PNG LNG Project Financing

USExim Annual Conference
March 11, 2010

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

- Oil Search Limited
- Santos
- Nippon Oil Exploration
- IPBC
- EDA Oil

Asia Pacific Deal of the Year
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

<table>
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<tr>
<th>Sponsor</th>
<th>Project Interest</th>
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<tbody>
<tr>
<td>ExxonMobil</td>
<td>33.2%</td>
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<tr>
<td>Oil Search</td>
<td>29.0%</td>
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<tr>
<td>State Participants</td>
<td>19.6%</td>
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<tr>
<td>Santos</td>
<td>13.5%</td>
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<td>Nippon Oil/JPP</td>
<td>4.7%</td>
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<tr>
<td>Total</td>
<td>100%</td>
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## Importance of PNG LNG to Sponsors

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<tr>
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<th>Oil Search</th>
<th>State of PNG</th>
<th>Santos</th>
<th>Nippon Oil Exploration</th>
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<td>(33.2%)</td>
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<td>(13.5%)</td>
<td>(4.7%)</td>
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- Project captures new LNG sales into Asia Pacific region where LNG demand is growing
  - 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
- 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
- #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
- 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
- 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

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<tr>
<th>Export Credit Agencies</th>
<th>8.30</th>
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<tr>
<td>Commercial Banks</td>
<td>1.95</td>
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<tr>
<td>ExxonMobil Co-loans</td>
<td>3.75</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>14.00</strong></td>
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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

- 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