# Concerned InterOil Shareholders' Case for a Better Transaction for Shareholders

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June 6, 2016

# Forward Looking Statements

This presentation contains forward-looking statements. All statements contained in this filing that are not clearly historical in nature or that necessarily depend on future events are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "plan," and similar expressions are generally intended to identify forward-looking statements. These statements are based on current expectations of the Concerned InterOil Shareholders and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not prove to be accurate. The Concerned InterOil Shareholders do not assume any obligation to update any forward-looking statements contained in this presentation.

# Defined Terms

- "**BOD**" – The Board of Directors of InterOil
- "**Concerned InterOil Shareholders**", "**our**", or "**we**" – Petroleum Independent & Exploration, LLC and Phil E. Mulacek
- "**CVR**" – A Contingent Value Right under the OSH/TOTAL Proposal
- "**Interim Resource Certification**" – The Interim Resource Certification under the TOTAL PRL 15 SPA
- "**InterOil**" or the "**Company**" – InterOil Corporation
- "**Meeting**" – The annual and special meeting of shareholders to be held on June 14, 2016
- "**Oil Search**" or "**OSH**" – Oil Search Limited
- "**OSH/TOTAL Proposal**" – The proposed acquisition of all of the issued and outstanding shares of InterOil by Oil Search, and the related Memorandum of Understanding between Oil Search and TOTAL in respect of certain InterOil assets, announced on May 20, 2016
- "**Requisition Resolutions**" – The six shareholder resolutions stated and described in full in our information circular, intended to make the Board accountable to shareholders, improve the composition of operational and management skills on the Board, align the Board's interests with shareholders, and introduce basic corporate governance practices, including more complete disclosure
- "**TOTAL**" – TOTAL, S.A.
- "**TOTAL PRL 15 SPA**" – Share and Purchase Agreement dated March 26, 2014, between affiliates of InterOil and TOTAL

**All currency amounts expressed in U.S. Dollars unless otherwise noted**

# The Bottom Line

Fellow shareholders, it is imperative that you vote the Concerned InterOil Shareholders **BLUE** proxy to send a clear message to the Board and management of InterOil to:

- ✓ Demand a better transaction for shareholders than the OSH/TOTAL Proposal as currently structured;
- ✓ Put an end to egregious pay packages, including substantial change in control payments like that due to the CEO Michael Hession, at a time when shareholders have lost billions of dollars in value as the share price has dropped; and

> The Board has asked shareholders for the ability to grant even more stock-based compensation – potentially worth $80 million to $100 million. Issuing additional stock grants in the face of an announced transaction done at a discount to our estimated fair value and the Board's history of value destruction is an affront to shareholders and abuses their trust.
>
> **Vote AGAINST the Abusive compensation for the Board and Management!**

- ✓ Elect a Board that has the skills and experience to evaluate and negotiate value maximizing opportunities in the best interests of shareholders.

Even if you may not support the Concerned InterOil Shareholders' nominees for director, we still encourage you to show your dissatisfaction with the Board and management abuse by **withholding** on all of management's nominees and voting FOR each of the Requisition Resolutions, on the **WHITE** proxy.

# Why Are We Here?

- The Board of InterOil has presided over a massive destruction of over $4 billion in shareholder value, or more than $80/share (as of January 2016) since Mr. Mulacek retired from the Board.

- The current Board has failed to provide effective oversight of management and has adopted a flawed managerial and operational structure (wasting over $850 million in spending on drilling) and has significantly damaged the interests of InterOil's shareholders by doing so.

- The OSH/TOTAL Proposal materially undervalues InterOil by $1 billion to $3+ billion, based on the current TOTAL payments and reasonable resource estimates supported by third party certifications, and further illustrates both the Board's lack of alignment with shareholders and its apparent inability to evaluate and negotiate accretive M&A opportunities for the Company.

- The 36.5% of PRL-15 is worth a further $2 Billion to $4 billion to IOC shareholders.

- The upcoming Meeting on June 14, 2016 is an opportunity for InterOil shareholders to voice their view that shareholders deserve better.

# Why Are We Here?

- The Concerned InterOil Shareholders, together with other shareholders representing in total approximately 7.5% of the outstanding shares of the Company, requisitioned a special meeting of shareholders to introduce the Requisition Resolutions, which were intended to reform the corporate governance of the Company and make the Board more accountable to shareholders.

- The Company has stridently opposed the Requisition Resolutions. As a result, the Concerned InterOil Shareholders have nominated five highly qualified individuals to the Board as the only way they believed they could ensure that the Requisition Resolutions would be implemented if passed.

- The announcement of the OSH/TOTAL Proposal makes it all the more urgent to send a message to the Board of displeasure with its management of the Company. <u>Withhold your votes from management's nominees</u> or elect a Board with the ability to evaluate and negotiate a better transaction for shareholders.

# Our Requisition Resolutions Protect Shareholder Value

BUT, THE <u>BOARD OPPOSES</u> EACH OF OUR REQUISITION RESOLUTIONS, WHICH WOULD:

- ✓ **Compel the Board to seek shareholder approval of material transactions that involve more than 10% of the Company's total asset value (the "Material Transactions Resolution").**
  - *Our objective is to ensure that the current Board's track record of entering into value destructive transactions without shareholder approval cannot continue and that directors are held accountable for all such transactions.*
- ✓ **Require that at least one-third of Board members are individuals with direct operating experience in exploration and development onshore in remote jungle areas.**
  - *The Board must have the necessary expertise to be able to provide effective oversight of management so that the Company can avoid repeating the poor managerial decision-making that has plagued InterOil since Mr. Mulacek retired as CEO.*
- ✓ **Require third party analysis to support discovery announcements and evaluate the commercial potential of the Company's assets.**
  - *To promote transparency and accountability, the Board must provide accurate and independently verified reserves information to the public and shareholders, and the Board and management must be prevented from misstating the significance of "discoveries".*

# Our Requisition Resolutions Protect Shareholder Value

- **Compel the Board to develop and vigorously enforce a disclosure policy that exceeds the regulatory minimum.**
  - *Shareholders deserve a full and complete understanding of their investment based on a policy of full disclosure instead of minimum compliance with required standards.*

- **Require a threshold price per share as a condition to any change of control payments to management; limit aggregate Board cash compensation to $600,000 per year; and restrict the sale of equity grants received by directors for a year after their service ends.**
  - *The Board must be aligned with shareholders and incentivized to act in the long term best interests of the Company. We also want to ensure that the Board and management seek the best price for InterOil in the event of a sale of the Company, and only benefit if shareholders also benefit.*

# Expense Reimbursement

- Management has proposed a resolution at the Meeting that would deny the Concerned InterOil Shareholders any reimbursement for our efforts on behalf of ALL shareholders.

- We believe that it is entirely appropriate for the Company to reimburse our expenses.

- Since we became publicly involved in March 2016, the share price of InterOil stock has risen from about $30.08 to about $42.50, enhancing total shareholder value by over *$500 million* in ~2 months, and we have exposed a substantial value disconnect in the Oil Search Transaction that could be worth potentially billions more.

- Under the Yukon Business Corporations Act, shareholders who requisition shareholder meetings are entitled to be reimbursed their expenses of doing so, unless the shareholders vote NOT to reimburse.

**We strongly urge you to vote AGAINST the Mulacek Expenses Denial Resolution.**

**Note: Do not be confused by the "double-negative" aspect of the wording of the resolution.**

# Our Nominees

**Phil E. Mulacek** – Mr. Mulacek is the Chairman of Asian Oil & Gas Pte Ltd. and the founder and President of PIE Corp. based in Houston, Texas. Mr. Mulacek is the founder of, and served as the Chairman and Chief Executive Officer of InterOil from its inception on July 1st, 1997 until his retirement as Chairman on August 3rd, 2012. On April 30th, 2013, Mr. Mulacek retired as Chief Executive Officer of InterOil. During his tenure at the Company, its market capitalization grew from approximately US$10 million (~US$0.50/share) to over US$4.5 billion (~US$92.00/share) at his departure. The Company also constructed the first petroleum refinery in Papua New Guinea, a 36,000 bpd facility at Napa Napa, with a fully integrated downstream business that contributed to support 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 tcfe of certified hydrocarbon resource, and the nearby Triceratops gas field. The Elk and Antelope fields were among the largest onshore discoveries in 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 US and elsewhere globally through his affiliated companies with offices in Singapore and branch offices in the United States. He resides in Singapore.

