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Perth Basin drilling off to poor start

First well dry, two more to follow

- High-impact Booth well dry. Other wells to come.
- Minimal financial downside due to free-carried expenditure
- Cliff-Head exit progressing.

The first of a planned 3 well exploration program in the Perth Basin, the "Booth" well failed to find hydrocarbons. Booth was a high-potential gas prospect, and the negative result materially impacts the investment case, and investor confidence in the balance of the program.

The financial impact is minimal, as this was a predominantly free-carried by farm-in partners. Two more wells are planned, at "Becos" for oil and one other to be determined. These are independent geological targets, and not Booth look-alkies, nevertheless the negative result at Booth highlights exploration risk in general.

The transaction to exit the Cliff Head field to partner Pilot Energy (ASX:PGY) is progressing and subject to approval of the transfer of title. Guidance is for conclusion in October 2024, paving the way for payments totaling \$16M in cash and future royalties.

Investment Thesis

Triangle is re-shaping into a focused explorer with fledgling overseas opportunities and Perth basin exploration, once the sale of the Cliff Head oil assets are concluded, which is anticipated in Q4 2024.

Exploration is underway TEG's acreage in the North Perth Basin, for gas and oil. The first well (Booth) was dry, but others are to follow, substantially funded by farm-in partners, and there are other leads identified from 3D seismic data for future drilling.

Despite negative well result, Triangle is well capitalised to continue the Perth basin program and fund fledgling overseas activity. At June 30, cash was \$5M, and issuance in July added \$4M. In addition, TEG has shares in State Gas (ASX:GAS) with market value ~\$1M. Finally, there is up to \$16M in cash and future royalties to be paid by PGY to settle the Cliff Head sale. In total cash and future receivables exceed the company's market value implying nil for exploration and new ventures, which is harsh in our view.

Valuation \$0.033 (Previously \$0.06)

MST's valuation is a sum of parts for exploration assets and cash. The reduction in value is due to removal of value for the Booth gas prospect, and expansion of the capital base following recent equity issuance.

Risks

The sale of Cliff Head to PGY is still subject to approvals for the transfer of title, which depends on PGY's satisfaction of future abandonment liabilities. Exploration in the Perth Basin is risky and negative results will impact our valuation. Post the Cliff Head sale, TEG will have no production income so will be dependent on capital markets and asset deals to fund exploration.

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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. New ventures outside Australia are in the UK and the Philippines. www.triangleenergy.com.au

Valuation	A\$0.033 (from A\$0.060)
Current price	A\$0.007
Market cap	A\$15M
Cash on hand	A\$9M (Est)

Upcoming Catalysts / Next News

Period	
3Q CY24	Becos well in Perth basin
2H CY24	Third well in Perth Basin
2H CY24	Conclusion of Cliff Head sale

Share Price (A\$)



Source: FactSet, MST Access

Figure 1: Financial summary. All figures in A\$.

