SHAW STOCKBROKING

Participant of ASX Group and holder of Australian Financial Services Licence No 236048

CitiWarrants: Woodside Petroleum Ltd (WPL) - A Complication for Pluto LNG?

7/02/2007

Stock Focus

Woodside Petroleum Ltd (WPL) - Is a GTL plant on the Burrup a complication for Pluto LNG?

Pluto Project Risk Remains Persistent — With Woodside already clearing the Pluto site, the project risks should be falling not rising. The start-up of a GTL plant by Chevron / Sasol could tie up some 3rd party gas options, thus increasing the pressure on exploration to find the "missing" gas volumes.

Pluto LNG Is Not Yet a Standalone 6Mt/yr Operation — Gas reserves delineated to date appear sufficient to support a 6Mt/yr LNG project for 15 years but not a 20-year operation. To achieve standalone status further exploration success or the tolling of 3rd party gas would be required.

Exploration Options Do Exist — There is some exploration potential within the Pluto block. There is more likelihood in adjacent blocks; however equity in those gas molecules if delineated would be diluted from 100% at Pluto to 50%. Two wells are planned in Block WA-370-P in 2007.

CIR Have Lowered Their Target Price — This rise in project risk, unless ameliorated, could increase funding costs and squeeze project returns. CIR have reduced the probability that the project will proceed from 75% to 60% and in so doing have lowered their target price from $42.70 to $41.80/share.

Recommendation Lowered to Hold — Given the significance of this project to the future growth of the company and the rise in perceived project risk CIR have changed their recommendation from a Buy (1M) to a Hold (2M).