rapidly commercialise this discovery with a minimal capital injection.

initial Cliff Head discovery which intersected a gross oil column of 4.8m in a structurally similar setting. A side-track was then drilled up-dip, and this intersected a 36m gross oil column, and the JV believe that a similar scenario could play out in the Xanadu field.

The JV recovered oil to the surface via a specialised sampling tool from Schlumberger. Due to the deviated nature of the well bore, it has been challenging to retrieve logs from the well. To log the areas of interest, the operator has had to attach the logging equipment to the bottom of the drill stem.

Thanks to the proximity of the Arrowsmith plant it will be possible to rapidly commercialise this discovery with minimal capital injection. The Arrowsmith plant can produce 15,000 bbls of oil a day and is currently running at 1,200 bbls per day. There is a disused railway line that runs near the Xanadu drill pad up to the Arrowsmith plant. This could be used as a corridor for a private haul road or a path for a pipeline.

The Xanadu structure is very large at 5km² and the fact that the very first drill hole into the prospect has resulted in a discovery, is a major event. The bulk of the structure remains untested as this well only intersects a relatively small area. A key risk in the Perth Basin is trap seal integrity, and now that it has been confirmed that movable hydrocarbons are present, any further work on the field is considerably de-risked. Norwest, the operator, has stated, that it seems if the well has missed the crest of the discovery and drilling further up the structure is likely to intercept a thicker oil column nearer the apex of the structure. As one moves up-dip, oil saturation increases from 41% to 66% and oil saturation is likely to increase the further away from the oil/water contact the side track well is positioned potentially improving the commerciality of the discovery.

Figure 6: The Enerdrill 3 rig onsite at the Xanadu-1 well.



Source: Argonaut

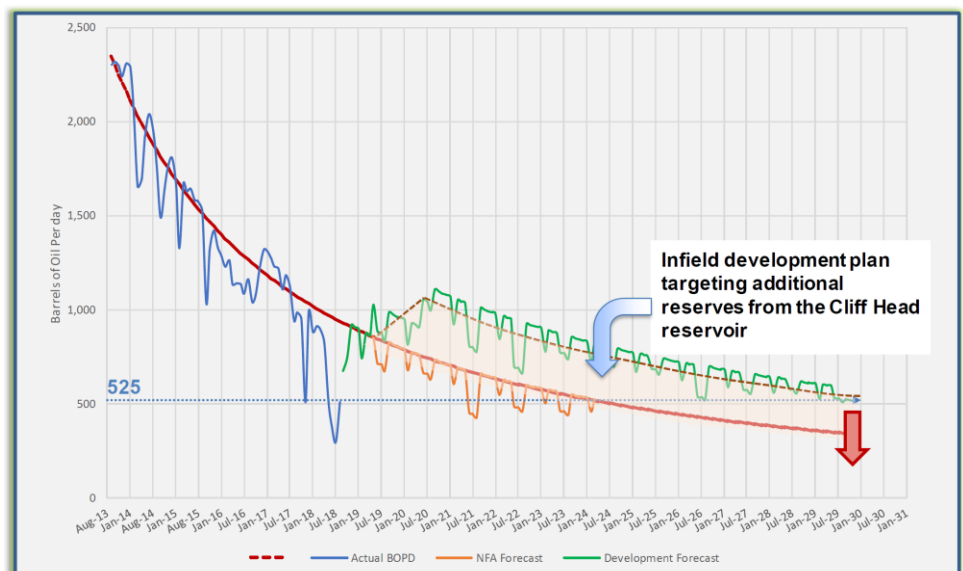
Cliffhead redevelopment potential

If the redevelopment is successful TEG expects to be able to run the field until 2030.

The Cliffhead oil field was developed over 15 years ago and before TEG acquiring the field no follow up work on finding unswept oil or nearfield exploration has been done. Modern horizontal drilling technology has developed to the degree that it allows for very accurate geo-steering of the drill bit into previously unreachable parts of the reservoir. TEG has been working on identifying unswept oil in the field, and it is expected that this will result in a drilling program to access the unswept oil. This is similar to the process that Carnarvon has undertaken on the Buffalo field in the Bonaparte Basin.

If successful TEG expects to be able to run the field until 2030. This estimate excludes any potential oil production from the nearby Xanadu field.

Figure 7: Cliffhead potential production curve if the infield development plan is successful.



Source: TEG

Mount Horner Production License (50%)

TEG recently farmed into the Mount Horner Production license.

TEG recently farmed into the Mount Horner Production license. The Mount Horner field has been a producer in the past. A recent review of the field has identified bypassed and attic oil that can be produced via the workover of existing wells and the drilling of several new wells. TEG with Key Petroleum intends to conduct a 3D seismic survey to determine the positing of two new production wells.