Triangle Energy (Global) Ltd					TEG.AX						
Market Data					Chart						
	Y/e Jun 30		Lo	Hi							
Share price	A\$	0.007									
52 week range	A\$		0.012	0.027							
Shares on issue (b)	M	2080									
Other capital	M	0.0									
Market Cap	ASM	15									
Net Csh	ASM	9	MST est								
PGY Cash Rec.	ASM	8.5									
Debt	ASM	0									
Enterprise Value	ASM	6									
SoP Valuation	A\$	0.033									
Valuation					P & L						
	FY22A	FY23A	FY24E	FY25E	FY26E		FY22A	FY23A	FY24E	FY25E	FY26E
EPS (cps)	-0.72	0.65	-0.25	-0.22	-0.22	Gas Revenue	0.0	-0.5	0.0	0.0	0.0
PE	n/m	n/m	n/m	n/m	n/m	Oil Revenue	0.0	12.3	7.9	0.0	0.0
DPS (cps)	0	0	0	0	0	Total Revenue	20.6	29.9	8.4	0.0	0.0
Yield-%	0	0	0	0	0	Field costs	-9.5	-9.0	-4.4	0.0	0.0
EBITDA/sh (cps)	0.25	0.45	-0.18	-0.19	-0.19	G&A	-6.0	-11.5	-7.7	-4.0	-4.0
						other	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	-	-	-1.5	-1.4	n/m	EBITDA	5.1	9.4	-3.8	-4.0	-4.0
EV/(2P+2C)-\$/GJ	9.27					Exploration exp.	-11.7	0.0	0.0	0.0	0.0
Revenue/Pje	n/m	n/m	n/m	n/m	n/m	Depreciation	-0.2	-0.4	-0.2	0.0	0.0
EBITDA/Sales-%	-					EBIT	-6.8	9.0	-3.9	-4.0	-4.0
Net Debt	1.9	6.6	-4.3	-7.6	-3.8	Finance charges	-0.3	-0.2	-0.1	0.0	0.0
ND/(ND+E)	n/m	37%	-123%	-61%	n/m	Pre-tax profit	-7.1	8.8	-4.0	-4.0	-4.0
						Tax	-0.6	0.0	0.1	0.0	0.0
Assumptions	FY22A	FY23A	FY24E	FY25E	FY26E	Net Profit	-7.7	8.8	-4.0	-4.0	-4.0
A\$/USD	0.70	0.70	0.69	0.66	0.66	Significant items	0.0	-7.5	-2.9	0.0	0.0
Brent-US\$/bbl	91.69	95.69	84.21	82.94	86.96	Reported NPAT	-7.7	1.3	-6.9	-4.0	-4.0
Nat Gas Px-A\$/GJ	0.00	0.00	10.00	10.06	10.34	EOP Share count (M)	747	1376	1816	1816	1816
Production	FY22A	FY23A	FY24E	FY25E	FY26E	Cash flow	FY22A	FY23A	FY24E	FY25E	FY26E
Gas- PJ	0	0.0	0.00	0.00	0.00	Receipts	21.1	13.8	7.9	0.0	0.0
Liquids (MMbbl)	0	0.2	0.08	0.00	0.00	Payments -suppliers	-15.6	-19.5	-14.1	-4.0	-4.0
PJe	0	0.5	0.45	0.00	0.00	Payments for E&A	0.0	0.0	0.0	0.0	0.0
MMboe	0	0.2	0.08	0.00	0.00	Interest & other	0.5	0.1	1.0	0.0	0.0
Reserves (Mmbc)	1P	2P	3P	2C	Prosp	Net cash from ops.	6.0	-5.6	-5.2	-4.0	-4.0
Cluff Head		0.6	0			Exp & Dev capex	-4.8	-6.6	-5.2	-1.0	-1.0
Booth				0	0	Acquisitions	1.0	-0.6	-0.2	0.0	0.0
Mountain Bridge				0	5	Sale of assets/ other	0.0	9.6	-0.8	8.5	3.0
Becos				0	3	Net investing	-3.8	2.4	-6.2	7.5	2.0
Total	0	0.6	0	0	8	Equity issuance	11.3	0.0	6.1	0.0	0.0
SoP Valuation	U'riskd	Risk	Riskd			Debt movement	-3.9	0.0	0.0	0.0	0.0
	ASM	Basis	ASM			Other	3.6	0.0	0.0	0.0	0.0
State Gas	1	Market		1		Net cash Financing	11.0	0.0	6.1	0.0	0.0
PGY recievable	8.5			8.5		Increase in cash	13.2	-3.0	-5.3	3.5	-2.0
Gas prospects	96	15-20%		14		Balance Sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Oil prospects	105	15-20%		17		Cash	13.9	10.8	5.5	9.0	7.0
Future CCS royalty	8	50%		8		Receivables & Inventory	1.1	2.4	3.8	3.8	3.8
UK	32	Peers		16		P, P & E	0.7	0.0	0.0	0.0	0.0
Corporate	-6			-6		Exploration & evaluation	10.3	3.0	4.2	4.2	4.2
Total E&P assets	244			59		other	8.3	12.6	10.9	11.9	12.9
Cash	9			9		Total Assets	34.4	28.8	24.3	28.8	27.8
Receivables	0			0		Payables	7.5	3.6	3.1	3.1	3.1
Debt	0			0		Debt / Contracts	15.8	17.4	1.2	1.4	1.4
Total equity value	253			68		Other	0.0	0.0	0.0	0.0	0.0
Shares FD	2080			2080		Total liabilities	23.3	21.1	4.3	4.5	4.5
Fully diluted Per share	0.122			0.033		Total equity	11.1	7.7	20.0	24.3	23.3

Source: MST Access

One well doesn't break (or make) the investment case

TEG's market value is little more than our estimate of cash and future receivables, with the dry-well result at Booth triggering a de-rating of the company's ongoing exploration activities to nil.

We estimate cash is ~\$9M following a capital raising in July, shares GAS worth ~\$1M, and cash and future royalty income of up to \$16M from PGY for its purchase of TEG's interest in the Cliff Head Joint Venture (CHJV). The CHJV divestment to PGY requires regulatory approval from NOPTA (National Offshore Petroleum Title Administrator) which has taken longer than expected and has delayed the timing of receipt of funds from PGY.

The investment case depends on exploration success in the Perth basin in the near term, and longer term, building an exploration new venture in the UK, Philippines and elsewhere.

