



PNG LNG Project Financing

USExim Annual Conference
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ExxonMobil

PNG LNG is operated by a subsidiary of
ExxonMobil in co-venture with:



Santos



Asia Pacific
Deal of the Year

ProjectFinance

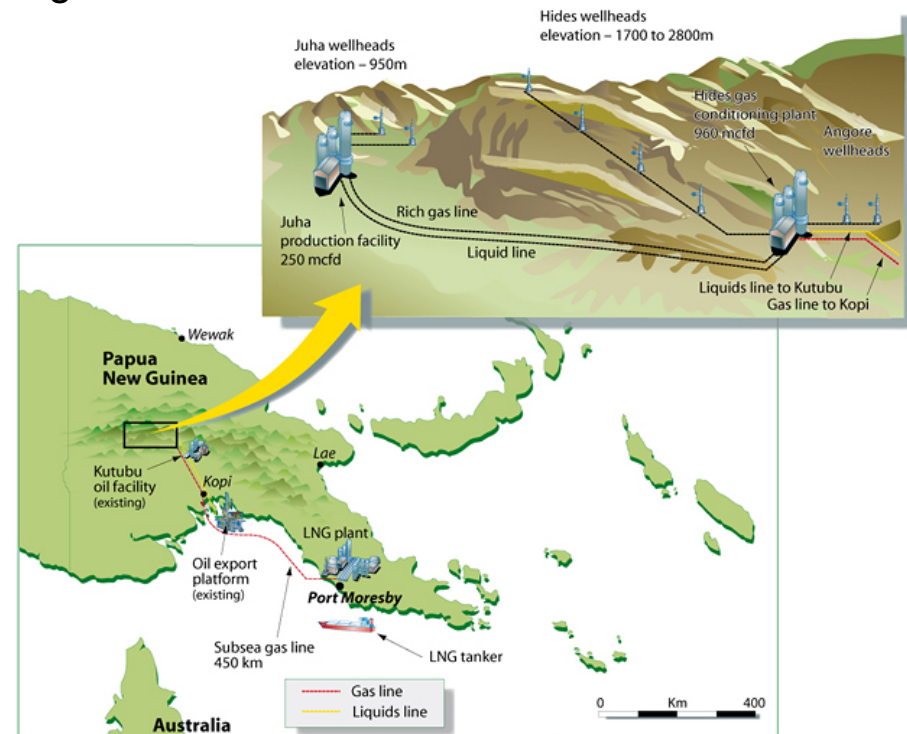
2009 Asia Pacific
Oil & Gas Deal of the Year





Project Overview

- Vertically integrated development comprising upstream production systems, processing and treatment facilities, pipelines and liquefaction plant in PNG
- High quality gas resources (9.2 Tcf 2P) with high heating value, minimal impurities and high quality liquids content
- 6.6 MTA capacity LNG liquefaction plant with base volume sold to buyers in Japan, China and Taiwan in long term take-or-pay sales agreements
- As Operator, ExxonMobil draws on its extensive experience in managing procurement, construction and operations of oil and gas facilities

| Sponsor | Project Interest |
|--------------------|------------------|
| ExxonMobil | 33.2% |
| Oil Search | 29.0% |
| State Participants | 19.6% |
| Santos | 13.5% |
| Nippon Oil/JPP | <u>4.7%</u> |
| Total | 100% |



