

# QUARTERLY REPORT

QUARTER ENDING 31 MARCH 2013



## HIGHLIGHTS

- Board announces steering indicative takeover process toward conclusion in the near term
- WestSide gas reserves substantially upgraded with total 2P reserves up 34.5% to 347 PJ
- Meridian revenues net to WestSide up 37.9% on the same period last year at \$1.89 million, down 3.1% on the December quarter
- Sales volume of 474.2 TJ up 9.2% on the same period last year, down 3.8% on the December quarter
- WestSide included in the S&P/ASX All Ordinaries Index for the first time



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Front cover picture: Halliburton team at Meridian SeamGas working on the Advanced Well Treatment trial.

## OPERATING HIGHLIGHTS

- Board announces steering indicative takeover process toward conclusion in the near term
- WestSide gas reserves substantially upgraded across all categories with total 2P reserves up 34.5% to 347 PJ
- Meridian revenues net to WestSide up 37.9% on the same period last year at \$1.89 million but down 3.1% on the previous December quarter
- Production volume net to WestSide of 452.4 TJ, excluding fuel gas, up 10.9% on the same period last year, but down 3.6% on the previous quarter – wells taken off-line for the Advanced Treatment Trial impacting production for the whole quarter
- Sales volume net to WestSide of 474.2 TJ up 9.2% on the same period last year, but down 3.8% on the previous quarter
- Work on seven wells targeted for Advanced Treatment Trial completed
- Successfully commissioned water treatment pilot plant which is performing to specification
- WestSide included in the S&P/ASX All Ordinaries Index for the first time
- Subsequent to the end of the quarter:
  - Installed surface equipment and telemetry on Advanced Treatment Trial wells
  - Commenced production testing on three of the seven wells targeted for Advanced Treatment Trial

## OVERVIEW AND OUTLOOK

During the March quarter WestSide engaged with independent certifier MHA Petroleum Consultants LLC to deliver another substantial increase in the Company's net certified reserves across all categories including a 34.5% increase in Proved and Probable (2P) reserves to 347 PJ<sup>(1)</sup>.

WestSide's net share of sales revenue from Meridian of \$1.89 million was up 37.9% on the previous corresponding March quarter, but down 3.1% from the \$1.95 million reported in the December quarter.

March quarter production was affected by a number of factors including the impact of wet weather at Meridian SeamGas during late January and early March while gas sales were curtailed due to a temporary fall in demand associated with regional flooding in the wake of ex-Cyclone Oswald.

Wells taken off-line for the Advanced Treatment Trial continued to impact production during the quarter. The remediated wells are being progressively completed and returned to production and another series of wells have been identified for treatment if this trial proves to be technically and commercially successful.

Future gas sales will be slightly affected by the loss of third party gas from the adjacent Mungi field which had been supplying Meridian SeamGas with about 0.5 TJ/d until early April when water pumping ceased.

The engineering team is now concentrating on the installation and commissioning of a new 200HP booster compressor which was recently delivered on site.

WestSide remains committed to meeting milestone conditions under Meridian's Transitional Environmental Plan to bring legacy dams and water management for PL94 into compliance with Queensland's upgraded policy standards. Conditions for an Environmental Authority for a new Area Pipeline Licence to optimise field integration plans are also expected to be finalised during the quarter.

On 20 November 2012, WestSide announced that an indicative, conditional, non-binding and confidential proposal had been received from a party which has conducted extensive due diligence on the Company.

This proposal involves the acquisition of 100 per cent of the shares in WestSide for cash consideration of 52 cents a share.

On 5 March 2013 WestSide announced that the Board had decided to bring negotiations regarding the indicative takeover proposal process to a conclusion in the near term. The Board is working to conclude the process as soon as possible and will keep the market informed of any material developments.

The Company had \$20 million in cash at 31 March 2013.

## OPERATIONS REVIEW

### Meridian SeamGas CSG field

(WestSide interest 51% - Mitsui 49%)

Reserves: 6.5 PJ (1P); 258 PJ (2P); 617 PJ (3P) net to WestSide<sup>(1)</sup>

Operations concentrated on completion of the Advanced Treatment Trial involving a group of previously fracture-stimulated wells – five of which have been dormant and targeted to be brought back into production. These wells were all treated during the previous quarter to remove down-hole blockages caused by mineralisation.