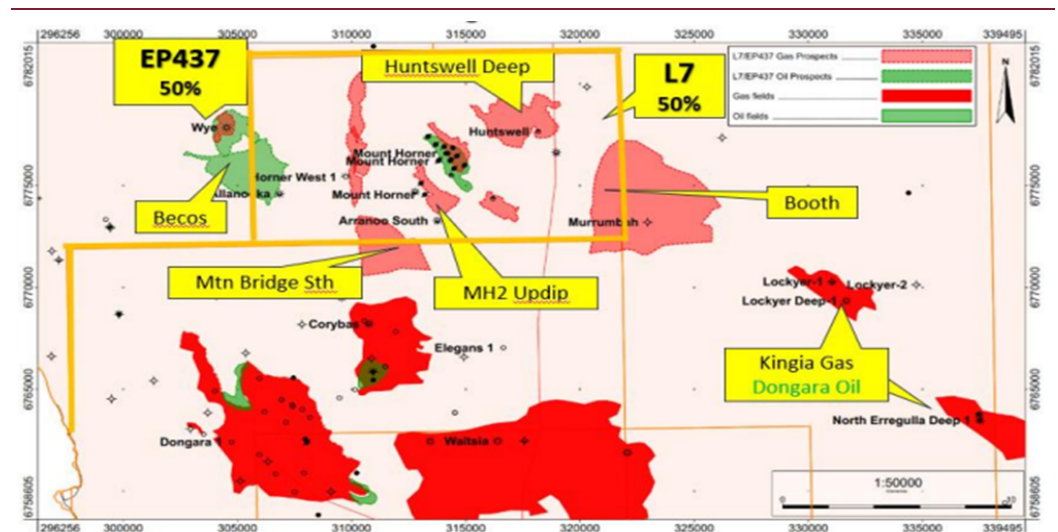
Exploration in the Perth basin has gotten off to a poor start, with the Booth well failing to find hydrocarbons. The negative result doesn't necessarily diminish the chances of success in the following wells, which are geologically independent, however it does diminish value and impact investor confidence.

To recap, farm-out transactions in late 2022 and early 2023, to Strike Energy (ASX: STX) and New Zealand Oil & Gas (now called Echelon Resources, ASX:ECH) result in these partners funding ~\$20M for a three well drilling program. TEG's estimate of its residual capital exposure is ~\$4M. The first of the three wells, Booth#1, failed to find gas. Knowledge gained from this result may impact future activity, nevertheless our valuation is reduced and investor confidence diminished.

First well Booth dry, others to follow

The Booth well targeted a best estimate of prospective gas resource of 279 Bcf (gross, 140 Bcf net to TEG). This was a high-impact prospect in the success case, and the negative result will provide learning once the reasons for the dry-hole are identified.

Figure 2: Leads and prospects in the north Perth Basin license area.



Source: Triangle Energy

Next well: Becos, targeting oil

Oil has been historically produced throughout the Perth Basin over many decades, at Mt Horner (in TEG's L7), Hovea, Eremia and Jingemia, and offshore at Cliff Head. Obviously, oil has been generated in the region and trapped which helps to de-risk the geological model.

The JV plan to drill the Becos prospect which is interpreted as having a gross prospective resource of 1 MMbbls (low), 5 MMbbls (best estimate) and 21 MMbbls (high). TEG's working interest is 50%.

The Becos prospect is distant from, and geologically independent from Booth. The Booth well cost ~\$11M to drill, using a high-spec drilling rig due to the well depth and potential to encounter gas at very high pressures. The next wells are shallower and the JV plans to use a smaller, cheaper drilling rig.

Third well TBD

The third well planned to complete the STX/NZOG farm-in, is to be determined by the JV, and is likely to be either of "Huntswell Deep" or "Mount Horner-2-updip". TEG are funded through the first \$3M of expenditure on this well.

Huntswell Deep is a 61 Bcf prospect.

MH-2 Updip is a gas and oil prospect, with prospective resources of 142 Bcf and 2MMbbls of oil. Oil is proven to exist in the original Mount Horner-2 well.

Later on: a re-visit of oil prospects

Oil is proven in the basin, at Mt Horner (discovered 45 years ago) and more recently reported by Mineral Resources in its North Erregulla and Lockyer Deep wells. All these wells have oil in the Dongara sandstone which is extensive in the permit area. These recent results by MinRes, and TEG's 3D-seismic data have identified numerous oil prospects to provide future drilling targets

Update on CHJV sale to Pilot Energy: cash payments expected 2H CY24

In July 2024, TEG and PGY agreed a path to TEG's exit from the Cliff Head asset, from mid October, after which PGY assume operational and financial control. What remains to fully execute this transaction, is NOPTA approval of the transfer of title. This has taken longer than anticipated, with new rules relating to tile transfer from 1 July 2024 slowing the process, and is so doing, has delayed the timing of payments to TEG.

