Triangle Energy (Global) Ltd

TEG.AX – INITIATION OF COVERAGE

MST Access

A research platform of MST Financial

9 August 2023

Triangle reshaped!

NEED TO KNOW

- A series of transactions in 2022 & 2023 has reshaped TEG into a pure-play Perth Basin explorer with high-impact drilling targeted for CY2024.
- Three free-carried exploration wells in the northern Perth Basin target prospective gas resources of 200 Bcf and 2.5 MMbbls of oil (net to TEG).
- Substantial leverage to drilling success from a market value pricing cash assets and discounting all else.

In a recent transaction TEG agreed to divest its Cliff Head oil field for cash and future royalty, eliminating future abandonment liabilities, simplifying the investment thesis and building a large cash balance.

In the northern Perth Basin, recent seismic surveying has high-graded oil & gas prospects for drilling with three wells planned in 2024, funded up to $20M of expenditure by third parties following farm-outs in late 2022 & early 2023. These wells expose TEG to substantial upside in the event of exploration success.

Cash and investments approximate $15M with up to another $15M of cash and royalty income as a result of sale of TEG's 78% interest in the Cliff Head Joint Venture (CHJV) to partner Pilot Energy (ASX: PGY). This provides financial capability to fund exploration activity and consider new ventures outside of Australia.

Investment Thesis

The share price trades at discount to cash and investments offering investors low-risk upside in the event of positive exploration results in CY2024. TEG has a 50% ownership in the licences which have a resource potential of ~200 Bcf of gas (net to TEG) and 2.5MMbbls of oil. TEG is predominantly free carried.

Gas shortages loom in WA, gas prices are firming, and the industry is consolidating. TEG is the smallest remaining Perth Basin E&P company and offers leverage to macro events such as M&A activity in addition to bespoke exploration activity.

TEG's market value is little more than cash & receivables and discounts free-carried exploration acreage, and managements success to date in overcoming operational and financial challenges and executing transactions to re-shape the company.

Valuation A$0.034

MST's valuation is a sum-of parts underpinned by cash, CHJV receivables, an investment in ASX-listed State Gas, DCF of a future CCS royalty income, and a risked value for gas exploration. The un-risked upside is A$0.12 in the event of exploration success and the subsequent booking of contingent resources.

Risks

Key risks are drilling results for the 2024 exploration wells, commodity prices which are volatile, potential Governmental intervention into the fossil fuel industry, and agitation from climate activists.

Equities Research Australia

Energy

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TriangleEnergy

Triangle Energy is an oil and gas explorer with operations in the Perth Basin, W.A. Its assets have strategic importance in this re-energised region for gas and liquids production. New ventures outside Australia are being considered, backed by strong balance sheet.

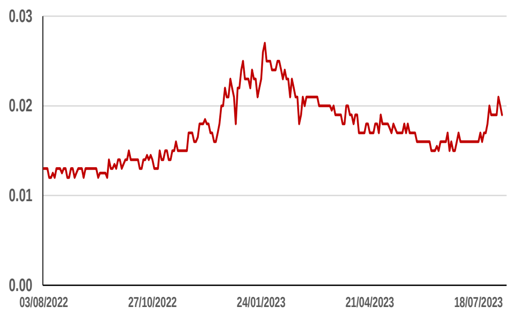
https://www.triangleenergy.com.au

Valuation	**A$.034**
Current price	**A$0.019**
Market cap	**A$26M**
Cash	**A$10.8M**

Upcoming Catalysts and News-flow

Period	
2H CY23	Completion of CHJV sale
CY 2024	Three exploration wells in Perth Basin

Share Price (A$)

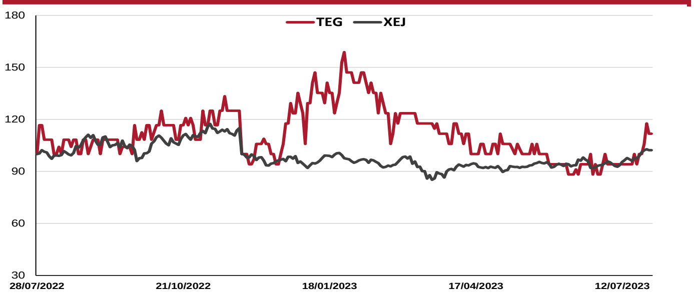


Source: FactSet, MST Access

Figure 1: Financial Summary

Market Data	Y/e Jun 30		Lo	Hi
Share price	A$/sh	0.019		
52 w eek range	A$/sh		0.012	0.027
Shares on issue	M	1376.0		
Other capital	M	0.0		
Market Cap	A$M	26		
Net Cash	A$M	10.8		
Debt	A$M	0		
Enterprise Value	A$M	15		

Chart



Valuation		2022A	2023	2024	2025
EPS U/L	-0.004	-0.007	0.008	-0.001	-0.003
PE	-	n/m	n/m	-21.0	-6.5
DPS	-	0	0	0	0
Yield-%	-	0	0	0	0
EBITDAX/sh	-	0.004	0.008	-0.001	-0.003
EV/EBITDAX	-	-	-	-12.3	-3.8
EV/(2P+2C)-$/GJ	-	25.57			
Revenue/Pje	-	n/m	n/m	n/m	n/m
EBITDAX/Sales-%	-	-			
Net Debt		1.9	6.1	-14.5	-8.9
ND/(ND+E)	-	20%	36%	-128%	-28%
Assumptions	**2021A**	**2022A**	**2023**	**2024**	**2025**
A$/USD	0.70	0.70	0.70	0.70	0.70
Brent-US$/bbl	54.21	91.69	95.69	75.64	79.15
Nat Gas Px-A$/GJ	0.00	0.00	2.00	0.00	0.00
Production	**2021A**	**2022A**	**2023**	**2024**	**2025**
Gas- PJ	0	0	0.0	0.00	0.00
Liquids (MMbbl)	0	0	0.2	0.08	0.00
PJe	0	0	0.5	0.45	0.00
MMboe	0	0	0.2	0.08	0.00

Reserves (Mmbc	1P	2P	3P	2C	Prosp
Cliuff Head		0.6	0		
Booth				0	23
Mountain Bridge				0	5
Becos				0	3
Total	0	0.6	0	0	31

SoP Valuation	Risk	U'risked	Risked
Cliff Head sale recievable		8	8
State Gas shares	Market	4	4
Future CCS royalty	DCF	5	2
Gas Expn	25%	125	25
Oil Expn	25%	25	5
Corporate		-8	-8
Total E&P assets		**159**	**36**
Cash		11	11
Debt		0	0
Total equity value		**169**	**47**
Shares FD		1376	1376
Fully diluted Per share		**0.123**	**0.034**

