

# 2012 ANNUAL RESULTS & BUSINESS UPDATE

OCTOBER 2012



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# WestSide at a Glance



## ASX-listed CSG Producer and Explorer

- Queensland CSG production & exploration
- Experienced Board and Management
- Market Cap \$124.5m @ at 35cps – 355.9m shares on issue
- Certified 1P, 2P and 3P reserves
- Rising revenues from 51% interest in Meridian SeamGas
- Growth track record
- \$34 million in cash at 30 June 2012

## Strong Strategic JV Alliances

- Mitsui E&P Australia
- QGC – a BG Group Company

## Strong Diverse Portfolio of E&P

- **Production** – Meridian SeamGas PL94 & ML co-development area
- **Exploration** - Bowen Basin ATP 688P & ATP 769P
- **Exploration** - Galilee Basin ATP 974P & ATP 978P

## Share Register

- Top 20 shareholders hold 64% of register
- Cornerstone investors:

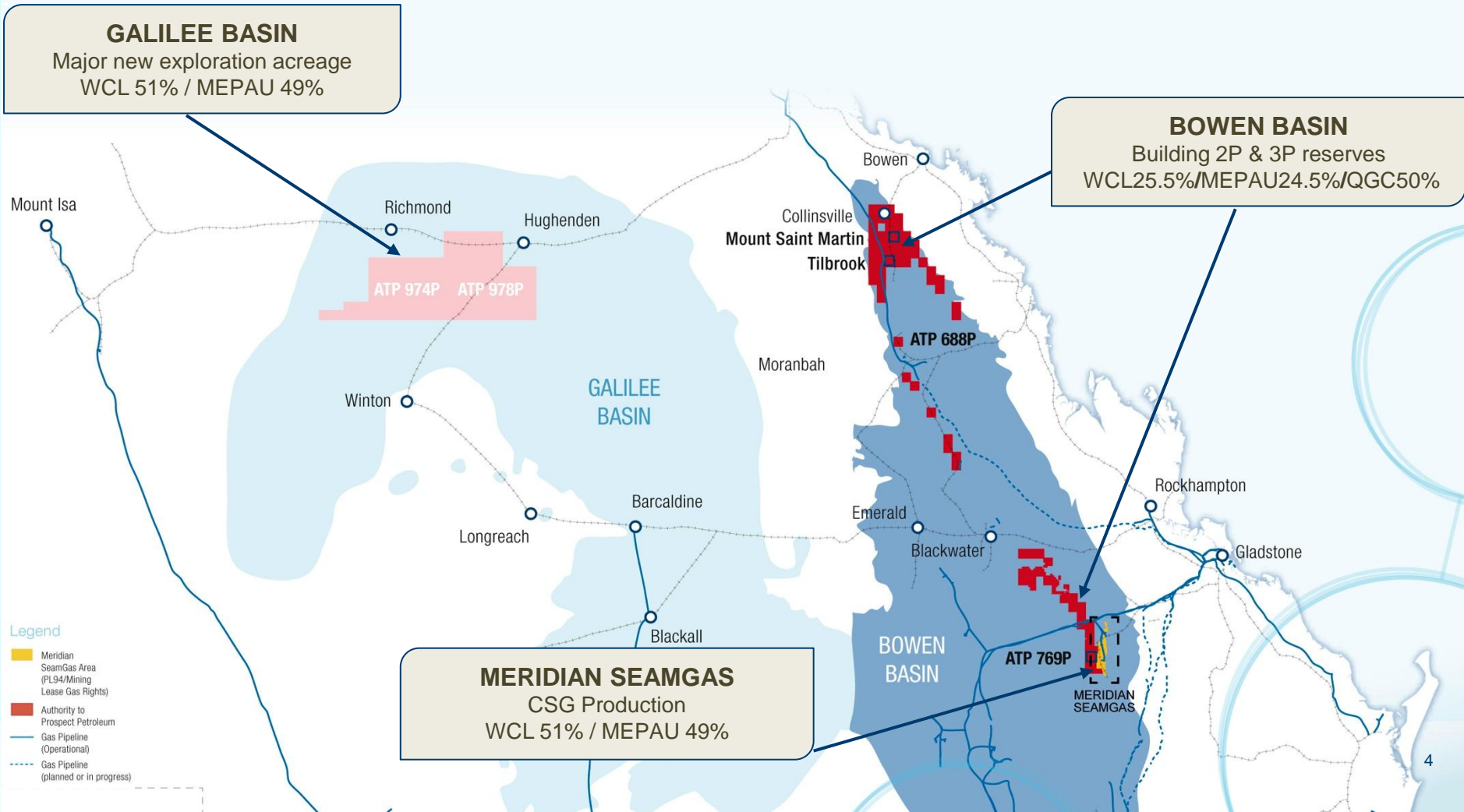
– New Hope Corporation	19.6%
– Energy Infrastructure Trust	13.3%
– Angus Karoll	6.5%
– Saad Investments	5.8%
– Bumi	5.7%