Despite wet weather interruptions, Halliburton completed a propriety treatment on seven wells. The process deployed is designed to stabilise the reservoir structure to ensure better long term production performance.

New pumps and well-heads have been installed on these wells which are being connected and progressively brought into production.

Commissioning of the new 1,000 HP trailer-mounted booster compressor continued (*pictured*) and the site was prepared for installation of a second 200 HP unit which arrived subsequent to the end of the quarter. Commissioning of this unit is scheduled to commence in May.

The new pilot water treatment plant was commissioned during the period and has since been performing to specification. Development of the plant follows the establishment of a research partnership with Midell Water in collaboration with the University of Central Queensland to test new water treatment technology using volcanic rock in conjunction with reverse osmosis.

This plant is removing approximately 80 per cent of all salts and contaminants from produced water – cost-efficiently delivering treated water suitable for beneficial reuse.



## PRODUCTION REVIEW

### Meridian SeamGas CSG field

(WestSide interest 51%)

Production during the quarter remains relatively stable in the face of natural decline, ongoing well maintenance and the unfavourable impact of wet weather at Meridian and widespread regional flooding which affected transmission and industrial demand for gas.

As previously advised, production recovery from some of Meridian's new dual-lateral wells has proved disappointingly slow as water levels have fallen more gradually, with some requiring additional work-overs. Expected long-term gas recovery from these wells remains unchanged.

Production continued to be affected by the loss of approximately 1 TJ/d from five wells taken off-line for the Advanced Treatment Trial which is expected to deliver additional production over coming months. The Meridian joint venture is still receiving compensation for revenue from foregone production of approximately 1.5 TJ/d from wells impacted by expansion of the adjacent coal mine last year.

Quarterly Data		31 Dec 2012	31 Mar 2013	% change	31 Mar 2012	% change
Gross Operated						
Production	GJ	920,717	887,116	(3.6)	799,993	10.9
Gas Sales	GJ	967,204	929,878	(3.8)	851,217	9.2
Net to WestSide (51%)						
Production	GJ	469,566	452,429	(3.6)	407,996	10.9
Gas Sales	GJ	493,274	474,238	(3.8)	434,121	9.2

**Table 1: Quarterly Gas Production & Sales Data** (production is net of fuel gas used)

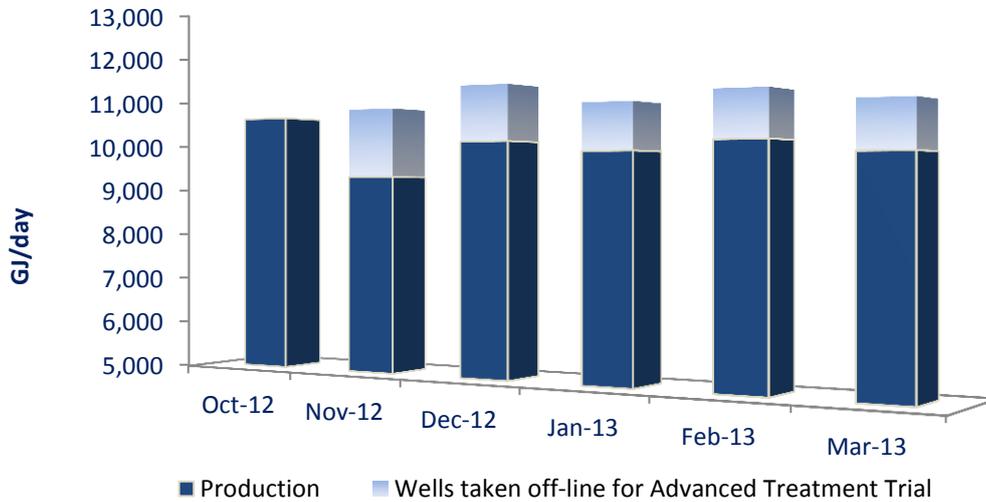
Production from the Meridian SeamGas CSG field (excluding fuel gas) was down 3.6% on the December quarter at 887,116 GJ (452,429 GJ net to WestSide), but up 10.9% on the previous corresponding March quarter. Total sales volume (including third party gas) of 929,878 GJ (474,238 GJ net to WestSide) or 10.3 TJ/d, was down 3.8% on the December quarter, but up 9.2% on the previous corresponding March quarter.

