

Triangle Petroleum Corp.

TPLM : OTC : US\$0.15
TPE : TSX-V

HOLD

Target: US\$0.60

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COMPANY STATISTICS:

52-week Range: US\$0.09 - 0.95
Market Cap (M): US\$10.5
Shares Out (M) fd: 83.8
Forecast Return: 324%
Ent Value (M): US\$4.3
Debt/Capitalization: 0%
Current NAV /shr: US\$0.60
Avg. Daily Vol. (000s): 240

EARNINGS SUMMARY:

FYE Jan	2008A	2009A	2010E
Production (boe/d):	48.2	23.3	21.0
% Natural Gas:	NM	100%	100%
EBITDA (M):	-15.2	-5.7	-2.6
EV/EBITDA:	NM	NM	NM
P/CF:	NM	15x	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)
	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)
	Q4	0.00	0.05	(0.01)
Total		(0.08)	0.01	(0.03)

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

FISCAL SECOND QUARTER RESULTS

Event

Triangle Petroleum reported second quarter results for fiscal 2010. The company ended the second quarter with a clean balance sheet and \$5.5 million in cash. The company reported a net loss of (\$0.2) million for the quarter as compared to a net loss of \$(2.4) million for the same period last year. The net income was higher than consensus estimates due to positive effects of the elimination of debt, lower G&A costs and a foreign exchange gain due to the weakening of the U.S. dollar.

In June 2009, the company acquired an additional 30% working interest in the Windsor Block from Contact Exploration Inc. for \$0.245 million cash and a 5.75% non-convertible gross overriding royalty interest in the Windsor Block.

Impact

Neutral.

Action

Without any positive catalyst, we would continue to take a "wait and see" posture.

Next Catalyst

The company is actively looking for a new partner for its projects in Windsor Block that can provide additional funding and reduce exploration risk.

Canaccord Adams is the global capital markets group of Canaccord Capital Inc. (CCI : TSX|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>.

Operational update

In the second quarter the company re-entered two wells, Kennetcook #1 and #2, to test individual zones to identify the “gassiest” intervals in each well. The results indicated that fracture treatments undertaken previously had commingled multiple zones together, making it difficult to separate gas from water in the subsurface. The company hopes to use this information in designing future well completions. The company also conducted tests on well E-38-A; three zones of this well were perforated and treated with diagnostic “micro-fracs.” Engineering data collected from these tests is still being evaluated.

No new wells are planned for the remainder of fiscal 2010, but the company plans to continue the technical evaluation of the five wells drilled to date in the Windsor Block.

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.

Our break-up value of \$0.60 is based on our:

- NAV estimate of \$0.32, which reflects the balance sheet for July 31 2009 with fully diluted share count of 84 million.
- Option value of \$0.28 per share for the Windsor Block.

We are maintaining a HOLD rating and our price target of \$0.60 to reflect our current break up value estimate of \$0.60 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.

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Figure 1: Triangle Petroleum Corporation financial model