# WestSide - Asset Location



## Developing CSG reserves and assets in two basins

Strategic location – Meridian SeamGas 160km to Gladstone with access to QGP





# Outstanding Performance in FY2012



## OPERATIONS

*Delivering on focused growth strategy*

- Annual Meridian production net to WestSide up 7.2% at 1,686 TJ
- Commissioned 10 new Meridian wells ~ 35% of total production
- Well work overs delivered more than 3 TJ/d of additional production
- Increased net 3P reserves by 96% to 725 PJ & 2P reserves by 17% to 258 PJ
- Strong safety record
- Granted new Environmental Authority for PL94
- Executed new CHIMA with the Gangulu People

## FINANCIALS

*Poised to benefit from increased production and prices*

- Annual revenue from Meridian net to WestSide up 8.2% at \$5.94m
- Meridian broke even before depreciation - \$1m improvement on FY2011
- Annual loss of \$7.8m – a 17% improvement on FY2011 loss of \$9.4m
- Result includes a \$3.7m gain from sale of Indonesian JV assets
- Cash position - \$34m at June 30 2012 following \$24.5m rights issue

## SHAREHOLDER VALUE

*Unlocking latent value in Meridian SeamGas*

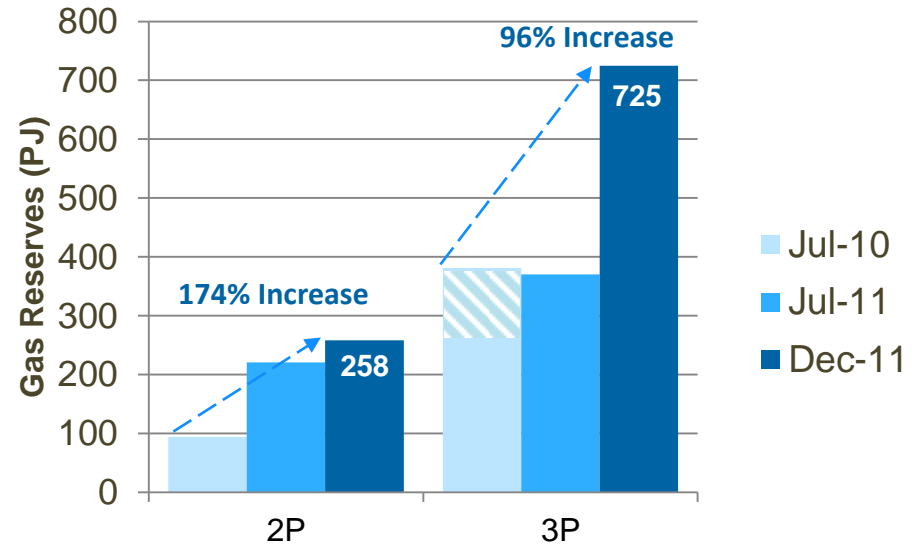
- Indicative proposal received in February 2012 – due diligence continuing & PetroChina is now acquiring MPO's Mungi gas-field adjacent to Meridian
- Share price up 42.5% during FY2012 from 23.5c to 33.5c
- Market capitalisation almost doubled during FY2012 from \$60m to \$119m

# Reserves Position



## Reserves have increased substantially

- 2P reserves up 174% since July 2010 to 258 PJ
- 3P reserves up 96% to 725PJ
- Potential to increase 2P & 3P reserves at Meridian, ATP 688P & ATP 769P in the Bowen Basin and 3C resources in ATP 974P & ATP 978P in the Galilee Basin
- Additional exploration and pilots planned in ATP 769P & ATP 688P



July 2010 3P reserves unadjusted for impact of Mitsui Farm-in of 103PJ

## Reserves net to WestSide

PROJECT	SHARE %	1P (PJ)	2P (PJ)	3P (PJ)	RESOURCE (PJ) GIP <sup>1</sup>
Meridian <sup>2</sup>	51.0	6.5	258	617	-
Meridian (to 1,500m)					1,552
ATP 769P (to 1,000m)	25.5			69	1,420
ATP 688P (to 1,000m)	25.5			39	1,215
Galilee (ATP 974P + 978P)	51.0				10,700
<b>Total</b>		<b>6.5</b>	<b>258</b>	<b>725</b>	<b>14,887</b>