Several additional prospects have also been mapped that are on trend with the Mount Horner field. Due to the fact this is onshore drilling, drilling and development costs will be relatively inexpensive compared to an offshore program. It is intended that all new oil will be processed through the Arrowsmith plant.

Cliffhead Oil field and Arrowsmith Stabilisation Plant

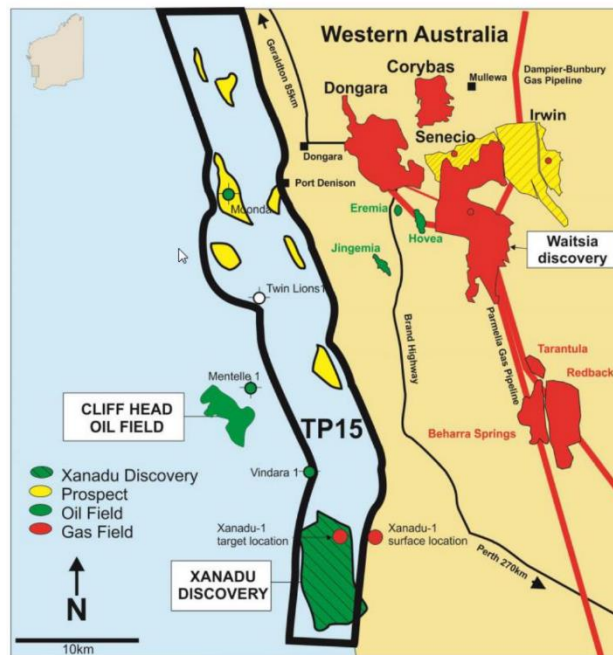
TEG is the 78.75% majority owner and operator of the Cliff Head oil field and nearby Arrowsmith processing plant. The Cliff Head field is a producing oil field that first produced crude oil in May 2006 and has, since commissioning, produced 15.5 mmbbls of oil. The

field continues to perform above forecasts producing ~1,200 bbls/day or ~440,000 bbls per year. The balance of the project (22.25%) is owned by Royal which is a private investment vehicle based on the East Coast of Australia.

The installation consists of an onshore stabilisation plant and an unmanned offshore platform in 15m to 20m of water. The 6km² Cliff Head oil field is in Production License WA-31-L which covers 72km² and is close to the town of Dongara. It is estimated that the infrastructure has a replacement value of \$320m. The plant is connected to the field by a 14km pipeline to the onshore stabilisation plant. The facility is well situated in the basin to potentially process third-party crude from any nearby onshore and offshore discoveries as the Arrowsmith plant can process 15,000 bopd of crude.

Arrowsmith has a replacement value of \$320m.

Figure 8. The location of TEG assets in the Perth Basin



Source: TEG

Figure 9: The Cliff Head Production Platform



Source: Argonaut

The offshore platform is unmanned and remotely monitored from the Arrowsmith facility, which helps to contribute to the low-cost nature of the project.

The offshore platform is unmanned and remotely monitored from the Arrowsmith facility, which helps to contribute to the low-cost nature of the project.

Figure 10: Arrowsmith Onshore Stabilisation Plant



Source: Argonaut

The high-quality 33° API produced crude is trucked 350km south to the BP's Kwinana refinery where TEG receives a Brent derived price. The light sweet nature of the crude benefits the refinery by offsetting some of the heavier imported crudes.

Directors

Mr Edward (Ted) Farrell – Non-Executive Chairman

Mr Farrell Ted has a substantial background of experience from “Heavy Industrial” groups and from involvement with Contracting in Earthworks and concreting plants. His career includes more than 25 years owning, and managing a private client share broking and financial advisory practice. He currently provides corporate consultancy services, and international consultancy services with relation to the Financial Services Industry and Trade and Economic development projects between Asia and Australia. He is presently a director of a gold mining and exploration company and has involvement with the aged and disability industry through consulting projects. He has held various directorships with private and public companies and is a Fellow of the Institute of Public Accountants, a member of the Australian Institute of Managers & Leaders and a Justice of the Peace NSW.