Triangle Petroleum (FYE Jan)	2006	2007	2008	2009	2010E	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10E	4Q10E
WTI	56.17	66.13	60.42	67.70	57.69	56.67	61.67	99.75	52.71	40.00	54.19	66.56	70.00
Henry Hub	8.62	6.73	6.84	7.08	4.23	7.08	7.08	8.24	5.90	4.85	3.74	3.77	4.57
Realization													
Oil/WTI	NM	NM	0%	0%	0%	0%	0%	0%	0%	100%	100%	100%	100%
Gas/Henry Hub	0%	0%	83%	92%	57%	117%	72%	76%	66%	75%	80%	80%	80%
\$ in million except per share data													
Oil Production (mmbae)	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	0.05	0.02	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	2.43	8.26	5.08	6.24	3.90	3.66	1.74	1.77	2.57
Gas Revenue	0.00	0.00	0.60	0.33	0.11	0.19	0.06	0.05	0.03	0.04	0.02	0.02	0.03
Total Oil and Gas Revenue	0.00	0.00	0.60	0.30	0.11	0.15	0.06	0.05	0.03	0.04	0.02	0.02	0.03
Other	0.00	0.00	0.00	0.01	0.00	0.00	0.01	0.00	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	0.00	0.05	0.00	4.08	-0.01	0.01	0.00	0.00
Total Revenue	0.00	0.05	0.60	4.44	0.11	0.15	0.12	0.05	4.11	0.03	0.03	0.02	0.03
LOE	0.00	0.00	0.30	0.13	0.09	0.06	0.00	0.03	0.03	0.02	0.03	0.02	0.02
Depreciation	0.00	0.06	0.04	0.04	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.00	0.00
Depletion	0.00	0.00	0.44	0.20	0.18	0.07	0.02	0.05	0.05	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	-0.92	0.13	0.00	0.00	0.00	0.00	0.00	0.00
G&A	4.04	8.18	5.80	4.05	3.31	1.20	1.14	0.85	0.86	0.82	0.86	0.82	0.82
Impairment	1.02	1.28	19.60	8.31	0.00	0.00	0.00	8.00	0.31	0.00	0.00	0.00	0.00
Accretion of discounts on convertibles	0.00	7.25	8.53	2.92	0.00	1.22	0.79	0.60	0.31	0.00	0.00	0.00	0.00
Amortization of debt issue costs	0.00	0.41	0.45	0.18	0.00	0.11	0.07	0.00	0.00	0.00	0.00	0.00	0.00
One Time Expense (fx)	0.00	0.00	0.32	2.68	-0.83	0.00	0.03	2.43	0.23	-0.15	-0.68	0.00	0.00
Operating Expense	5.06	17.18	29.53	17.71	2.77	1.74	2.20	11.97	1.80	0.74	0.26	0.88	0.88
EBIT	-5.06	-17.13	-28.93	-13.28	-2.65	-1.59	-2.08	-11.92	2.31	-0.70	-0.23	-0.86	-0.85
Interest	0.34	1.21	0.66	0.55	-0.02	0.24	0.31	0.06	-0.05	-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	-2.63	-1.83	-2.39	-11.98	2.36	-0.70	-0.23	-0.86	-0.85
Discontinuous Ops	-0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (basic)	-0.21	-0.88	-0.80	-0.23	-0.04	-0.04	-0.04	-0.18	0.04	-0.01	0.00	-0.01	-0.01
EPS (diluted)	-0.21	-0.63	-0.80	-0.23	-0.04	-0.04	-0.04	-0.18	0.04	-0.01	0.00	-0.01	-0.01
Discontinuous Ops													
Operating Income	-5.40	-18.34	-15.19	-3.45	-3.47	-2.64	-2.16	-1.55	2.90	-0.85	-0.92	-0.86	-0.85
Operating EPS (basic)	-0.21	-0.88	-0.41	-0.06	-0.05	-0.06	-0.04	-0.02	0.05	-0.01	-0.01	-0.01	-0.01
Operating EPS (diluted)	-0.21	-0.88	-0.41	-0.06	-0.05	-0.06	-0.04	-0.02	0.05	-0.01	-0.01	-0.01	-0.01
EBITDAX	-4.04	-15.78	-15.24	-5.72	-2.64	-2.50	-1.84	-3.91	2.63	-0.70	-0.91	-0.86	-0.85
Average Shares	26.00	20.77	37.19	59.16	69.93	47.43	60.67	67.43	61.11	69.93	69.93	69.93	69.93
Diluted Shares	26.00	28.97	51.89	60.74	69.93	47.43	60.67	67.43	67.43	69.93	69.93	69.93	69.93
Net Income	-8.21	-18.34	-29.60	-13.83	-2.63	-1.83	-2.39	-11.98	2.36	-0.70	-0.23	-0.86	-0.85
Depreciation	0.00	0.06	-0.03	0.04	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.00	0.00
Depletion	0.00	0.00	0.54	0.20	0.18	0.07	0.02	0.05	0.05	0.04	0.05	0.04	0.04
Impairment	0.00	1.28	19.60	8.31	0.00	0.00	0.00	8.00	0.31	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	0.11	0.50	0.50	0.25	0.13	0.13	0.13	0.13
Accretion of discounts on convertibles	3.89	7.25	8.53	2.92	0.00	1.22	0.79	0.60	0.31	0.00	0.00	0.00	0.00
Amortization of debt issue costs	0.06	0.41	0.45	0.18	0.00	0.11	0.07	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	-5.95	1.61	0.00	-0.92	0.10	2.43	0.00	-0.15	-0.68	0.00	0.00
Operating Cash Flow	-2.89	-3.51	-2.90	0.80	-1.91	-1.23	-0.89	-0.38	3.30	-0.67	-0.72	-0.68	-0.67
CFPS (basic)	-0.11	-0.17	-0.08	0.01	-0.03	-0.03	-0.01	-0.01	0.05	-0.01	-0.01	-0.01	-0.01
CFPS (diluted)	-0.11	-0.12	-0.08	0.01	-0.03	-0.03	-0.01	-0.01	0.05	-0.01	-0.01	-0.01	-0.01

