

June 6, 2016

Dear Fellow Shareholders:

As you know, I am the founder and former Chairman and CEO of InterOil Corporation (“InterOil” or, the “Company”). Petroleum Independent & Exploration, LLC and I (the “Concerned InterOil Shareholders” or “we”), together with other shareholders concerned about InterOil’s future and representing in total approximately 7.5% of the outstanding common shares of the Company, requisitioned a special meeting of shareholders (the “Requisition”) under the Business Corporations Act (Yukon) (the corporate statute governing InterOil) in March 2016 seeking to improve the corporate governance of InterOil.

On May 19, 2016, the current board of directors of InterOil announced that InterOil had entered into an arrangement agreement with Oil Search Limited (“OSH”), pursuant to which OSH proposes to acquire 100% of InterOil (the “OSH/TOTAL Proposal”). In our view, the OSH/TOTAL Proposal vastly undervalues InterOil by about \$4 billion, based on our resource estimates supported by independent third party certifiers, and further illustrates both the lack of alignment of the current board of directors (the “Board”) with InterOil shareholders and its apparent inability to evaluate and negotiate transactions that are accretive to shareholder value. For these reasons, we oppose the OSH/TOTAL Proposal in its current form and we demand a better transaction than the OSH/TOTAL Proposal as currently structured.

Following my retirement from the Company as CEO in April 2013, InterOil’s share price **declined by \$60** prior to the announcement of the OSH/TOTAL Proposal. We believe that the current Board has failed InterOil’s shareholders in critical ways that have led to the substantial destruction of shareholder value we have all suffered. **We believe that the OSH/TOTAL Proposal, if completed, will represent yet another egregious example of shareholder value destruction by the current Board and management of InterOil.**

**The OSH/TOTAL Proposal materially undervalues InterOil because of financial and structural flaws of the offer made by OSH to InterOil shareholders.**

Under the OSH/TOTAL Proposal, for each share of InterOil common stock (“Share”) OSH will provide InterOil shareholders with 8.05 shares of OSH common stock plus a contingent value right (a “CVR”) entitling the holder to a contingent cash payment that is linked to the volume of 2C hydrocarbon gas resource certified to be contained in the Elk-Antelope fields. Each CVR will deliver approximately \$6.05 per Share for each 1 tcf above 6.2 tcf gross certified 2C resource in the Elk-Antelope fields, and will be paid in cash upon completion of the certification process.

## Financial Flaw Summary

Recent transactions and the Company's own assessment suggest that InterOil is worth substantially more than the amount offered under the OSH/TOTAL Proposal.

*"...by first gas, our stake would be valued at about 9 billion dollars." "This is an exciting prospect and – more importantly – it is entirely feasible."*

InterOil CEO Michael Hession, November 13, 2015, discussing the Papua LNG project on InterOil's Q3 2015 earnings conference call.

The largest asset of InterOil and value to the InterOil shareholders is the stream of expected payments due to InterOil from TOTAL, S.A. ("TOTAL") under the terms of the share purchase agreement dated March 26, 2014 between TOTAL and InterOil (the "TOTAL PRL 15 SPA"). However, the CVR deprives InterOil shareholders of a significant portion of the benefit of the already agreed cash payments from TOTAL. According to OSH's North American Roadshow presentation dated May 31, 2016, the mid-range of the estimated Interim Resource Certification is expected to be ~ 6.75 tcf. Based on this value and the current OSH share price of about \$4.88/share, total value to InterOil shareholders of OSH shares and the CVR will be about \$3.33 per share plus the total OSH share value of \$39.28 per InterOil share, for a total of \$2.18 billion, or \$42.61 per InterOil share, for all of InterOil.

We think OSH's resource estimates are unreasonably low, especially in light of independent third party certifications by GLJ Petroleum Consultants (GLJ) and RPS Knowledge Reservoir (KR). Based on these certifications and our familiarity with the resource, aggregate field size for Elk and Antelope could eventually be ~ 10 to 15 tcf, based on post-production recertification.

- At the midrange of these values (~12.5 tcf), the TOTAL PRL 15 SPA payments alone would be \$3.36 billion for only a 40.13% interest in PRL 15 and far in excess of what OSH/TOTAL would pay for all of InterOil.
- There is additional value in the 36.54% interest in PRL 15 that InterOil retained, and the resources of Triceratops, Raptor and Bobcat and the Company's exploration acreage, all of which are also given up for ZERO VALUE under the OSH/TOTAL Proposal. InterOil's 36.54% interest would be worth about \$3.42 billion, based on the comparable pricing to TOTAL for its current 40.13% interest in PRL 15.
- Even if no value is ascribed to other resources and exploration acreage, together with the TOTAL payments this amounts to a "sum of the parts" value of \$6.78 billion. This is about \$4.60 billion more than the OSH/TOTAL Proposal.

## Structural Flaw Summary

If there are significant increases in estimated resource after production begins, the CVR payment would not capture these at all. The OSH/TOTAL Proposal omits any resource payments on the CVR after Antelope #7. There are also no fixed payments at FID or First LNG Cargo or optional Wildcard and the Material Balance recertification payments after LNG production begins, all of which the TOTAL PRL 15 SPA currently provides as protections to shareholders. At most, InterOil shareholders would realize only a partial and indirect benefit of any post-production increase as minority shareholders of Oil Search.

Furthermore, certification can be subject to manipulation, and InterOil shareholders will have no aligned advocate involved in the reserve/resource recertification process to argue for higher resource values. OSH and TOTAL have no incentive to support higher values. Nevertheless, InterOil and OSH have ignored these flaws and unfairly characterized the CVR as beneficial to shareholders.