<sup>1</sup> Internal estimate of GIP

<sup>2</sup> Meridian 2P reserves to 800m and 3P reserves to 1,350m

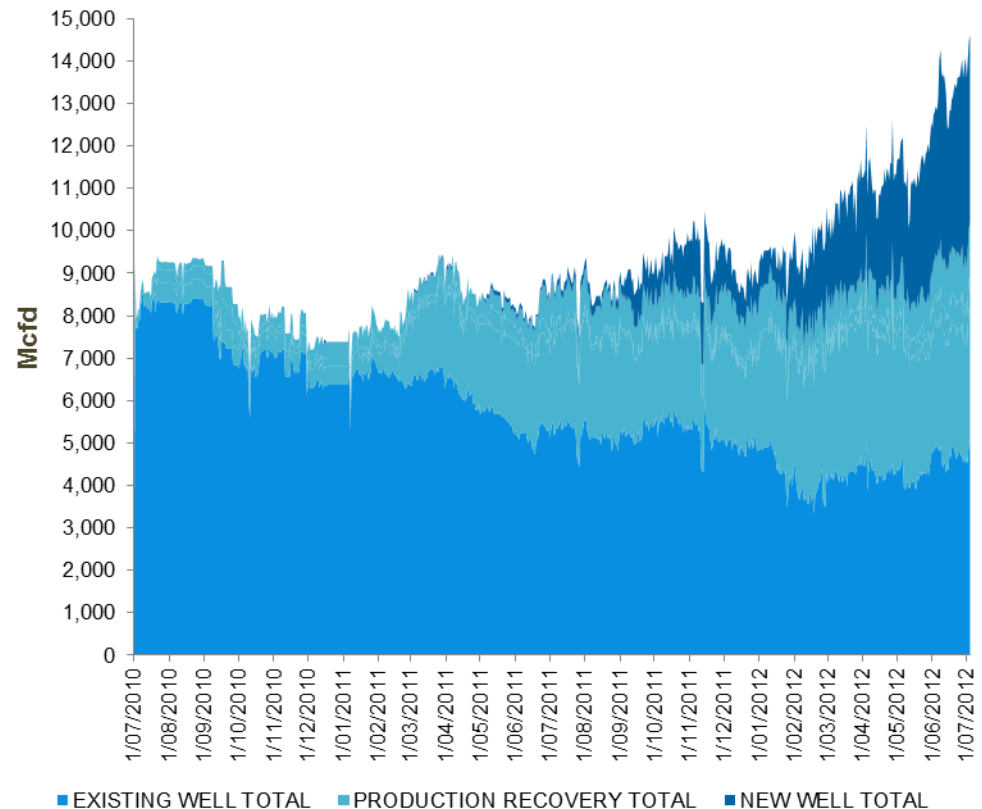
# Meridian SeamGas Production



## Production ramp-up since acquisition

- Natural decline of field arrested
- Well work-overs added 3.2 TJ/d in FY2012
- 10 new production wells from 2011 (7 dual-laterals & 3 up-dip blind laterals) ramping up
- PP10 & MER 27 flowed > 1,000,000scf/d and stabilising
- PP02, MER 28 & MER 29 have flowed at > 675,000 scf/d - controlled via back pressure building to peak
- New wells accounting for ~35 % of total production

