



TRIANGLE PETROLEUM CORP.

Neutral Q2 - JV Required for Advancement

Highlights

- Triangle reported neutral Q2 2010 results, as there was not much news from the Company in Q2. Triangle reported a net loss per diluted share of \$0.003, an improvement from a loss of \$0.039 in Q2 2009, and our estimate for a loss of \$0.01. The year-over-year improvement in earnings was the result of the elimination of debt in Q4 2009, lower G&A expenses, and foreign exchange gains. We calculated CFPS at -\$0.01, which was in line with expectations.
- The E-38-A well is now substantially completed, as three zones were perforated and treated with micro fracs during the quarter. There have been delays in the necessary equipment arriving to the Windsor Block. Therefore, results from this well are not expected until the Company reports Q3 results in December.
- Triangle continues to search for one or more joint venture partners in order to advance its Windsor Block operations. The Company is currently in discussions with potential JV partners. **The current incredibly low gas prices would make attracting a JV partner difficult.** Expectations for a rebound in natural gas pricing would assist in the hunt. We do not expect Triangle would be able to fund the drilling of production wells without a JV.
- We continue to rate Triangle Petroleum a SPECULATIVE BUY with a 12-month target price of US\$0.55 per share, or C\$0.61.** This reflects a target NAVPS of US\$0.54. While the Horton Bluff shale holds a significant amount of potential, we believe the immense risk of this shale gas play warrants a SPECULATIVE BUY rating.

TPLM-OTC
TPE-TSXV
September 4, 2009
Stock Rating: SPECULATIVE BUY
Target Price: US\$0.55 (C\$0.61)
Closing Price (09/03/09) : US\$0.15
52 Week Range: US\$0.09-US\$0.95

(US\$ Millions except per share data, January Year End)

	F2009A	F2010E	F2011E
Production (Mmcf/d)	0.16	0.11	0.09
Production (BOE/d)	27.33	18.84	14.82
EBITDA	-\$3.78	-\$3.37	-\$3.39
EPS (FD)	-\$0.23	-\$0.04	-\$0.05
CFPS (FD)	-\$0.06	-\$0.04	-\$0.04
P/E	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/EBITDA	N/A	N/A	N/A
Shares O/S FD	69.9		
Market Cap.	\$10.5		
EV	\$5.0		
Net Cash	\$5.5		
Working Capital	\$5.9		

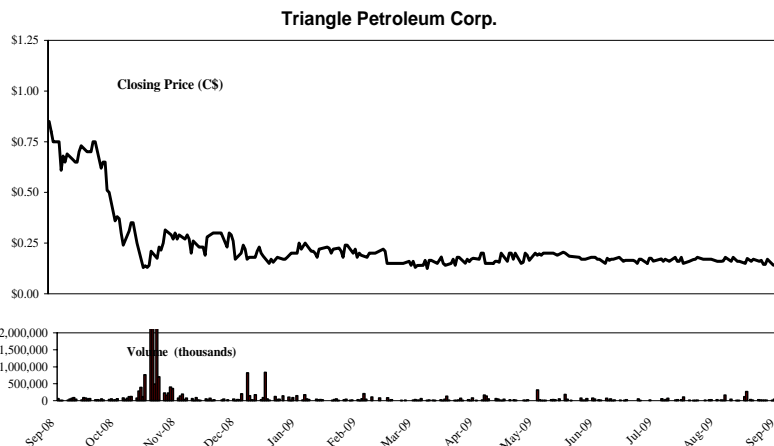
Change in CFPS Forecasts

F2010E: unchanged
F2011E: unchanged

Company Description

Triangle Petroleum Corp. is a junior exploration company focused primarily on Canadian shale gas projects. Triangle's core shale project is the Windsor Block in Nova Scotia (87% WI). Triangle acquired a large position (475,000 gross acres) in the Windsor Block, which has significant resource potential. The Company is focusing on the Horton Bluff shale in the area.