**David Lasco** – Mr. Lasco has 40 years of business and financial experience. Mr. Lasco is the founder and CEO of privately held Lasco Development, a construction and real estate company formed in 1996, including dozens of affiliates and subsidiaries that he has managed. His primary business experience is in the acquisition, developing, building and management of residential and commercial real estate projects ranging from single tenant build to suit projects to multi-million dollar housing developments and multi-unit million dollar apartment and commercial rental facilities. Prior to founding Lasco Development, Mr. Lasco was an initial investor, officer and board member of a telemarketing company in the U.S. which, through his management skills, grew into a multi-location, multi-million dollar national telemarketing sales company with over 2000 employees during his tenure. Mr. Lasco holds 0.50% indirect participation interests in PRL 15, which includes the Elk and Antelope fields, and in PRL 39, which includes the Triceratops field, and is therefore fully aligned with the interests of InterOil and its shareholders

# Our Nominees

**David Z. Vance** – Mr. Vance is a senior corporate and project finance attorney and CFA charter holder with more than 30 years of experience in Asia and the US in major project investment and development, including LNG projects and oil and gas matters in Papua New Guinea. He is currently Upstream Counsel for Asian Oil & Gas Pte Ltd. based in Singapore and a Non-Executive Director and member of the audit committee of Kina Petroleum Ltd. (ASX:KPL), based in Papua New Guinea. Prior to joining Asian Oil & Gas, Mr. Vance was Senior Commercial Manager for InterOil and a partner in the Global Energy Practice of U.S. law firm Paul Hastings, resident in the Tokyo office. Mr. Vance has helped negotiate the financing and construction of energy and other infrastructure projects in Asia worth billions of dollars for some of the largest banks and investors in the world, including numerous "deals of the year."

**George Cammon** – Mr. Cammon is a 37-year veteran of the oil and gas industry, with experience in oil and gas exploration, appraisal and intervention. Mr. Cammon is currently the Drilling and Engineering Manager for PIE Operating.

**Henry Olen Overstreet** - Mr. Overstreet has 47 years of experience in the oil and gas industry, and currently acts as an upstream oil and gas drilling contractor with operations in the United States and overseas. Mr. Overstreet worked as a consultant and knowledge services provider in the United States oil and gas industry from 2010 to 2014, providing production designs and services to both independent and major oil and gas production companies, including Gulf Oil, Pennzoil, Sun Oil Co., Houston Oil & Minerals, Amoco, Chevron USA, Hamman Oil and Ref., Exxon Mobil USA, Devon Energy, Enervest Mgt. Co., Patterson Petroleum and Enron Oil & Gas Co.

# Leadership Matters

*"Mr. Mulacek put the company on the path to being a significant contributor to the PNG economy and increasing shareholder value."*

*- Dr. Gaylen Byker, InterOil Chairman*
*Company News Release - November 18, 2013*

## The Current Board Has Failed Shareholders

Since the retirement of InterOil's founder and former CEO, Phil E. Mulacek, from the Board in November 2013, the Board has failed shareholders in several critical ways, contributing to an ~$80 decline in InterOil's share price (as of January 2016), including:

- ✗ Pursuing value destructive transactions without seeking shareholder approval;
- ✗ Consistently demonstrating that it lacks needed expertise and understanding of cost-effective exploration and development operations in Papua New Guinea;
- ✗ Taking a destructive short-term view of InterOil's business;
- ✗ Utilizing a flawed and inconsistent measure of materiality with respect to disclosures to shareholders;
- ✗ Adopting compensation levels at both the Board and management level that are far out of scale for a company, like InterOil, that generates no revenue; and
- ✗ Maintaining relatively low levels of share ownership by members of the Board.

# Value Destructive Strategy

## InterOil Has Pursued a Value Destructive Strategy

The Board's decision after the TOTAL transaction to "focus purely on upstream exploration and development" committed the Company to a highly speculative and largely unsuccessful exploration strategy that was heavy on activity but failed to deliver results and destroyed shareholder value.

- ✗ The cost of drilling new wells has risen by 200% to 900% since Mr. Mulacek retired as CEO.
- ✗ InterOil has spent almost $1 billion on drilling and exploration expenses since 2013 yet has no commercial discoveries to show for its efforts.
- ✗ The Board and management have wasted $750 million to $850 million drilling seven (7) wells and sidetracks due to significant and costly mistakes made by management without cost controls and the Board's inability to provide effective oversight of management and the organization.

# Value Destructive Strategy

**InterOil Has Pursued a Value Destructive Strategy**

- InterOil has sold and may continue to sell significant assets of the Company to fund a highly speculative and largely unsuccessful exploration strategy.

- The Board and management of InterOil have impaired and continue today to further impair the core operational and exploration capacity of the Company for exploration and development by disposing of assets at fire-sale prices, destroying assets and dismissing hundreds of recently hired and trained employees.

- According to ISS and to the Company's financial disclosures, corporate overhead for upper and middle management has increased dramatically in recent years. In other words, the Company is smaller today but overhead costs are increasing.

- The Company is now approximately $190 million in debt and, we believe, could soon be $400 million in debt under a new credit facility. Under this financial pressure, InterOil has recently given assets away and sold assets below market rate - and now the entire company!

# Poor Disclosure

## InterOil Fails to Provide Sufficient and Consistent Disclosure

The Board and management have a policy of providing minimal disclosure based on flawed and inconsistent thresholds of "materiality". This reduces transparency to shareholders and frustrates efforts to judge InterOil's performance.

- In a recent meeting with Mr. Mulacek, the Chairman of the Board and the head of the Audit Committee stated to Mr. Mulacek that the Company gives InterOil's shareholders all information that it is legally required to provide. InterOil's shareholders need and deserve more than the minimum legally required disclosure to fully understand the Company and its resources.

- The Board is determining "materiality" for purposes of required disclosures as though the Company was a super-major with tens of billions in dollars in revenue from a diversified portfolio of cash-flow positive assets instead of a largely single-asset company with **no revenue**.

- The Company has also failed to provide information such as reserves analyses on a consistent basis, making it difficult for shareholders and the market to understand the true value of the Company's assets or evaluate the Board's and management's operating performance.

# A Tale of Two CEO's

**InterOil CEO Michael Hession**

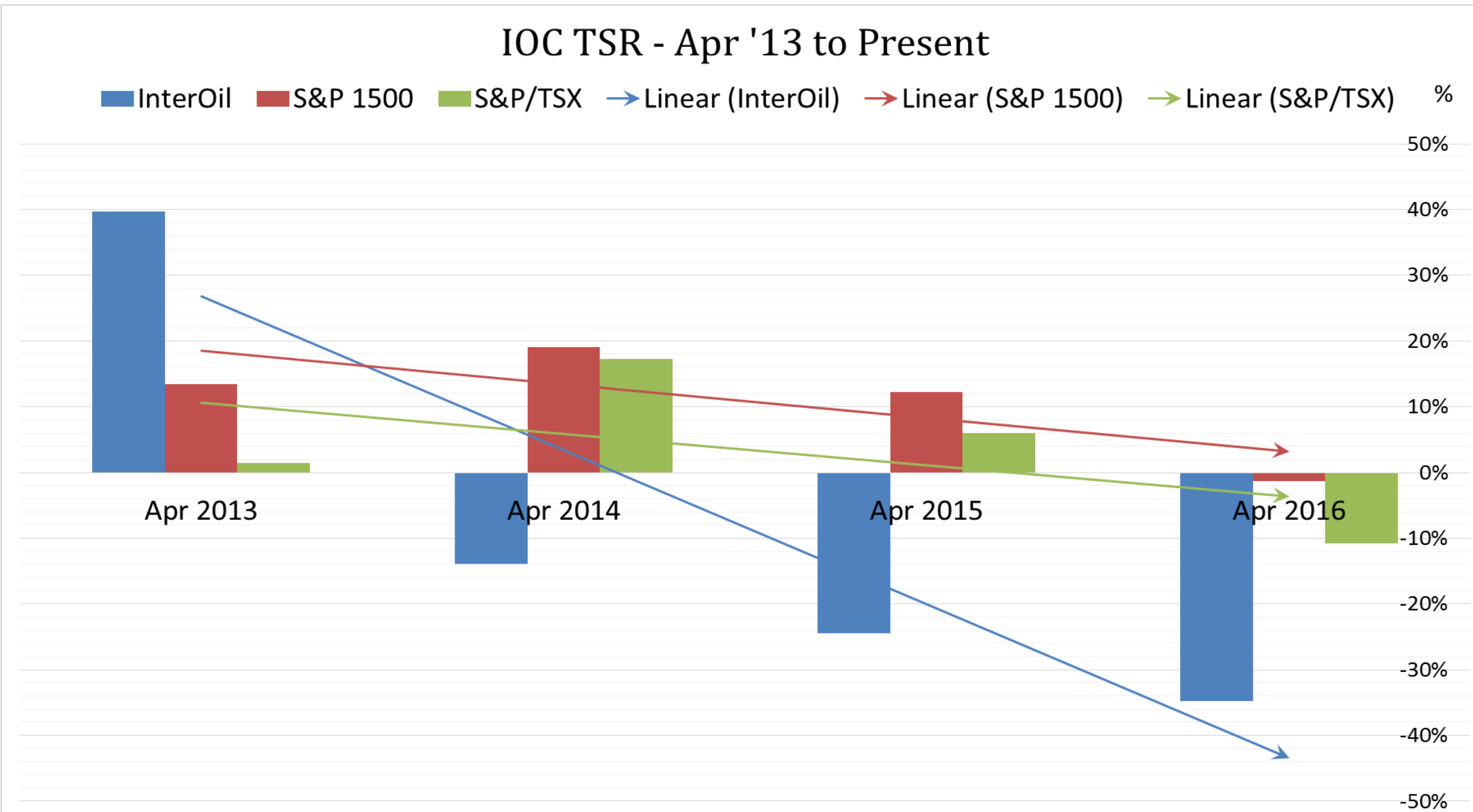
- ✗ Destroyed approximately $3+ billion of shareholder value since he was appointed as IOC CEO.
- ✗ Receives more than $10 million in annual compensation.
- ✗ Shares declined from ~$92/share to ~$21/share on his watch.
- ✗ Will receive ~$39 million in change in control payments as a result of the OSH/TOTAL Proposal.
- ✗ Currently requesting potential grants of stock-based compensation ($80 million to $100 million) under a new stock incentive plan on this AGM. Why when the "IOC Board" propose to sell the company?
- ✗ Entered into material transactions without seeking approval of shareholders.

