

17th INTERNATIONAL CONFERENCE & EXHIBITION ON LIQUEFIED NATURAL GAS (LNG 17)



PNG LNG: A World Class Financing Venture

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Company
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International Organizers



Host Association



Development Concept



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

6.9 MTA LNG plant

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Taking on the world's toughest energy challenges.™

Importance to Sponsors



- Captures new LNG sales into high-growth Asia Pacific region
- Encourages exploration and development in PNG
- Provides opportunity for expansion and diversification of LNG operations
- Underpins future economic and social aspirations of PNG people



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

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PNG LNG is operated by a subsidiary of Exxon Mobil Corporation in co-venture with:



Santos
We have the energy.

JX
JX Nippon Oil & Gas Exploration



Milestones



- Finance Plan developed 4Q 2007/1Q 2008
- Implementation commenced June 2008
- Conducted negotiations and lender due diligence with core ECA group Dec 2008 to Nov 2009
- Loan agreements signed on Dec 15, 2009
- Financial Close March 12, 2010

Funding Sources, \$B

ECAs	8.30
Commercial Banks	1.95
ExxonMobil	3.75
Total	\$US14.00

Challenges at the Start



- Large quantum of debt – targeted 70/30 leverage
- Financial market environment
- Tight schedule
- State's negative pledge loan covenants coupled with UJV structure
- Sponsor mix of credits and availability of required equity
- EPC contracting uncertainties
- LNG Buyer uncertainties
- Environmental & social challenges



Innovative Solutions



- **Large quantum of debt:**
 - Finance Plan developed involving multi-lender type strategy
 - Included ECAs, Banks, Bonds (Rating Agencies), potential EM co-lending while keeping MLAs informed
 - All potential funding options developed in parallel
 - Approach resulted in commitments well in excess of amount required to meet the partners' 70/30 objective



Innovative Solutions

- Financial market environment and tight schedule:
 - Negotiated with 6 lead ECAs and 3 Rating Agencies
 - Held Lender/Rating Agency visit to PNG
 - Put forward initial Term Sheet reflecting financial environment and recent precedents
 - Provided detailed Preliminary Information
 - Locked in negotiation sessions
 - Held several Bank ‘roadshows’
 - Approach resulted in ability to sign loan agreements in Dec 2009



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- **State's negative pledge:**

- PNG LNG Global Company formed as a jointly owned borrower, marketer and shipping company overlay to underlying UJV structure

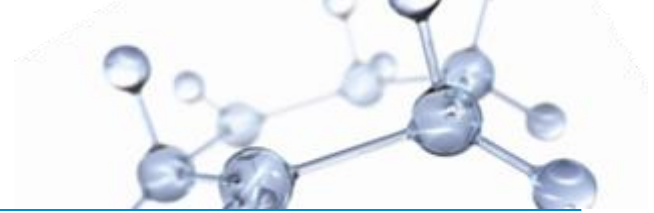


- **Sponsor mix of credits and availability of required equity:**

- State of PNG leveraged ownership in OSL to raise majority of State participants' equity requirements
- Combination of ExxonMobil as operator, joint venture default terms and individual sponsor completion terms enabled lender acceptance
- Resulted in lenders' comfort with security package generating maximum lender interest



Innovative Solutions



- **EPC Contracting and LNG Buyer Uncertainties:**
 - **Engaged six ECAs based on initial expectations/forecasts**
 - Three on ‘tied’ basis (to potential procurement); Three on ‘untied’ basis (linked to potential LNG purchase)
 - Two additional ECAs brought in once LNG customers appeared likely
 - **Resulted in lending commitments from six ECAs achieving the finance plan objectives of the Finance Committee/Project**



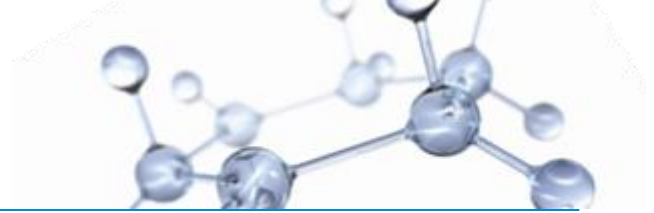
Innovative Solutions



- Environmental and Social Issues:
 - Project hired key E&S consultants to develop world class E&S impact assessment and management plan
 - ExxonMobil brings its best in industry practice Operation Integrity Management System to the Project
 - Extensive National Content plan
 - PNG implemented their unique Benefit Sharing process
 - Best in class ESMP was agreed in record time



Project Highlights



- First export gas development for Papua New Guinea
- A new source of LNG for the Asia Pacific market
- Significant benefits to PNG economy
- Compliance with highest current standards for health, safety, environmental and social safeguards
- Unique Benefit Sharing Agreement process enables benefits to flow to PNG people



Financing Highlights

- Largest ever project financing in the energy sector
 - Obtained awards from Project Finance International, Project Finance (Euromoney), Global Trade Review and Infrastructure Journal magazines
 - Implemented during one of the most difficult financial market periods in recent decades
 - One of the few LNG project's financed wellhead to terminal in an integrated financing
 - Participation by an unprecedented group of senior lenders
 - A record time frame from start of negotiations to signing
 - 15 year tenor bank debt despite all indications that the market was not there



**2009 Asia Pacific
Deal of the Year**

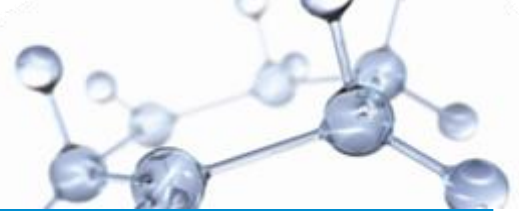
ProjectFinance
2009 Asia Pacific
Oil & Gas Deal of the Year



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ExxonMobil Reputation



- Proven project management expertise
- Efficient processes to maximize recovery and extend field life
- Unparalleled global experience
- Combination of experience and relationships with financial institutions
- Innovative project financing has won international recognition



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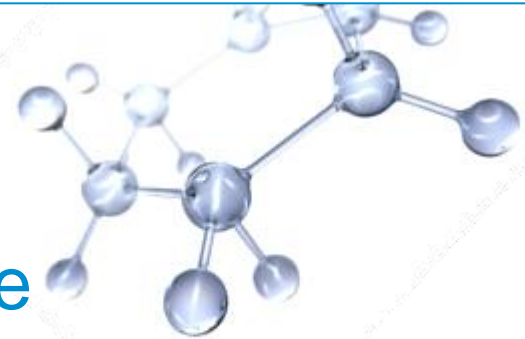
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