In summary, TEG is to receive up to \$16M in staged payments and future royalties from the divestment of Cliff Head to PGY, and the proposed Cliff Head Carbon Capture & sequestration (CCS) project. The Cliff Head oil field has entered a non-production phase in readiness for CCS, and the final crude oil shipment is planned for August.

Under the revised transaction terms, TEG will receive:

- \$4.5M in cash in staged payments between October and 31 December 2024.
- \$4M when NOPTA approves the Greenhouse Gas Injection license.
- Up to \$7.5M in future royalties from PGY's proposed carbon sequestration project.

Irrespective of the timing of NOPTA transfer of title, TEG and PGY have agreed that from October 15, PGY will assume paying all operational expenses and will reimburse TEG for operational costs incurred by TEG between August 1 and mid-October.

Presently, the Cliff Head field is shut-in and being readied for CCS. The final crude sale is planned for August 2024.

Funding adequate to explore and pursue new ventures

Following the sale of the Cliff Head asset, TEG will have no production income, so to fund ongoing exploration will require access to capital markets or do asset deals. At this time, the financial position is more than adequate to complete the current drilling activity, with TEG's financial exposure ~\$4M, and fund fledgling new ventures overseas.

A recap of the financial position is:

- At June 30, 2024, TEG had \$5M in cash, and in July a capital raise brought in an additional \$4M.
- Staged cash payments from PGY between mid-October and December 31, totaling \$4.5M, and a further \$4M when NOPTA issue a Greenhouse Gas Injection License.
- Approximately 21M shares in ASX-listed State Gas, with a market value of ~\$1M
- Cash from sale of final sale of Cliff Head crude oil, in September 2024.

Valuation: A\$0.033 (prev. A\$0.06)

We value TEG based on a sum-part basis. Refer to figure 3.

Key assumptions and inputs are:

- Cash \$5M at 30 June 2024, augmented by \$4M equity raising in July 2024.
- Value of 21M shares in State Gas Ltd (ASX: GAS) ~\$1M.
- We assume \$8.5M is received from Pilot Energy, on consummation of the sale of TEG's share of Cliff Head interest in 2H CY2024. Our base case does not risk these payments. The future royalty stream of up to \$7.5M is un-risked. There is a risk that PGY cannot complete this transaction, or develop the CCS project.
- Value for Booth Gas prospect removed.

Compared to our previous report, the reduced value is due the equity issue in July 2024, and reduction to nil for the Perth Basin Booth Prospect.

In July 2024, TEG raised \$4M in equity capital from the issue of ~267M new shares at 1.5 cps, plus an attaching option exercisable at 2.5cps with an expiry date of 30 June 2025. We have included the ordinary shares in the expanded capital base.

Figure 3: Sum-of-the-parts valuation

Asset Value (A\$M)	Unrisked	Risky		Basis
		Risked @		
State Gas investment	1		1	GAS market value
PGY cash receivable	8.5	0	8.5	Q4 2024
Booth gas prospect	0	20%	0	40 2U gross gas, 3 MMbbls oil
Becos oil prospect 2U	25	20%	5	5 MMbbls oil, gross
EP 437 Oil prospect 2U	5	20%	1	1 MMbbls gross
Other L7 gas prospects	96	15%	14	
Other L7 oil prospects	75	15%	11	
UK North Sea	32	50%	16	Market peer HHR
Future CCS Royalty	7.5	100%	7.5	
Corporate costs	-6		-6	
Total E&P assets	244		59	
Cash	9		9	MST current estimate
Total equity value	253		68	
Shares on issue	2080		2080	
Fully diluted Per share	0.122		0.033	

Source: MST estimates.

Risks

- Exploration is a key risk because our investment case is built around expectations for success from the North Perth Basin drilling program.
- In the event of exploration success, appraisal drilling, and development will follow, and funds need to be secured. TEG's market value may not support capital formation, and providers of debt to fossil fuel developers.
- Gas prices in WA 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 and prices would need to be agreed.
- Societal pressure on the gas industry shows no obvious signs of relenting.
- There is risk that Pilot Energy cannot consummate its purchase of TEG's interest in the CHJV. If so, there are two negative outcomes. First, the cash consideration and future royalty income would be forgone. Second, TEG would retain its working interest in the CHJV, and would be responsible for the fields ongoing operation and future abandonment liability. Currently that liability is estimated to be in the order of \$25-30M (gross).

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Stuart Baker received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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Triangle Energy (Global) (TEG.AX) | Price A\$0.007 | Valuation A\$0.033;

Price and valuation as at 09 August 2024 (not covered)*

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