



ARGONAUT
The Natural Choice in Resources

SNAPSHOT

Financial Advisers | Stockbroking & Research | Special Situations Financing
www.argonaut.com PERTH +61 8 9224 6888 HONG KONG +852 3557 4888

SPEC BUY

Current Price \$0.043
Market Cap \$15.5m

Monday, 3 February 2020

Triangle Energy (TEG)

December 2019 Quarterly Report

Analyst | Michael Eidne

Quick Read

Cliff Head production improved at the back of the quarter thanks to the installation of a new downhole pump in one of the wells. TEG also enjoyed better than expected received crude oil price due to the local demand for light sweet crude on the back of the implementation of the IMO rules. TEG's GAS investment is worth nearly double the TEG market cap, and these shares are fully tradable. We maintain our SPEC BUY rec.

Quarterly Update - Neutral

Cliff Head production steady: Cliff Head produced 76,663 bbls oil at an average of 801 bopd. Late in the quarter, the Company replaced a submersible pump in one of the wells and when this was brought online, overall field production jumped to just over 1,000bopd.

Revenue increased by 14% to \$7.09m QoQ: The increase in revenue was due to an improvement in received prices which due to the implementation of the IMO rule to limit the sulphur content in ship fuel. Overall field gross profit on a 100% basis was \$3.06m, including non-routine costs. However, cashflow for the quarter was negative due to the pump replacement, restructuring costs, and elevated exploration costs from the Cliff Head renewal project. Profitability should improve next quarter with lower staff costs and the completion of a portion of the exploration program. On a normalised run rate over 12 months, the Cliff Head field is expected to make circa \$1.8m in free cash flow before exploration costs, but the expenditure can be lumpy quarter to quarter. The free cash flow is being recycled into the development program.

Work on the Cliff Head Renewal Project is ongoing: Cashflow from Cliff Head is being reinvested in the Cliff Head Renewal Project, which is a project to identify near field areas of interest that may contain additional hydrocarbons. Several key targets were identified and worked up. TEG has also reprocessed the old 3D seismic data from the field using more modern techniques. The results from this process are expected in March when the targets will be ranked. Currently, the drilling of West High appears to be the most attractive opportunity. West High is thought to hold 1.4mmbbls that could be tied into the Cliff Head platform. During the quarter, the CH-11 water injector well was shut in to test aquifer support. It was found, that by rerouting the water to CH9, field production improved. TEG is now evaluating re-completing the CH-11 well as a producer.

2020 Outlook: TEG owns 47.8m shares in State Gas (GAS). These are currently worth \$28m and are fully tradable vs. TEG's current market cap of \$15.5m. GAS is currently proving up a gas resource in the Bowen Basin in Queensland and we expect this work to be completed in the coming months. We also expect TEG to advance its in and near field development program to grow the oil inventory close to Cliff Head. This strategy makes sense considering the strong infrastructure footprint TEG enjoys in the Perth Basin.

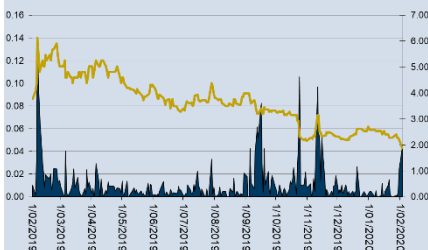
Recommendation

We maintain our SPEC BUY recommendation

Ticker:	TEG		
Sector:	Energy Minerals		
Shares on Issue (m):	360.8		
Market Cap (A\$m):	15.5		
Debt (A\$m)	0.9		
Cash (A\$m)	2.5		
Enterprise Value (A\$m):	13.9		
52 wk High/Low:	0.140	0.043	
12m Av Daily Vol (m):	0.536		
Cash Flow (A\$m)			
	2017A	2018A	2019A
Operating CF	(0.667)	(0.086)	1.354
Investing CF	(2.771)	(2.870)	(5.402)
Financing CF	1.735	3.658	3.462
Closing Cash	2.373	2.959	2.490

Directors	
Timothy Monckton	Non-Executive Chairman
Robert E. T. Towner	CEO, Managing Director
Edward Farrell	Non-Executive Director
Jason Lee Peacock	Non-Executive Director
Wai-Lid Wong	Non-Executive Director

Share Price Graph



Please refer to important disclosures at end of the report (from page 2)

RESEARCH:

Ian Christie | Head of Research
+61 8 9224 6872 ichristie@argonaut.com

Matthew Keane | Director, Metals & Mining Research
+61 8 9224 6869 mkeane@argonaut.com

James Wilson | Analyst, Metals & Mining Research
+61 8 9224 6835 jwilson@argonaut.com

Helen Lau | Analyst, Metals & Mining Research
+852 3557 4804 hlau@argonaut.com

Michael Eidne | Director, Research
+61 8 9224 6831 meidne@argonaut.com

Jeff Sansom | Research Associate
+61 8 9224 6890 jsansom@argonaut.com

INSTITUTIONAL SALES - PERTH:

Chris Wippl | Executive Director, Head of Institutional Sales
+61 8 9224 6875 cwippl@argonaut.com

Damian Rooney | Director Institutional Sales
+61 8 9224 6862 drooney@argonaut.com

John Santul | Consultant, Sales & Research
+61 8 9224 6859 jsantul@argonaut.com

Ben Willoughby | Institutional Dealer
+61 8 9224 6876 bwilloughby@argonaut.com

Josh Welch | Institutional Dealer
+61 8 9224 6868 jwelch@argonaut.com

George Ogilvie | Institutional Dealer
+61 8 9224 6871 gogilvie@argonaut.com

INSTITUTIONAL SALES - HONG KONG:

Damian Rooney | Director Institutional Sales
+61 8 9224 6862 drooney@argonaut.com

CORPORATE AND PRIVATE CLIENT SALES:

Glen Colgan | Managing Director, Desk Manager
+61 8 9224 6874 gcolgan@argonaut.com

Kevin Johnson | Executive Director, Corporate Stockbroking
+61 8 9224 6880 kjohnson@argonaut.com

James McGlew | Executive Director, Corporate Stockbroking
+61 8 9224 6866 jmcglew@argonaut.com

Geoff Barnesby-Johnson | Senior Dealer, Corporate Stockbroking
+61 8 9224 6854 bj@argonaut.com

Philip Grant | Senior Dealer, Corporate Stockbroking
+61 8 9224 6834, pgrant@argonaut.com

Rob Healy | Dealer, Private Clients
+61 8 9224 6873, rhealy@argonaut.com

Cameron Prunster | Dealer, Private Clients
+61 8 9224 6853 cprunster@argonaut.com

James Massey | Dealer, Private Clients
+61 8 9224 6849 jmassey@argonaut.com

Chris Hill | Dealer, Private Clients
+61 8 9224 6830, chill@argonaut.com

Harry Massey | Dealer, Private Clients
+61 8 9224 6829, hmassey@argonaut.com

Important Information

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 participated in the Placement to raise \$3.6M in September 2019 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.

Information Disclosure

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

Snapshot Research

Valuation / Target Price: The report may or may not contain a valuation / target price.

Recommendation: If there is a valuation / target price, there will be a recommendation. In the absence of a valuation / target price, there may or may not be a recommendation. In all cases, where views / opinions are expressed, the analyst will have a reasonable basis for doing so.

Coverage: A Company is only considered formally covered when a recommendation has been provided. If coverage is to cease, this will be disclosed in a coverage update report within a suitable time period.

Research frequency: Commentary may be infrequent, ad hoc, and newsflow dependent. If the Company is not formally covered (i.e. there is no recommendation), the report may be a one-off. Recommendations and opinions should only be considered valid at the date of the report.

Risk: Where Snapshot Research is associated with a Company at an early stage of its life cycle, earnings / financial / funding risks should be considered high and investment speculative.

For U.S. persons only

This research report is a product of Argonaut Securities Pty Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Argonaut Securities Pty Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Argonaut Securities Pty Limited has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Hong Kong Distribution Disclosure

This material is being distributed in Hong Kong by Argonaut Securities (Asia) Limited which is licensed (AXO 052) and regulated by the Hong Kong Securities and Futures Commission. Further information on any of the securities mentioned in this material may be obtained on request, and for this purpose, persons in the Hong Kong office should be contacted at Argonaut Securities (Asia) Limited of Unit 701, 7/F, Henley Building, 5 Queen's Road Central, Hong Kong, telephone (852) 3557 4800.

General Disclosure and Disclaimer

This research has been prepared by Argonaut Securities Pty Limited (ABN 72 108 330 650) ("ASPL") or by Argonaut Securities (Asia) Limited ("ASAL") for the use of the clients of ASPL, ASAL and other related bodies corporate (the "Argonaut Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. ASPL is a holder of an Australian Financial Services License No. 274099 and is a Market Participant of the Australian Stock Exchange Limited. ASAL has a licence (AXO 052) to Deal and Advise in Securities and Advise on Corporate Finance in Hong Kong with its activities regulated by the Securities and Futures Ordinance ("SFO") administered by the Securities and Futures Commission ("SFC") of Hong Kong.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and ASPL and ASAL have made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete or up to date. The Argonaut Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Argonaut Group or its respective employees, agents

or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Argonaut Group and/or its associates, including ASPL, ASAL, officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may effect transactions which are not consistent with the recommendations (if any) in this research. The Argonaut Group and/or its associates, including ASPL and ASAL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on ASPL's and / or ASAL's overall revenues.

Copyright

© 2020. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Argonaut Securities Pty Limited and / or Argonaut Securities (Asia) Limited. Argonaut Securities Pty Limited and Argonaut Securities (Asia) Limited specifically prohibits the re-distribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.