



TEG: Perth Basin Drilling in mid-late July, Cliff Head Divestment Progress

TEG.ASX | TRIANGLE ENERGY LIMITED | MATERIALS | OIL & GAS

PRICE
A\$0.021/sh

TARGET PRICE
A\$0.032/sh
(FROM A\$0.031/sh)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

ANALYST
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Event

The Cliff Head Joint Venture announced the Federal Resources Minister has approved the Cliff Head Carbon Capture and Storage Declaration of Greenhouse Gas Storage Formation, an important approval that satisfies one of two key Condition Precedent of TEG's sale of its interest in the Cliff Head JV to its partner Pilot Energy (PGY.ASX).

Additionally, the company recently announced an update to the timing for drilling at the Booth prospect, onshore Perth Basin to mid-late July. The Booth-1 well will be drilled in the L7 permit, that has not been drilled in 30 years, in a joint venture with Strike Energy (STX.ASX, 25% interest) and New Zealand Oil & Gas (NZO.ASX, 25% interest).

The well is targeting the extension of the Permian Gas Fairway in the Perth Basin, located north of the major Waitsia gas field (Mitsui and Beach Energy, BPT.ASX) and west of the Lockyer Deep oil and gas accumulations (Mineral Resources, MIN.ASX). TEG estimates Best Estimate 2U Prospective Resource of 279 Bcf (gross), with a range of 57 Bcf (low case) and 540 Bcf (high case) and ~25% geological chance of success.

Impact

It is pleasing to see TEG progress on its divestment of the Cliff Head asset, given the consequent removal of the ~\$22 million abandonment liability and \$7.5 million of contingent payments (as well as \$7.5 million of royalty payments in the longer term). We await the second key approval on condition that PGY must demonstrate to the regulator that the company has sufficient finance to cover the Cliff Head abandonment liability and commence the CCUS project. Pilot announced one significant funding partner (Samsung) on 31 Oct' 2023. We anticipate this to be resolved within the next ~6 months.

Hancock's acquisition of Warrego Energy (WGO.ASX) last year put a ~\$2/GJ look-through price on 2P Reserves-weighted gas in the Perth Basin. STX, the Perth Basin pure play independent, trades on a ~\$1/GJ multiple (EV/2P+2C) based on its discovered gas resource portfolio (2P Reserves and 2C Contingent Resources).

We currently value Triangle's net Booth Best Estimate Prospective Resources (140 Bcf) at \$35 million (\$0.017/sh) based on a risked valuation through \$1/GJ (~\$1/Bcf) and a risking of 75% (25% valued, i.e. 25% chance of success).

If drilling is successful and, as an example, the Best Estimate 2U gas resource is discovered, the value net to Triangle could be ~\$140 million (\$0.067/sh), significantly above the current enterprise value (~\$37 million incl. GAS.ASX holding).

Action

We maintain our Speculative Buy recommendation and increase our Price Target to \$0.032/sh (from \$0.031/sh), as a result of decreased risking (50% risk to 33% risk) for the completion of the divestment of Cliff Head (and consequent removal of associated abandonment liability).

The progress of Cliff Head divestment provides the pathway for the share price to rise as the drilling date approaches with the potential to re-rate upon success.

Catalysts

- Booth-1 well spud (~mid-late July) and well results (~August)
- Becos-1 oil well spud and results (~2HCY24)
- Cliff Head Oil Field divestment to Pilot Energy (ASX.PGY) finalised (~2HCY24)

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Triangle Energy Ltd (TEG)

Market Statistics

Share Price	0.021	A\$/sh
Price Target	0.032	A\$/sh
Valuation	0.032	A\$/sh

Shares on issue (f.d.)	2,167	m
Market Capitalisation	46	A\$m
Enterprise Value	37	A\$m
Debt	0.00	A\$m
Cash (est.)	5.0	A\$m
GAS.ASX Val (9.3%)	3.2	A\$m

Directors & Mgmt

G Hancock	Chair
C Todd	MD
M Collins	NED

Shareholders

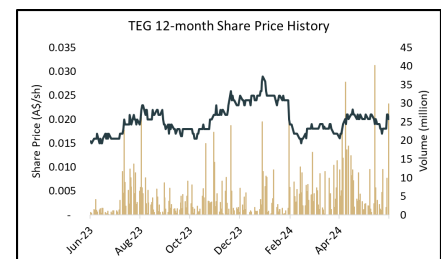
Altor Capital	5.28	%
Board & Mgmt	2.04	%