Available third party gas sourced from the nearby Mungi field for resale during the March quarter totalled 42,762 GJ – down 8% from 46,487 GJ in the previous quarter and down 16.5% from 51,224 GJ in the previous corresponding March quarter. Future sales will be affected by the loss of production from the Mungi field which ceased pumping water from the gas wells in April.

WestSide's net share of sales revenue from Meridian of \$1.89 million, including processing fees, compensation and price uplift to accommodate carbon tax costs, was up 37.9% on the

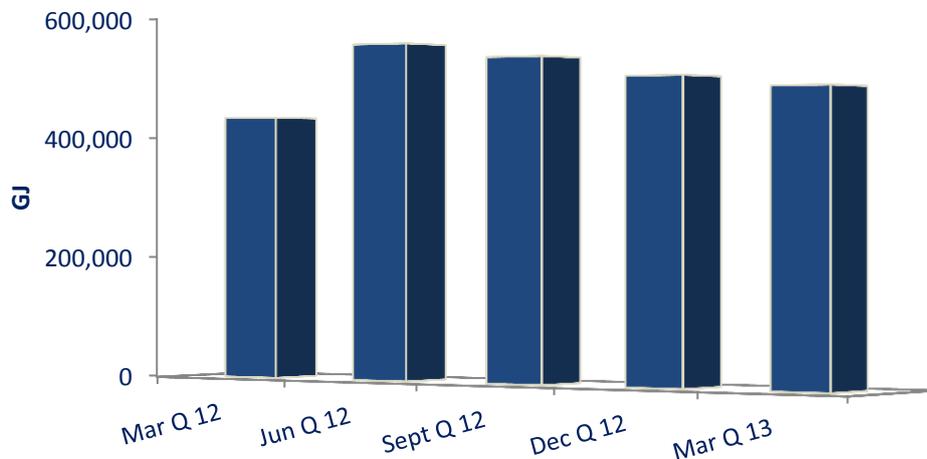
previous corresponding March quarter, but down 3.1% from the \$1.95 million reported in the December quarter.

**Chart 1: Meridian Average Daily Gas Production (GJ)**



*Excludes fuel gas*

**Chart 2: Quarterly Gas Sales Net to WestSide (GJ)**



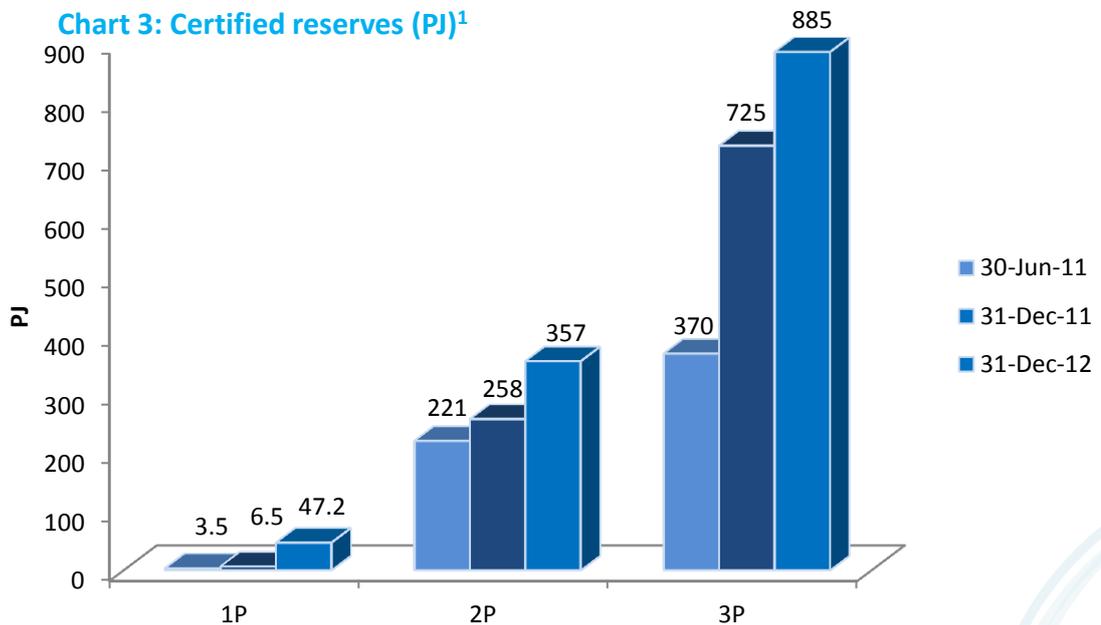
### Reserves Upgrade

During the period WestSide received a new reserves report from independent reserve certifiers MHA Petroleum Consultants LLC, as part of a regular review of the Company's assets with particular focus on Meridian SeamGas production results for calendar year 2012.

