

Triangle Petroleum Corp.

TPLM : OTC : US\$0.17

TPE : TSX-V

HOLD

Target: US\$0.20

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COMPANY STATISTICS:

52-week Range:	US\$0.07 - 0.30
Market Cap (M):	US\$11.9
Shares Out (M) fd:	69.93
Forecast Return:	18%
Ent Value (M):	US\$6.4
Debt/Capitalization:	0%
Current NAV /shr:	US\$0.20
Avg. Daily Vol. (000s):	189

EARNINGS SUMMARY:

FYE Jan	2008A	2009A	2010E
Production (boe/d):	48.2	23.3	19.1
% Natural Gas:	NM	100%	100%
EBITDA (M):	-15.2	-5.7	-1.7
EV/EBITDA:	NM	NM	NM
P/CF:	NM	17.0x	NM

EPS:	Q1	(0.16)	(0.06)	(0.01)A
	Q2	(0.12)	(0.04)	(0.01)A
	Q3	(0.10)	(0.02)	(0.01)A
	Q4	(0.06)	0.05	(0.01)
Total		(0.41)	(0.06)	(0.05)
CFPS:	Q1	(0.02)	(0.03)	(0.01)A
	Q2	(0.03)	(0.01)	(0.01)A
	Q3	(0.04)	(0.01)	(0.01)A
	Q4	0.00	0.05	(0.01)
Total		(0.08)	0.01	(0.01)

SHARE PRICE PERFORMANCE:



COMPANY SUMMARY:

Triangle Petroleum is an exploration company focusing on emerging Canadian shale gas projects in Nova Scotia and New Brunswick. Triangle has two operating subsidiaries: Elmworth Energy in Canada and Triangle USA Petroleum in the US.

All amounts in US\$ unless otherwise noted.

Energy -- Oil and Gas, Exploration and Production

CHANGING OF THE GUARD

Event

On December 1, 2009, Triangle Petroleum announced the appointment of a new CEO and three new directors in consultation with its largest shareholder, Palo Alto Investors, LLC. Dr. Peter Hill will be taking over as the new CEO and Gardner Parker as the new chairman of board.

Besides its existing shale gas project in Nova Scotia, Triangle will now pursue opportunities in North American unconventional oil plays. The company intends to acquire additional prospective acreage to start an appraisal and development program.

Impact

Positive: We believe this change will help Triangle Petroleum reposition itself and gain entry into a more attractive niche considering the volatile gas market.

Valuation

We are maintaining our HOLD recommendation and our price target of \$0.20, which is based on break-up value of \$0.20 per share.

Next Catalyst

Any communication from new management with specific game plans would be viewed as a positive.

Canaccord Adams is the global capital markets group of Canaccord Financial Inc. (CF : TSX | CF : AIM)

The recommendations and opinions expressed in this Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document or visit <http://www.canaccordadams.com/research/Disclosure.htm>.

New management takes over

On December 1, 2009, Triangle Petroleum announced the appointment of a new CEO and three new directors in consultation with its largest shareholder, Palo Alto Investors, LLC. Dr. Peter Hill will be taking over as the new CEO and Gardner Parker as the new chairman of board. Mr. Mark Gustafson, the existing CEO and David Bradshaw have tendered their resignations effective November 30. Steve Holditch and Randy Matkaluk have been retained as the directors of the company.

As a part of new strategy the company will now pursue opportunities in North American unconventional oil plays, besides its existing shale gas project in Nova Scotia. The company intends to acquire additional prospective acreage to start an appraisal and development program.