## The OSH/TOTAL Proposal is Financially Flawed

The value of InterOil is based on its three primary assets:

- (i) **TOTAL Payments:** Expected payments to be paid by TOTAL under the TOTAL PRL 15 SPA (as defined below) for prior sale of 40.13% interest in PRL 15;
- (ii) **Remaining 36.5% PRL 15 Interest:** Gross 36.5% license interest in PRL 15, which InterOil retained; and
- (iii) **Discoveries and Exploration:** Triceratops, Raptor and Bobcat resources and exploration acreage.

A reasonable estimate for the value of InterOil is the sum of the values of these three assets.

## **Value of the TOTAL Payments**

The payments due to InterOil from TOTAL under the TOTAL PRL 15 SPA are future payments that will depend only on resource certifications and are based on a formula set out in the TOTAL PRL 15 SPA. A base-case resource certification of 10.0 tcf will result in payments of approximately \$2.35 billion. At 12.5 tcf (which we view as the most likely resource certification), the payment will be approximately \$3.36 billion, and a certification of 15 tcf will result in a payment of approximately \$4.36 billion. The resource estimates of 10 to 15 tcf are based on RPS Knowledge Reservoir and GLJ 2C and 3C estimated volume recoveries with gas depletion drive and material balance recertification after production.

## Value of 36.5% Remaining PRL 15 Interest

InterOil's remaining gross 36.5% interest in PRL 15 is a high value and low-risk asset, because of TOTAL's involvement in the development of PRL 15. The value of this interest depends on resource certifications. Based on the TOTAL PRL 15 SPA and the sale of a 22.8% interest in PRL 15 by Pac LNG Group Co to OSH in 2014, this 36.54% interest should be worth (depending on resource certification): at 10 tcf, approximately \$2.51 billion; at 12.5 tcf, approximately \$3.42 billion; at 15 tcf, approximately \$4.34 billion. Pricing based on the sale of a 22.8% interest in PRL 15 by Pac LNG Group Co to OSH in 2014 would be similar.

Once TOTAL achieves final investment decision ("FID") on the Papua LNG Project to be supplied with gas from PRL 15, development risk will be reduced and value increased for the gross 36.5% interest in PRL 15 currently held by InterOil. The increased certainty will also materially increase the potential market for this interest after FID.

## Value of Discoveries and Exploration

Finally, the value of InterOil's interest in the Triceratops, Raptors and Bobcat resources and exploration properties is more difficult to determine at this point. To be conservative, we have valued them at nil for the purposes of determining the value of InterOil, though they are certainly worth something.

A sum of the parts valuation of InterOil based on the estimated size of the PRL 15 Elk and Antelope fields would be as follows:

### 10 tcf

Part A: Total Payments:	\$2.35 Billion
Part B: 36.5% Remaining PRL 15 Interest:	\$2.51 Billion
Part C: Discoveries and Exploration:	nil
<b>Value of InterOil</b>	<b>\$4.86 billion or \$95 per share</b>

### 12.5 tcf

Part A: Total Payments:	\$3.36 Billion
Part B: 36.5% Remaining PRL 15 Interest:	\$3.42 Billion
Part C: Discoveries and Exploration:	nil
<b>Value of InterOil</b>	<b>\$6.78 billion or \$133 per share</b>

### 15 tcf

Part A: Total Payments:	\$4.36 Billion
Part B: 36.5% Remaining PRL 15 Interest:	\$4.34 Billion
Part C: Discoveries and Exploration:	nil
<b>Value of InterOil</b>	<b>\$8.7 billion or \$170 per share</b>

## OSH/TOTAL Proposal Value

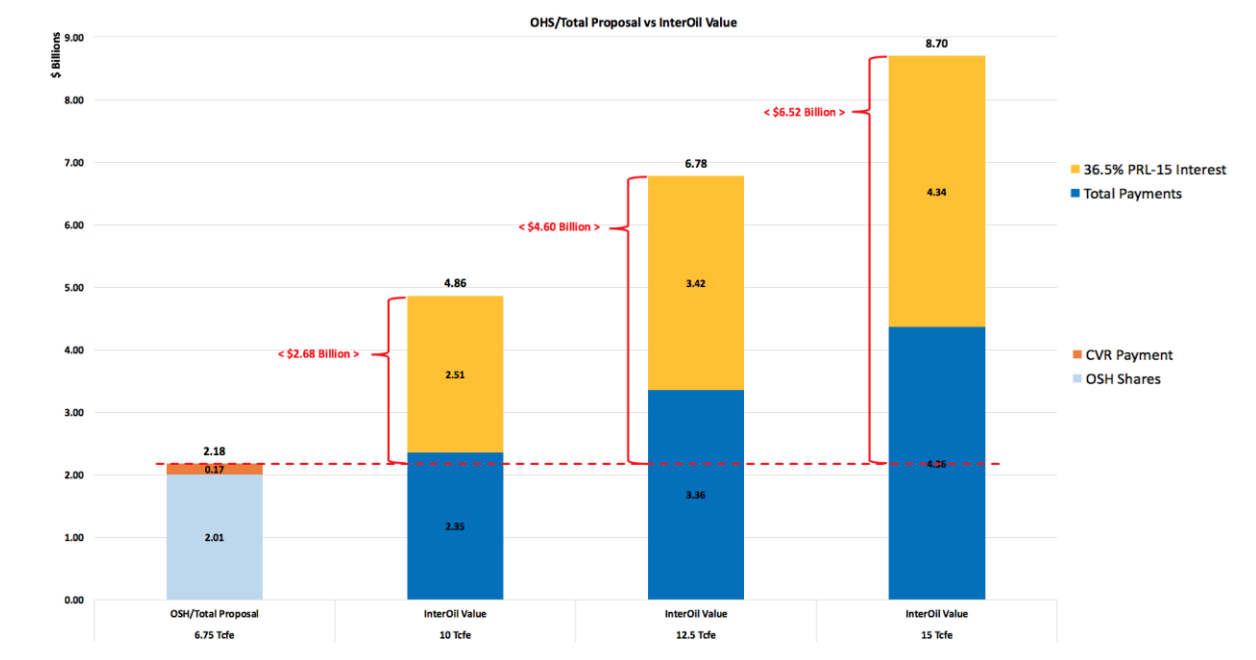
By comparison, the OSH/TOTAL Proposal has two components of value:

OSH Shares: 8.05 Shares per 1 InterOil Share (resulting in 21% equity interest in OSH).  
 CVR Payment \$0.77/mcfe for Interim Resource Certification volume > 6.2 tcf

Based on OSH’s estimated volume of 6.75 tcf, the OSH/TOTAL Proposal would value InterOil at:

OSH Share Value	\$2.01 billion
<u>CVR Payment</u>	<u>\$0.17 billion</u>
Total:	\$2.18 billion, or \$42.61 per share

Compared to our midrange estimate of \$6.78 billion, the OSH/TOTAL Proposal **undervalues InterOil by about \$4.60 billion** compared to its estimated sum-of-the-parts value.



## The CVR of the OSH/TOTAL Proposal is Structurally Flawed

The CVR payment based only on the Interim Resource Certification under the TOTAL PRL 15 SPA. This is only a pre-FID and pre-production estimate of field size. Resource estimates are subject to variation, so sale agreements for hydrocarbon interests typically have safeguards for shareholders to ensure that the estimate is accurate. These include, among others:

- Post production recertifications, to help reduce uncertainty inherent in pre-production estimates; and
- Both “buyer” and “seller” have opportunity to interact with third party independent certifier to protect their interests.

However, neither of these protections is provided for InterOil shareholders under the currently flawed OSH/TOTAL Proposal CVR, which significantly reduces its value.

#### *Post-Production Recertifications.*

Including production data in a recertification done after FID and commencement of production helps protect shareholders, as production reduces significantly the uncertainty of an estimate and room for potential manipulation. The pre-production resource payment is then adjusted based on the recertification. Structuring a series of interim payments this way helps protect the NPV value for the seller.

#### *Estimated Resource Increase*

Based on our reasonable 2C estimates of total size of the Elk and Antelope fields within PRL 15, third party certifications and familiarity with the resource, we expect that post-production resource estimates will increase significantly over pre-production estimates on which the CVR payment will be based. This has been the trend historically and we expect this to continue. We believe that a fair determination of total estimated of 2C resources for the Elk and Antelope fields at the Interim Resource Certification should be about 10 tcf, increasing to up to 15 tcf based on a material balance certification that would be determined after production is underway.

Each new assessment well (Antelope #4, #5, and #6) has indicated a larger field with improved recoverability rates. We believe it is reasonable to expect that this trend will continue, so that a post-production recertification would show materially higher values than the Interim Resource Certification.

Among other things, it has been determined that the gas/water contact is some 20 meters lower than originally thought and there is increased dolomitization in the reservoir. The combination of these two findings indicates that the volume of gas in place is higher than originally estimated and that a greater percentage of the gas can be recovered. A second key factor that will increase the gas volume, the greater recovery rate estimate can be based on the fact that the Antelope field appears to be a gas depletion drive rather than a water depletion drive structure. Gas depletion drives are proven to have greater recovery rates (more gas volume) than more common water drives.

If actual post-production resource estimates are above our estimates, the difference could be even larger. As shareholders of OSH, former InterOil shareholders would only participate indirectly in a small percentage of this upside.

### *Remedies to Capture Resource Increase*

The OSH/TOTAL Proposal should provide for a post-production Wildcard and Material Balance recertification and payment adjustment. A recertification could add **over \$4.4 billion in value**, to the value of the OSH/TOTAL Proposal. This is also consistent with the TOTAL PRL 15 SPA.

The Board should not have agreed that TOTAL could avoid its already-agreed liability for post-production top-up payment. This is another example of the Board's failure to protect InterOil shareholder interests and gave up billions in potential shareholder value.

### *Flawed and Biased Certification Procedure*

Certification is a complex and interactive process and susceptible to vast manipulation in timing and lowering early estimates. The seller must be actively involved with the certifier to prevent prejudice against it and ensure all the millions of pieces of information are used and defended in the process. However, the process provided for in the OSH/TOTAL Proposal is open to manipulation by OSH and TOTAL and imposes a vast weakness on the ability of the process to drive real final gas volume numbers.

- InterOil shareholders will have no effective advocate in the certification process and so the CVR payment may be artificially lowered. This is locked in by the governing legal documents; and
- Excluding third party certifiers who are familiar with the resource may also result in lower estimates.

### *InterOil Shareholders have no effective advocate on the Certification Subcommittee*

A special subcommittee of the OSH Board, with two former InterOil directors (one of whom will then be on the OSH board), two current OSH directors and an independent chairman, will oversee the certification process with TOTAL. The OSH directors on the subcommittee will be "buyers" and so would tend to prefer and support a lower certified amount.