P & L	2021A	2022A	2023	2024	2025
Gas Revenue	0.0	0.0	-0.5	0.0	0.0
Oil Revenue	0.0	0.0	12.3	7.3	0.0
Total Revenue	**11.2**	**20.6**	**30.9**	**7.3**	**0.0**
Field costs	0.0	-9.5	-10.8	-4.5	0.0
G&A	-4.7	-6.0	-8.7	-4.0	-4.0
EBITDAX	**0.7**	**5.1**	**11.2**	**-1.2**	**-4.0**
Exploration exp.	-3.2	-11.7	0.0	0.0	0.0
Depreciation	-0.8	-0.2	0.0	0.0	0.0
EBIT u/l	-3.2	-6.8	11.2	-1.2	-4.0
Finance charges	-0.3	-0.3	-0.6	0.0	0.0
Tax	0.4	0.6	0.4	0.0	0.0
NPAT-underlying	**-3.9**	**-7.7**	**10.3**	**-1.2**	**-4.0**
Significant items	0.0	0.0	-4.2	0.0	0.0
Reported NPAT	-3.9	-7.7	6.1	-1.2	-4.0
Share cout at EOP (M)	605	747	1375	1375	1375
Cash flow	**2021A**	**2022A**	**2023**	**2024**	**2025**
Receipts	7.5	21.1	13.8	7.3	0.0
Payments -suppliers	-13.3	-15.6	-19.5	-8.5	-4.0
Payments for E&A	0.0	0.0	-1.0	0.0	0.0
Interest & other	0.3	0.5	-0.4	0.0	0.0
Net cash from ops.	-5.5	6.0	-7.1	-1.2	-4.0
Exp & Dev capex	-2.4	-2.3	-3.5	-3.0	0.0
Acquisitions / other	-2.1	-1.4	7.8	7.1	-1.0
Net investing	-4.5	-3.8	4.2	4.1	-1.0
FCF	**-9.9**	**2.2**	**-2.8**	**2.9**	**-5.0**
Equity issuance	9.0	11.3	0.0	0.0	0.0
Debt movement	-0.8	-3.9	0.0	0.0	0.0
Other	0.0	3.6	0.0	0.0	0.0
Net cash Financing	8.2	11.0	0.0	0.0	0.0
Increase in cash	-1.8	13.2	-2.8	2.9	-5.0
Balance Sheet	**2021A**	**2022A**	**2023**	**2024**	**2025**
Cash	0.6	13.9	11.0	13.9	8.9
Rcvbls / Inventory	3.2	1.1	5.0	1.5	1.5
P, P & E	0.3	0.7	5.7	0.0	0.0
Exploration & eval	13.5	10.3	15.0	18.0	18.0
other	9.1	8.3	9.5	9.9	10.9
Total Assets	**26.7**	**34.4**	**46.2**	**43.3**	**39.3**
Payables	3.4	7.5	3.2	3.2	3.2
Debt / Contracts	16.0	15.8	17.1	-0.6	0.0
Other	0.0	0.0	0.1	0.1	0.1
Total liabilities	19.4	23.3	20.4	2.7	3.3
Total equity	7.3	11.1	25.7	40.6	36.0

Source: MST Access

Triangle Reshaped!

Executive and Board changes in early 2022 triggered a strategic renewal and subsequently much has been done to simplify and strengthen the investment case.

Significant achievements include (1) Divestment of the Cliff Head assets for cash, eliminating exposure to ongoing operational challenges and future abandonment liabilities. (2) consolidation of exploration acreage in the North Perth basin, followed by seismic surveying, prospect definition and successful farm-outs to new-entrants (3) cleansing the balance sheet of non-core investments and mitigation of the Cliff Head Joint Venture (CHJV) abandonment liabilities and (4) scouting for new investments.

Two transactions since late 2022 have re-shaped this company.

Two major transactions in the past 12 months have reshaped TEG and these are outlined in more detail later, but in summary are:

- Consolidation, exploration and farm-out of acreage in the North Perth Basin licenses L7 and EP438. The farm-out transactions expose TEG to a large resource upside for minimal incremental capex, and importantly, validate the company's technical work on surveying and identifying drilling targets.
- Divestment of the CHJV assets for cash and future royalty income. This eliminates TEG's exposure to the CHJV operations and in particular, substantial abandonment expenditures in the future. In addition, it reduces the call on TEG's technical team to operate a challenging asset that offers no growth in E&P activities.

The outcome from these initiatives and transactions is a completely re-shaped company. Heading into 2024, TEG is a cashed-up company with low capex commitments, high-upside exploration opportunities, and no legacy operational and financial liabilities. Its core assets are exploration prospects in the North Perth Basin, which is prime address driving industry consolidation with larger companies competing for what is now, a limited choice of high-quality conventional assets.

Key investment attribute and catalysts

- Well capitalised, with $10.8M cash as of 30 June 2023, a $4.5M investment in State Gas Ltd (ASX: GAS), a $7.5M cash receivable from Pilot Energy and up to $7.5M future royalty in the event of a Cliff Head carbon capture project.
- Perth basin exploration prospects have improved in recent years due to a better understanding of the regional geology, higher quality seismic data, and success in deep targets enjoyed by multiple industry participants. TEG's three wells in CY2024 provide value catalysts.
- The Perth Basin is an excellent area for gas discoveries, due to its onshore location with good logistics support, and near to a gas market which is under-supplied and where prices are rising.
- Applications for prospective acreage in the North Sea in JV with others, to TBD in Q3 2023.
- Experienced exploration and commercial management team, on the hunt for new ventures.

Valuation: $A0.034

MST's base-case valuation is A$0.034. It is underpinned by cash, cash-receivables from the sale of Cliff Head, value of shares in ASX-listed State Gas Ltd (ASX: GAS), value for north Perth basin free-carried exploration, and potential future royalties' payments from a proposed Cliff Head carbon capture and storage project.

Risk factors

- Exploration risk. Drilling in the Perth basin in recent years has delivered some very large discoveries but some recent wells drilled by others were not as expected, highlighting that exploration is risky.
- Gas and commodity prices are volatile but exhibit a rising trend.
- Following sale of the CHJV, TEG has no operating cashflow so future E&P activity will require the company to draw down cash and seek equity capital which will likely be constrained by the company's small size and market conditions.
- Gas and fossil field producers face risk of regulatory intervention, taxes and other imposts from climate activists and Governments with a broad agenda to ban all fossil fuel production.

Conventional gas & oil exploration in the North Perth Basin.

- Prospective resources of 200 Bcf (Net, best estimate) in three high-grade gas targets and 2.5 MMbbls (net) of oil in L7 & EP437, identified and upgraded following the Bookara 3D seismic.
- Free carried expenditure up to $19.2M on three wells in L7 and EP438, in CY2024, with TEG's residual capex exposure <$3M.
- Next steps are selection of well locations, rig contracting, equipment procurement, and regulatory permitting.

TEG has a 50% working interest in exploration permits in the northern portion of the Perth Basin, in licenses L7 and EP437.

Knowledge gained from successful exploration in adjacent acreage has high graded the Perth Basin. In 2022, TEG acquired the Bookara 3D seismic survey covering most of the L7 and EP437 licence areas. Interpretation has identified several high-quality oil and gas prospects for drilling.

Farm-out transactions in late 2022 and early 2023, to Talon Energy (ASX: TPD) and New Zealand Oil & Gas (ASX:NZO) targets three wells in 2024, with TEG is caried through ~$20M of expenditure. Planned targets expose TEG to ~200 Bcfe (net to TEG) and 2.5 MMbbls of oil (net to TEG) in the success case. After these farm-outs, TEG retains a 50% working interest in L7 and EP437 and is the designated operator.