WestSide's total net 1P reserves were up 40.7 PJ to 47.2 PJ – a more than six-fold increase from 6.5 PJ – while 2P reserves rose 34.5 per cent or 89 PJ from 258 PJ to 347 PJ and 3P reserves increased 22 per cent or 160 PJ from 725 PJ to 885 PJ<sup>(1)</sup>.

The additional reserves were certified in accordance with SPE PRMS guidelines and acknowledge the Company's achievements as Operator in bringing new wells into production at Meridian and extending the life and productivity of existing wells within the field.

Importantly, the extension of productive well life enhances projected returns from Meridian's ongoing field development due to the anticipated future impact of higher gas prices.



## EXPLORATION REVIEW

### BOWEN BASIN

#### Meridian SeamGas CSG field

*(WestSide interest 51%)*

Analysis of data from the MER 07X exploration core well, drilled during the previous quarter in a producing part of the field, confirmed that gas content in the targeted seams between wells has not been depleted as much as prior modelling anticipated. This finding further reinforces the recent reserves upgrade and will increase confidence and opportunities in field development planning.

Following completion of 2008 Narweena 2D seismic review, the exploration team has started reprocessing and reinterpreting data from two other 2D seismic surveys conducted at Meridian in 2006 and 2009 using modern techniques. The results will then be used to further update WestSide's geological model of the field to assist well planning.

### ATP 769P

*(WestSide interest 25.5% - Mitsui E&P Australia 24.5% - QGC 50%)*

Reserves: 69 PJ (3P) net to WestSide<sup>(1)</sup>

WestSide is continuing to progress landholder, Cultural Heritage and environmental approvals for a regional exploration well program which remains subject to finalising joint venture approvals. Joint venture partner QGC also continued to finalise approvals for a proposed 2D seismic survey which is scheduled for the second half of calendar 2013.

### **Mount Saint Martin and Tilbrook (ATP 688P)**

*(WestSide interest 25.5% - Mitsui E&P Australia 24.5% - QGC 50%)*

Reserves: 39 PJ (3P) net to WestSide<sup>(1)</sup>

Discussions are continuing with joint venture partners to finalise an exploration strategy that would aim to delineate additional targets within the tenement and properly plan new exploration wells. During the quarter WestSide also engaged with a potential gas user to investigate potential commercialisation strategies.

### **GALILEE BASIN**

#### **ATP 974P & ATP 978P**

*(WestSide interest 51% - Mitsui E&P Australia 49%)*

Several well leases were rehabilitated to the satisfaction of the landowners during the quarter.

In February the Galilee Basin Operators' Forum, of which WestSide is a member, presented the Queensland Government and its agencies with a Report combining all the existing publicly available groundwater data within the state's Galilee Basin energy precinct. The Report, which took almost two years to complete, establishes a basin-wide and consistent description of groundwater systems, identifying known and possible aquifers from all current, accessible information, including some 10,400 registered water bores.

## SUSTAINABILITY

Further headway was made during the quarter to progress the Transitional Environmental Plan (TEP) work program, under s333 of the Environmental Protection Act, to bring legacy dams and water management practices for PL94 (Meridian SeamGas) into compliance with upgraded policy standards.

A second legacy evaporation pond was decommissioned in preparation for rehabilitation and a water collection facility was established to take water from wells serviced by the pond.

As part of the pilot water treatment project, WestSide conducted a study involving four nearby properties as potential end users which delivered very encouraging results.

The initial water quality test results of the treatment plant (*pictured*) indicate suitability for a number of uses including irrigation, stock watering and dust suppression.

Further plant operation and associated testing is to be performed to ensure consistent water quality.

Rehabilitation of exploration sites at Meridian continued during the period under review, resulting in the restoration of six well lease sites in

preparation for formal handover back to landholders.

There were no recordable injuries and no environmental incidents or high hazard events occurred during the period.