Of the three parties involved in the certification process, the only potential advocates for InterOil shareholders as "sellers" and CVR Note holders will be the two former InterOil directors on the subcommittee. However, they will both be conflicted from representing InterOil shareholders' interests. The new director of OSH will owe duties to OSH and not CVR Note holders, and both former directors will have previously supported the Oil Search Transaction. The former InterOil directors also may not have sufficient experience to be strong advocates for InterOil

shareholders, and in any event would constitute a minority of the subcommittee and so may be outvoted in trying to assert a larger resource amount against TOTAL and OSH.

Finally, and most disturbing to us, Section 10(c) of the CVR Note Trust Deed, which will govern the CVR Notes, cuts off any liability of members of the Certification Subcommittee to the former InterOil shareholders as CVR Note holders. It specifically states that, “No member of the Certification Subcommittee owes any duty of care, or will otherwise be liable, to the CVR Note holders in respect of the performance of their duties as members of the Certification Subcommittee” (emphasis added).

#### *Excluding Knowledgeable Certifiers*

We understand that under the OSH/TOTAL Proposal, the Interim Resource Certification process will rely on only two certifiers (Gaffney Cline & Associates and Netherland Sewell & Associates Inc), which excludes input from several other certifiers, including RPS Knowledge Reservoir (KR) and GLJ Petroleum Consultants (GLJ), that have more detailed knowledge of the Antelope structure.

#### *Remedies*

The Certification Subcommittee must be revised to provide InterOil with an effective and aligned advocate in the Independent Chairman:

- The Independent Chairman must be designated by and act for the CVR Note Trustee on behalf of the CVR Noteholders, so that the Independent Chairman would owe fiduciary duties of loyalty and care to the CVR Noteholders.
- The Independent Chairman must have the independent right to consult with the two certifiers that have the best knowledge of PRL 15, GLJ and KR, in addition to any support the Certification Subcommittee may obtain on its own.

Without these changes, the CVR payment will be manipulated lower than it would be under a process that included a strong advocate for InterOil shareholder interests and a broader range of potential certifiers.



## **A BETTER DEAL FOR SHAREHOLDERS**

We are not opposed to a value maximizing transaction for InterOil shareholders. **We are opposed to giving away billions of dollars of value.** We believe there are alternative structures that should be considered. Please review our presentation in connection with the OSH/TOTAL Proposal, available at [www.ConcernedInterOilShareholders.com](http://www.ConcernedInterOilShareholders.com), for our further thoughts and detail on these important matters

**Sincerely,**

*“Phil E. Mulacek”*

**Phil E. Mulacek**

**Shareholder, Founder and Former Chairman and CEO of InterOil Corporation**

SOLICITATION BY AND ON BEHALF OF

**Phil E. Mulacek and Petroleum Independent & Exploration, LLC**

FOR THE SUPPORT OF THE HOLDERS OF COMMON SHARES OF

**INTEROIL CORPORATION**

This proxy circular, including any supplements hereto or amendments and restatements hereof (together, the “Circular”), prepared by Phil E. Mulacek and Petroleum Independent & Exploration, LLC (collectively, the “Concerned InterOil Shareholders”, “we” or “our”), solicits your **SUPPORT** against the proposed acquisition of InterOil Corporation (“InterOil”, or, the “Company”) by Oil Search Limited (“Oil Search”) on the terms set out in the arrangement agreement (the “Arrangement Agreement”) between Oil Search and InterOil dated May 20, 2016 (the “Arrangement”) and in favour of a better deal for InterOil Shareholders.

**The Concerned InterOil Shareholders are not asking shareholders to send a form of proxy at this time, as InterOil has yet to formally call a special meeting of the shareholders of InterOil (the “Shareholders”) to vote on the Arrangement (the “Special Meeting”). The Concerned InterOil Shareholders have prepared and filed this Circular in order that they may at this time have discussions with Shareholders regarding the Arrangement in compliance with the solicitation requirements under applicable corporate and securities laws. The Concerned InterOil Shareholders are soliciting your support AGAINST the Arrangement and FOR a better deal for InterOil Shareholders.**

Once InterOil has formally called and issued notice of the Special Meeting, together with its management information circular, we may issue a supplement to or amendment and restatement of this Circular (the “Revised Circular”) containing further disclosure regarding the Special Meeting, together (if necessary) with details concerning the completion and return of proxies to be provided by the Concerned InterOil Shareholders for use at the Special Meeting. **WE URGE SHAREHOLDERS TO MONITOR AND REVIEW OUR PUBLIC DISCLOSURE FOR FURTHER INFORMATION, INCLUDING THE REVISED CIRCULAR, AS IT BECOMES AVAILABLE.**

**June 6, 2016**

## **NOTICE TO UNITED STATES SHAREHOLDERS**

InterOil is a “foreign private issuer” as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”) and InterOil’s equity securities are therefore exempt from the proxy rules set forth in Sections 14(a), 14(b) and 14(f) of the U.S. Exchange Act. Accordingly, this solicitation is made in the United States with respect to securities of InterOil in accordance with Canadian corporate and securities laws and this Circular has been prepared in accordance with disclosure requirements applicable in Canada. InterOil shareholders in the United States should be aware that these Canadian requirements are different from the requirements applicable to proxy statements under the U.S. Exchange Act.