Drilling events will provide catalysts in CY 2024, and exploration success will drive value higher.

The acreage is a known hydrocarbon system.

The North Perth Basin is enjoying a renaissance, with several very large gas discoveries in recent years, in conventional reservoirs, demonstrating excellent qualities for commercial production.

The Basin is a proven oil system, with several small fields to the south (at Hovea, Jingemia, Eremia) and in TEG's L7, the Mt Horner oil field. This field produced oil during the 1980's but is now depleted and decommissioned. However, renewed thinking on the oil prospects for the area focuses on leads in deeper geological horizons. There has been no exploration in this acreage in more than 20 years, with previous owners lacking capital, operational capability and knowledge.

The "Becos" oil prospect is mapped at 5 MMbbls prospective resource (gross, 2.5 MMbbls net to TEG) and is high graded for drilling.

Recent gas discoveries have re-written the regions geological rules. The Waitsia discovery in acreage to the south in 2014 radically changed geological understanding, by discovering prolific reservoirs very deep and under existing fields.

Following Waitsia, there have been other commercial gas discoveries at Walyering, West Erregulla, South Erregulla, and Lockyer which have changed knowledge in the basin. Modern 3D seismic and offset well results are now informing a new view of the regions prospects for oil and gas at depths considered un-prospective a decade ago.

The location is ideal for commercial development & is driving industry deals.

The basin's location within 250-400km of Perth has many positives for E&P exploration and development. The region is served by power, water, paved roads and nearby communities. There are pre-existing oil and gas facilities and pipelines connecting to the Perth gas market, many with spare capacity, and enjoying a gas transportation cost advantage over pipelines brining gas from northern W.A

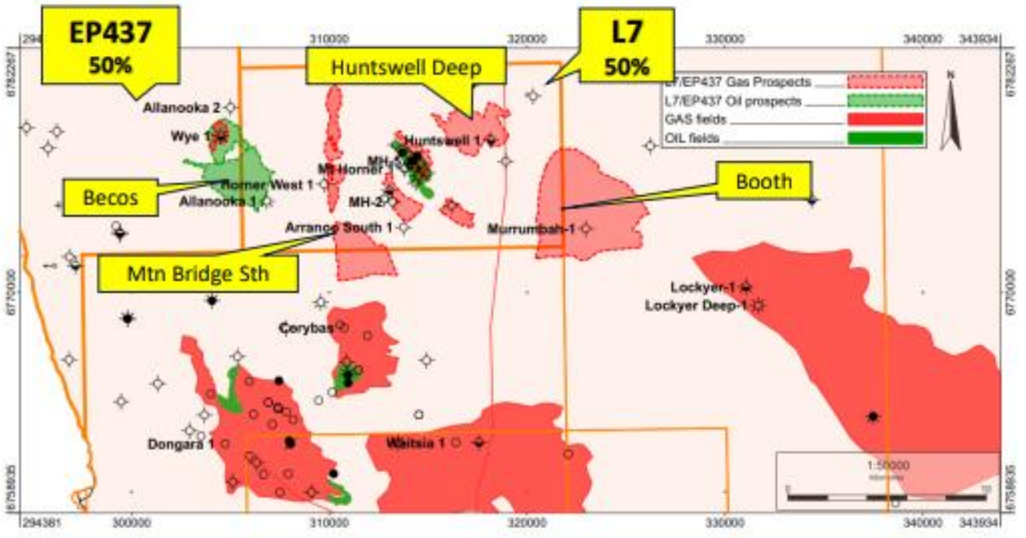
Renewed Perth Basin activity is changing market conditions for gas commercialisation with higher gas prices creating the commercial opportunity for successful discoveries. WA gas markets are undersupplied, and prices are rising. Refer to Appendix 1 for more detail.

There is now a scarcity of high quality, conventional gas assets due to consolidation events in the past year. In 2022 year, ASX-listed participants in the Basin, Warrego Energy and Norwest Energy, were acquired by much larger companies in deals worth $437M an $388M respectively.

In July 2023, Strike Energy (ASX:STX) made non-binding proposals to acquire Talon Energy. STX were an underbidder in the contest for Warrego. Talon Energy is TEG's joint venture partner in the North Perth Basin licenses. Strike Energy, Talon and TEG are all the remain of what was a multi-participant industry just a few years ago, and of these, TEG is the smallest by way of market value.

Figure 2 shows TEG's L7 and EP437 acreage with leads identified, and nearby acreage with notable gas discoveries.

Figure 2: TEG license areas and adjacent acreage, with key gas prospects & discoveries.



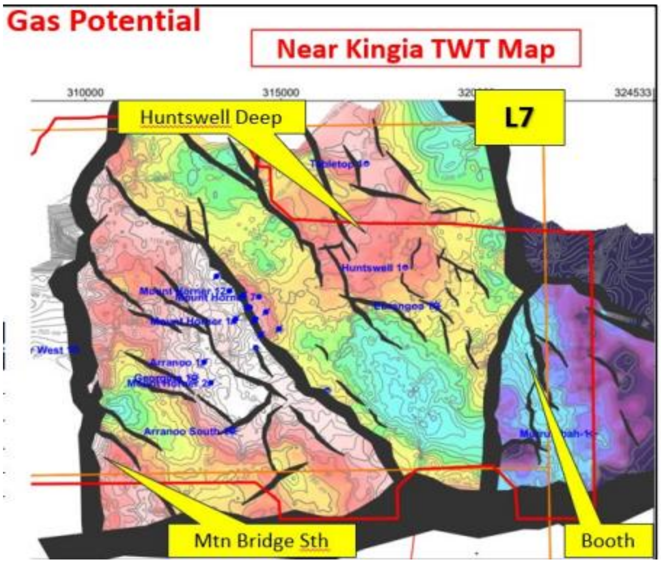
Source: Triangle Energy

L7 Exploration: Bookara 3D seismic survey has high-graded drilling targets.

On 27 March 2023, TEG announced that it had completed a preliminary assessment of prospective resources in Licence L7, following acquisition and interpretation of the Bookara 3D seismic survey acquired in 2022.

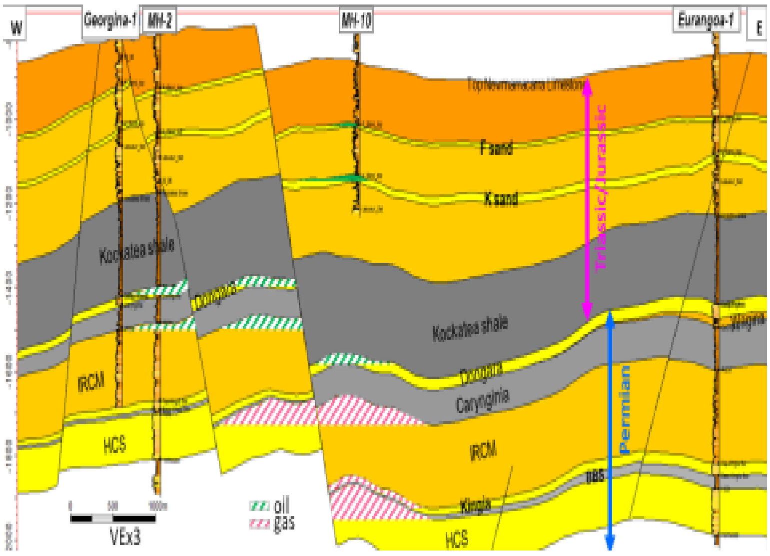
The survey, and resource assessment, has focused on two key gas bearing intervals present in the L7 permit, the Late Permian Dongara Sandstone, and early Permian Kingia and High Cliff formations. These reservoir intervals contain gas discovered by other explorers in the region, at Waitsia, West Erregulla, South Erregulla and Lockyer.