Meridian SeamGas Field Progress



**“The value of the existing wells and infrastructure is beginning to be realised”**

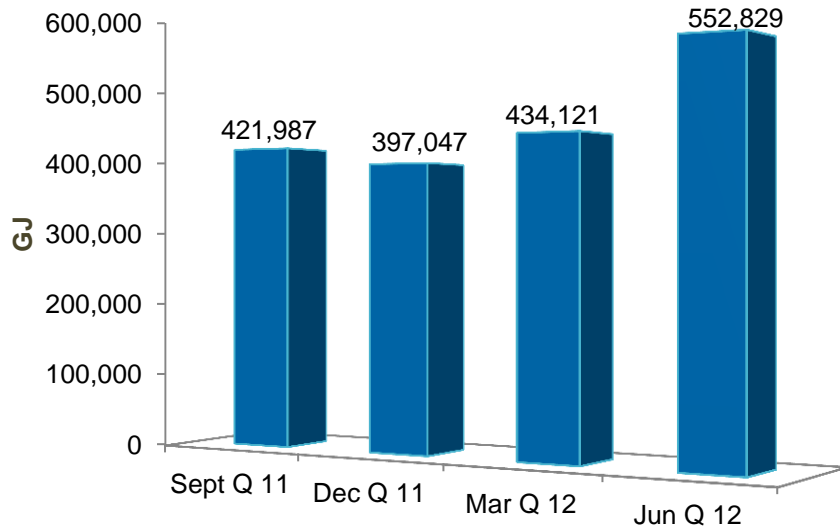
# Generating Momentum



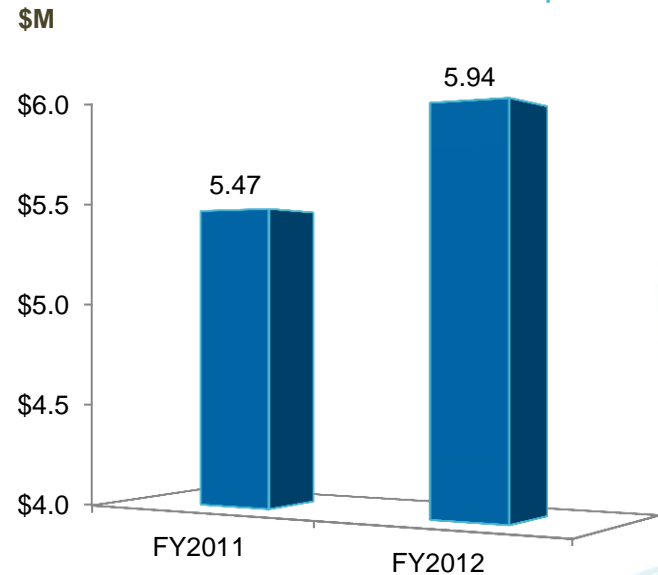
## Gas sales generating increasing revenue

Meridian’s average daily gas sales in June were up 53.1% since January, reflecting a rising contribution from new wells and work overs of old wells.

Quarterly Gas Sales (GJ) Net to WestSide



Net Revenue from Meridian up 8.2%



**“Meridian is well positioned to gain from increased production and higher gas prices”**



# Long-term Strategy



## **Develop Meridian towards self funding**

- New GSAs to capture expected higher prices in 2015
- Match field development to off-take profile of GSAs
- Utilise value in existing infrastructure to efficiently manage capital for ramp up
- Maximise margins through efficient production and low cost operations

## **Growth – develop pipeline of projects**

- Develop 2P reserves in ATP 769P & ATP 688P
- Establish commercialisation options for gas reserves
- Apply for Petroleum Licences
- Roll out new producing projects based on Meridian model of operation

