PNG LNG:
A World Class Financing Venture
By: Steven Kane, ExxonMobil Gas & Power Marketing Company
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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.
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

<table>
<thead>
<tr>
<th>Sponsor</th>
<th>Project Interest</th>
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<tbody>
<tr>
<td>ExxonMobil</td>
<td>33.2%</td>
</tr>
<tr>
<td>Oil Search</td>
<td>29.0%</td>
</tr>
<tr>
<td>State Participants</td>
<td>19.6%</td>
</tr>
<tr>
<td>Santos</td>
<td>13.5%</td>
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<tr>
<td>Nippon Oil/JPP</td>
<td>4.7%</td>
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PNG LNG is operated by a subsidiary of Exxon Mobil Corporation in co-venture with:
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**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>ECAs</td>
<td>8.30</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>1.95</td>
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<tr>
<td>ExxonMobil</td>
<td>3.75</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$US14.00</strong></td>
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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
Innovative Solutions

• **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
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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ExxonMobil

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