# CORPORATE

## Indicative Proposal

On 20 November 2012, WestSide announced that an indicative, conditional, non-binding and confidential proposal had been received from a party which has conducted extensive due diligence on the Company.

This proposal involves the acquisition of 100 per cent of the shares in WestSide for cash consideration of 52 cents a share.

WestSide subsequently announced on March 5 2013, that the Board had decided to bring the process to a conclusion in the near term. The Board is working to conclude the process as soon as possible and will keep the market informed of any material developments.

## Capital issue

During the quarter 440,000 new shares were issued following the exercise of unlisted incentive options and 2,078,000 were issued upon vesting of employee performance rights. Additionally, 800,000 unlisted WestSide share options and 87,000 unlisted WestSide share rights expired.

## Financial Position

WestSide's cash position at 31 March 2013 was \$20 million.

## Sales Revenue

WestSide's net share of sales revenue from Meridian of \$1.89 million, including processing fees, compensation and price uplift to accommodate carbon tax costs, was up 37.9% on the previous corresponding March quarter, but down 3.1% from the \$1.95 million reported in the December quarter.

## Exploration and Development

WestSide's share of expenditure on development activities for the period was \$2 million and a further \$0.1 million (WestSide's share) was spent on exploration.

## Shareholder Base

At 31 March 2013 WestSide Corporation had 2,450 shareholders and 358,639,380 shares on issue. During the quarter WestSide was admitted to the S&P/ASX All Ordinaries Index of Australia's 500 leading stocks for the first time.