**InterOil Founder Phil Mulacek**

- ✓ Grew InterOil's stock from $0.50/share up to a high of $105/share.
- ✓ Stock was trading at $92/share when Mr. Mulacek retired from the Board in November 2013.
- ✓ Has personally funded 100% of the Concerned InterOil Shareholders' expenses for the benefit of all shareholders.
- ✓ Since his renewed engagement in January 2016, the share price of InterOil stock has risen from about $21.50 to about $42.50, enhancing total shareholder value by over $1 Billion in ~ 4-5 months.
- ✓ Advocated for shareholder approval of material transactions.

# Persistent Underperformance

**Since Mr. Mulacek retired as CEO in April 2013, InterOil's shares have underperformed every relevant benchmark.**



# Egregious Compensation Levels

**Independent proxy advisor Institutional Shareholder Services (ISS) noted in its May 27, 2016, report that:**

"The CEO's total compensation in 2015 was among the highest among its peer group (approximately 142% higher than the peer median). In addition, as of December 31, 2015, the CEO was entitled a change of control payment of $39,271,021, which is almost 4 times of the CEO's total compensation in 2015."

"Similarly, a review of the company's director compensation below seems to reveal that the level of such compensation had become the highest among management's disclosed peers since Mr. Mulacek retired from the company."

"Overall, the quantum of both the company's CEO and director compensation appears to have been high since Mr. Mulacek left the company, which may partly explain the increase of the company's SG&A since 2013."

# Egregious Compensation Levels

## CEO Compensation
(Source: ISS Report)

| | 2013* | 2014 | 2015 |
|---|---|---|---|
| Peer Median | $2,530,380 | $4,165,536 | $4,181,253 |
| InterOil Corp. | $1,264,021 | $6,971,796 | $10,136,170 |
| InterOil Rank | LOWEST | 76% | HIGHEST |

## Non-Executive Director Compensation
(Source: ISS Report)

| | 2013* | 2014 | 2015 |
|---|---|---|---|
| Peer Median | $1,275,956 | $1,374,456 | $1,445,132 |
| InterOil Corp. | $1,441,293 | $2,379,730 | $2,519,966 |
| InterOil Rank | 56% | HIGHEST | HIGHEST |

*Current CEO Michael Hession appointed on July 11, 2013. Mr. Mulacek retired from the board in November 2013.

# Compensation - Over The Top!

- At the time of Mr. Mulacek's retirement from the Board, InterOil had the lowest paid CEO among its peers.

**Today, Mr. Hession is the *highest paid CEO* among its peers in 2015, according to ISS, while shareholders have lost over $2 billion - $3 billion in market capitalization.**

- Similarly, InterOil went from average non-executive director compensation at about the mid-point of its peers to having the *highest paid non-executive directors* among its peers, according to ISS.

- Excessive Board and management compensation in the face of the massive destruction of shareholder value since Mr. Mulacek retired from the Board has created a value disconnect with shareholders.

- In addition, the CEO's substantial change in control payment of **$39,271,021** (as of December 31, 2015) is well-above reasonable market practices and particularly egregious in the current context where we believe shareholders are not receiving full value for their shares.

- InterOil intends to replace its 2009 Stock Plan with a new "Omnibus Stock Plan" sought to be approved at the next AGM. We strongly recommend that shareholders vote AGAINST adopting this plan, which could be used to award additional compensation to a Board and management that has presided over a flawed transaction and Billions of value destruction.

**Vote against abusive compensation arrangements!**

# Setting the Record Straight

*InterOil's Board has made several claims in its letters and presentations to shareholders that are based on flawed measures or simply incorrect.*

# Poor Corporate Governance

**"Box-Checking" Style of Corporate Governance**

InterOil has repeatedly highlighted its commitment to "strong corporate governance". However, the Board's approach to governance can be described as being of the "box-checking" variety.

- The Board's claims of independence and alignment are undermined by the egregious compensation levels of both the Board and management highlighted by ISS and the Concerned InterOil Shareholders, which are not appropriately linked to growth in shareholder value.

- Concerned InterOil Shareholders have advanced specific corporate governance reforms that would leave no doubt about the Board's obligations to shareholders. However, the Board has stridently opposed their adoption and urged shareholders to vote against them.

# Short Sellers Were Not Defeated – They Won!

- InterOil points to the decline in short-selling in the stock as an accomplishment following Mr. Mulacek's retirement from the Board.

- We believe the short interest in the Company declined because of the precipitous decline in InterOil's share price under Mr. Hession's leadership and the Board's pursuit of value destructive transactions.

- Under its current leadership, InterOil has lost over $3 billion of shareholder value from its high of over $100/share to the mid-$30's/share.

- The decline in short interest was likely due to the ability of the shorts to lock in substantial profits as the stock fell under new leadership!

- This is yet another example of the Board and management's record of spinning value destructive actions as accomplishments.

# Sell-Side Analysts Capitulated

- InterOil's Board cites supportive sell-side analyst commentary for the OSH/TOTAL Proposal.

- We believe that sell-side analysts had simply given up on the incumbent Board and management after a demonstrated inability to surface shareholder value.

- Sell-side analysts would understandably welcome the management of Oil Search, who were able to strike a bargain for InterOil's assets at the bottom of the commodity cycle.

- As long term shareholders, however, we believe that leaving billions of dollars on the table, as the Board has done with the OSH/TOTAL Proposal, is a poor alternative to do doing the hard work of acting as effective independent fiduciaries for shareholders, which the Board failed to do.

# Mr. Mulacek's "Agenda"

**Mr. Mulacek's Only Agenda is to Surface Value for <u>ALL</u> Shareholders**

InterOil's Board has repeatedly cited Mr. Mulacek's "hidden agenda".

- Mr. Mulacek is the founder, former CEO, and one of the largest shareholders of InterOil.

- Mr. Mulacek has been open and transparent about his intentions for InterOil; namely, improving the corporate governance and management practices of the Company and <u>prioritizing the enhancement of shareholder value</u>.

- Mr. Mulacek has been open about his criticism of InterOil since January 2016.

- Mr. Mulacek has stated his belief that the OSH/TOTAL Proposal as currently structured represents a massive loss in shareholder value. This must be addressed.

- Mr. Mulacek has worked tirelessly to surface additional value for <u>ALL</u> InterOil shareholders, yet personally bears 100% of the costs of these efforts, and the Board has sought to deny him any ability to recover those costs under the Yukon Business Corporations Act.