*Please view the disclaimer at the end of this report



Q2 2010 ending July 31, 2009 (in U.S. dollars)

Triangle reported neutral Q2 2010 results, as there was not much news from the Company this quarter. Triangle reported a net loss per diluted share of \$0.003, an improvement from a loss of \$0.039 per share in Q2 2009, and our estimate for a loss of \$0.01. The decrease in net loss was largely the result of the elimination of debt in Q4 2009. Also lowering net loss, G&A expenses were almost 22% lower year-over-year. Cost reductions were implemented, such as staff reductions and lower office costs. The stronger U.S. dollar during the quarter also reduced G&A expenses, as these costs are largely incurred in Canadian dollars, but reported in U.S. dollars. We calculated CFPS at -\$0.01, which was in line with expectations.

Triangle currently has a cash position of \$5.5 million, with no net debt. Working capital is \$5.9 million at the end of Q2 2010. Looking at the near-term only, Triangle has tailored its operations to the current level of capitalization, and should have sufficient cash to cover near-term cash outflows. **However, funding the drilling of production wells, and other operations that will advance the Windsor Block operations, require one or more joint venture partners.** Triangle should be able to fund the drilling of one or two smaller wells, but not the four to six wells they have planned.

Operations Update

Triangle performed completion operations on the E-38-A well during the quarter. Three zones were perforated and treated with micro-fracs, with an additional interval to be fraced in Q3. Data from these operations is currently being evaluated. This well will evaluate an area that is structurally and geologically distinct from that of the previous four wells drilled. We had expected results from the E-38-A well in August. However, there have been delays in the necessary equipment arriving to the Windsor Block. We do not expect an update on this well until the Company reports its Q3 results in December.

During Q2, Triangle also retested the Kennetcook #1 and #2 wells. Individual zones were tested to determine the gassiest intervals. The tests conveyed that the fracs previously performed on the two wells were too large and opened too many zones together (the zones should have been isolated). It was therefore difficult to separate gas from water in the subsurface. Triangle will use the information from these two wells when designing its future operations.

A 2D seismic program is in the process of being permitted, which will work towards satisfying the commitments of the first year of the 10-year production lease. The seismic program is expected to commence in October over the western portion of the Windsor Block, and is forecast to cost approximately \$0.5 million. Over F2010, \$2 million is anticipated to be spent on capital expenditures.

Joint Venture Partner

Triangle also continues to search for one or more joint venture partners in order to advance its Windsor Block operations. The Company is currently in discussions with potential JV partners. **The current incredibly low gas prices would make attracting a JV partner difficult.** Expectations for a rebound in natural gas pricing would assist in the hunt.

Upon obtaining a JV partner, Triangle may also drill a couple of conventional wells. Seismic indicated the presence of conventional structures (oil or tight gas). Shale still remains the primary focus of the Company.

Forecast & Outlook

We have provided financial estimates for F2010 and F2011, below in Exhibit 1. As the Exhibit demonstrates, we expect Triangle will continue to experience negative cash flows over the next couple of years. The Company receives only a negligible amount of net production from its non-core operations. We calculate a normalized EBITDA that excludes impairment losses on oil and gas properties.

Exhibit 1. Beacon Securities' Forecast

Estimates	F2010		F2011	
	New	Previous	New	Previous
Average Production (Mmcf/d)	0.11	0.11	0.09	0.10
Average Production (BOE/d)	18.8	18.1	14.8	14.3
Adjusted EBITDA (US\$ Thousand)	-\$3,371.3	-\$3,240.2	-\$3,393.7	-\$3,234.0
Earnings (US\$ Thousand)	-\$3,021.1	-\$3,472	-\$3,531.9	-\$3,334
EPS (FD)	-\$0.04	-\$0.05	-\$0.05	-\$0.05
Cash Flow (US\$ Thousand)	-\$2,853.9	-\$2,921	-\$2,851.5	-\$2,694
CFPS (FD)	-\$0.04	-\$0.04	-\$0.04	-\$0.04