Figure 3: L7 Gas prospect definition



Source: Triangle Energy

Figure 4: North Perth Basin general stratigraphy



Source: Triangle Energy

Farm-outs to carry ~$20M of expenditure.

In a series of transactions in CY 2022, TEG farmed-down its 100% working interest in L7 and EP347, to New Zealand Oil & Gas (ASX: NZO) and Talon Energy (ASX: TPD).

TEG and Talon Energy executed an agreement in December 2022, for TPD to farm-in for a 25% working interest in L7 and EP437 by funding:

- 50% of the first well in L7, up to A$3.75M, and 25% of any overs should the total well cost exceed $7.5M

- 37.5% of a second well in L7 up to A$2.81M, plus 25% of any excess should the total well cost exceed $7.5M
- 25% of the cost of a well in EP437
- In addition, TPD reimbursed $1.9M of past costs incurred for acquisition of the Bookara seismic survey.

These payments total $9.2M for TPD to earn a 25% working interest.

In March 2023, TEG executed a second farm-out on broadly similar terms to Talon Energy, for NZO to acquire a 25% working interest by funding:

- NZO fund 50% of the first well in L7, up to A$3.75M, and 25% of any overs should the total well cost exceed $7.5M
- NZO to fund 37.5% of a second well in L7 up to A$2.81M, plus 25% of any excess should the total well cost exceed $7.5M
- NZO to fund 50% of the cost of a well in EP437, up to $1.5M, and 25% of any overs should the gross well cost exceed $3M.
- In addition, NZO reimbursed $1.9M of past costs incurred for acquisition of the Bookara seismic survey.

The result of all this, is that TEG is carried for $19.2M of expenditure for three wells, while retaining a 50% working interest and operatorship. TEG's residual capital exposure for drilling approximately $3M.

Drilling planned in 2024, with well locations and timing TBD.

The interpretation of the Bookara 3d seismic data over permits L7 and EP437 is reported in the June quarter reported as being finalised. The interpretation so far has identified 10 prospects and leads in Permit L7 alone. These are currently under investigation by the JV partners, with prospective resources for the "top 3" prospects shown in figure 5.

Two gas prospects are being evaluated for the drilling, in addition to one oil prospect, likely the Becos oil prospect.

- The Booth prospect is mapped as having a "best estimate of 279 Bcf (Gross on-block). This prospect is in the south of L7 and 2Km from the Dampier to Bunbury gas pipeline.
- The Huntswell Deep prospect is in the North of the block and this prospect was unrecognised until interpretation of the Bookara seismic data. The best estimate gross prospective resource is 61 Bcf (gross).
- Mountain Bridge is a similar geological setting to Waitisia, 10 Km to the south, and has a prospective resource of 53 Bcf (gross)

Figure 5: Prospective Gas Resources, net to TEG's 50% w.i. (Bcf)

Gas prospects	Low	Best	High
Booth	57	140	270
Huntsw ell Deep	12	27	44
Mountain Bridge South	15	31	57
Gas- Bcf	84	198	371

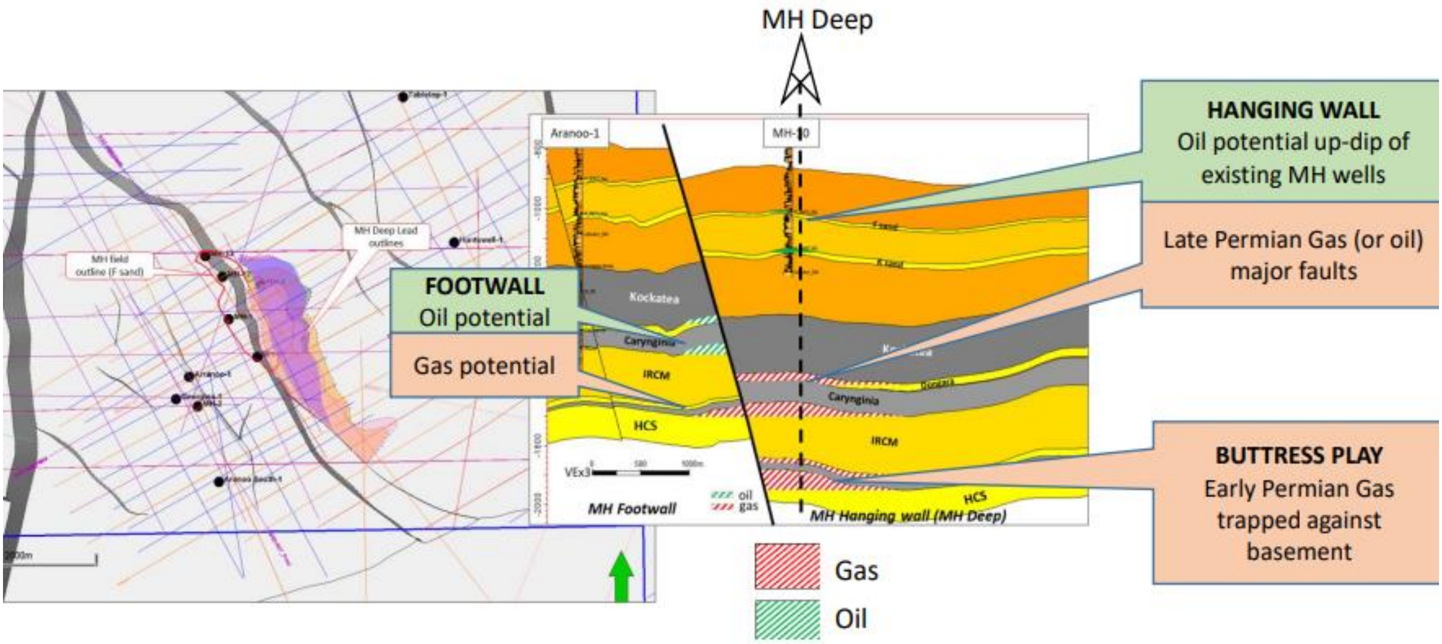
Source: Triangle Energy

Oil potential

There is oil potential in L7, evidenced by historical Mt Horner production and oil shows exploration wells. Oil targets range from low-risk Mt Horner field attic wells, lower Jurassic exploration, and moderate risk Dongara formation, to higher risk, deeper Permian reservoirs of the Kingia, Irwin River coals and High Cliff Sandstones.