# Fool me once, shame on you.
# Fool me twice…

*Shareholders cannot count on the current Board of InterOil to act in shareholders' best interests or to properly evaluate or negotiate potential strategic opportunities.*

***The Board and Management of InterOil Have SOLD Shareholders OUT!***

# Prior Value Destructive Transactions

**The TOTAL Transaction**

- In December 2013, InterOil announced the sale of over half of its gross interest in the Company's largest and most important asset, the Elk and Antelope gas fields located in Petroleum Retention License 15 (PRL 15), to French super-major TOTAL under the TOTAL PRL 15 SPA.

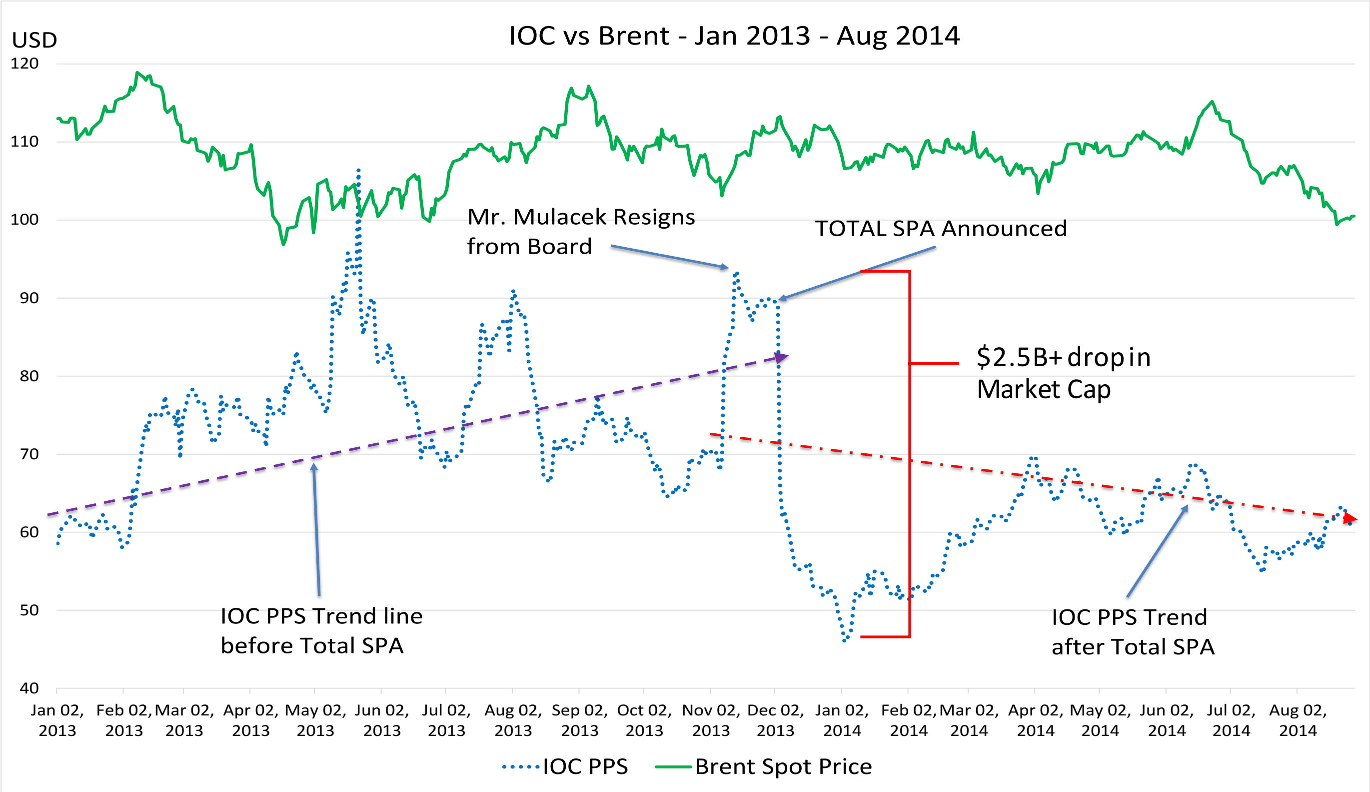
- The shares dropped over ~$50/ share and shareholders lost over ~$2.5 billion.

- InterOil argued that the TOTAL transaction was "transformational" and offered greater upside to the Company from any future exploration success. This argument disregarded the significant risks associated with exploration, development and drilling activities as compared to the higher up-front cash payments offered by ExxonMobil.

- **Now we must live with the original TOTAL transaction and seek to ensure the payments due to InterOil under the TOTAL PRL 15 SPA accrue for the benefit of InterOil shareholders.**

# Market Reaction

## The Market Reacts to the Dec. 2013 TOTAL Transaction




In the 45 days following the announcement of the December 2013 TOTAL deal, InterOil's share price fell by more than 50%, and over <u>$2.5 billion of shareholder value was destroyed and extended to a $4 billion aggregate loss of value from the peak share price</u>. At the time, Brent crude was still trading at over $100/barrel.

# The OSH/TOTAL Proposal Materially Undervalues InterOil Because of Financial and Structural Flaws

*The CVR is an undefined short-dated stub that favors Oil Search and TOTAL – not InterOil shareholders.*

# The OSH/TOTAL Proposal undervalues InterOil by over $4 billion

- Financially Flawed:
  - The largest asset of InterOil and value to the InterOil shareholders is the TOTAL cash payments under the TOTAL PRL 15 SPA. The CVR deprives InterOil shareholders of the material portion of the already agreed cash payments from TOTAL.
  - According to OSH estimates*, the Interim Resource Certification will be ~ 6.75 tcfe. Based on this value and OSH share price of $4.87/ share. Total value to InterOil Shareholders of OSH shares and the CVR will be **$2.18 billion**, or $42.66 / share,** for all of InterOil.
  - However, based on our reasonable estimates, aggregate field size for Elk and Antelope could eventually be ~ 10 to 15 tcfe, based on post-production recertification. At the midrange of these values (~12.5 tcfe), the TOTAL PRL 15 SPA payments <u>alone</u> would be **$3.36 billion**, or <u>$1.2 billion more</u> for a 40.13% interest than OSH/TOTAL propose for <u>all</u> of InterOil.
  - This does not even count the value of the 36.54% interest in PRL 15 that InterOil would give up for **ZERO**, which would be worth about **$3.21 billion**, based on the comparable pricing to TOTAL for its current 40.13% interest in PRL 15. The sale to OSH for its current 22.83% interest in PRL 15 would be comparable pricing. Even if no value is ascribed to other resources and exploration acreage, this amounts to a $4 billion shortfall from the OSH/TOTAL Proposal.
  - The OSH/TOTAL proposal also gives up the resources of Triceratops, Raptor, Bobcat, and the Company's exploration acreage for **ZERO VALUE**.

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* See slide 39.

** Based on 51.1 mm shares outstanding, per OSH presentation, "Acquisition of InterOil and MoU with Total - North American Roadshow," May 31, 2016. However, the Mar. 31, 2016 InterOil Financial Statements show 49.7 mm shares outstanding. Difference is assumed to be based on change of control vesting of contingent share awards.

*** See Appendix 3.

# The CVR is structurally flawed and can be manipulated by OSH

- 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 cash payment protections to shareholders.

- If there are significant increases in estimated resource after production begins, the CVR payment would not capture these at all.

- 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.

- **InterOil and OSH have ignored these flaws and unfairly characterized the CVR as beneficial to shareholders.**

# The OSH/TOTAL Proposal is Financially Flawed

*Recent precedent transactions and the Company's own assessment suggest that InterOil should be worth substantially more than the value 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 the Q3 2015 earnings conference call*

# Valuing InterOil - What Should the Price Be?

**InterOil has three key assets:**

| 1) TOTAL – Payments for 40.13% of PRL 15 | 2) PRL 15 – Value of 36.54% Interest in PRL 15 | 3) Discoveries and Exploration |
|---|---|---|
| Cash (“Part A”) | New Cash (“Part B”) | Long Term Value (“Part C”) |

- **Part A: TOTAL Payments**: Expected payments under the TOTAL PRL 15 SPA for prior sale of a gross 40.13% interest in PRL 15;
- **Part B: Remaining 36.54% PRL 15 Interest**: Gross 36.54% license interest in PRL 15, which InterOil retained; and
- **Part C: Discoveries and Exploration**: Triceratops, Raptor and Bobcat resources and exploration acreage.