Third quarter results and liquidity update

For the fiscal third quarter 2010, Triangle reported "in-line" results where lower production volumes were offset by higher realized gas prices and lower G&A expenses. The company ended the fiscal 2010 third quarter with \$5.5 million in working capital, down from \$5.9 million from the previous quarter. The company paid \$0.3 million to acquire an additional 30% working interest in the Windsor Block, and \$0.4 million to acquire seismic. In September 2009, Triangle sold a 50% working interest in 5,900 non-operated net acres in the Fayetteville Shale and all the related seismic data for cash proceeds of \$767,000. The remaining 3,380 non-operated net acres of the Fayetteville Shale acreage was sold for \$247,000 in November. During the quarter, analysis was completed of the three intervals in the E-38-A well that were perforated and treated with diagnostic "micro-fracs" in the prior quarter. The lower two intervals showed tendency to fracture horizontally while the upper interval was desirable for vertical fracturing.

Valuation

In valuing our E&P companies, we use a combination of price-to-cash flow multiple for most of the companies and a break-up value estimate, which equals the net asset value plus the option value estimate.

We are maintaining a HOLD rating and our price target of \$0.20 to reflect our current break-up value estimate of \$0.20 per share.

Investment risks

Triangle's resource exposure is highly concentrated in two shale plays within the Canadian Maritimes. There are exploration risks at this stage of the Nova Scotia and New Brunswick shale gas programs. If the company is not successful in proving up the viability of these plays in a reasonable amount of time, there will be very little upside to the company's current valuation.

The company's small production base is leveraged to natural gas. Any rapid decline in gas prices could negatively impact the share price and decrease free cash flow.

The company is going through a growth period and will need to raise money or sell down acreage to sustain its drilling program. This could increase the company's debt load and share count, and could be dilutive to the net asset value.

Unconventional gas producers and companies operating in environmentally sensitive areas could be subject to regulatory-related delays.

Triangle Petroleum Corporation is a small company, trading on the OTC Bulletin Board and the TSE venture exchange. Triangle has relatively few shares that might not be illiquid and could be volatile.

Triangle Petroleum Corporation is a young company, and we expect growing pains in the early years as the company ramps up its activities. Despite the company's best planning, logistical delays could occur that could impact share price negatively.