Importance of PNG LNG to Sponsors

| ExxonMobil |  OIL SEARCH LIMITED | State of PNG ¹ | Santos |  NIPPON OIL EXPLORATION Your Choice of Energy |
|--|--|--|--|--|
| (33.2%) | (29.0%) | (19.6%) | (13.5%) | (4.7%) |
| <ul style="list-style-type: none"> Project captures new LNG sales into Asia Pacific region where LNG demand is growing <ul style="list-style-type: none"> Expects gas demand in Asia Pacific to nearly double by 2030 LNG imports to grow substantially to meet this rising demand Provides opportunity for expansion and diversification of LNG operations As foundation gas development in PNG, project to encourage future exploration and development in PNG, strengthening economy and infrastructure | <ul style="list-style-type: none"> PNG based independent company for whom PNG LNG is most important development project Project is a growth engine - 300mmboe of proven reserves and 505mmboe of proven and probable reserves compared to 50mmboe proven reserves beforehand Significantly increases Oil Search's reserve life Sustains local communities in which Oil Search operates | <ul style="list-style-type: none"> #1 priority of State Underpins future economic and social aspirations of PNG people Potential to transform economy by boosting GDP - providing royalty payments to landowners and creating job opportunities Will provide sustainable benefits to country and people through improvements in PNG labour skills and capabilities, health and essential infrastructure Strong support from local communities | <ul style="list-style-type: none"> Key part of Santos' goal to build a portfolio of high-quality, long-life value adding LNG projects (Santos is also a part of Darwin LNG and proposed Gladstone LNG) Project added 21% to Santos' 2008 2P reserves | <ul style="list-style-type: none"> Oil & natural gas exploration and production are an integral part of growth strategy for Nippon Oil Project enables further development of LNG strategy (also participating in major LNG projects (Malaysia Tiga, Tangguh) Addition of third LNG project ensures stable supply of energy resources and long-term cash flow to business |

Note:

1. Comprises IPBC, MRDC and Petromin

Financing Background

- Finance Plan based on Sponsors' 70/30 debt to equity objective
 - Project cost (now ~\$15 Bln through initial completion) and marketing/procurement uncertainty at onset of financing effort
 - Significant debt requirement necessitated multi-lender engagement strategy
 - Initial engagement and negotiation with a core group of ECAs
 - Financing effort included work with rating agencies

- Financing Structure developed to address issues around underlying UJV
 - Established jointly owned marketing and borrowing company (PNG LNG Global Company LDC)
 - Succeeded in generated maximum lender interest and facilitated the financing

Financing Background

- Conducted negotiations and lender due diligence with core ECA group from Dec 2008 to Nov 2009
 - Negotiation of Term Sheet concluded in July 2009
 - Invited commercial banks to participate based on Term Sheet agreed with ECAs
 - Bond effort discontinued after receipt of significant written Lender commitments
- Loan agreements for \$14 billion signed on Dec 15, 2009
- Financial Close expected shortly
- **Funding Sources**
 - Six ECAs including USExim, JBIC, China Exim, NEXI, SACE and EFIC
 - Seventeen European, Asian and Australian commercial banks and EM as a co-lender

| | |
|-------------------------------|--------------|
| Export Credit Agencies | 8.30 |
| Commercial Banks | 1.95 |
| ExxonMobil Co-loans | 3.75 |
| Total | 14.00 |

Project Highlights

- First export gas development project for Papua New Guinea
- Greenfield LNG project; a new source of supply for the Asia Pacific market
 - Concluded 4 LNG SPAs in record time frame
- Significant beneficial impacts to the national economy of PNG* include
 - Total direct cash flow to State of PNG & landowners: US\$32 billion over 30 years
 - Potential to more than double the country's GDP
 - Creation of 7500 construction and 850 operations jobs (nationals being 20 and 90%, respectively) and a ~45% increase in aggregate employment
- Compliance with the highest current standards for health, safety, environmental and social safeguards
- Unique PNG Benefit Sharing Agreement process enables benefits to flow to the people of PNG

* Based on independent ACIL Tasman report

Financing Highlights

- Largest ever project financing in the energy sector
- Despite implementation during one of the most difficult financial market periods in recent decades, undefined sales and procurement until late in the process and notable risks, achievements include:
 - Participation by an unprecedented group of senior lenders
 - Written commitments for well in excess of the amount required to meet the 70/30 debt/equity objective
 - A record time frame from start of negotiations through signing of loans (< 12 months)
 - 15 year tenor bank debt despite all indications that the market was not there

- USExim played a critical role in the success of the financing
 - ECAs were core lender group for negotiations and due diligence
 - Minimal bank lending taking place at start of financing effort
 - USExim (and others) stayed focused despite significant pull from competing projects
 - USExim is largest non-Sponsor funding source to the Project (\$3 billion)
 - Provided extensive knowledge and leadership within core ECA group
 - Providing balance in ECA discussions
 - Helped avoid 'least common denominator' responses during negotiations
 - Enabled financing to stay on challenging schedule
- USExim loans to PNG LNG will enable significant US goods and services procurement
 - Due to Sponsor needs, Project could not have proceeded without full debt requirement being met
 - Currently estimating ~70 major US suppliers supported by hundreds of small businesses