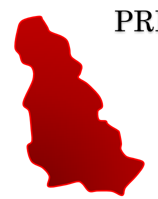
InterOil Shareholders =

$ TOTAL Cash Payments 40.13%

US$ 2.35 Billion to US$ 4.36 Billion

Cash Payments to IOC Shareholders

+



PRL-15: 36.54%

Elk & Antelope

US$ 2.51 Billion to US$ 4.34 Billion

Value to IOC Shareholders

+

*Triceratops*
*Raptor*
*Bobcat*

Triceratops, Raptor, Bobcat and exploration acreage

# Valuing InterOil - What Should the Price Be?

***Part A:*** *Value of the TOTAL Payments*

- Cash payments due from TOTAL.
- Amount depends only on resource certifications; TOTAL PRL 15 SPA provides formula.
- Range*:

| | | |
|---|---|---|
| 10.0 tcfe | = ~ $ 2.35 billion | Base |
| **12.5 tcfe** | **= ~ $ 3.36 billion** | **Most Likely** |
| 15.0 tcfe | = ~ $ 4.36 billion | Upside |

*Resource estimates based on Knowledge Resevoir and GLJ 2C and 3C estimated volume recoveries with gas depletion drive and material balance recertification after production. See Appendix 2.

# Valuing InterOil - What Should the Price Be?

***Part B:*** *Value of 36.54% Remaining PRL 15 Interest*

- **High value and low risk** because of TOTAL's involvement in the development of PRL15; even more valuable after FID further de-risks the project. Amount depends on resource certifications.
- Two recent transactions provide good price comparables:
  - (i) sale of 40.13% interest in the TOTAL PRL 15 SPA; and
  - (ii) sale of 22.83% interest in PRL 15 by PacLNG to OSH in 2014.
- Range:

| | | | |
|---|---|---|---|
| 10.0 tcfe | = ~ | $ 2.51 billion | Base |
| 12.5 tcfe | = ~ | $ 3.42 billion | Most Likely |
| 15.0 tcfe | = ~ | $ 4.34 billion | Upside |

- More detail on the comparisons is provided in Appendix 1.
- *Once TOTAL achieves FID on the Papua LNG Project to be supplied with gas from PRL 15, development risk reduces and value increases for the 36.54% of PRL 15 currently held by InterOil. The increased certainty will also materially increase the potential market for this interest after FID.*

***Part C:*** *Value of Discoveries and Exploration*

- Speculative and assumed "nil" here, to be conservative, but certainly worth something.

# Valuing InterOil - What Should the Price Be?

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

**10 tcfe**

| | | |
|---|---|---|
| Part A: | TOTAL Payments: | $ 2.35 billion |
| Part B: | 36.54% Remaining PRL 15 Interest | $ 2.51 billion |
| Part C: | Discoveries and Exploration | nil |
| | Value of InterOil | **$ 4.86 billion or $95 / share** |

**12.5 tcfe**

| | | |
|---|---|---|
| Part A: | TOTAL Payments: | $ 3.36 billion |
| Part B: | 36.54% Remaining PRL 15 Interest | $ 3.42 billion |
| Part C: | Discoveries and Exploration | nil |
| | Value of InterOil | **$ 6.78 billion or $133 / share** |

**15 tcfe**

| | | |
|---|---|---|
| Part A: | TOTAL Payments: | $ 4.36 billion |
| Part B: | 36.54% Remaining PRL 15 Interest | $ 4.34 billion |
| Part C: | Discoveries and Exploration | nil |
| | Value of InterOil | **$ 8.70 billion or $170 / share** |

**Even with a fair discount, shareholders should receive significantly more value than offered by the OSH/TOTAL Proposal.**

# Valuing InterOil – What Should the Price Be

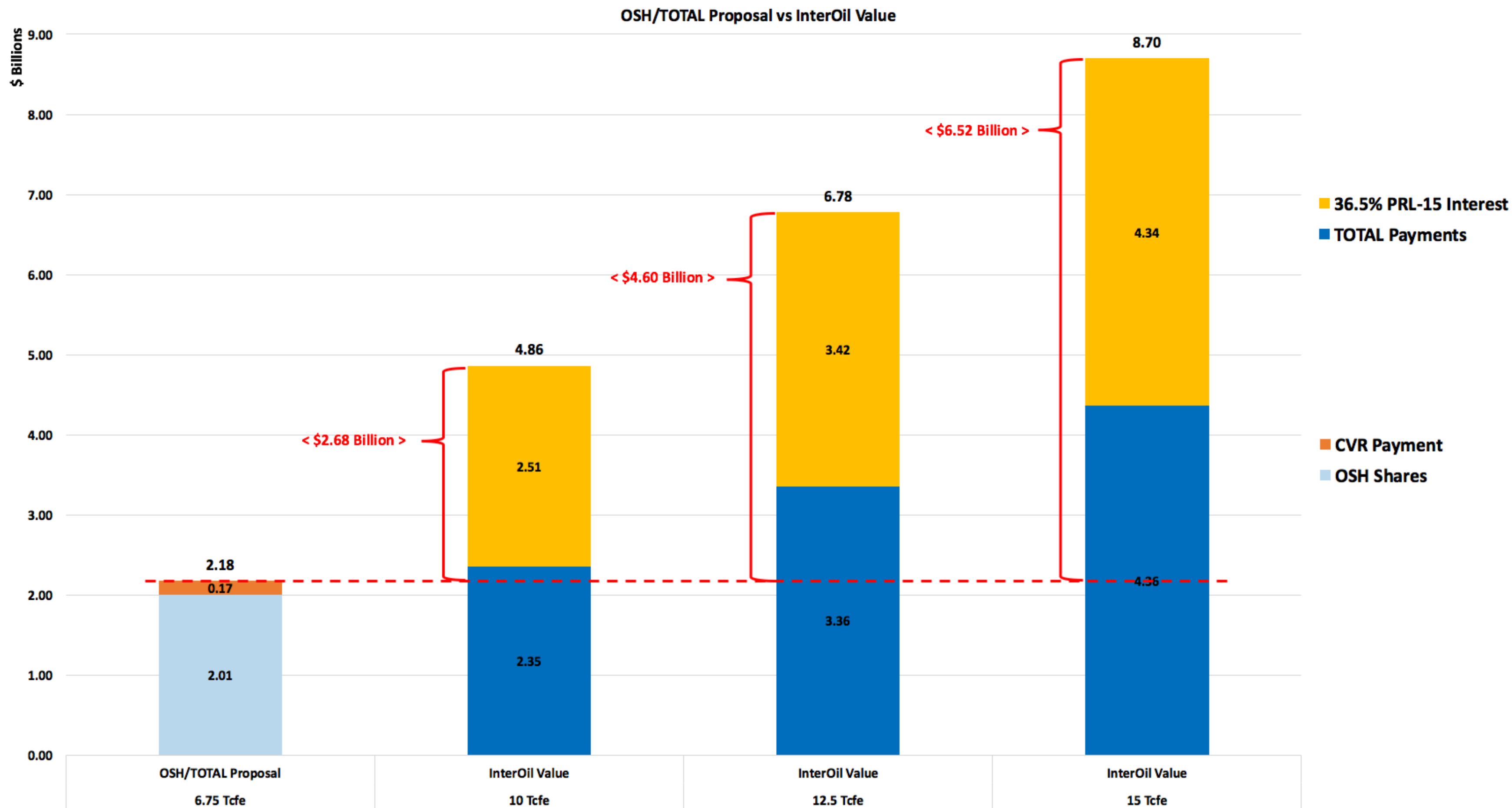
The **OSH/TOTAL Proposal** has two primary components:

- OSH Shares: 8.05 OSH Shares / 1 InterOil Share (~ 21% equity interest in OSH).
- Manipulative CVR Payment: $0.77/mcfe for Interim Resource Certification volume > 6.2 tcfe.
- Aggregate value to InterOil shareholders depends on OSH share value (assumed to be $5 but subject to market and currency risk) and Interim Resource Certification. OSH has publicly indicated it expects this to be ~ 6.75 tcfe.
- In the OSH presentation, "Acquisition of InterOil and MoU with Total - North American Roadshow, May 31, 2016", Slide 6, OSH provides a range of projected estimates between 6.2, 6.5, 7 and 8 tcfe. Dropping the low and high, the average is 6.75 tcfe:

| | |
|---|---|
| OSH Share Value | $2.01 billion |
| CVR Payment | <u>$0.17 billion</u> |
| Total: | $2.18 billion, or $42.66 per share |

# Under OSH/TOTAL Proposal
# $2.68 Billion to $6.52 Billion LOSS

Comparing the OSH/TOTAL Proposal to the Company's sum-of-the-parts value, including the TOTAL Payments and value of the retained 36.54% of PRL 15, OSH/TOTAL undervalues the Company by **over $2 billion to over $6 billion**.