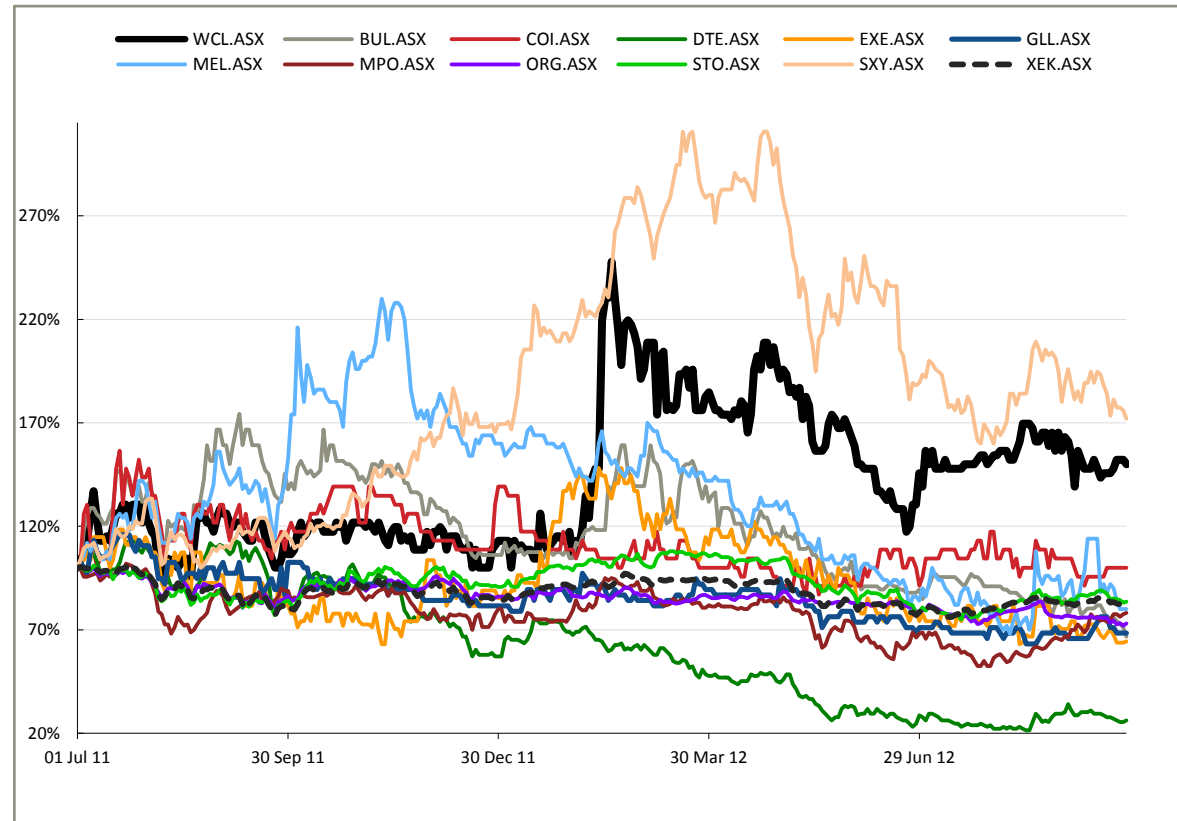
## **Long term potential**

- Continue to evaluate potential of Galilee Basin
- Consider opportunities to expand acreage through Joint Ventures or acquisitions

# Share Price Performance



- WCL has out-performed most key sector peers & S&P/ASX 300 Energy Index since July 1 2011
- Share price up 42.5% during FY2012
- Market cap almost doubled during FY2012 to \$119m on expanded capital base
- Indicative proposal has generated price support but WCL has strong growth prospects as full value of Meridian SeamGas is demonstrated and WestSide achieves milestones



**“Well positioned to outperform the sector index as production ramps up”**

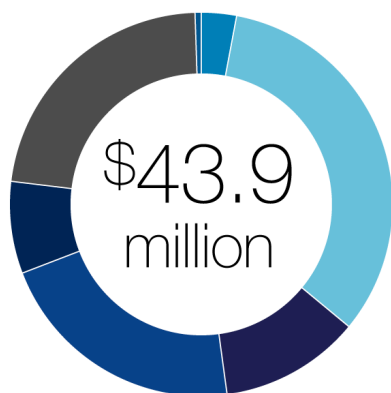
# Financial Performance



## Segment information

	2012 \$000'S	2011 \$000'S	CHANGE \$000'S	CHANGE %
<b>Earnings before interest, tax and depreciation (EBITDA)</b>				
Meridian SeamGas	5	(1,024)	1,029	100%
Drilling rig operations	(1,154)	614	(1,768)	-288%
Corporate and administration	(4,804)	(4,507)	(297)	-7%
Total EBITDA from continuing operations	(5,953)	(4,917)	(1,036)	-21%
Indonesian operations – discontinued	3,664	(280)	3,944	
Total EBITDA	(2,289)	(5,197)	2,908	56%
Interest (Net)	(95)	641	(736)	-115%
Depreciation	(5,791)	(4,818)	(973)	-20%
Tax	363	-	363	-
<b>Total loss</b>	<b>(7,812)</b>	<b>(9,374)</b>	<b>1,562</b>	<b>17%</b>