2 December 2009

Figure 1: Triangle Petroleum financial model

Triangle Petroleum (FYE Jan)	2006	2007	2008	2009	2010E	1Q10	2Q10	3Q10	4Q10E	1Q11E	2Q11E	3Q11E	4Q11E
WTI	56.17	66.13	60.42	67.70	57.83	40.00	54.19	68.14	68.99	66.00	71.00	73.00	70.00
Henry Hub	8.62	6.73	6.84	7.08	4.33	4.85	3.74	3.17	5.57	6.00	5.75	6.00	6.25
Realization													
Oil/WTI	NM	NM	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%
Gas/Henry Hub	0%	0%	83%	92%	71%	75%	80%	80%	80%	61%	80%	80%	80%
\$ in million except per share data													
Oil Production (mmbob)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Oil Price (\$/bbl)	NM	NM	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Oil Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gas Production (bcf)	0.00	0.00	0.11	0.05	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Gas Price (\$/mcf)	0.00	0.00	5.69	6.49	3.09	3.66	1.74	3.54	3.57	3.66	3.75	4.00	4.25
Gas Revenue	0.00	0.00	0.60	0.33	0.13	0.04	0.02	0.03	0.03	0.04	0.04	0.05	0.05
Total Oil and Gas Revenue	0.00	0.00	0.60	0.30	0.12	0.04	0.02	0.03	0.03	0.04	0.04	0.05	0.05
Other	0.00	0.00	0.00	0.01	0.78	0.00	0.00	0.78	0.00	0.00	0.00	0.00	0.00
Gas Hedges Gain (Loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Oil Hedges Gain (Loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest and other Income	0.00	0.05	0.00	4.13	0.00	-0.01	0.01	0.00	0.00	-0.01	-0.01	0.00	0.00
Total Revenue	0.00	0.05	0.60	4.44	0.91	0.03	0.03	0.81	0.03	0.03	0.03	0.05	0.05
LOE	0.00	0.00	0.30	0.13	0.09	0.02	0.03	0.02	0.02	0.02	0.03	0.02	0.02
Depreciation	0.00	0.06	0.04	0.04	0.02	0.00	0.01	0.01	0.00	0.00	0.01	0.00	0.00
Depletion	0.00	0.00	0.44	0.20	0.19	0.04	0.05	0.05	0.04	0.04	0.05	0.04	0.04
Unrealized loss on fair value of derivatives	0.00	0.00	-5.95	-0.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
G&A	4.04	8.18	5.80	4.05	3.11	0.82	0.86	0.62	0.82	0.82	0.86	0.82	0.82
Impairment	1.02	1.28	19.60	8.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accretion of discounts on convertibles	0.00	7.25	8.53	2.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortization of debt issue costs	0.00	0.41	0.45	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
One Time Expense (fx)	0.00	0.00	0.32	2.68	-0.80	-0.15	-0.68	0.03	0.00	-0.15	-0.68	0.00	0.00
Operating Expense	5.06	17.18	29.53	17.71	2.61	0.74	0.26	0.73	0.88	0.74	0.26	0.88	0.88
EBIT	-5.06	-17.13	-28.93	-13.28	-1.70	-0.70	-0.23	0.08	-0.84	-0.70	-0.23	-0.84	-0.83
Interest	0.34	1.21	0.66	0.55	-0.01	-0.01	0.00	0.00	-0.01	-0.01	0.00	-0.01	-0.01
Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	-5.40	-18.34	-29.59	-13.83	-1.69	-0.70	-0.23	0.081	-0.84	-0.70	-0.23	-0.83	-0.83
Discontinuous Ops	-0.03	0.00	0.00	0.00	0.00								
EPS (basic)	-0.21	-0.88	-0.80	-0.23	-0.02	-0.01	0.00	0.00	-0.01	-0.01	0.00	-0.01	-0.01
EPS (diluted)	-0.21	-0.63	-0.80	-0.23	-0.02	-0.01	0.00	0.00	-0.01	-0.01	0.00	-0.01	-0.01
Discontinuous Ops													
Operating Income	-5.40	-18.34	-15.19	-3.45	-3.27	-0.85	-0.92	-0.67	-0.84	-0.85	-0.92	-0.83	-0.83
Operating EPS (basic)	-0.21	-0.88	-0.41	-0.06	-0.05	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
Operating EPS (diluted)	-0.21	-0.88	-0.41	-0.06	-0.05	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
EBITDAX	-4.04	-15.78	-15.24	-5.72	-1.68	-0.70	-0.91	0.09	-0.84	-0.70	-0.91	-0.84	-0.83
Average Shares	26.00	20.77	37.19	59.16	69.93	69.93	69.93	69.93	69.93	69.93	69.93	69.93	69.93
Diluted Shares	26.00	28.97	51.89	60.74	69.93	69.93	69.93	69.93	69.93	69.93	69.93	69.93	69.93
Net Income	-8.21	-18.34	-29.60	-13.83	-1.69	-0.70	-0.23	0.08	-0.84	-0.70	-0.23	-0.83	-0.83
Depreciation	0.00	0.06	-0.03	0.04	0.02	0.00	0.01	0.01	0.00	0.00	0.01	0.00	0.00
Depletion	0.00	0.00	0.54	0.20	0.19	0.04	0.05	0.05	0.04	0.04	0.05	0.04	0.04
Impairment	0.00	1.28	19.60	8.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Stock Based Comp.	1.37	5.83	3.57	1.36	0.54	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Accretion of discounts on convertibles	3.89	7.25	8.53	2.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortization of debt issue costs	0.06	0.41	0.45	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	-5.95	1.61	0.00	-0.15	-0.68	-0.77	0.00	-0.15	-0.68	0.00	0.00
Operating Cash Flow	-2.89	-3.51	-2.90	0.80	-0.94	-0.67	-0.72	-0.50	-0.66	-0.67	-0.72	-0.65	-0.65
CFPS (basic)	-0.11	-0.17	-0.08	0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01
CFPS (diluted)	-0.11	-0.12	-0.08	0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01