Source: Beacon Securities

With such a large focus on exploration, cash flows are limited to very few producing wells. The Company has not generated significant revenues from its operations. In order to continue with its exploration and development projects, and expand its operations to the point of profitability, Triangle will have to attract a joint venture partner(s). Failure to obtain additional funding for its operations, to discover and exploit economically recoverable reserves, and inability to operate profitably, would hinder Triangle's ability to continue as a going concern. **If additional financial resources cannot be acquired, we expect operations would likely come to a halt by F2012.**

Valuation and Recommendation

We continue to rate Triangle Petroleum a SPECULATIVE BUY with a 12-month target price of US\$0.55 per share, or C\$0.61. Our target price is based on a NAVPS of US\$0.33, which reflects the Net Asset Value from the balance sheet, and a value of US\$0.21 per share for the Horton Bluff shale. This equates to a total target NAVPS of US\$0.54. While the Horton Bluff shale holds a significant amount of potential, we believe the immense risk of this shale gas play warrants a SPECULATIVE BUY rating. Our Horton Bluff NAV estimate assumes a 45% working interest, as Triangle is seeking a joint venture partner.

While an independent evaluation has estimated the resource potential for the Horton Bluff shale in the Windsor Block to be 69 Tcf of gas-in-place, there is a significant amount of risk. Triangle is in an early stage of its exploration operations. The reservoir quality within these basins is highly variable depending on the location. There is still much that is unknown with regards to the reservoir quality of the prospects. It has yet to be determined as to whether commercial rates of production can be achieved. It could take another year or more, before it can be determined whether commercial production is viable. More information is required in order to formulate reasonable estimates on various

factors, such as the porosity, the number of wells that could be drilled, and the recovery rate.

The next catalysts for the stock will be the announcement of the results from the E-38-A well, which are now expected in December, and an announcement of a joint venture partner. Increases in natural gas prices would also contribute to boosting the share price.

While Triangle has the cash to fund its planned F2010 capital expenditures of approximately \$2 million, and no debt, the Company currently does not generate cash flow. There is currently no production, with the exception of a negligible amount of net production from the two producing wells in Alberta. **A joint venture partner is essential in advancing the Windsor Block operations.**

Risks

- **Commodity Prices** - Volatility in natural gas prices will likely hamper results from Triangle and its share price.
- **Foreign Exchange Rates** – The Company’s reporting currency is U.S. dollars, but incurs many costs in Canadian dollars.
- **Geological Structure** - The geological structure and composition of the properties may hinder or inhibit production. Certain areas may be unable to produce gas due to low permeability, low porosity, or the presence of high pressure water. The composition of the properties is largely unknown and is highly variable, and varies depending on the location in the basin.
- **Government Regulations** - Energy companies are subject to controls and regulations implemented by various levels of government. There is no guarantee that an organization will be able to obtain all the necessary licenses and permits that may be necessary to carry out its exploration and development operations. Furthermore, the energy industry is subject to environmental regulation under various levels of government. Compliance with such regulations may require significant expenditures, while a breach could result in penalties and fines. As concerns continue to increase regarding greenhouse gas emissions and energy consumption, environmental standards are becoming stricter. This may result in increased fines and liabilities for companies, and higher capital expenditures required in order to comply with these regulations.
- **Joint Venture Partner** – Triangle may not be able to secure an additional joint venture partner for its Windsor operations. Furthermore, if Zodiac is unable to pay for its portion of the costs, this could slow down or halt the exploration operations.
- **Junior Exploration Company** – Triangle trades on the TSX Venture Exchange and on the OTC Bulletin Board, and may be volatile and illiquid.

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Ending Q2 2009	# Stocks	Distribution		
BUY	11	52.4%	BUY	Total 12-month return expected to be >15%
HOLD	8	38.1%	SPECULATIVE BUY	Potential total 12-month return is high (>15%), but given elevated risk, investment could result in a material loss
SELL	2	9.5%	HOLD	Total 12-month return expected to be between 0% and 15%
Total	21	100.0%	SELL	Total 12-month return expected to be negative

*as of quarter end

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