## Applications of funds to 30 June 2012

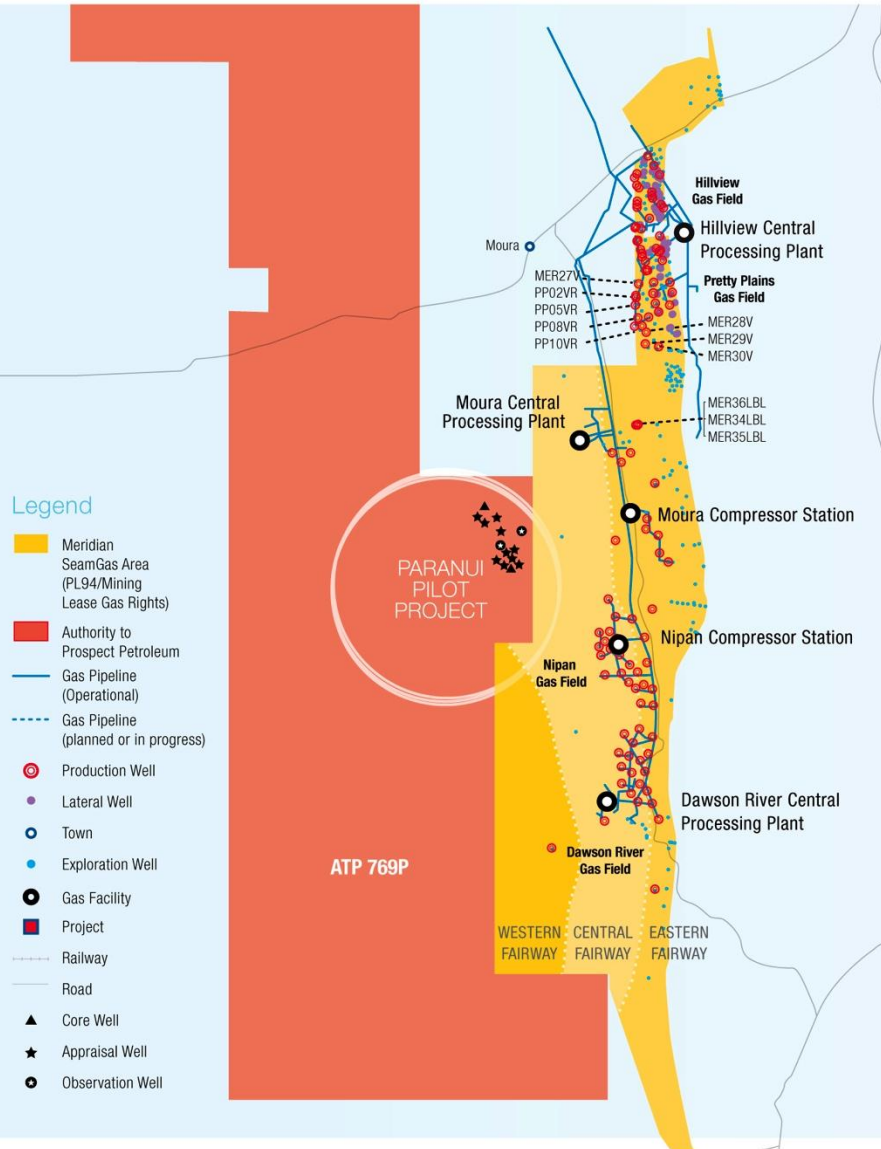


	\$ million	per cent
Property plant and equipment	0.2	1%
Share issue costs	1.3	3%
Development	14.5	33%
Exploration & appraisal	5.2	12%
Production costs	9.4	21%
Drilling rig operations	3.4	8%
Administration and GST	9.9	23%

## Key points

- Meridian revenue up 8.2% at \$5.94 M due to increased production – more than offsetting decline in third party gas
- Meridian result includes an \$883k write back against the provision for remedies (due to higher forecast sales)
- Revenue from drilling operations down due to maintenance program and accidental damage (subject to insurance claim)
- Exit from Indonesian JV resulted in once-off gain of \$3.7m (after commissioning costs) on receipt of TXD Schramm rig as settlement
- Corporate and administration slightly higher due to costs associated with the indicative proposal process
- Depreciation higher due to increased cost base (development & exploration costs added to pool) & change from 1P to 2P basis
- Tax benefit relates to FY2009 R&D claim

# Meridian 2012-2013 Outlook



## Reserves - continuing to increase 2P & 3P reserves

- Improve recovery through lowering of back pressure
- Convert 3P to 2P for upper seams
- Confirmation of production from deep seams >800m

## Production – proving capability at low cost while ramping up to initial target of 25 TJ/day

- 1 dual-lateral and 1 up-dip well already completed in FY2013
- Up to 5 dual-lateral wells planned in FY2013
- Trial to rejuvenate existing wells that are not producing or well below expectations - 10 vertical wells & 1 dual-lateral targetted
- Trial of Zero Radius Drilling technique
- Planned new dual-laterals may be substituted if new techniques show higher efficiency at lower cost

“WestSide will continue to enhance Meridian by increasing reserves and production”