# OSH/TOTAL Proposal
# Undervalues InterOil

The OSH/TOTAL Proposal takes the three main components of InterOil shareholder value and strips out:

1) TOTAL cash + 2) Acreage for zero value for InterOil Shareholders.

- An exchange of 8.05 OSH shares denominated in AUD for each USD InterOil share.

  - **Which could be fair for the 36.54% PRL-15 alone**

- A CVR payment as written takes the most financial asset of InterOil and strips it for TOTAL. avoids most of the TOTAL's pre-transaction 40.13% interest in PRL15.

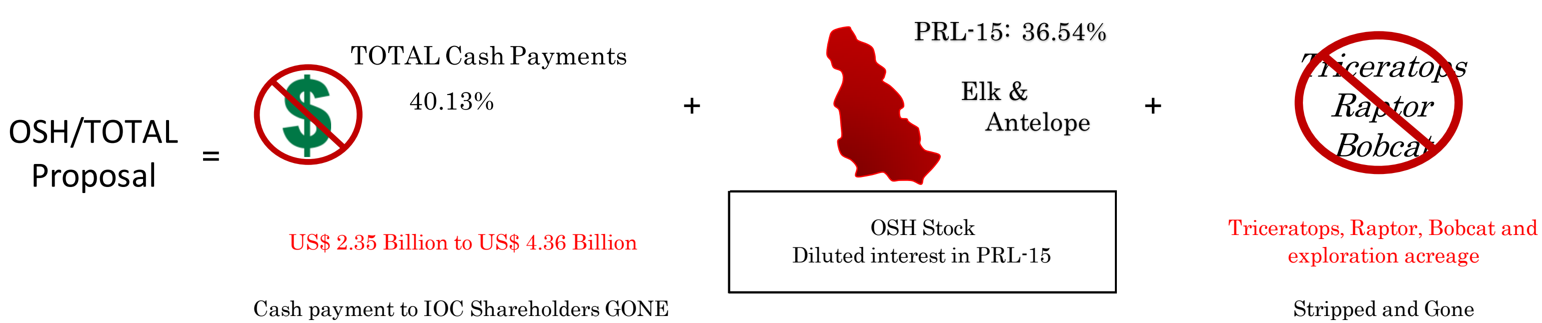
  - **The CVR should pass all the TOTAL payment value to InterOil Shareholders**

- The OSH share exchange will provide InterOil Shareholders an aggregate approximately 21% of OSH equity.

  - **Fair for the 36.54% of PRL-15 only**

- Flawed CVR: A short-dated stub security (After Antelope #7). The timing will result in a lower resource payment. These factors assign a low value on the CVR as they exclude real & booked TOTAL payments from FID, First Gas, Wildcard and Material Balance.

After the OSH Proposal - IOC shareholders lose the best asset - TOTAL CASH PAYMENTS



# The CVR Is Structurally Flawed

*No post-production adjustment.*

*No aligned advocate for InterOil shareholders in certification process.*

# No Post-Production Recertification

CVR payment based only on a new timeline – After Antelope #7

Not the same as under the TOTAL PRL 15 SPA

- The CVR also omits material value and omits final investment decision ("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.
  - Post production recertifications, to help reduce uncertainty inherent in pre-production estimates
  - Both "buyer" and "seller" have opportunity to interact with third party independent certifier to protect their interests.

**Neither of these protections is provided for InterOil shareholders under the 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 CVR omits very material payments and resource verification: FID payment, Wildcard Payments, and the Material Balance Final Payment.
- 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 shareholders.

# Potential Growth in Resource Estimates Not Captured by CVR

The Antelope field is one of the highest quality hydrocarbon structures in Asia. Based on our experience, the Antelope field has a significant potential upside in estimated recoverable resource that may **only be assessed after production data is available, and could be worth billions in additional value to shareholders.**

**Depletion Drive Means Greater Volumes.**

- The largest factors affecting a change in the resource estimate in a material balance are volume and the type of depletion drive. 3C volumes can shift to 2C as field pressures can be tied to actual drainage volumes. We believe the Antelope field is a gas depletion drive rather than a water drive, and this can add 15% to 35% to the resource pending how the volume is discounted in the Interim Resource Certification.

- However, the timeline for calculating the CVR is carefully shortened to be calculated after Antelope #7 but intentionally before FID and before any production data is available. We believe this key point materially reduces the value of the CVR.

**TOTAL PRL 15 SPA Provides for Payments after Interim Resource Certification**

- "Wildcard" recertification (which either party may require within a fixed period after production starts), and a final optional material balance recertification after 25% of the field has been produced. These important safeguards are **not present in the CVR under OSH/TOTAL Proposal**

# Remedies and Estimated Benefits

**Estimated Resource Increase**

- Based on 3rd party certifications the reasonable 2C estimates of total size of the Elk and Antelope fields within PRL 15, such third party certifications have established 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 tcfe, increasing to up to 15 tcfe based on a material balance certification that would be determined after production is underway. For purposes of the calculations in this presentation, we have used a mid-range estimate of 12.5 tcfe as the final number.

- 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 very small percentage of this upside.

**Remedies**

- 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 consistent with the TOTAL PRL 15 SPA.

- The Board should not have agreed that TOTAL could avoid; the TOTAL already-agreed Cash Payment schedule. 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.

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.

1. 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

2. 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.

- Moreover, 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 Noteholders. 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".**

# Flawed and Biased Certification Procedure

**Excluding Knowledgeable Certifiers**

- Also, 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 lower than it would be under a process that included a strong advocate for InterOil shareholder interests and a broader range of potential certifiers.

# Recoverable Resource Estimates

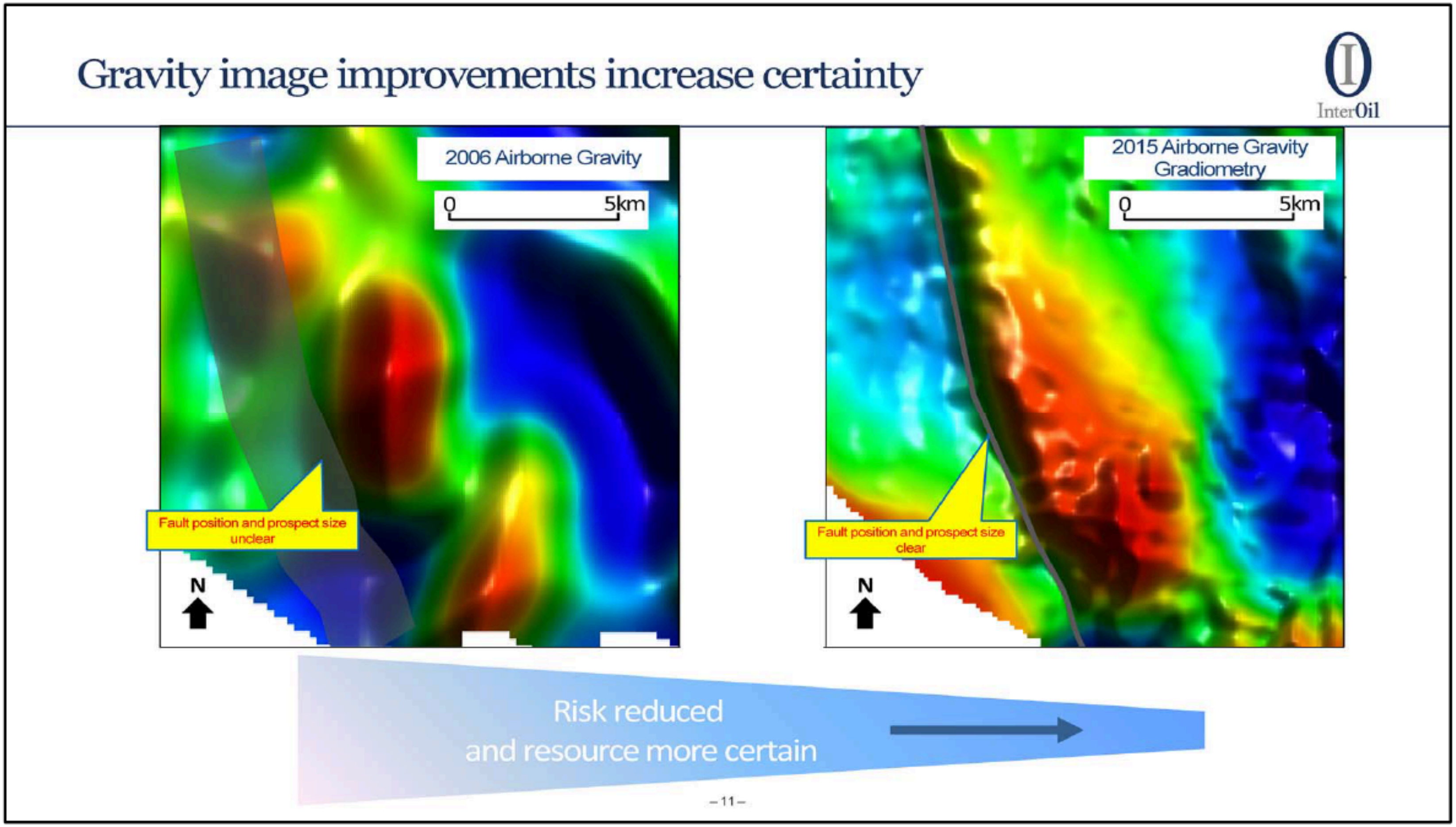
Each new assessment well (Antelope #4, #5, and #6) has indicated a larger field with improved recovery rates. We believe it is reasonable to expect that this trend will continue, so that a post-production recertification would show materially higher values than the Interim Resource Certification.