The Dongara targets are analogous to oil fields to the south, at Hovea, Eremia and Jingemia. A key objective of the Bookara seismic survey was to better define the Permian section. Two prospects have been identified, with the Becos prospect the largest with a 5 MMbbl prospective resource (gross)

Figure 6: Oil and gas prospectivity



Source: Triangle Energy: Investor presentation, October 2022

Commercial considerations: rising prices, existing infrastructure, onshore location

We review the WA domestic gas market in more detail in Appendix 1. In summary TEG's location is ideally located and we make the following observation:

- The gas market is tightening, prices are rising and large shortfalls loom from 2028, according to the AEMO Gas Statement of Opportunity published in December 2022.
- Large fields in the north of the state are in decline and what remains is committed to the LNG export trade.
- Other Perth Bains discoveries are targeting LNG exports, mine site power generation, CNG and Ammonia production, which variously achieve high prices in end-markets. These alternative markets for sizeable gas discoveries limits the amount of new supply available to enter the domestic market.
- There are existing gas production facilities and pipelines in the vicinity offering routes to market. Many of these facilities have spare capacity, which if accessed would reduce expenditures on green-field processing plants.
- Liquids, if discovered, could be processed at Arrowsmith, and the export route TEG devised via Geraldton could be utilised.
- The onshore location is well serviced logistically, by roads, power, water, labour and nearby townships.

Compared to multi-billion-dollar projects proposed offshore in the north of WA, the onshore Perth basin location allows for relatively fast, scale-able development as evidenced by other companies that have made discoveries in the Perth Basin.

Sale of CHJV and rationale

- Sales brings in cash of $7.5M, and future royalty income of up to $7.5M
- Eliminates any exposure to future abandonment liability.
- Frees' up TEG's management to focus on value adding E&P activities.

The strategic rational for divestment is that production operations, with end-of-life looming, offer no upside to TEG unless the facilities are re-purposed for CCS, and continued ownership comes with a significant abandonment liability once oil production ceases.

The CHJV sales sterilises the abandonment liability, which this is important because (1) it's a large figure, and until the operators engage contractors for the work, hard to estimate with accuracy and (2) the timing of its occurrence is anytime between ~2026, at the end of oil operations, or 20 years later if the CCS project occurs. If the CCS project fails, then TEG's finances would be depleted to fund an activity that generates no value (for investors). Another consideration is the general inflationary environment and some-what unique nature of the abandonment, which pose uprise risks to the eventual capital cost.

Transaction details

This deal super-cedes a previous arrangement, whereby TEG's 78.75% working interest in the CGJH would reduce to 40%, contingent on the award of various of various operating license from NOPTA in order to operate a carbon-capture and storage project.

As announced on 27 July 2023, TEG has agreed to sell its entire 78.75% working to joint venture partner Pilot Energy for a cash consideration of up to A$15M comprising:

- An initial cash payment of A$3.0M when NOPTA issues a "Declaration Greenhouse Gas Storage Formation", confirming that the Cliff Head field is suitable for carbon injection. It is anticipated this Declaration will be received during Q3 2023.
- A further A$4.5M cash payment when NOPTA issues a "Greenhouse Gas Injection License". This is anticipated to be issued in early CY2024.
- Up to $7.5M in royalties from the Carbon Sequestration project, comprising a 2% revenue royalty and third-party carbon management services.

Risks in completion of the transaction

There are three risks to consummation of the transaction.

The first risk is of non-payment from PGY of the initial $7.5M. The payments (of $3.0M then $4.5M) are contingent on NOPTA issuing the Declaration of Greenhouse Gas Storage, and Greenhouse Gas Injection License. It is possible that NOPTA does not make these declarations in a timely manner, or at all.

The second risk is that NOPTA may not agree the transfer of title from TEG to PGY. To affect the transfer of title, PGY needs to obtain financial security that it can assume the full abandonment liability for the Cliff head field.

An additional risk in our view, is PGY's ability to finance this acquisition and additionally provide security to cover Cliff Head abandonment. PGY is a small company with a market value of $24M. It has nil revenue so will need to raise external funds to fully fund this transaction, CH abandonment, in addition to commitments to advance the CCS project.

New opportunities: UK & elsewhere

- Bidding for acreage in North Sea in partnership with recognised local partners.
- Outcome of North Sea acreage bid expected Q3 CY2023.
- Investigating opportunities in Asia and other regions.

TEG is evaluating new opportunities offshore the UK, and Asia leveraging in-house experience from executives and Board members which have decades of E&P and commercial expertise in these regions.

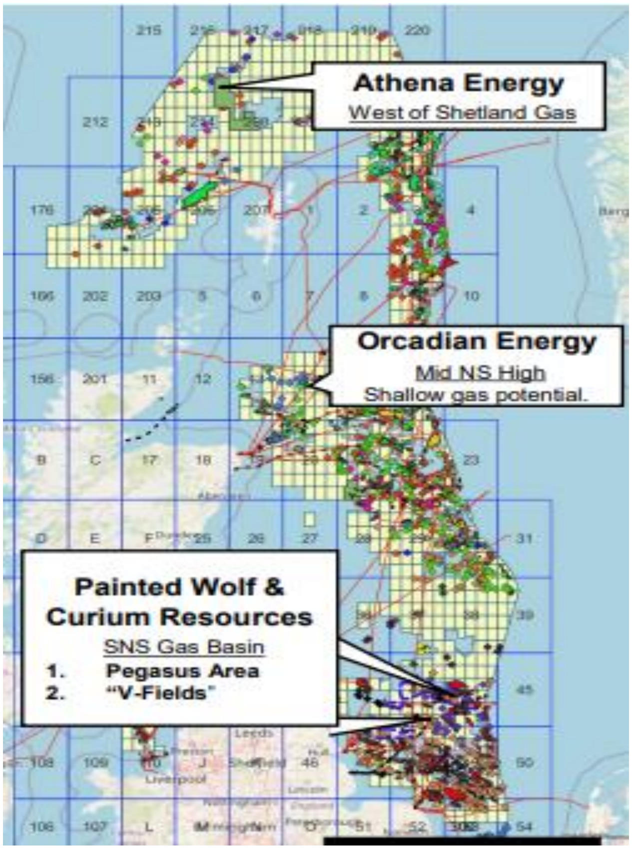
In the UK, TEG has partnered with four experienced local companies and submitted bids for four blocks in a bid round that closed on January 12, 2023. TEG expect to learn in Q3 CY2023 the outcome.

Why North Sea? A number of factors are creating opportunities for small to medium companies to look at opportunities, most of which are in licenses which have been previously worked or hold discovered resources which were historically too small to be economic or of interest to super-majors at the time. There are pros and cons:

The cons are (1) is that fiscal terms are not overly generous and have changed over the years to the negative. It has had a deterring effect on exploration and drilling activities (2) it is a high cost, offshore jurisdiction to operate in, with hostile weather, labour and other factor costs which are high on a global scale (3) Like many OECD nations, societal and governmental support is not welcoming, and regulatory and environmental requirements are tightening.

The pros are (1) strong oil prices and very high gas prices in the wake of Ukraine driving an awareness to re-develop national resources, particularly gas (2) Strong logistic support with abundant labour and development contractors (3) Numerous industry participants to provide active asset trading & partnering opportunities and (4) regular release of offshore acreage for bidding.

