

InterOil Shareholders Are Denied Fair Value and Transparency by the XOM-IOC Proposal and CRP

Mr. Mulacek Votes **Against** the XOM Proposal

February 9th, 2017

Forward Looking statements.

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Table Of Contents

	Slide
Part A: Mulacek Votes Against XOM-IOC Proposal	4
Part B: IOC and XOM Misleading Shareholders	6
Part C: Antelope #7 Well	9
Part D: What Does 11 TCFE Mean?	14
Part E: ExxonMobil's Revenue Problem	17
Part F: ISS Competency	20
Part G: Conflicts of Interest	23
Part H: Technical & Financial Supporting Information	29
Part I : Canadian Court Comments Potential Management and Board Conflicts	33
Summary	39

Part A:
*Mulacek Votes **Against** the
XOM-IOC Proposal*

Mr. Mulacek is voting **against** the XOM-IOC Proposal:

In our opinion, there is 100% value appreciation if done correctly.

If the XOM proposal is voted down, there is **NO** US\$100 Million break fee.

InterOil must do the following immediately to increase shareholder value by 50% to 100% over 12-18 months

1. Allocate 80% of the five future TOTAL cash payments to a special CRP for InterOil shareholders.
2. Place proper controls for the sale of the remaining 36.5% of PRL-15 to other parties.
3. Sole risk Antelope #7B and Antelope #6B and drill these two wells immediately. These two wells properly located and drilled can add 1 to 2 tcf of resources at the lowest risk and gain the highest technical data for a cost lower than what TOTAL-IOC spent on Antelope #4.
4. Convene a special shareholders committee to oversee the above instead of the conflicted Board and Management.

**Part B:
IOC and XOM Are
Misleading Shareholders**

Why I Oppose the XOM Proposal

- The current XOM-IOC proposal in my opinion is materially undervalued.
- The timing / location of Antelope #7 and refusal to add material balance payments to the CRP reflects in my opinion an intent to undermine value for InterOil shareholders.
- The proposal by the IOC Board and Management and XOM is unfair and just plain wrong.

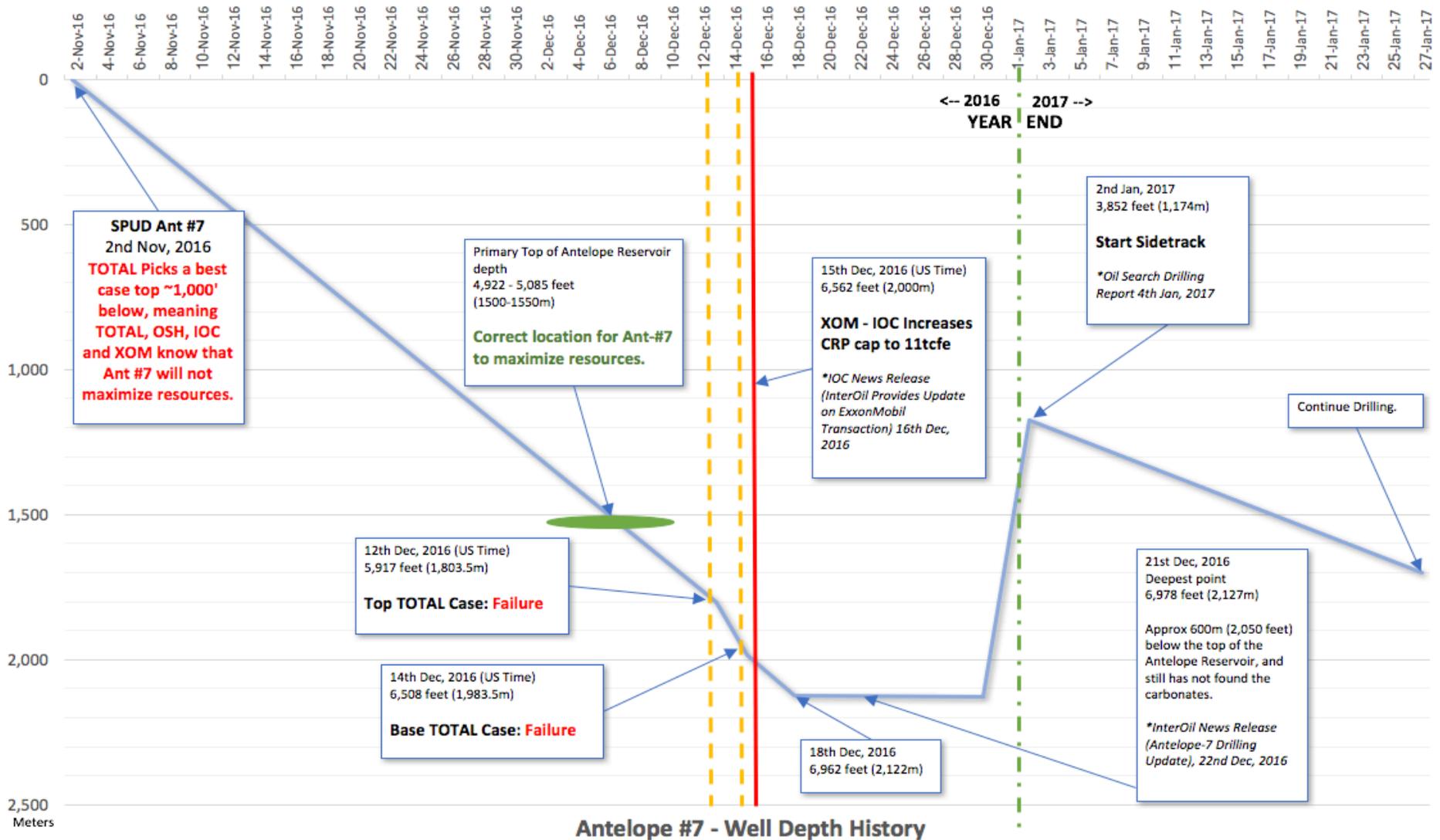
The New 11 Tcfe Cap Is An Illusion.

