S&P Global
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HD Chinese bidder takes foothold in Australian CSG target WestSide
WC 587 words
PD 23 April 2014
SN Platts Commodity News
SC PLATT
LA English

LP Sydney (Platts)--23Apr2014/1246 am EDT/446 GMT

Privately owned Chinese company Landbridge Group has acquired a 3.2% stake in Australia's WestSide Corporation, signalling further intent to proceed with a takeover offer for the Queensland-based coalseam gas producer.

TD In a statement Wednesday, WestSide said Landbridge Energy Australia had bought 14,264,365 of its shares off market at A$0.32 (30 cents) each. WestSide's shares are currently trading at A$0.295.

Shandong province-based Landbridge flagged its intention in early March to make a A$160 million ($150 million) off-market takeover offer for WestSide at A$0.36/share. Landbridge said then it had made a confidential, non-binding proposal to the company on February 7, but subsequently decided to put the offer directly to shareholders after WestSide declined to engage in "meaningful negotiations" about the offer price.

"WestSide continues to recommend that shareholders take no action with respect to Landbridge Group's conditional notice of intention to make a conditional offer," WestSide said Wednesday.

WestSide's main asset is its operating stake in the Meridian coalseam gas fields west of Gladstone in Queensland's Bowen Basin. Meridian is owned 51% by WestSide and 49% by a local subsidiary of Japan's Mitsui.

In a separate announcement Wednesday, WestSide said work was on track to begin within a month on the first phase of an expansion to enable Meridian to supply gas to the Santos-operated Gladstone LNG project. The phase one program will involve the drilling of six new production wells.

Late last month, Santos agreed to purchase up to 65 terajoules/day of Meridian gas under a 20-year contract starting in 2015. The fields have an installed compression capacity of 30 Tj/d of gas, but are currently producing at about 12 Tj/day.

"A conservative development plan could see the Meridian joint venture supplying 40 Tj/d by 2017, in which case WestSide's share of revenues over the contract term could significantly exceed A$1 billion," WestSide Managing Director Mike Hughes said when the Santos deal was agreed.

"Stepping production up to this level over three years would require a relatively modest A$40 million financing package, but capital spending can be varied according to the availability of funding," he added at the time. "Expansion to 65 Tj/d and beyond will require additional investment."

GLNG will produce 7.8 million mt/year of LNG from two trains at its liquefaction facilities on Curtis Island in Gladstone. The $18.5 billion project is around 80% complete and is on schedule to produce its first LNG in 2015 from a combination of its own coalseam gas resources, Santos portfolio gas, underground storage and third-party supplies.

EARLIER INTEREST

WestSide has been the subject of interest from China previously. A subsidiary of state-controlled PetroChina submitted an indicative A$185 million proposal for the company in November 2012, but subsequently withdrew the offer after a change in market conditions.

Prior to that, WestSide had attracted the attention of Australia's Liquefied Natural Gas Limited, which was wanting to use Meridian gas to underpin a planned 3 million mt/year LNG project at Fisherman's Landing in Gladstone.

Landbridge is the owner of China's only privately held port. The company has around A$4 billion in assets and 4,000 employees.

Christine Forster, christine.forster@platts.com

Edited by Wendy Wells, wendy.wells@platts.com

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AN Document PLATT00020140423ea4n0008d