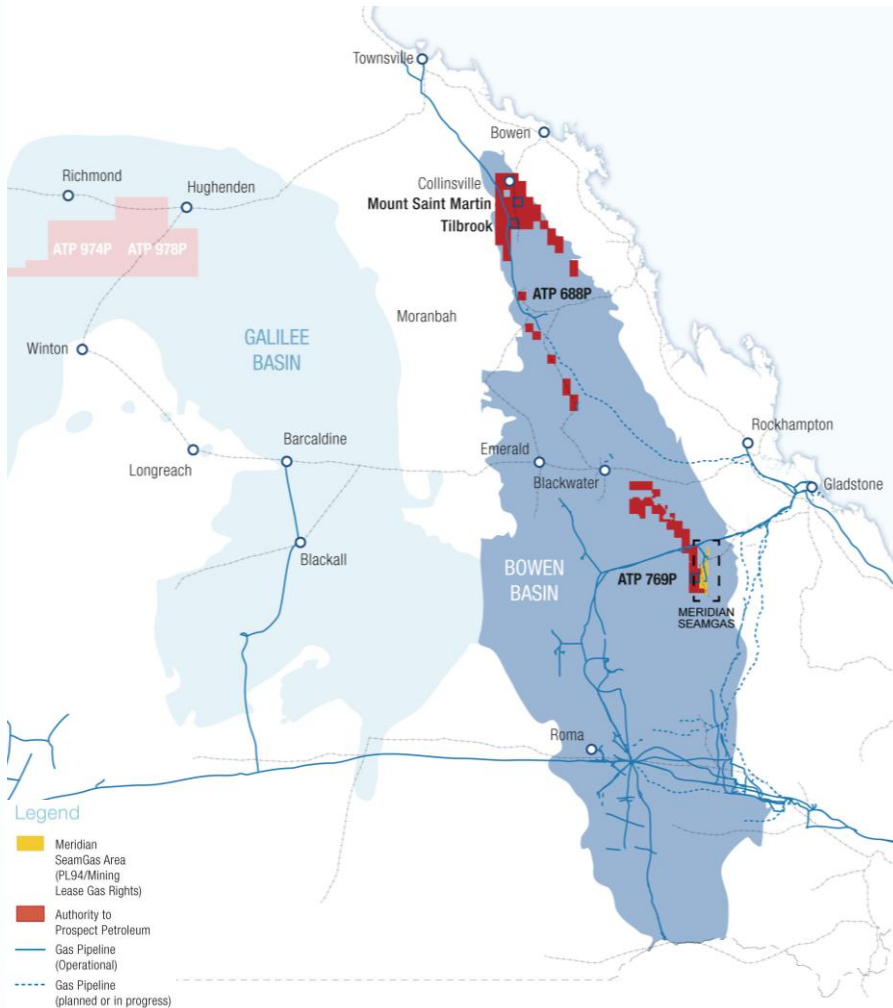
# Meridian 2012-2013 Outlook



## **Cost reduction strategies** – *lowering the cost per unit gas production to maximise margins*

- Installation of booster compression in two locations to reduce back pressure on wells to increase production rates
- Utilisation of trailer-mounted booster compressor to reduce installation costs and enhance flexibility
- Pilot water treatment plant to trial methods at lower cost than 100% RO plants
- Well design, drilling optimisation and completion methods
- Airwell pumps to be installed on new wells to accelerate commissioning
- Rejuvenation of pre-existing wells to enhance or bring back into production, reducing costs through utilisation of existing infrastructure
- Well telemetry to reduce operator costs

**“Meridian will continue to be positioned as a low cost operation to maximise margins”**



### Bowen Basin Exploration – *Mid-term focus*

#### ATP 688P

- Mount St Martin Pilot extension with 2 lateral wells into existing verticals
- Seismic program

#### ATP 769P

- Paranui (adjacent to Meridian) – Airwell pump trial in Paranui pilot wells
- New deep exploration wells
- Seismic program

#### Targets

- 2P & 3P reserves certification
- Commercialisation routes established
- PL applications
- Identify new CSG exploration targets

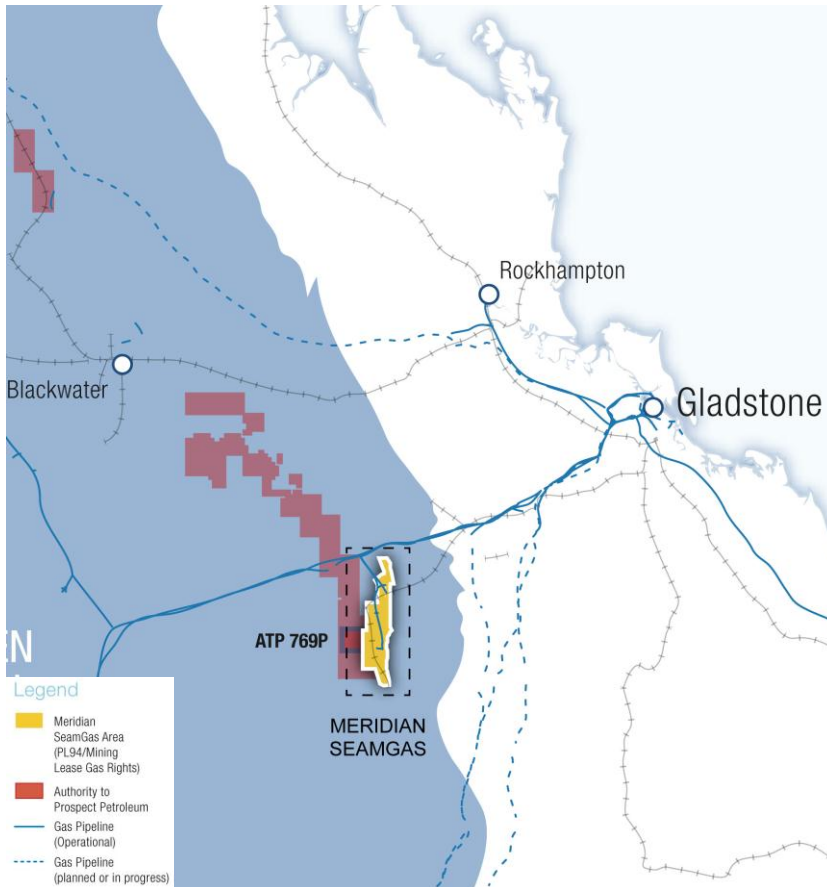
### Galilee Basin Exploration – *Long-term focus*