When XOM raised the cap on their offer, what did that actually mean for the shareholders of IOC?

- XOM and IOC agreed to a "NEW" 11 tcfe deal on December 15th, 2016. This in our opinion was intentionally misleading and deceptive to shareholders as XOM and IOC were in full knowledge of drilling results and that the location of Antelope #7 would hold the near term resource level low. Were any of these material facts properly and clearly disclosed to the market by XOM or IOC?
- Oil Search Drilling Report dated 5th January 2017, stated that they had reached a depth of 2,127m without intersecting any carbonate. They said that this was "in line with pre-drill expectations". ~2,060 feet (627 meters) below the main Antelope Top – meaning the well was placed to avoid adding 1-2 tcfe of resources.
- Drill "Spud Date" was 2nd November 2016. A pre-drill report filed with the DPE reflected an Antelope #7 well location over 1,000 feet below the main Antelope carbonate top. TOTAL, XOM, IOC, and OSH understood in advance the intended Antelope #7 results as selected, would be unsatisfactory to InterOil shareholders and not add any significant resources by original well location design.
- Antelope #7 missed the top of the Antelope Reservoir in the first week of December, 2016 because they chose to drill on the wrong location.
- Antelope #7 missed the top TOTAL carbonate case (5,917 feet) target around December 12th, 2016.
- Antelope #7 missed the base TOTAL carbonate case (6,508 feet) target by December 14th, 2016 (Dec 15th, PNG Time).
- XOM knew that the parameters for Antelope #7 would mean that the resource estimate would never be as high as 11Tcfe, and therefore the new agreement "cap" is an illusion that could intentionally mislead the InterOil shareholders and fund managers.