# OPERATIONS AND PROJECT AREAS

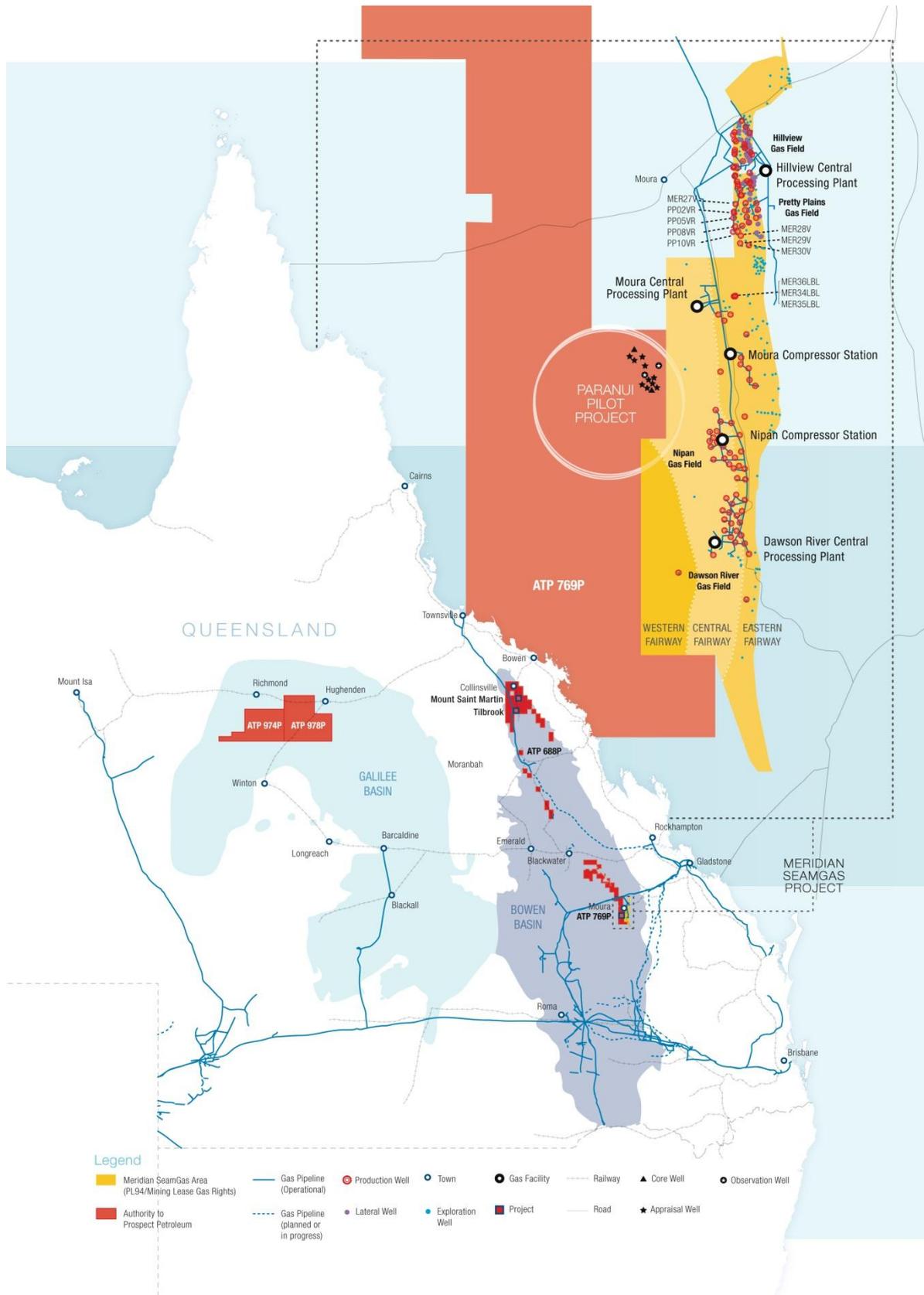


Figure 1: WestSide Corporation Limited: Operations and tenement interests

## About WestSide Corporation Ltd

WestSide Corporation Limited is an ASX-listed company (ASX code: WCL) with interests in coal seam gas (CSG) projects in Queensland. WestSide operates the Meridian SeamGas CSG fields west of Gladstone in Queensland's Bowen Basin.

The Meridian gas fields comprise a range of CSG assets including a petroleum lease, gas rights in mining leases and gas compression and pipeline infrastructure connected to Queensland's commercial gas network. WestSide holds a 51% interest in the fields with Mitsui E&P Australia Pty Ltd holding the remaining 49%.

Elsewhere in the Bowen Basin, WestSide is currently operating an exploration and appraisal program at the ATP 769P (Paranui) and ATP 688P (Tilbrook and Mount Saint Martin) sites. WestSide holds a 25.5% interest in each tenement with Mitsui E&P Australia Pty Ltd holding 24.5 % in each tenement and QGC the remaining 50% in each case.

WestSide also has 51% operating interests in two Galilee Basin (Queensland) tenements (ATP 974P and ATP 978P) covering an area of over 13,280 sq kms, with Mitsui E&P Australia Pty Ltd holding the remaining 49% in each tenement.

### **Competent persons statement**

(1) The updated reserves figures for WestSide's 51% interest in the Meridian SeamGas Project as at 31 December 2011 referred to in this report and the certified reserves figures for ATP 688P and ATP 769P 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.

## CORPORATE DIRECTORY

### Chief Executive Officer

Dr Julie Beeby

### Directors

Angus Karoll – Executive Chairman  
John Clarke – Non-executive Director  
Tony Gall – Non-executive Director  
Trent Karoll – Non-executive Director  
Nathan Mitchell – Non-executive Director  
Robert Neale – Non-executive Director

### Business Office

Level 8, 300 Queen Street  
Brisbane QLD 4000

Phone: + 61 7 3020 0900

Fax: + 61 7 3020 0999

Postal address

GPO Box 1121  
Brisbane QLD 4000

Web: [www.westsidecorporation.com](http://www.westsidecorporation.com)

Email: [info@westsidecorporation.com](mailto:info@westsidecorporation.com)

### Company Secretary and Chief Financial Officer

Damian Galvin

### Australian Securities Exchange Listing

Australian Securities Exchange Ltd

ASX Code: WCL Ordinary Shares

### WestSide Corporation Limited

ABN 74 117 145 516

ACN 117 145 516

### Registered Office

Level 8, 300 Queen Street  
Brisbane QLD 4000

### Auditors

PricewaterhouseCoopers

Riverside Centre

123 Eagle Street

Brisbane QLD 4000

### Share Registry

Boardroom Pty Limited

Level 7, 207 Kent Street

Sydney, NSW, 2000

Phone: 1300 737 760

Fax: 1300 653 459

## CONTACTS

### Chief Executive Officer

Dr Julie Beeby

Phone: 61 (0)7 3020 0931

### Investor & Community Relations Manager

Richard Owen

Phone: 61 (0)7 3020 0933

Mobile: 61 (0)412 869 937

Web: [www.westsidecorporation.com](http://www.westsidecorporation.com)

Email: [info@westsidecorporation.com](mailto:info@westsidecorporation.com)