

SPEC BUY

Current Price \$0.088
Market Cap \$27.5m

Ticker:	TEG		
Sector:	Energy		
Shares on Issue (m):	312.7		
Unlisted options (m):	11.1		
Unlisted performance shares (m):	0.4		
Market Cap (AU\$m):	27.52		
Cash (AU\$m)	2.5		
Debt (AU\$m)	0.9		
Enterprise Value (AU\$m):	25.9		
52 wk High/Low:	14.00	6.40	
12m Av Daily Vol (m):	9.04		
Cashflow (\$'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 Farrel	Non Exec Chairman
Robert Townner	MD/CEO
Darren Bromley	Exec Director/CFO
Jason 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 2)

Friday, 30 August 2019

Triangle Energy (TEG)

Cliff Head Contingent Resource Update

Analyst | Michael Eidne

Quick Read

TEG has announced an update to the contingent and prospective resources for the Cliff Head field. If a program to develop the contingent resources is successful, using a US\$25 netback per barrel, US\$15m (\$22m) could be added to operational cashflow by re-completing wells and a further US\$78m (\$116m) if the infield drilling program is successful. Using the same metrics, a near field exploration program could be worth US\$78m (\$116m) in operational cash flow. We see considerable value in this stock given; (1) Large holding in State Gas (GAS) accounting for more than TEG's market cap. (2) Its infrastructure footprint. (3) The current production profile. (4) The potential for field life extension. (5) The potential of the Xanadu discovery. Therefore, we maintain our SPEC BUY recommendation.

Contingent and Prospective Resources Update | Positive

TEG has identified a potential net 8.73mmbbls of untapped contingent and prospective resources in the Cliff Head Oil field: TEG has been working on identifying and evaluating in-field and near-field opportunities to extend Cliff Head's field life. As a result of this work, TEG has identified 3.77mmbbls of contingent resources that could be exploited by either re-completing existing wells or drilling new wells in the field. Two near-field exploration wells with 4.96mmbbls contingent resources have also been identified. TEG is planning to take FID on the program by the end of the year with workover activity and drilling planned for 2020/21.

Near term opportunities: TEG believes the most mature opportunity is the re-completion of the water injection well, CH11 to a production well to access previously bypassed and unswept oil. It may also be possible to re-complete CH13 to access bypassed attic oil in the reservoir. Both of these activities can be completed without drilling, and if successful, will add 600k bbls of oil to inventories. An additional net 600k of oil production at a US\$25 netback would be worth US\$15m (\$22m) in operational cash flow.

Drilling opportunities: TEG has identified several opportunities to extend Cliff Head field life by adding net 3.15mmbbls of oil inventory by drilling several wells within the existing field envelope. If these resources were to be produced, the program could add US\$78m (\$116m) of operational cash flow to the field and extend field life by several years. There are also two near-field exploration targets, Mentelle Updip and South Cliff Head, which if successful, will add a net 4.96mmbbls to the field. The additional production from these wells would add materially to the field life and cash flow by US\$124m (\$185m).

Recommendation

We see considerable value in this stock given; (1) Large holding in State Gas (GAS) accounting for more than TEG's market cap. (2) Its infrastructure footprint. (3) The current production profile. (4) The potential for field life extension. (5) The potential of the Xanadu discovery. Therefore, we maintain our SPEC BUY recommendation.

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Important Disclosure

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.

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