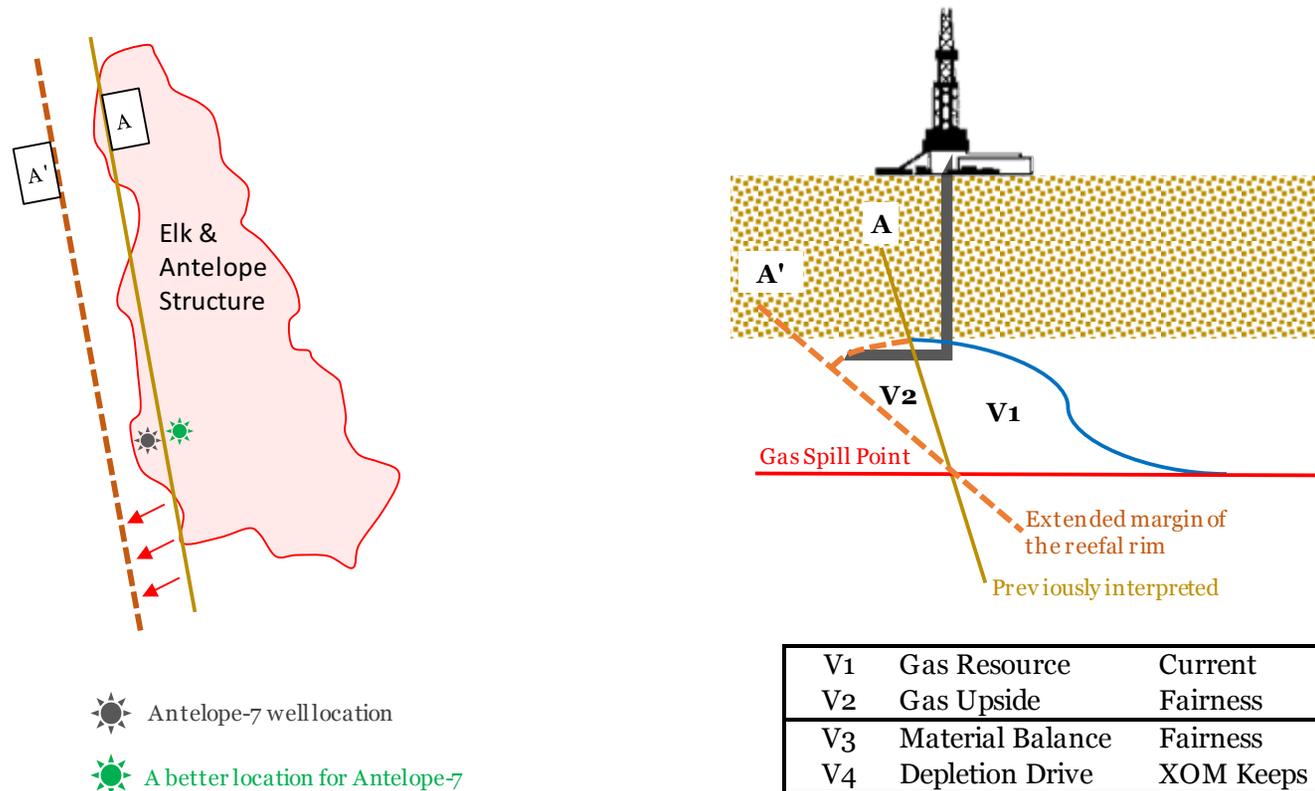
Why Was The 11Tcfe Cap Offered Now?

The 11Tcfe cap was only offered AFTER all Antelope #7 target zones were missed.