### **FORWARD-LOOKING STATEMENTS AND INFORMATION**

Information included, attached to or incorporated by reference, if any, into this Circular, may contain forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, included or incorporated by reference in this Circular are forward-looking statements and forward-looking information, including, without limitation, statements regarding activities, events or developments that the Concerned InterOil Shareholders expect or anticipate may occur in the future. These forward-looking statements and information can be identified by the use of forward-looking words such as “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe” or “continue” or similar words and expressions or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements and information are based will occur or, even if they do occur, will result in the plans, results or performance expected. We caution readers of this Circular not to place undue reliance on forward-looking statements and information contained in this Circular, which are not a guarantee of performance, events or results and are subject to a number of risks, uncertainties and other factors that could cause actual results, performance or events to differ materially from those expressed or implied by such forward-looking statements or information. These factors include general economic and market conditions, changes in law, changes in management, changes in board composition, actions of InterOil and its subsidiaries or competitors, the ability to implement business strategies and plans and pursue business opportunities and conditions in the oil and gas industries. InterOil’s shareholders are cautioned that all forward-looking statements and information involve risks and uncertainties, including those risks and uncertainties detailed in the continuous disclosure and other filings of InterOil with applicable Canadian securities commissions, copies of which are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com). We urge you to carefully consider those factors.

The forward-looking statements and information contained in this Circular are expressly qualified in their entirety by this cautionary statement. The forward-looking statements and information included in this Circular are made as of the date of this Circular and the Concerned InterOil Shareholders undertake no obligation to publicly update such forward-looking statements or information to reflect new information, subsequent events or otherwise, except as required by applicable laws.

### **CURRENCY**

Unless otherwise indicated, all currency amounts in this Circular are stated in U.S. dollars.

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## INFORMATION CIRCULAR OF THE CONCERNED INTEROIL SHAREHOLDERS

This information circular, including the letter to shareholders dated June 6, 2016, which forms an integral part of and is incorporated herein, and any further supplements hereto or amendments and restatements hereof or thereof (together, the “Circular”) and any form(s) of proxy and/or voting instruction form(s) subsequently furnished (if necessary) in connection with this Circular, are being provided in connection with the solicitation by and on behalf of Phil E. Mulacek and Petroleum Independent & Exploration, LLC (collectively, the “Concerned InterOil Shareholders”, “we” or “our”) of your support against the proposed acquisition of InterOil Corporation (“InterOil”, or, the “Company”) by Oil Search Limited (“Oil Search”) on the terms set out in the arrangement agreement (the “Arrangement Agreement”) between Oil Search and InterOil dated May 20, 2016 (the “Arrangement”) and for of a better deal for InterOil shareholders (the “Shareholders”). Phil E. Mulacek is the sole member and president of Petroleum Independent and Exploration, LLC. The information contained in this Circular is given as of the date of this Circular, except where otherwise noted.

**This solicitation is not made by or on behalf of management of the Company.**

The Concerned InterOil Shareholders are soliciting your support against the Arrangement and for of a better deal for InterOil Shareholders. The Company has yet to formally call a special meeting of its Shareholders to vote on the Arrangement (the “Special Meeting”), which is a condition precedent to the completion of the Arrangement, but has announced that it intends to hold such Special Meeting in July of 2016.

Once InterOil has formally called and issued notice of the Special Meeting together with its management information circular (the “Management Circular”), the Concerned InterOil Shareholders may issue a supplement to or amendment and restatement of this Circular (the “Revised Circular”) containing additional information concerning our proposal for the Shareholders to vote against the Arrangement. If necessary, the Concerned InterOil Shareholders may also provide a form of proxy and/or voting instruction form to be completed, signed and returned to the Concerned InterOil Shareholders or their appointed agent, for use at the Special Meeting.

The Concerned InterOil Shareholders may send the Revised Circular to Shareholders by mail, together (if necessary) with a form of proxy that Shareholders will be asked to return. If necessary, the Revised Circular will provide instructions for the completion and return of the form of proxy to be provided by the Concerned InterOil Shareholders for use at the Special Meeting. Shareholders are urged to monitor subsequent press releases and other filings of the Concerned InterOil Shareholders to ensure they have all information and are able to take the necessary action within the prescribed time periods in order to show their support and vote **AGAINST** the Arrangement.

Notwithstanding the forgoing, in the event that Oil Search presents a better deal to InterOil Shareholders that we believe will maximize value for InterOil Shareholders, we will publicly announce our support of the transaction.

Your support and, ultimately, your vote at the Special Meeting, are very important to the future of your investment in the Company. Shareholders willing to express their support for the Concerned InterOil Shareholders may contact them at +1(832) 510-7028 or by email at: [info@concernedinteroilshareholders.com](mailto:info@concernedinteroilshareholders.com). **The Concerned InterOil Shareholders urge Shareholders not to execute or return any management proxy they may receive in connection with the Special Meeting, unless otherwise advised by the Concerned InterOil Shareholders. If a Shareholder does return a management proxy, the Shareholder has the legal right to change their vote. To do so,**

**sign, date and return the form of proxy to be provided by the Concerned InterOil Shareholders with the Revised Circular.**

## **BACKGROUND AND REASONS FOR THIS SOLICITATION**

*The purpose of this solicitation by and on behalf of the Concerned InterOil Shareholders is to solicit support from the Shareholders against the Arrangement and for a better deal for InterOil Shareholders.*

The key reasons why the Concerned InterOil Shareholders are making this solicitation are set out in the accompanying letter to Shareholders dated June 6, 2016, which letter forms an integral part of and is incorporated by reference into this Circular. A copy of this Circular, including the accompanying letter to Shareholders and other documents incorporated by reference into this Circular from time to time may be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

Any statement contained in this Circular or a document incorporated or deemed to be incorporated by reference in this Circular shall be deemed to be modified or superseded for purposes of this Circular to the extent that a statement contained in this Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not be deemed to constitute a part of this Circular, except as so modified or superseded. Any forward-looking statements or information included in any document incorporated or deemed to be incorporated by reference in this Circular are made as of the date of such document, and the Concerned InterOil Shareholders undertake no obligation to publicly update such forward-looking statements or information to reflect new information, subsequent events or otherwise, except as required by applicable laws. For further information, see “Forward-Looking Statements and Information” (above).