Source: Canaccord Adams estimates and company reports

Figure 2: Triangle Petroleum financial model continued

Triangle Petroleum (FYE Jan)	2006	2007	2008	2009	2010E	1Q10	2Q10	3Q10	4Q10	1Q11E	2Q11E	3Q11E	4Q11E
Volume													
Annual Oil Prod. (Mmmbbl)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Daily Oil Prod. (bopd)	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Gas Prod. (Bcf)	0.00	0.00	0.11	0.05	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Daily Gas Prod. (mmcfpd)	0	0	0.29	0.14	0.11	0.13	0.13	0.10	0.10	0.13	0.13	0.13	0.13
Total Annual Production (Mmboe)	0.00	0.00	0.02	0.01	0.01	0.0019	0.00	0.00	0.00	0.0019	0.00	0.00	0.00
(boepd)	0	0	48	23	19	21	21	17	17	21	21	21	21
(Bcfe)	0.00	0.00	0.11	0.05	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
(mmcfepd)	0	0	0	0	0	0	0	0	0	0	0	0	0
% Gas	NM	NM	NM	100%	100%	NM	NM	NM	NM	NM	NM	NM	NM
Income & Cash Flow per boe													
Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Cash Flow	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Cost per boe													
LOE+Prod. Tax	NM	NM	NM	14.80	13.06	10.98	16.72	13.20	11.00	10.98	16.72	11.00	11.00
G&A	NM	NM	NM	476.23	447.37	434.74	448.56	390.49	517.85	434.74	448.56	425.29	425.29
DD&A	NM	NM	NM	28.19	29.96	24.16	31.44	39.00	26.03	24.16	31.44	21.38	21.38
Interest	NM	NM	NM	65.15	-1.78	-3.27	-0.02	0.00	-3.90	-3.27	-0.02	-3.20	-3.20
Cash Cost	NM	NM	NM	556.19	458.65	442.44	465.25	403.69	524.95	442.44	465.25	433.09	433.09
All-in Cost	NM	NM	NM	584.38	488.60	466.60	496.69	442.69	550.99	466.60	496.69	454.47	454.47
Cost per mcfe													
LOE+Prod. Tax	NM	NM	NM	2.47	2.18	1.83	2.79	2.20	1.83	1.83	2.79	1.83	1.83
G&A	NM	NM	NM	79.37	74.56	72.46	74.76	65.08	86.31	72.46	74.76	70.88	70.88
DD&A	NM	NM	NM	4.70	4.99	4.03	5.24	6.50	4.34	4.03	5.24	3.56	3.56
Interest	NM	NM	NM	10.86	-0.30	-0.55	0.00	0.00	-0.65	-0.55	0.00	-0.53	-0.53
Cash Cost	NM	NM	NM	92.70	76.44	73.74	77.54	67.28	87.49	73.74	77.54	72.18	72.18
All-in Cost	NM	NM	NM	97.40	81.43	77.77	82.78	73.78	91.83	77.77	82.78	75.74	75.74
Year over Year Growth													
Total Prod. Mmboe	NM	NM	NM	NM	-18%								
Source and Use of Fund													
Discretionary Cash Flow	-3	-4	-3	1	-1	-1	-1	0	-1	-1	-1	-1	-1
Capital Expenditure	8	15	21	6	3	2	1	0.3	1	2	1	1	1
Net Financing Need (Surplus)	11	19	24	5	4	2	1	1	1	2	1	1	1
Balance Sheet													
Assets													
Cash and cash equivalents	17	6	5	8	4	6	6	6	4	4	4	4	4
Other Current	0	3	2	2	2	1	1	1	2	2	2	2	2
Total Current Assets	18	9	7	11	6	7	6	6	6	7	6	6	6
PP&E (Net)	0	0	0	0	0	0	0	0	0	0	0	0	0
Oil and Gas (Unproven)	7	21	25	17	17	17	18	19	17	17	18	17	17
Other Assets	1	1	0	0	0	0	0	0	0	0	0	0	0
Total Assets	26	31	33	28	23	24	24	25.1	23	24	24	23	23
Liabilities													
Current Liabilities	2	9	15	2	0	0.2	0.3	0.6	0.2	0.2	0.3	0.2	0.2
LTD/Convertible Debentures	9	15	7	0	0	0	0	0	0	0	0	0	0
Other Liabilities	0	0	1	1	0	1	1	1	0	1	1	0	0
SH's Equity	15	10	10	24	23	23	23	23	23	23	23	23	23
Total Liabilities+ Equity	26	34	33	27	23	24	24	25	23	24	24	23	23
Leverage													
Debt/Total Cap	39%	59%	40%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