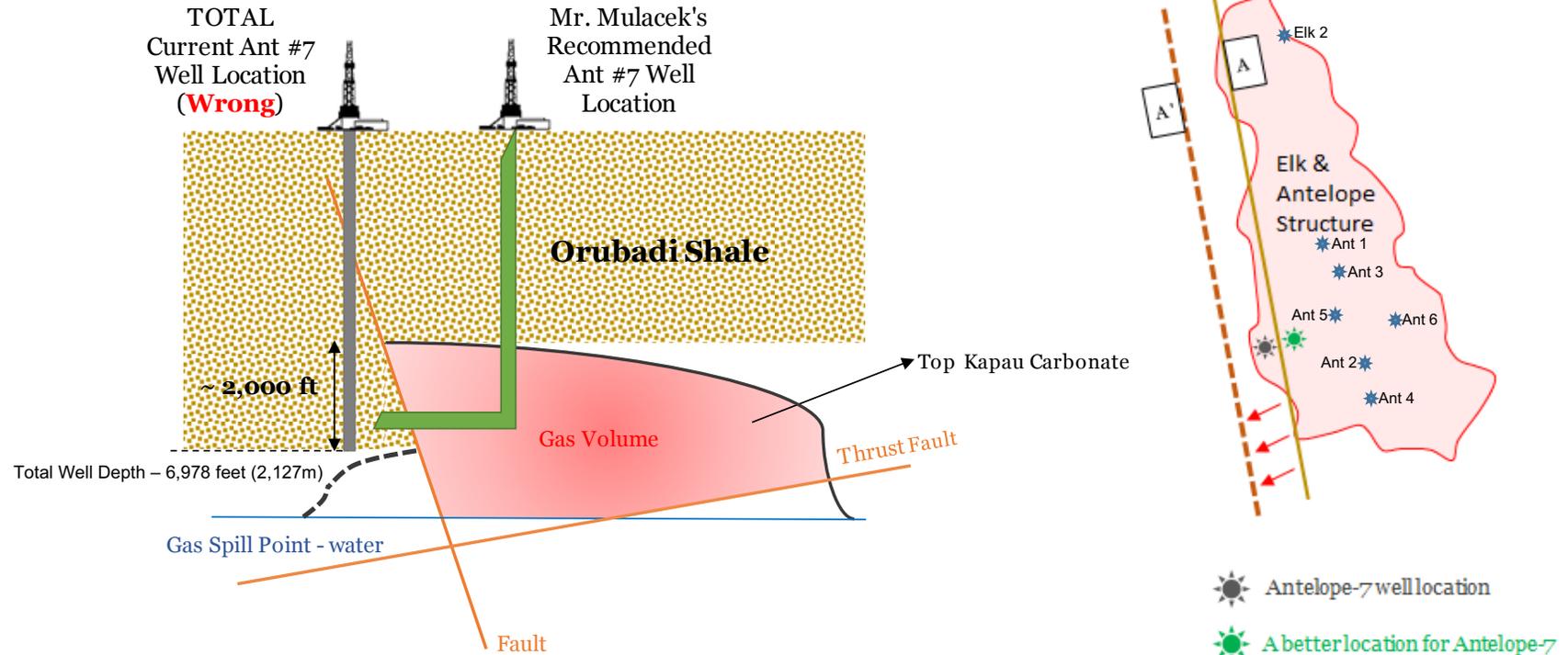
Part C: Antelope #7 Well

Our Recommended Location for Antelope #7



1. Antelope #5 uncovered the extended margin of the reefal rim (A') further to the west than previously interpreted (A).
2. The Antelope #7 appraisal well needed to target the structural top of the reservoir, then drilled directionally to evaluate the western bounding fault, and quality of the reservoir rock. Our suggested location is marked in **GREEN**.
3. Moving the location to the east of the fault would have been of lower risk as drilling would have started in the already proven Antelope reservoir and use a lateral sidetrack to locate the fault. Then we can use VSP data to add further definition with a higher degree of certainty of the fault location and reservoir boundary.
4. We were ignored and the well was drilled to the west of the fault, and the well collapsed, requiring a sidetrack.

Antelope #7 Well Result



As of 22 Dec 2016, Antelope #7 has been drilled to 6,978 feet (2,127m) TVD/RT at the proposed well location without locating the Antelope structure. This surpasses TOTAL's maximum estimate of the Antelope's structure depth, almost 2,060 feet lower than the Top Kapau formation previously located.

As predicted by Mr. Mulacek, Antelope #7 was drilled on the wrong side of the fault and missed the Antelope structure, thus providing no new material information with regards to the size of the Antelope reservoir enclosed by the field binding fault to the west. Another well (Antelope #7B) will have to be drilled to learn the full extent of the fault and to better understand the size of the Antelope reservoir.

Antelope #7 Appraisal Well

Antelope #7 Well – High risk to materially add increment to the Resource Estimate

- We believed Antelope #7 was not located correctly to decrease risk and increase shareholder value. A better location and drilling procedure would have reduced risk and increased certainty on the fault impact to gas and condensate resources, fault angle and fault location has the greatest degree of success to add value. These detailed engineering and commercial balances to the location selection, and the methods in drilling and testing materially impacts the proposed CRP payments.
- The XOM CRP is 100% dependent on Antelope #7 and its value is manipulated not to pay for the real value and volume in Antelope to the InterOil shareholders.
- It is intentionally misleading to place the value-worth billions of dollars in potential CRP payments solely on the results of a single appraisal well (Antelope #7), which was intentionally drilled in a bad location.

The only way to get to 11tcf as alluded to by XOM – IOC is:

- A) drill two new wells in the proper location,**
- B) have full and complete material balance payments.**

Need to Drill Two (2) New Wells

Antelope #7 Well – was placed not to help InterOil shareholders.