Robert Towner – Managing Director / Chief Executive Officer

Mr Towner has over 20 years’ experience in the corporate advisory and finance sectors. He was appointed managing director of Triangle Energy (Global) Ltd in February 2015, and managed the Company’s transition from operating Indonesian based assets to establishing a portfolio of Australian oil and gas projects. Since Rob’s appointment the Company has become the majority owner (78.75%) and Operator of the Cliff Head Oil Field and Arrowsmith Stabilisation Plant located 270kms north of Perth. In March 2004, he founded and was executive director of bioMD Limited (now Admedus Limited) for over eight years. Rob played an integral role in the merger of bioMD Limited with unlisted public company Allied Medical Limited. Rob currently is a non-executive director of Botanix Pharmaceuticals Limited (formerly Bone Medical) and a non-executive director of the Telethon Type 1 Diabetes Family Centre.

Darren Bromley – Executive Director / Chief Financial & Operations Officer

Mr Bromley has over 26 years’ experience in business management and the corporate finance sector. Darren previously held CFO positions at ASX listed entities Prairie Downs Metals Limited and QRSciences Holdings Limited as well as numerous company directorships and secretary positions. He is currently a director a non-executive director at Appwell Pty Ltd (Openn Negotiation).

Jason Peacock – Non-Executive Director

Jason has 18 years of oil and gas experience across production operations, reservoir engineering and petroleum development, and was appointed a Non-Executive Director of Triangle Energy (Global) Ltd in April 2018. Jason has extensive leadership and management experience with both onshore and offshore exploration and development projects with Chevron in the North Sea, Shell in Asia and more recently with AWE in NZ, where he provided technical support and assurance across many of AWE’s assets, including Cliff Head. Jason assumed the role of Asset Manager for the Tui Field in 2009, was promoted to the role of General Manager NZ for AWE in 2015 and in early 2017 commenced the role as NZ Country Manager for Tamarind.

Wai-Lid Wong – Non-Executive Director

Wai-Lid has over 17 years oil and gas experience in process engineering, operations and asset management roles. He was appointed a Non-Executive Director of Triangle Energy (Global) Ltd in April 2018. Currently, Wai-Lid holds the position of Chief Operating Officer

for Tamarind Resources. In this role, he is responsible for the delivery of all aspects of Tamarind's operated business, working closely with Tamarind's Regional leadership. Prior to this, Wai-Lid was the Asset Manager for two PSCs and headed all Asset Development and CAPEX Project activity for Talisman / Repsol in Malaysia. Wai-Lid has also spent a period of time within Schlumberger's strategic advisory arm (Asia and Australia) where he assisted a number of Regional E&P Players drive major strategic transformation and performance improvement programs.

Tim Monckton – Non-Executive Director

Tim has been in the Stockbroking Industry for over 25 years starting his career as an analyst before moving into sales. Tim is currently an Equity Partner with Baillieu Holst and is the Relationship Manager for the resources sector. Tim spent eleven years with ABN AMRO/ Royal Bank of Scotland where he was Head of Domestic Sales for six years before being promoted to Managing Director Corporate Broking. Prior to moving to Australia, he was employed as Head of Local Human Resources and sat as Chairman of the Albert Abela Group UK.

Lucy Rowe – Company Secretary

Lucy was appointed Company Secretary of Triangle Energy (Global) Limited in November 2017. Lucy is an experienced compliance professional, with 18 years' experience in the financial services, oil and gas, and IT industries. Lucy has held the position of Company Secretary of New Guinea Energy Limited for 6 years, and has also been the Company Secretary of a number of other listed and unlisted public companies. Lucy gained her PS 146 securities adviser accreditation in 2002 and holds a Graduate Diploma in Legal Studies majoring in financial services law.

Major Shareholders

Rank	Name	Units	% Units
1	Tamarind Resources Pte Ltd	23,028,495	10.56%
2	BNP Paribas Nom Pty Ltd	16,475,782	7.55%
3	HSBC Custody Nom (Aus) Ltd	15,725,782	7.21%
4	Mr Darren Michael Bromley	10,575,773	4.85%
5	Ucan Nominees Pty Ltd	10,031,553	4.60%
6	Jarrad Street Corporate Pty Limited	9,350,000	4.29%
7	Sochrastem Sas	8,000,000	3.67%
8	Mr Michael Arnett	6,000,000	2.75%
9	Citicorp Nominees Pty Limited	5,847,296	2.68%
10	J P Morgan Nominees Aus Ltd	4,767,798	2.19%

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Important Disclosure

Triangle Energy (Global) Limited (TEG) Argonaut acted as Sole Lead Manager to the Placement that raised \$1.3M in November 2018 and Underwriter for the Entitlement Offer and received fees commensurate with this service. Argonaut acted as Sole Lead Manager to the Placement that raised \$1.3M in November 2018 and Underwriter for the Entitlement Offer and received fees commensurate with this service. Argonaut has acted as Financial Adviser to TEG in the previous 12 months and received fees commensurate with this service. The analyst owns shares in TEG.

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