| Year | Certifiers | Units | 2C-P50 | 3C-P10 | GIP |
|---|---|---|---|---|---|
| | GLJ Volume | Tcfe | 8.59 | 10.40 | 12.97 |
| | KR Volume | Tcfe | 7.87 | 13.30 | 16.42 |
| | GCA Volume | Tcfe | 6.50 | 10.20 | 12.10 |
| **2011** | **Mean Volume** | **Tcfe** | **7.65** | **11.30** | **13.83** |
| | GLJ Volume | Tcfe | 9.88 | 11.79 | 13.34 |
| | GCA Volume | Tcfe | 7.16 | 11.18 | 12.10 |
| **2012** | **Mean Volume** | **Tcfe** | **8.52** | **11.49** | **12.72** |
| **2013** | **GLJ Volume** | **Tcfe** | **9.88** | **11.79** | **13.34** |
| **2014** | **GLJ Volume** | **Tcfe** | **9.88** | **11.79** | **13.34** |
| **2015** | **GLJ Volume** | **Tcfe** | **9.98** | **12.13** | **13.34** |

Elk-Antelope gas field resource assessments conducted by Gaffney Cline & Associates (GCA), GLJ Petroleum Consultants (GLJ) and RPS Knowledge Reservoir (KR).

# Improved Data & Analysis

Better data processing of gravity data recently shows much clearer definition of the western fault. This translates into a much better reservoir than was previously thought.

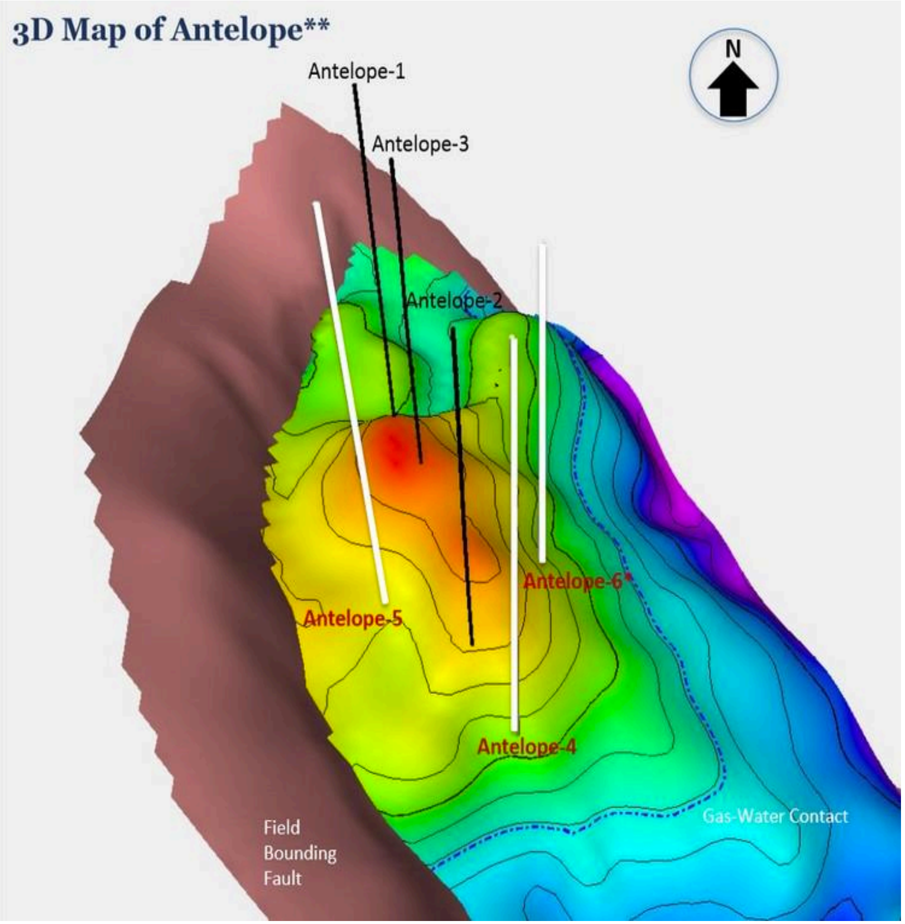


# The Elk-Antelope Reservoir - Bigger and Better

- In November 2015, InterOil CEO Michael Hession stated in a press release that "…our interpretation of data from Antelope-4 and Antelope-5 suggests that the field-wide gas-water contact is deeper than previously interpreted."

- Antelope #4 ST-1 intersected the top of reservoir 118 ft higher than expected, Antelope #5 765 ft higher than expected, and Antelope #3, 220 ft higher than expected.

**The resource is now estimated to be much bigger than the original estimate.**



# Volume & Permeability Increase

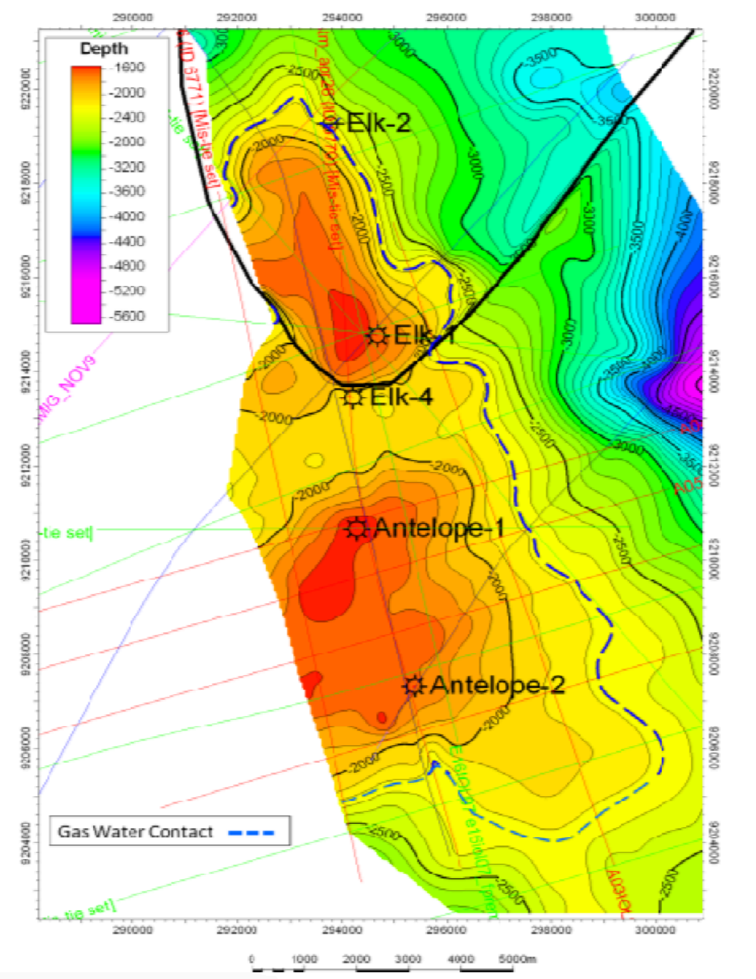
- The vertical extent of the field has grown based on 2014 data that pushed down the oil/water contact zone and other data that raised the Top of Reservoir by 230m (765 ft) at Antelope #5 and 66m (220 ft) at Antelope #3 .

- These changes could increase the volume significantly from the estimates from both GCA and GLJ.

- When the additional porosity of the dolomite is taken into account, permeability also increases significantly.