Figure 7: North Sea bid round location



Source: Triangle Energy

Figure 8. Bidding partners.

Partner	Basin	TEG Equity
Athena Exploration	West Shetlands	50%
Orcadian Energy	Mid Nth Sea	50%
Painted Wolf Res.	Sth Nth Sea (V-fields)	33.33%
Painted Wolf Res.	Sth Nth Sea (Greater Pegasus)	16.67

Source: Triangle Energy

Financial history

TEG's financial history is shown for completeness in Figure 9, but historic changes to the asset mix, organisational structure and strategic direction render this uninformative of future potential in our view.

Capital adequacy will enable or constrain delivery of the current strategy, and we make the following observations:

1. Funding for north Perth Basin drilling in 2024 is mostly paid by farm-in partners, but TEG retain some residual exposure, in the order of A$3M. We factor this into our cash-flows over the outlook.

2. Cash was $10.8M at 30 June 30, 2022, with a further $7.5M payable by Pilot Energy as the Cliff Head transaction closes.

3.Shares in State Gas (ASX: GAS) are worth $5M. The shareholding in State Gas is a legacy from a transaction in early 2017, with TEG spinning-out its wholly owned Qld gas interests at Reid's Dome, into a new listing, with TEG retaining an equity position. TEG has subsequently sold down its holding over the years to its current level.

4. Future royalty income of up to $7.5M is assumed by us to commence with CCS operations and take the form of annual payments approximating 2% of carbon storage revenues, from 2016 for at least 15 years Our valuation discounts the toral amount to allow for the time value of monkey. Based on a planned initial injection rate of 550,000 tpa, at an assumed A$40/t, this would equate to an annual revenue of ~$440,000 p.a, stepping up to ~$1M p.a. if the CCS scheme is expanded to an injection rate of 1.1 MTPA from 2030.

5.There are no onerous capital or financial obligation over the outlook period. The only material expenditures we can identify ar TEG's share of the North Perth Basin exploration program in 2024, which TEG budgets to be A$2.8M

6. In terms of the balance sheet line items, there will be several material changes following closure of the CHJV sale. Provision of ~$15M which mostly reflect CH abandonment, will drive to zero. Book values for production and development assets attributable to CH will fall to zero.

7. Until the completion of the CHJV sale, expected in early 2024, TEG will continue to earn oil sales revenue pay its share of operating costs. These are not material to the investment case and the company's finances. Our financial forecasts assume the CHJV sale is consummated by early CY2024 and TEG's share of production and revenue is zero from 2024

Figure 9: 10 Year key financial statistics.

A$M- Yr to June 30	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	8.7	6.6	4.8	0.7	0.0	15.7	13.6	13.2	12.3	6.7	19.5
Gross Profit	6.5	4.2	2.3	-0.5	-0.4	3.0	3.2	3.4	4.4	1.0	10.0
NPAT	-6.0	-3.5	-3.3	-3.3	0.4	-4.6	-5.9	-1.8	-3.8	-3.9	-7.7
S'holder funds	5.4	2.2	0.9	-1.5	2.8	-0.8	-1.6	2.5	2.3	7.3	11.1
Op Cash flow	-9.2	0.5	-2.6	-2.6	-1.3	-0.7	-0.1	1.4	0.7	-5.5	5.6
Investing Cash flow	-0.2	0.0	-0.1	0.2	5.8	-2.8	-2.9	-5.4	-4.2	-4.5	-3.8
Equity raised	2.0	0.0	1.6	0.9	0.0	0.3	1.4	5.1	3.4	8.8	11.3
Debt Raised / repaid	3.3	-3.7	0.0	0.0	-0.7	1.5	2.2	-1.6	0.0	-0.6	-0.4

Source: MST, complied from TEG Annual Reports.

Valuation: Base case A$0.034

Assumptions and methodology

We value TEG based on a sum-part basis. Key assumptions are:

- Cash and CHJV sale receivable of A$18.3M. This does not include the future royalty.
- We assume the $7.5M to be paid by Pilot Energy is $3.0M in 2H CY2023 and $4.5M 1H CY 2024. Our base case does not risk these payments, assuming that NOPTA issues the Declarations required and that PGY can fund the transaction. In our view there is a risk that the deal does not close, either if NOPTA does not issue the necessary declarations or if PGY cannot fund. We are unable to assess deal completion risks.
- Shareholding in State Gas of 23M m shares, with current market value of A$4.5M.
- Value for North Perth Basin exploration is $30M based on a risked peer-related valuation of the resource potential. As a secondary measure, the value of TEG's free carried farm-in, as measured by expenditure by incoming partners, is $20.5M. Since the farm-in transactions there has been M&A activity in the area, and TEG's on-going evaluation of the Bookara 3D seismic with upgraded and improved definition of drilling targets, are value-adding events.
- The un-risked upside in the event of success in the North Perth Basin program is A$0.123. Drilling results will inform the outcome.
- The potential CCS royalty stream of up to $7.5M, is discounted to $4.5M for the time value of money, on an un-risked basis. There is no certainty this project proceeds even if NOPTA issues the necessary declarations, accordingly we risk the royalty income at 50% in our base case.

Figure 10: Valuation

Asset Value (A$M)		Unrisked	Risked	Comments
	Risked @			
State Gas investment		4	4	Market
PGY Receivable		7.5	7.5	June 30, 2023
2U: Booth, Mountain Bridge	20%	125	25	167 2U
2U: Becos	20%	25	5	5 MMbbls oil
Future CCS Royalty	50%	4.5	2	$7.5M DCF, from 2026
Corporate costs		-8	-8	(low er after CH sale
Total E&P assets		159	36	
Cash		11	11	June 30, 2023
Total equity value		169	47	
Shares on issue		1376	1376	
Fully diluted Per share		**0.123**	**0.034**	

Source: MST Access

Peer value and exploration risk factors.

Figure 11 lists of ASX-listed E&P companies which are predominantly gas producers or explorers in WA where TEG is active, and for insight, the N.T where there is significant activity. The list is dominated by exploration-phase companies which do not have production revenues. We reference this group of companies as a secondary measure for TEG's North Perth Basin gas prospects.

Discovered gas resources in the Perth Basin attract significant value in the equity market, and from trade buyers evidenced by two acquisitions of listed companies in 2022, and a third being courted.

Currently, 2C resources are valued at A$0.55/GJ but with a very wide range. TPD's ~18c/GJ is a low-side outlier, however in July 2023 joint venture partner Strike Energy made a non-binding proposal to acquire the company.

TEG does not have a 2C resource, only prospects which are yet to be drilled and therefore are subject to exploration risk. Prospective resources are not as valuable as contingent resources and in the market attract EV multiples which are lower than EV/2C.

MST's approach is to risk the prospective resource at 20% which we think is a reasonable reflection of the probability of success in drilling, and converting a prospective resource to a contingent resource. This is subjective and will be informed as drilling results become known.