## **ABOUT THE CONCERNED INTEROIL SHAREHOLDERS**

Mr. Phil E. Mulacek is the founding shareholder of InterOil and served as chairman, chief executive officer and a director until his retirement from the Company in 2013. During his tenure at InterOil, its market capitalization grew from approximately \$10 million (\$0.50 per Share) to over \$4.5 billion (\$92.00 per Share) at the time of his departure. The Company also constructed the first petroleum refinery in Papua New Guinea under Mr. Mulacek’s leadership, a 36,000 bpd facility at Napa Napa, with a fully integrated downstream business that contributed to the success of the Company.

Mr. Mulacek led InterOil’s discovery of the world-class Elk and Antelope gas fields in the Gulf Province of Papua New Guinea, with approximately 10 to 15 tcf of certified hydrocarbon resource. These fields have been among the largest onshore discoveries in Papua New Guinea and Asia in recent years.

Since retiring from InterOil in 2013, Mr. Mulacek has remained actively involved in the upstream oil and gas industry in Papua New Guinea, the United States and globally through his affiliated companies with offices in Singapore and branch offices in the United States. He resides in Singapore.

Petroleum Independent & Exploration, LLC (“PIE”) is a limited liability company incorporated under the laws of the State of Nevada. It is a company used to hold investments, including Shares of InterOil. Mr. Mulacek is the sole member and president of PIE.

## **MATTERS TO BE ACTED UPON – THE ARRANGEMENT**

At the Special Meeting, Shareholders will be asked to vote on the approval of the Arrangement. A copy of the Arrangement Agreement, along with the Company’s press release dated May 20, 2016 summarizing the key terms of the Arrangement, can be accessed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **GENERAL PROXY INFORMATION**

### ***Appointment of Proxies***

The Concerned InterOil Shareholders do not know at this time whether it will be necessary to send their own form of proxy for the Special Meeting. In the event they do send a form of proxy, the persons to be named as proxyholders in the form of proxy provided by the Concerned InterOil Shareholders are anticipated to be Mr. Phil E. Mulacek or failing him, Mr. David Vance. Mr. Mulacek is the sole member and president of Petroleum Independent and Exploration, LLC and is also one of the Concerned InterOil Shareholders. Mr. Vance is an employee of a company controlled by Mr. Mulacek.

**A Shareholder has the right to appoint a person or company (who need not be a Shareholder) other than the persons designated in any form of proxy provided to the Shareholder, to represent the Shareholder at the Special Meeting. You will be able to exercise this right by striking out those names appearing on the form of proxy and inserting the name of the person you wish to appoint as your representative in the blank space provided in the form of proxy to be provided or by submitting another appropriate form of proxy.** If you beneficially own your Shares but are not the registered holder, see “– Non-Registered (Beneficial) Holders of Shares” (below) for important information about how to appoint a representative of the Concerned InterOil Shareholders as proxyholder for your Shares.

A properly completed form of proxy will automatically revoke an earlier form of proxy deposited by you in respect of the Special Meeting. If you are a registered holder of Shares you may also revoke any proxy you have already given to management or any other form of proxy previously given by you by attending the Special Meeting and indicating your wish to vote in person.

### ***Corporate Shareholders***

Any Shareholder that is a corporation may by resolution of its directors or other governing body authorize such person as it thinks fit to exercise in respect of and at the Meeting the same powers on behalf of the corporation as that corporation could exercise if it were an individual shareholder personally present, including the right (unless restricted by such resolution) to appoint a proxyholder to represent such corporation. Evidence in writing of the appointment of any such representative should accompany a corporate shareholder's completed proxy.

### ***Revocation of Proxies***

A registered holder of Shares that gives a proxy, may revoke it:

1. by completing and signing a valid proxy bearing a later date and returning it in accordance with the instructions contained in the form of proxy; or

2. by depositing an instrument in writing executed by you or by your attorney authorized in writing, as the case may be: (i) at the registered office of the Company at any time up to and including the last business day preceding the day the Meeting or any adjournment or postponement of the Special Meeting is to be held, or (ii) with the Chairman of the Special Meeting prior to its commencement on the day of the Special Meeting or any adjournment or postponement of the Special Meeting; or
3. in any other manner permitted by law.

If you are the beneficial owner, but not the registered holder, of your Shares, see “– Non- Registered (Beneficial) Holders of Shares” (below) for instructions on how to revoke any proxies you give in connection with the Special Meeting.

### ***Voting of Shares Represented by Proxy***

In the event the Concerned InterOil Shareholders provide their own form of proxy, the Concerned InterOil Shareholders representatives designated in the proxy will vote your Shares represented by that proxy in accordance with your instructions on any ballot that may be called at the Special Meeting.

If you specify a choice with respect to voting in the proxy which may be provided by the Concerned InterOil Shareholders, your Shares will be voted accordingly. **If you do not specify a choice in such proxy or in an otherwise valid proxy, your Shares to which the proxy pertains will be voted AGAINST the Arrangement, and/or otherwise as will be described in the Revised Circular.**

**In the event the Concerned Shareholders provide their own form of proxy, the proxy will confer discretionary authority upon the persons named therein to vote in the judgment of those persons in respect of amendments or variations, if any, to matters identified in the formal notice of the Special Meeting and other matters, if any, which may properly come before the Special Meeting.** As of the date of this Circular, the Concerned InterOil Shareholders know of no other matters to come before the Special Meeting other than as set forth herein. Should any other matters properly come before the Special Meeting that are not included in the form of proxy provided by the Concerned InterOil Shareholders, Shares represented by the relevant proxies will be voted on those matters in accordance with the judgment of the Concerned InterOil Shareholders representatives designated in the form of proxy.