#### ATP 974P & ATP 978P

- Future drilling sites established
- Landholder, Environmental & Cultural Heritage approvals in progress
- Low level of activity anticipated in FY2013



# Meridian SeamGas – Market Outlook



## Competitive Position

- Closest gas producer to Gladstone
- Connected to Qld Gas Pipeline & near pipelines in construction to Gladstone LNG projects
- Low cost brownfields development of 2P & 1P reserves (30TJ/d gas processing, 60 TJ/d pipeline)
- Existing contracts run to 2014/15 for up to 25TJ/d
- More than 400 PJ of uncontracted 2P gas (100% basis)

## Market Opportunities

- 2012 Queensland Gas Market Review forecasts further firming of gas prices to over \$10/GJ by 2015 and gas scarcity for domestic contracts
- Domestic industrial users now showing greater propensity to secure gas supplies at higher prices
- Westside plans to mitigate pricing volatility by having a portfolio of gas with some under written by a fixed escalating gas price

**“Domestic & LNG project customers are projected to be short gas in the near term”**

# Indicative Takeover Approach



## Takeover Approach

- Received indicative proposal from LNG Limited (LNGL) in February 2012
- Indicative price of 65cps cash valuing WestSide at \$165.2m
- Takeover approach prior to Entitlement Offer launch and significant Reserves Upgrade
- Data room established and non-exclusive due diligence access granted
- WestSide working cooperatively with LNGL and associated parties to progress the proposal
- Board is committed to maximising shareholder value and working with advisers to explore all available options.
- WestSide has previously advised that other parties may be granted due diligence access

## Subsequent activity

- Conditional sale of Molopo's adjacent Mungi gas field to PetroChina announced 1 August 2012
- There is no guarantee that a binding takeover offer will be made
- WestSide management has remained focused throughout process on executing our growth strategy to increase reserves and production to support the execution of new GSAs

# Summary



## Production & Location

- ✓ Operating established Meridian SeamGas business on QGP - 160km from Gladstone
- ✓ Averaged gross sales of 13.5 TJ/d in June 2012, commissioning 10 new wells – (5 have achieved production rates > 675 Mscf/d, including PP10 & MER 27 @ >1,000 Mscf/d)
- ✓ Drilling new wells - trialing innovative well designs & equipment to increase production efficiency
- ✓ Significant opportunity to ramp up production to 60 TJ/day to match pipeline infrastructure supported by 258 PJ of 2P reserves (net to WCL)
- ✓ New Environmental Authority for Meridian SeamGas Petroleum Lease PL 94 granted

## Sales Contracts

- ✓ Existing contracts in place for up to 25 TJ/d to 2014-15 - \$5.94m revenue (net) FY2012
- ✓ Progressing GSA negotiations – potential doubling of gas prices toward \$10/GJ in 2015

## Corporate

- ✓ Experienced Management team with strong support from major strategic partners (Mitsui E&P & QGC) and cornerstone investors (New Hope Corporation & Energy Infrastructure Trust)
- ✓ Well funded for production and exploration programs \$34 million in cash at 30 June 2012

## Exploration Upside

- ✓ Reserves upgrades at low cost possible at Meridian SeamGas to support further growth
- ✓ Bowen Basin - ATP 769P and ATP 688P (mid-term commercialisation) & Galilee Basin – ATP 974P and ATP 978P (grassroots program)

**“Developing reserves, production and low cost operations to capture value of new market paradigm in 2014-15”**

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### **Reserve estimates**

The updated reserves figures for WestSide's 51% interest in the Meridian SeamGas Project as at 31 December 2011 used in this presentation are based on information compiled by John P. Seidle, Ph.D., P.E., and Vice President of MHA Petroleum Consultants LLC. Mr Seidle is not an employee of WestSide Corporation Ltd and consents to the inclusion in this report of these reserves figures in the form and context in which they appear.

The certified reserves figures for ATP 688P and ATP 769P used in this presentation are based on information compiled by John P. Seidle, Ph.D., and P.E., Vice President of MHA Petroleum Consultants LLC. Mr Seidle is not an employee of WestSide Corporation Ltd and consents to the inclusion of these reserves figures in the form and context in which they appear.

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# QUESTION & ANSWER