- To claw back billions for InterOil Shareholders – 2 new wells need to be drilled.
- Need to drill Antelope #7B – to rectify the wrong drilling and placement of Antelope #7 – this will add resources and remove doubt on gas volumes.
- Also Drill Antelope #6B – in a location to cut a material amount of reservoir and then kick out horizontal to cut the main carbonate to the sloping edge of the field.
- These 2 wells, when drilled correctly will materially add volumes to the resources and add bankable facts to the gas volumes.

**Part D:
What Does 11 Tcfe Mean?**

What Does The 11Tcfe Cap Really Mean?

InterOil has two key assets:

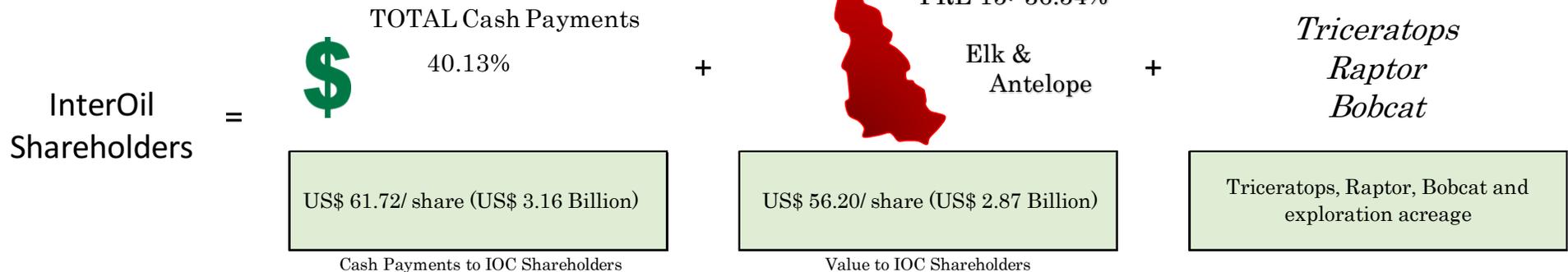
1) TOTAL – Payments for
40.13% of PRL 15

Cash Payments worth US\$61.72 / Share

2) PRL 15 – Value of 36.54%
Interest in PRL 15

Certified Resources – worth US\$56.20 / Share

CURRENT



Value Parts of InterOil

(based on est. 11 tcfe)

A: TOTAL S.A. - Five (5) Cash Payments:

- *TOTAL Five Cash Payments* ~ *US\$61.72 / share - US\$3.16 billion*

B: PRL 15 - 36.54% Retained Interests in E/A:

- Based on TOTAL SPA US\$56.20 / share - US\$2.87 billion

Exploration Acreage

Has real value in the long term

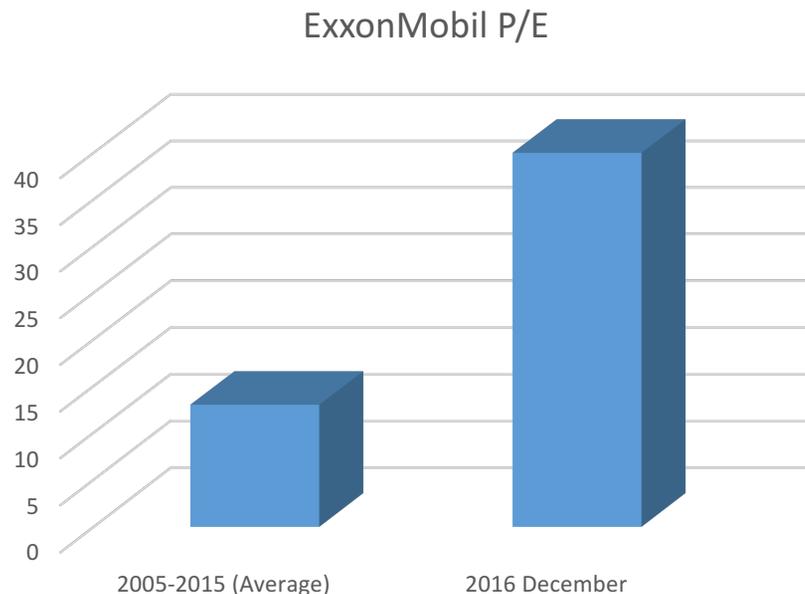
TOTAL (A+B)