Figure 11: Gas focused ASX peers resource multiples (EV/(2P+2C)

Company	Ticker	EV	2P	EV/2P	2C	EV/(2P+2C)
Warrego	WGO	460.0	211	2.180	15	2.035
Strike Energy	STX	1060.5	368	2.882	610	1.084
Talon Energy	TPD	85.3	24	3.509	464	0.175
Norw est Energy	NEW	388.0	NA		NA	NA
Buru Energy	BRU	40.5	102	0.397	260	0.112
Empire Energy	EEG	104.0	0	0.000	587	0.177
Tamboran Res.	TBN	194.0	0	0.000	1576	0.123
Total		**2332**	**705**		**3512**	**0.553**

Source: MST Access

Farm-in value.

An accepted value measure for acreage is the value placed on it by a new entrant by way of intended expenditures to earn a working interest. This is "farm-in" value. In some recent oil & gas investors offerings, where expert valuation is required to provide value support, this measure has been applied.

In TEG's particular case, the NZOG and Talon farm-outs assign ~$21M of valued to the 50% that TEG retains in L7 and EP437. In our view, this method is akin to a "book-value" which does not address market relativities, and probabilistic outcomes from drilling. Logically, acceptance of farm-out value as a measure, implies the incoming parties are prepared to invest the farm-in amount for nil return.

Upside in the event of gas discoveries

With a market value in the order of $26M and enterprise value of close to nil once cash and investments are accounted for, the TEG share price ascribes almost nil vlaue for the Perth basin exploration. That two independent companies have farmed-in and are prepared to pay $20M, denotes "buy-in" from industry participants and validates the technical work and data that TEG has acquired.

MST's base case value for exploration is similar to the investment by these companies in terms of context.

MST's upside case A$0.123 and results in the event of drilling success in which case exploration outcomes are de-risked to nil.

Board and Executive team

Triangle Energy has strengthened its management team hiring deeply experienced executives with global E&P experience, in early 2022. Since that time the company has refocused its asset base and resolved a number of commercial challenges. In addition, the current Board members listed here also joined in February 2022.

Greg Hancock, Non-executive Director, appointed 14 February 2022.

Greg has over 26 years' experience in capital markets practising in corporate finance. He has extensive experience in both Australia and the United Kingdom. In this time, he has specialised in mining and natural resources and has a background in the finance and management of small, listed companies. He was the founding shareholder and first Chairman of Cooper Energy (ASX: COE), an Australian energy company with operations in southern Australia.

Greg is also the non-executive Chairman of ASX listed companies Ausquest Ltd, BMG Resources Ltd and LSE listed Cobra Resources plc. He is non-executive director of Golden State Mining Ltd and Group 6 Metals Ltd (formerly King Island Scheelite Ltd). Greg continues his close association with the capital markets in Australia and the U.K. through his private company Hancock Corporate Investments Pty Ltd and has been involved in the transition of Strata-X Energy to Pure Hydrogen and the ongoing transformation of Zeta Petroleum plc.

Conrad Todd, Managing Director appointed 14 February 2022.

Conrad has over 41 years' experience in oil and gas exploration and development. He has worked as Exploration and Development Manager for Cooper Energy in Australia, and Lundin in Malaysia. In Indonesia, he was Chief Geophysicist and New Business Manager for LASMO and in Oman was Chief Geophysicist for Occidental Petroleum. During his time at Lundin in Malaysia he managed the subsurface team which produced 20,000 bopd from a complex mixed oil and gas field. Whilst at Cooper, he ran the geoscience department during a period ofd growth when the market capitalisation increased from A$20M to $200M.

Recently he has worked for consultancy RISC in M&A and reserves auditing, then co-founded Vizier Energy consulting which has undertaken reserve and resource audits, and a large unit re-determination. During this time Conrad was also Non-executive Director of Pilot Energy, helping this company to gain access to several of their present projects.

Conrad is a member of the America Association of Petroleum Geoscientists (AAPG), the Petroleum Exploration Society of Australia) PESA), the Petroleum Exploration Association of Great Britain (PESGB) and the Southeast Asian Petroleum Exploration Society (SEAPEX).

Michael Collins, non-executive Director, appointed 14 February 2022.

Michael has over 35 years' experience in Oil and Gas exploration and development in Perth and London. He has worked as VP Exploration and Geoscience for Mitsui E&P Australia, and as both Senior Geophysicist and Senior Business Analyst for Woodside Energy Ltd in Australia. He was also Senior Explorationist for AGIP (now ENI) in London. During his time at Mitsui he managed the E&G subsurface team to provide focused technical, economic and commercial support across the Mitsui exploration portfolio in Australia, New Zealand, PNG and Indonesia, culminating in various discoveries, acquisitions and divestments in the Browse, Exmouth, Otway, Gippsland, Taranaki and onshore Perth basins, with the most recent being Mitsui's acquisitions of Waitsai (from AWE) and Kipper (from Santos).

Mike is a member of the Geological Society of London, PESA, PESGB and the European Associations of Geoscientists and Engineers (AEGE).

Share register & Capital structure.

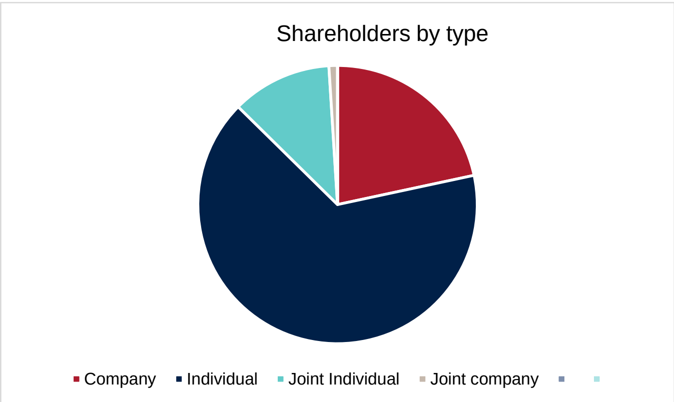
As of September 16, 2022, there were 2112 shareholders owning 1.344B ordinary shares (since increased to 1.376B). The top 20 shareholders own 38%. There is one substantial shareholder (>5%), Altor Capital Management Pty Ltd. Employees and directors own x%

There are 672M listed options on issue (ASX: TEGO), with a strike price of $0.035. The largest option holder with 11.9% is Celtic Capital Pty Ltd. There are 572 owners of listed options.

In addition, there are190M unlisted options with strike prices between 2.5c and 3.5 cps.

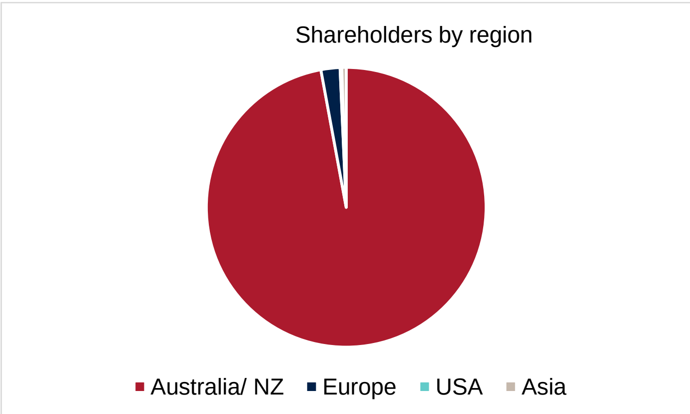
There are 80M performance rights on issue owned by TEG employees.