### ***Non-Registered (Beneficial) Holders of Shares***

Only registered holders of Shares, or the persons they appoint as their proxyholders, will be entitled to vote at the Special Meeting. However, in many cases, Shares beneficially owned by a holder (a “Non-Registered Holder”), are registered in the name of either:

1. an intermediary (each an “Intermediary”) that the Non-Registered Holder deals with in respect of Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
2. a depository (such as The Canadian` Depository for Securities Limited in Canada or Cede & Co. in the United States).



The Concerned InterOil Shareholders may make copies of the Revised Circular and, if necessary, a form of proxy and/or voting instruction form available to the Intermediaries or their designates for onward distribution to Non-Registered Holders in connection with the Special Meeting once a formal notice of the Special Meeting has been issued. Intermediaries will be required to forward copies of the Revised Circular and any form of proxy or voting instruction form provided to them to Non-Registered Holders. If you are a Non-Registered Holder and receive the Revised Circular or receive a form of proxy or voting instruction form on behalf of the Concerned InterOil Shareholders, please sign and return the form of proxy or voting instruction form in accordance with the directions provided by your Intermediary and set out in such form.

**Without specific instructions, Intermediaries are generally prohibited from voting Shares for their clients. Therefore, Non-Registered Holders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person by the appropriate time. A Non-Registered Holder cannot use a voting instruction form to vote Shares directly at the Special Meeting. Voting instructions must be returned sufficiently in advance of the Special Meeting to have those Shares voted. Further details will be set out in the applicable form of proxy or voting instruction form provided to Shareholders at the appropriate time. Each Intermediary has its own procedures which should be carefully followed by Non-Registered Holders to ensure that your Shares are voted by the Intermediary on your behalf at the Special Meeting.** These procedures may allow for voting by telephone, via the Internet, by mail and/or by facsimile. The applicable instructions for each such method of voting will be set out in the form of proxy or voting instruction form provided to you directly by the Intermediary.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of Shares they beneficially own. **If you are a Non-Registered Holder, you have the right to attend and vote your Shares directly at the Special Meeting.** If you are a Non-Registered Holder and you wish to attend and vote your Shares at the Special Meeting (or have a person other than those named in the form of proxy attend and vote on your behalf), you should insert your name (or the name of the person whom you wish to designate to attend and vote on your behalf) in the blank space provided in such form of proxy or, where a voting instruction form is provided, follow the corresponding instructions on the form. **In either case, you should carefully and promptly follow the instructions of your Intermediary and/or its service company.**

The majority of brokers and nominees now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions, Canada and its counterpart in the United States ("Broadridge"). Broadridge typically mails voting instruction forms to the Non-Registered Holders and asks Non-Registered Holders to return the forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Special Meeting. A Non-Registered Holder receiving a voting instruction form from Broadridge cannot use that form to vote Shares directly at the Special Meeting. The form must be returned to Broadridge well in advance of the Special Meeting in order to have the Shares voted. Each Non-Registered Holder should contact his or her Intermediary and carefully follow the voting instructions provided by such Intermediary. If you are a Non-Registered Holder and wish to vote your Shares in person at the Special Meeting, you should contact your Intermediary and follow their instructions for completion and return of the form of proxy or voting instruction form provided to you directly by them, once received.

A Non-Registered Holder will be entitled to revoke a form of proxy or voting instruction form given to an Intermediary at any time by written notice to the Intermediary in accordance with the instructions given to the Non-Registered Holder by its Intermediary. It should be noted that revocation of proxies or voting instructions by a Non-Registered Holder can take several days or even longer to complete

and, accordingly, any such revocation should be completed well in advance of the deadline prescribed in the form of proxy or voting instruction form to ensure it is given effect in respect of the Special Meeting.

The securityholder materials may be sent to both registered Shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and the Concerned InterOil Shareholders or their agent sends the Revised Circular and other Special Meeting materials directly to you, your name and address and information about your holdings of securities will have been obtained in accordance with applicable securities regulatory requirements from the Company or from the Intermediary holding the Shares on your behalf.

### ***Solicitation***

This solicitation is made by the Concerned InterOil Shareholders and is **not** made by or on behalf of management of the Company. Solicitation may be by mail, telephone, telecopier, email or other electronic means, as well as by newspaper or other media advertising and in person by managers, directors, officers and employees of the Concerned InterOil Shareholders who will not be specifically remunerated therefor. In addition, the Concerned InterOil Shareholders may solicit proxies in reliance upon the public broadcast exemption to the solicitation requirements under applicable Canadian corporate and securities laws, conveyed by way of public broadcast, including press release, speech or publication and any other manner permitted under applicable Canadian laws. The costs incurred in the preparation, assembly, printing and mailing of this Circular and the Revised Circular and the solicitation will be borne directly and indirectly by the Concerned InterOil Shareholders. The Concerned InterOil Shareholders intend to seek reimbursement of these costs in accordance with the YBCA.

The Concerned InterOil Shareholders have not, as of the date hereof, entered into an agreement with an agent to act as proxy agent for the formal solicitation of proxies for the Special Meeting. The Concerned InterOil Shareholders have entered into an agreement with Bayfield Strategy, Inc. ("Bayfield") pursuant to which Bayfield has agreed to assist the Concerned InterOil Shareholders with communication matters related to the Arrangement and the Special Meeting.