US\$117.92 / share - US\$6.03 billion

Part E: ExxonMobil's Revenue Problem

Exxon's P/E Ratio Shows Shares Overvalued

- **ExxonMobil** ("**XOM**") has a P/E that is over 40 and yet the price is continuing to trade at over \$85 whilst the revenue/earnings has plummeted.
- Earnings released January 31st, 2017 – failed analyst expectations.
- From early 2005 through end of 2015, ExxonMobil's P/E averaged less than 13, today their P/E is over 40. This transaction proposes to pay for our IOC shares with paper that is over valued by 300% from XOM historical average P/E.
- Problem: XOM earnings have to increase by 300% to justify the current PPS. The current earnings cannot justify the stock trading at over \$85, placing risk to InterOil shareholders.



XOM Proposal Value

(Using 6.43 tcf as base)

XOM Shares:

- High risk of XOM stock price dropping.

US\$ 45.00 / share

+

+

XOM CRP:

- XOM proposes to pay US\$0.90/mcfe (US\$7.07/share per 1 tcf) for 2C resources > 6.2 tcf, up to a maximum of 11 tcf.
- Look at the XOM-IOC misleading disclosure:
 - Wrongly limited to Antelope #7; a location to hold resources down – knowingly undermining InterOil shareholders in advance
 - Based on OSH estimate of 6.43 tcf, the CRP may be as little as \$1.62 / share.

~ US\$ 1.62 / share

=

~ US\$ 46.62 / share

Part F: Don't Rely On ISS

Don't Rely On Institutional Shareholders Services (ISS) to Advise on the XOM Proposal

ISS may have some competence for modest corporate governance issues – but they did not get it right on the first XOM proposal.

It is the responsibility of Portfolio Managers to do the work on such a complex matter as ISS have proven themselves unable to understand the current proposed transaction and conflicts of interest by the bidder and IOC Board / Management.

In our view, ISS cannot be relied on to provide a valid recommendation in this matter. It's history in reviewing the first XOM proposal shows why.

ISS Missed Major Issues on First XOM Proposal

When ISS made a recommendation in favor of management and the first XOM proposed transaction, they completely ignored the underlying value for InterOil shareholders and the failures of governance and fiduciary responsibility by the Board, Management, and XOM.

On the other hand, both Canadian courts that reviewed the first proposal found major deficiencies in the corporate governance, review and approval processes of InterOil's Board and Management.

- The Application Judge in the Supreme Court said that the Morgan Stanley fairness opinion obtained by the Board was “**deficient and indicative of a failure to discharge [the Board’s] fiduciary obligations**” in several respects, “**remarkably deficient**” in other ways and generally “**devoid of facts or analysis**”.
- He further criticized the Board’s use of the Morgan Stanley opinion by saying that fairness opinions should be “**robust, rigorous and independent opinions from reputable experts [in order to properly] discharge the fiduciary duty of ... directors**”
- The Application Judge also cited the opinion of a leading Canadian corporate law expert, who stated that “**the process undertaken by this board in considering and recommending the [XOM proposal] in these circumstances was deficient and failed to meet current governance best practice and to ensure adequate safeguards of shareholder interests.**”
- The Court of Appeal agreed and found that under these circumstances it was not able to say the XOM proposal was fair and reasonable.

If the Canadian courts were able to so clearly identify the problems with InterOil’s handling of the first XOM proposal, why wasn’t ISS able to see the same things? **The stinging rebuke of InterOil by the Canadian courts after ISS had blithely approved the transaction should give institutional portfolio managers significant cause to worry about trusting ISS again to make fundamental decisions for their investors, without managers doing their own analyses.**