Figure 12: Shareholders by type



Source: Triangle Energy

Figure 13: Shareholders by region



Source: Triangle Energy

Risks to share price and valuation.

- Exploration is a key risk because our investment case is built around expectations for success from the North Perth Basin drilling program. Other companies operating in the area have enjoyed high levels of success, but there have been dry-holes and un-expected outcomes along the way to serve as a reminder that exploration outcomes are not certain.
- In the event of exploration success, appraisal drilling, and development will l follow, and funds need to be secured. TEG's market value may not support capital formation, and providers of debt to fossil fuel developers are hard to locate.
- Gas prices in WA while strengthening, are subject to local forces of supply and demand, and are volatile. In the event of gas discoveries, gas customers would need to be secured.
- Societal pressure on the gas industry shows no obvious signs of relenting.
- Regulatory risk is rising. Recent Federal Government intervention, and subsequent implementation of price caps and "Industry Code of Conduct" increase the risk of interference into the gas market.

Appendix 1

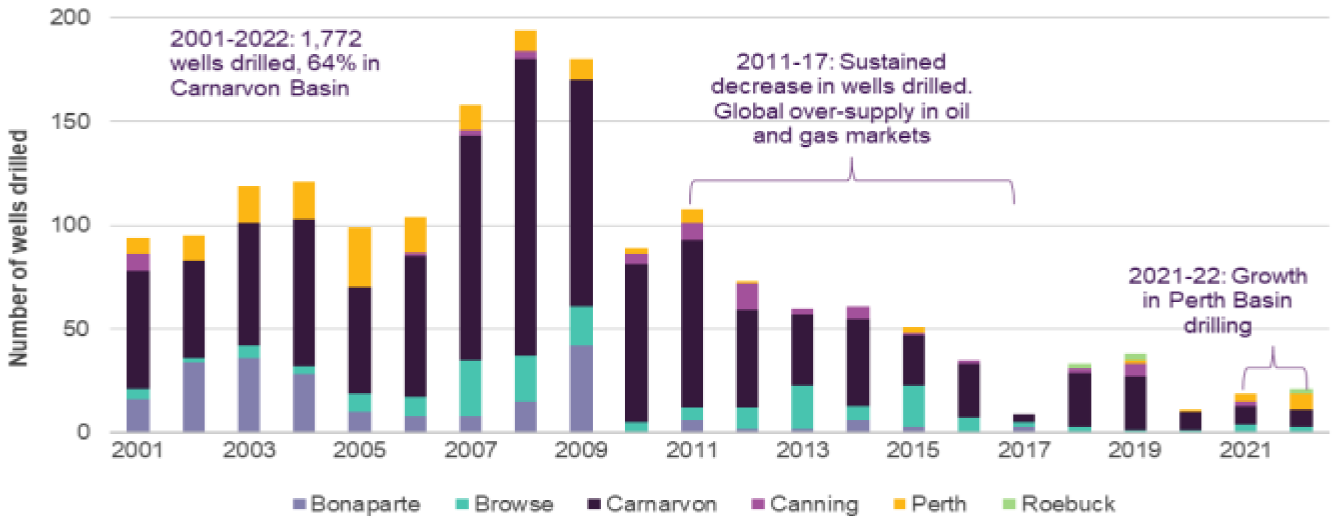
The WA Gas market is tightening, and prices are rising

The giant offshore northern W.A gas discoveries made decades ago saturated the domestic gas market and ushered in a multi-decade era of low gas prices. However, W.A gas market dynamics are changing.

The large offshore fields are depleting, and there have been no major offshore discoveries in the past 20 years. These once-giant fields are committed to the export LNG trade, and what remains that is available to the WA domestic market, under domestic producer's gas obligations is depleting. Decades of low prices and other factors have negatively impacted exploration with a consequent reduction in the frequency of new discoveries, particularly for gas. Refer to figure 15.

In December 2022, AEMO W.A. Gas Statement of Opportunity & 2023 Market Outlook was published. It identified a market shortfall by 2030 of approximately 300 TJ/d. (Figure 16). This is a "base case" and includes significant volumes or increases from fields which are not yet sanctioned, such as Scarborough and Waitsia Stage 2. On the demand side, AEMO anticipates a sharp increase for power generation, following planned closure of coal-fired capacity and gas-to-power for renewables augmentation.

Figure 14: WA Decline in drilling creates production shortfall

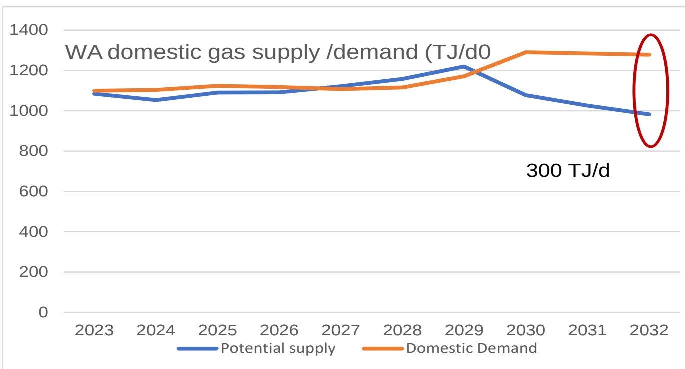


Source: Triangle Energy: Investor presentation, October 2022

W.A domestic gas prices for the past 20 years were entrenched <A$4GJ but are now rising as the market tightens. Some of the Perth Basin development companies indicate prices for new contracts which are in the $7-9/GJ range, while more recent anecdotes are pricing in the A$10-12/GJ range. In the June quarter 2023, Perth spot prices reached A$11.30/GJ, which is the highest since 2012. Figure 17

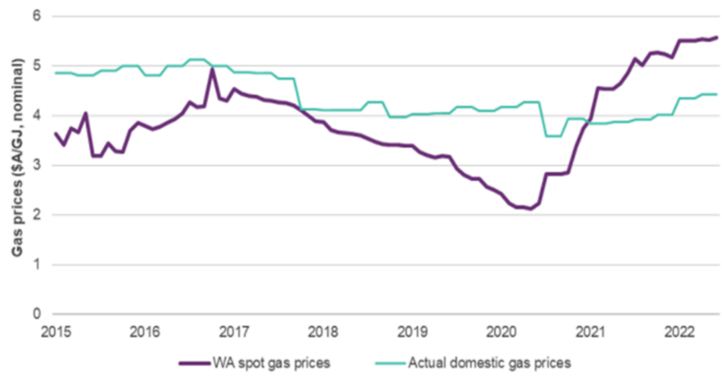
Discoveries in the Perth Basin, at Walyering, Waitsia, West & South Erregulla, and Lockyer will be a source of new supply, with collective resources discovered to date in the order of ~2 Tcf. However some of these projects aim to supply gas to alternative high value markets, specifically LNG and ammonia production, with limited volumes available for domestic industrial, commercial and residential users.

Figure 15: WA Supply / demand



Source: AEMO WA Statement of Opportunity, March 2023

Figure 16: WA domestic gas (Perth) prices firming.



Source: AEMO WA Statement of Opportunity, March 2023

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