Company Details

Ground Floor
100 Havelock St
West Perth WA 6005

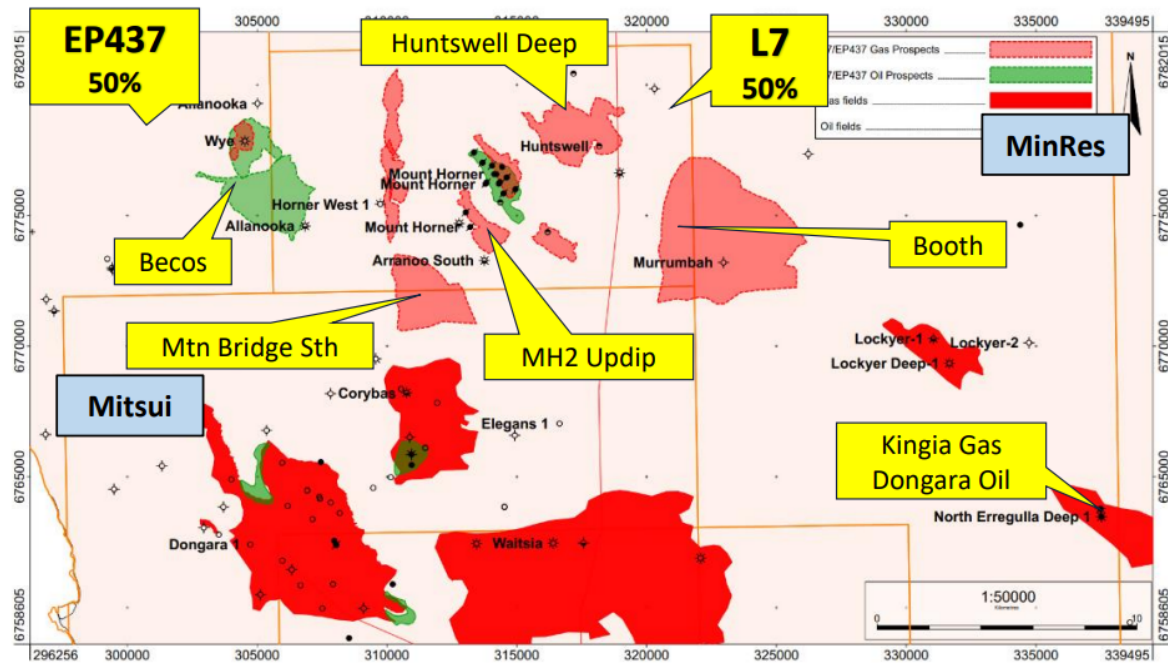
+61 8 9219 7111
triangleenergy.com.au

Performance



Source: IRESS

Figure 1: Triangle Energy Onshore Perth Basin Acreage (L7/EP437) with Key Drilling Targets



Source: Company Announcement

Figure 2: L7 Key Gas Prospective Resources

2U Prospective Resources			Prospective Resources (Bcf)					
Permit	HC Phase Target	Prospect	Gross, 100%			Net TEG, 50%		
			Low	Best	High	Low	Best	High
L7	Gas	Booth	113	279	540	57	140	270
L7	Gas	Mtn Bridge South	24	53	98	12	27	49
L7	Gas	Huntswell Deep	30	61	115	15	31	58
Total (arith sum)			167	393	753	84	197	377

Source: Company Report, Euroz Hartleys

Figure 3: EP437 Key Oil Prospective Resources

2U Prospective Resources			Prospective Resources (MMbbl)					
Permit	HC Phase Target	Prospect	Gross, 100%			Net TEG, 50%		
			Low	Best	High	Low	Best	High
EP437	Oil	Becos	1	5	21	0.5	2.5	10.5
Total (arith sum)			1	5	21	0.5	2.5	10.5

Source: Company Report, Euroz Hartleys

Figure 4: TEG Sum-of-the-Parts Valuation

Asset Valuation	Unrisked A\$m	Unrisked A\$/sh	Risking	Risked A\$m	Risked A\$/sh
Cliff Head					
(+) Cliff Head Production	0.0	0.000	100%	0.0	0.000
(-) Cliff Head Abandonment Liability	-22.0	-0.010	33%	-7.2	-0.003
(+) CCS Contingent Payments	7.5	0.003	67%	5.0	0.002
L7/EP437					
(+) Booth Gas Prospect	140.0	0.065	25%	35.0	0.016
(+) Becos Oil Prospect	19.2	0.009	30%	5.8	0.003
(+) Exploration (Gas)	16.1	0.007	100%	16.1	0.007
(+) Exploration (Oil)	13.8	0.006	100%	13.8	0.006
(-) Mt Horner Abandonment Liability	-1.4	-0.001	100%	-1.4	-0.001
(+) New Ventures	10.0	0.005	100%	10.0	0.005
(+) State Gas (ASX.GAS) Holding	3.3	0.002	100%	3.3	0.002
(-) Corp O/H	-20.0	-0.009	100%	-20.0	-0.009
(+) Cash	8.4	0.004	100%	8.4	0.004
(-) Debt	0.0	0.000	100%	0.0	0.000
Total	175	0.081		69	0.032

Source: Euroz Hartleys

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Triangle Energy Limited (TEG.ASX) | Price A\$0.021 | Target price A\$0.032 | Recommendation Speculative Buy;

Price, target price and rating as at 14 June 2024 (not covered)*

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