**This is a world class asset owned by InterOil shareholders.**

TOP RESERVOIR DEPTH STRUCTURE MAP



# 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 that there are alternative structures that should be considered.*

# A Flawed Process

InterOil said that in the first quarter of 2016 the Company:

> *"…received unsolicited conditional proposals to acquire the entire Corporation…"*

- ✗ Yet the announcement of the OSH/TOTAL Proposal was the first time shareholders heard about these proposals.
- ✗ The transaction itself was announced just three weeks before the annual meeting, when the incumbent Board may be voted out.
- ✗ Shareholders are now forced to consider electing a Board without a complete understanding of how and why this Board chose to support the entire sale of the Company at the bottom of the market.
- ✗ The Board continues to ask for the ability to grant more stock-based compensation (worth potentially $80 million to $100 million), while shareholders have lost billions in value.

**We have asked the Board to put the OSH/TOTAL Proposal in front of shareholders before their continuance on the Board is considered.**

# Questions for the InterOil Board

**In considering whether to re-elect the incumbent Board, shareholders deserve to the know the facts about how a major decision affecting their future was made:**

- How can InterOil shareholders get a fair CVR calculation without an aligned advocate in the certification process?
- Which parties submitted proposals for the Company?
- Did InterOil invite other parties to submit proposals?
- What deal structures were proposed?
- What alternatives were considered?
- Did the Board take into account that InterOil's resource estimates have continued to increase?
- Why was the **Cash from TOTAL** including the wildcard and final resource optional certifications already agreed by TOTAL given up, when these certifications create billions of dollars of additional cash flow for the Company & IOC shareholders?
- Did the fairness opinion from Morgan Stanley compare recent precedent transactions done at much higher valuations for InterOil's assets like Elk-Antelope PRL 15?
- Can shareholders review Morgan Stanley's inputs, assumptions and work product in developing their fairness opinion?

# Alternative Transaction Structure
## 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, and we believe that there are alternative structures that should be considered.

We suggest the following alternative to the OSH/TOTAL Proposal. It would be consistent with existing agreements and still generate significant current cash and future upside for InterOil shareholders.

- **Current TOTAL Payments:**

  Distribute all remaining cash payments TOTAL is currently obligated to pay under the TOTAL PRL15 SPA, including post-FID and production recertifications (Interim Certification, FID, First LNG Cargo, Wildcard and Final Certification), less existing debt, for the benefit of InterOil shareholders.

- **Remaining PRL 15 Interest:**

  Issue OSH stock to InterOil shareholders in exchange for InterOil's remaining 36.5% interest in PRL 15, based on price comparable to OSH's recent purchase of a 22.8% interest in PRL 15 (the "OSH Purchase"). Or, wait until FID, when this interest will be further de-risked, and then auction/sell for cash to a wider group of potential investors.

- **Discoveries and Exploration:**

  Spin these off to current shareholders, who would be led by a Board that would maximize value and protect shareholder interests.

# A Call to Action

**Fellow shareholders, it is imperative that you vote the Concerned InterOil Shareholders <u>BLUE</u> proxy to send a clear message to the Board and management of InterOil to:**

- Demand a better transaction for shareholders than the OSH/TOTAL Proposal as it is currently structured;
- Put an end to egregious pay packages as illustrated by the substantial change in control payment due to CEO Michael Hession;
- Vote against the newly proposed 2 million shares (stock-based compensation) since the Board has already agreed to sell the Company; and
- Elect a Board that has the skills and experience to evaluate and negotiate value maximizing opportunities and protect the best interests of shareholders.

Shareholders who do not support the Concerned InterOil Shareholders' nominees on the **<u>BLUE</u>** proxy, are still encouraged to show their dissatisfaction with the Board and management's lack of alignment with shareholders by <u>**withholding** on all of management's nominees</u> and voting <u>FOR</u> each of the Requisition Resolutions, on the **<u>WHITE</u>** proxy.

# Voting Assistance

**We encourage Shareholders to vote the BLUE Concerned InterOil Shareholders proxy:**

- ✓ FOR the Requisition Resolutions (items 1 – 6 on the BLUE proxy);
- ✓ FOR the election of each of our five highly-qualified nominees as directors of the Company (item 7 on the BLUE proxy);
- ✗ AGAINST the New Plan Resolution (item 8 on the BLUE proxy);
- ✓ FOR the appointment of auditors (item 9 on the BLUE proxy); and
- ✗ AGAINST the Mulacek Expenses Denial Resolution (item 10 on the BLUE proxy).

If you require any assistance voting your BLUE proxy, contact the Concerned InterOil Shareholders' proxy solicitor, Evolution Proxy Inc.

1-844-226-3222 toll-free in North America

416-855-0238 outside of North America (collect calls accepted)

e-mail: info@evolutionproxy.com

EVOLUTION Proxy

# Thank you

*The Concerned InterOil Shareholders*

# Appendix 1: Comparable Transactions Point to a Higher Valuation of InterOil

- Based on a field size of 12.5 tcfe for the Elk/Antelope fields in PRL 15:
  - Under the TOTAL PRL 15 SPA, TOTAL will acquire a 40.1275% interest in PRL 15 for approximately $2,754 million. If that same metric were applied to acquiring InterOil's 36.5% remaining license interest in PRL 15, the price would be approximately $3.42 billion.
  - Under the OSH Purchase, OSH will acquire a 22.835% interest in PRL 15 for approximately $1,581 million. If that same metric were applied to acquiring InterOil's 36.5% remaining license interest in PRL 15, the price would be approximately $3.00 billion.

# Appendix 2: TOTAL's Cash Payments

| TOTAL Cash Payment for 40.13% | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | GLJ | | GCA | |
| | | tcfe | 7.0 | 10.0 | 12.5 | 15.0 | 17.0 |
| Payment 1: | Initial | $ Million | 401 | 401 | 401 | 401 | 401 |
| Payment 2: | Interim Resource | $ Million | 1,011 | 1,011 | 1,011 | 1,011 | 1,011 |
| Payment 3: | FID | $ Million | 73 | 73 | 73 | 73 | 73 |
| Payment 4: | First Cargo | $ Million | 65 | 65 | 65 | 65 | 65 |
| Payment 5: | Wildcard | $ Million | TBD | TBD | TBD | TBD | TBD |
| Payment 6: | Final Resource* | $ Million | 0 | 1,204 | 2,207 | 3,210 | 4,013 |
| Low case* | Total | $ Million | 1,550 | 2,754 | 3,757 | 4,760 | 5,563 |
| | Cash per share | $ | **30.33** | **53.89** | **73.53** | **93.16** | **108.86** |

# Appendix 3: 36.54% as per the OSH PRL-15 IPI Transaction

| 36.54% as per the OSH PRL-15 IPI Transaction | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | GLJ | | GCA | |
| | | tcfe | 7.0 | 10.0 | 12.5 | 15.0 | 17.0 |
| Payment 1: | Initial | US $ Million | 1,439 | 1,439 | 1,439 | 1,439 | 1,439 |
| Payment 2: | First Certification | US $ Million | - | - | - | - | - |
| Payment 3: | FID | US $ Million | - | - | - | - | - |
| Payment 4: | First Cargo | US $ Million | - | - | - | - | - |
| Payment 5: | Second Certification* | US $ Million | - | 850 | 1,558 | 2,265 | 2,832 |
| Low case* | Total | US $ Million | 1,439 | 2,289 | 2,997 | 3,705 | 4,271 |
| | Cash per share | US $ | **28.16** | **44.79** | **58.64** | **72.50** | **83.58** |

# Appendix 4: Recoverable Resource Estimates

**Overall recoverable resource estimates have climbed steadily. Each new assessment well (Antelope #4, #5 and #6) has indicated a larger field with improved recovery rates.**

- Recovery Volumes: Among other things, it has been determined that the gas/water contact is some 20 meters lower than originally thought and there is increased dolomotization in the reservoir. The combination of these two findings indicate 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.

- We believe the combination of a depletion drive gas case and adding a material balance certification would add billions of dollars in value for shareholders above the value that may result from the Interim Resource Certification after Antelope #7 as proposed by OSH and the IOC Board. Based on our industry experience and detailed understanding of the Antelope field, and considering the most recent certifications publicly available from GLJ Petroleum Consultants as of December 31, 2015 and Gaffney Cline & Associates as of December 31, 2012, we see the estimate of 2C resources for the Interim Resource Certification is 10 tcfe, increasing to up to 15 tcfe based on a material balance certification that would be determined after production is underway.

- For purposes of the calculations in this presentation, we have used a mid-range estimate of 12.5 tcfe.

**However, none of the benefits of this increased volume would be captured by the CVR payment under the offer as proposed by OSH to InterOil shareholders.**