In addition, the Concerned InterOil Shareholders, certain members, directors, officers and employees may make solicitations by mail, telephone, telecopier, the Internet and personal solicitation or by way of public broadcast, as well as by newspaper or other media advertising. For example, it is expected that Mr. Phil E. Mulacek may attend in-person meetings with institutional shareholders and other significant shareholders. Any employees of the Concerned InterOil Shareholders and their affiliates or other persons who make solicitations on behalf of the Concerned InterOil Shareholders will do so for no additional compensation.

Banks, brokerage houses and other custodians, nominees and fiduciaries will be requested to forward the Concerned InterOil Shareholders' solicitation materials to customers for whom such persons hold Shares, and the Concerned InterOil Shareholders will reimburse them for their reasonable out-of-pocket expenses for doing so.

No person is authorized to give information or to make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

## **OUTSTANDING SHARES, PRINCIPAL HOLDERS AND OTHER**

### ***Shareholders Entitled to Vote***

The Company has announced that it will hold the Special Meeting in July, 2016, but has yet to formally call the Special Meeting or announce a record date for the Special Meeting. Each Shareholder of record as of the record date will be entitled to one vote for each Share held on each matter to come before the Special Meeting and the Annual Meeting.

According to the Company's management information circular issued in connection with its Annual and Special Meeting scheduled to be held on June 14, 2016 (the "April Management Circular"), an aggregate of 49,680,947 Shares were issued and outstanding as of April 25, 2016.

Although currently unknown to the Concerned InterOil Shareholders, we expect that the number of outstanding Shares and the number of Shares entitled to be voted on each matter to be acted on at the Special Meeting will be determined as of a record date established by the Company for the Special Meeting and will be set out in the Management Circular to be provided by the Company in connection with the Special Meeting.

### ***Principal Holders***

Except as set forth below, information regarding the beneficial ownership, control or direction over Shares held other than by the Concerned InterOil Shareholders is not within the knowledge of the Concerned InterOil Shareholders. For this information, please refer to the Management Circular once made available to Shareholders.

As of the date of this Circular, the Concerned InterOil Shareholders beneficially own an aggregate of 2,522,195 Shares, representing approximately 5.08% of the total Shares issued and outstanding as disclosed by the Company in the April Management Circular. The Concerned InterOil Shareholders intend to vote all of their Shares, together with any additional Shares acquired by the Concerned InterOil Shareholders prior to the record date fixed for the Special Meeting by the Company, **AGAINST** the Arrangement, and/or otherwise as will be described in the Revised Circular.

### ***Indirect Participation Interests of the Concerned InterOil Shareholders***

In addition to the Shares that the Concerned InterOil Shareholders beneficially own, the Concerned InterOil Shareholders are the beneficial holders of certain minority indirect participation interests in certain of InterOil's petroleum prospecting licenses and petroleum retention licenses in Papua New Guinea under indirect participation agreements with InterOil. The Concerned InterOil Shareholders believe that these indirect participation interests are not material to InterOil but are nevertheless fully aligned and not in conflict with the interests of the Shareholders.

## **INTEREST IN MATERIAL TRANSACTIONS AND MATTERS TO BE ACTED UPON AT THE SPECIAL MEETING**

Except as otherwise disclosed in this Circular, to the knowledge of the Concerned InterOil Shareholders, neither the Concerned InterOil Shareholders nor any directors or officers, or any associates or affiliates of the foregoing, has: (i) any material interest, direct or indirect, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction (other than the proposed changes and transactions contemplated in this Circular) that has materially affected or will materially affect the Company or any of its subsidiaries; or (ii) any

material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter currently known to be acted on at the Special Meeting.

Except as disclosed above, information concerning any material interests, direct or indirect, of any director or executive officer of the Company, any other “informed person” (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), any person (other than the Concerned InterOil Shareholders) who, to the knowledge of the directors or officers of the Company, beneficially owns or exercises control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Company or any associate or affiliate of any of the foregoing, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, or in any matter to be acted upon at the Special Meeting, is not within the knowledge of the Concerned InterOil Shareholders. For this information, please refer to the Management Circular to be provided by the Company in connection with the Special Meeting, once made available to Shareholders.

### **INFORMATION CONTAINED IN THIS CIRCULAR**

Certain information concerning the Company contained in this Circular has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities and other public sources. Although the Concerned InterOil Shareholders have no knowledge that would indicate that any statements contained in this Circular that are taken from or based upon those documents and records or other public sources are untrue or incomplete, the Concerned InterOil Shareholders do not assume and expressly disclaim any responsibility for the accuracy or completeness of the information taken from or based upon those documents, records and other public sources, or for any failure by the Company to disclose publicly events or facts that may have occurred or that may affect the significance or accuracy of any such information, but that are unknown to the Concerned InterOil Shareholders.

This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. The delivery of this Circular will not, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Circular.

### **INFORMATION REGARDING INTEROIL**

Additional information relating to the Company, including its annual information form and the April Management Circular dated April 25, 2016, is filed with Canadian Securities Administrators. This information can be accessed through SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the three month interim periods ended March 31, 2016 and 2015 and its most recently completed financial year. Copies of the Company's financial statements and management's discussion and analysis may be obtained by any person without charge by contacting the Company, at 163 Penang Road, Winsland House II, #06-02, Singapore, 238463, Attention: General Counsel and Corporate Secretary. The Company's auditor is PricewaterhouseCoopers, Chartered Accountants.

**CERTIFICATE**

The contents and the sending of this Circular have been approved by the Concerned InterOil Shareholders.

June 6, 2016

*“Phil E. Mulacek”*

**Petroleum Independent & Exploration, LLC**

By: *“Phil E. Mulacek”*