Source: Company reports and Canaccord Adams estimates

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Figure 2: Triangle Petroleum Corporation financial model (continued)

Triangle Petroleum (FYE Jan)	2006	2007	2008	2009	2010E	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10E	4Q10E
Volume													
Annual Oil Prod. (Mmbbl)	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	0.05	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Daily Gas Prod. (mmcfpd)	0	0	0.29	0.14	0.13	0.25	0.12	0.09	0.09	0.13	0.13	0.13	0.13
Total Annual Production													
(Mmboe)	0.00	0.00	0.02	0.01	0.01	0.00	0.00	0.00	0.00	0.0019	0.00	0.00	0.00
(boepd)	0	0	48	23	21	42	21	15	15	21	21	21	21
(Bcfe)	0.00	0.00	0.11	0.05	0.05	0.02	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	12.42	15.69	2.20	20.99	23.08	10.98	16.72	11.00	11.00
G&A	NM	NM	NM	476.23	433.42	318.00	605.26	598.21	604.18	434.74	448.56	425.29	425.29
DD&A	NM	NM	NM	28.19	24.57	21.20	17.62	44.57	44.55	24.16	31.44	21.38	21.38
Interest	<u>NM</u>	<u>NM</u>	<u>NM</u>	<u>65.15</u>	<u>-2.43</u>	<u>62.71</u>	<u>162.61</u>	<u>43.34</u>	<u>-36.44</u>	<u>-3.27</u>	<u>-0.02</u>	<u>-3.20</u>	<u>-3.20</u>
Cash Cost	NM	NM	NM	556.19	443.41	396.39	770.08	662.53	590.82	442.44	465.25	433.09	433.09
All-in Cost	NM	NM	NM	584.38	467.99	417.59	787.69	707.10	635.37	466.60	496.69	454.47	454.47
Cost per mcfe													
LOE+Prod. Tax	NM	NM	NM	2.47	2.07	2.61	0.37	3.50	3.85	1.83	2.79	1.83	1.83
G&A	NM	NM	NM	79.37	72.24	53.00	100.88	99.70	100.70	72.46	74.76	70.88	70.88
DD&A	NM	NM	NM	4.70	4.10	3.53	2.94	7.43	7.43	4.03	5.24	3.56	3.56
Interest	<u>NM</u>	<u>NM</u>	<u>NM</u>	<u>10.86</u>	<u>-0.40</u>	<u>10.45</u>	<u>27.10</u>	<u>7.22</u>	<u>-6.07</u>	<u>-0.55</u>	<u>0.00</u>	<u>-0.53</u>	<u>-0.53</u>
Cash Cost	NM	NM	NM	92.70	73.90	66.07	128.35	110.42	98.47	73.74	77.54	72.18	72.18
All-in Cost	NM	NM	NM	97.40	78.00	69.60	131.28	117.85	105.89	77.77	82.78	75.74	75.74
Year over Year Growth													
Total Prod. Mmboe	NM	NM	NM	NM	-10%								
Source and Use of Fund													
Discretionary Cash Flow	-3	-4	-3	1	-2	-1	-1	0	3	-1	-1	-1	-1
Capital Expenditure	8	15	21	6	4	1	1	2	2	2	1	1	1
Net Financing Need (Surplus)	11	19	24	5	6	2	2	3	-1	2	1	1	1
Balance Sheet													
Assets													
Cash and cash equivalents	17	6	5	8	3	1	23	17	8	6	6	4	3
Other Current	0	3	2	2	3	2	1	1	1	1	1	2	3
Total Current Assets	18	9	7	11	6	4	24	19	10	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	26	23	17	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	30	47	36	27	24	24	23	23
Liabilities													
Current Liabilities	2	9	15	2	0	11	14	14	2	0.2	0.3	0.2	0.2
LTD/Convertible Debentures	9	15	7	0	0	7	0	0	0	0	0	0	0
Other Liabilities	0	0	1	1	0	1	1	1	1	1	1	0	0
SH's Equity	15	10	10	24	23	11	33	21	24	23	23	23	23
Total Liabilities+ Equity	26	34	33	27	23	30	47	36	27	24	24	23	23
Leverage													
Debt/Total Cap	39%	59%	40%	0%	0%	41%	0%	0%	0%	0%	0%	0%	0%

