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

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### 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).