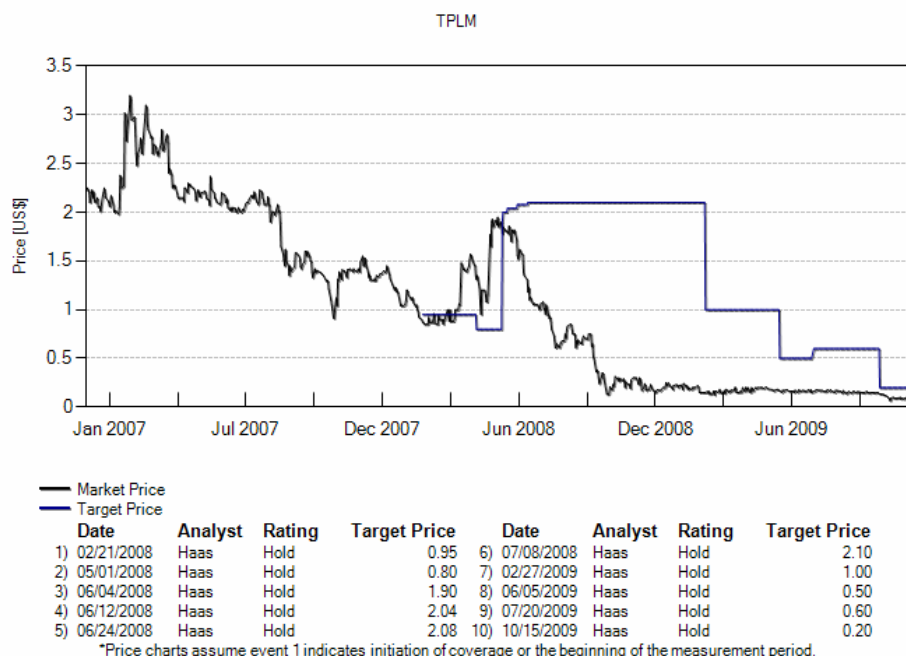
Source: Canaccord Adams estimates and company reports

APPENDIX: IMPORTANT DISCLOSURES

Analyst Certification: Each authoring analyst of Canaccord Adams whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment research accurately reflect the authoring analyst’s personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst’s coverage universe and (ii) no part of the authoring analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the investment research.

Site Visit: An analyst has visited the issuer's material operations in North America. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



Distribution of Ratings:

Global Stock Ratings
(as of 2 November 2009)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	364	56.9%	27.7%
Speculative Buy	70	10.9%	52.9%
Hold	186	29.1%	17.2%
Sell	20	3.1%	5.0%
	640	100.0%	

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.
SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.
NOT RATED: Canaccord Adams does not provide research coverage of the relevant issuer.

“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier:

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Adams Research Disclosures as of 2 December 2009

Company	Disclosure
Triangle Petroleum Corp.	7

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