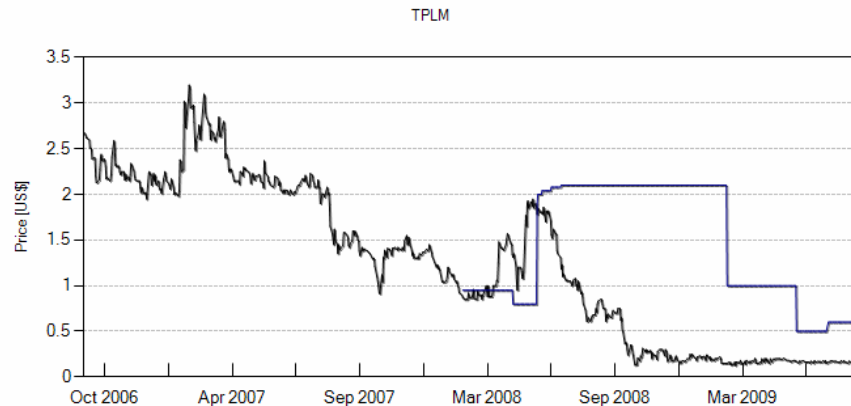
Company reports and Canaccord Adams estimates

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:*



Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 02/21/2008	Haas	Hold	0.95	6) 07/08/2008	Haas	Hold	2.10
2) 05/01/2008	Haas	Hold	0.80	7) 02/27/2009	Haas	Hold	1.00
3) 06/04/2008	Haas	Hold	1.90	8) 06/05/2009	Haas	Hold	0.50
4) 06/12/2008	Haas	Hold	2.04	9) 07/20/2009	Haas	Hold	0.60
5) 06/24/2008	Haas	Hold	2.08				

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 1 September 2009)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	353	55.2%	26	26.3%
Speculative Buy	84	13.1%	49	39.3%
Hold	175	27.4%	21	21.1%
Sell	27	4.2%	13	18.5%
	639	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 4 September 2009

Company	Disclosure
Triangle Petroleum Corp.	7

1	The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Adams or its affiliated companies. During this period, Canaccord Adams or its affiliated companies provided the following services to the relevant issuer: A. investment banking services. B. non-investment banking securities-related services. C. non-securities related services.
2	In the past 12 months, Canaccord Adams or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
3	In the past 12 months, Canaccord Adams or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
4	Canaccord Adams acts as corporate broker for the relevant issuer and/or Canaccord Adams or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
5	Canaccord Adams or any of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
6	In the past 12 months, Canaccord Adams, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this investment research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
7	Canaccord Adams intends to seek or expects to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
8	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.
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