Part G: Conflicts of Interest

The XOM CRP Is Designed to Undermine IOC Shareholder Value

- **Resource estimates are subject to variation, and certification itself is a complex and iterative process that can be susceptible to manipulation.** The following protective measures help reduce the uncertainty of resource estimate, ability for manipulation and help protect both buyers and sellers:
 - Resource sale agreements to include post production re-certifications, which have access to additional data to refine pre-production estimates;
 - Both buyer and seller to have access to all the independent appraisers, and all the data to advocate their respective views; and
 - Appraisers that are more familiar with the resource are used.
- A Material Balance certification after 15% to 25% of gas production is the fairest way to ensure the resource is correct
- **The XOM CRP intentionally has none of these protections for the InterOil shareholders:**
 - The XOM CRP is based on only a **single resource certification:** the Interim Resource Certification, which is to be performed under the TOTAL PRL 15 SPA after the poorly located Antelope #7 appraisal well is drilled; but prior to any production from the Elk and Antelope fields;
 - **InterOil shareholders have no direct role in the certification process** and have no means to support their views of the resource. InterOil shareholders can only require XOM to “enforce its rights” against TOTAL S.A. under the TOTAL PRL 15 SPA, but cannot participate directly in the certification process; and
 - The two certifiers designated by XOM to perform the Interim Resource Certification would have **no familiarity at all with the Elk and Antelope fields**, suggesting a 25% to 50% bias to the low side.

Potential XOM Conflicts

- XOM operationally is a well-respected firm in the industry, and we have asked them to be fair in connection with the Interim Resource Certification and the XOM CRP, by adding the Wild Card and 25% Material Balance certifications. XOM refused to be fair in adding Material Balance payments.
- Under the Current XOM CRP, XOM is placed in a **direct conflict with InterOil shareholders**, as it will have a financial interest in reducing the Interim Resource Certification to lower the payment to InterOil shareholders during and after Antelope #7, and recoup the balance of gas and payments from TOTAL S.A. in a Wildcard or Final Certification, after InterOil shareholders have been manipulated and paid out less than 50% of the real value.
- To avoid this uncertainty and value destruction and to help ensure a more fair valuation for InterOil shareholders, Mr. Mulacek is voting **against** the transaction.
- The XOM CRP should be corrected by:
 1. Adding **post-production recertification payments (Wildcard and Material Balance) – understanding a 11 tcf cap and payments are from cashflow.**
 2. Include **representatives of InterOil shareholders** in the certification process; excluding the existing board and management.
 3. Using **certifiers that are more familiar with the Elk and Antelope field** than those designated by XOM – like GLJ & GCA.

Certification Review by InterOil Shareholders

Under the XOM Proposal, the Interim Resource Certification will be managed solely by XOM without input by InterOil shareholders.

- Currently XOM provides for a "Holders Committee" comprised of two current IOC directors (which have shown themselves to be conflicted) and which will have limited authority to enforce InterOil shareholder rights. IOC will specifically NOT participate in the Interim Resource Certification or have the right to challenge the result.
- Thus, the process is subject to manipulation/abuse by XOM and materially weakens the ability to produce a final fair gas/condensate volume for the benefit of InterOil shareholders; thereby damaging the original shareholders' value.

InterOil shareholder representatives that want accretive value must be actively involved with the certifiers to prevent prejudice against them, and ensure all the millions of pieces of available information are used and defended in the process fairly.

- **None of the current IOC Board members or senior management should have a role.** They have demonstrated their inability and unwillingness to protect shareholder interests and build shareholder value. Only independent InterOil shareholders should be on this committee. As a Board they waived all duty of care for InterOil shareholders with a 500% compensation increase.

Part H: Technical and Financial Supporting Information

TOTAL Cash Payments

TOTAL Contract of PRL 15 - 40.13%

		tcfе	6.43 - OSH	11 - XOM	15
Payment 1:	Initial	US \$ Million	401	401	401
Payment 2:	Interim Resource	US \$ Million	788	788	788
Payment 3:	FID	US \$ Million	73	73	73
Payment 4:	First Cargo	US \$ Million	65	65	65
Payment 5:	Wildcard	US \$ Million	-	424	424
Payment 6:	Final Resource	US \$ Million	-	1,404	3,010
	Total	US \$ Million	1,327	3,155	4,760
	Cash per share	US \$	25.96	61.72	93.12

- Above amounts assume an Interim Resource Payment based on 6.43 tcfе and Final Resource Payment as indicated.
- Mid-range estimate of 11 tcfе is used for all pro-forma calculations in this presentation.
- Carry payments and delay of up to US\$457 million of the Interim Resource Payment until FID are not reflected.

Valuation of 36.54% based on TOTAL, S.A. Pricing for 40.13%

TOTAL, S.A. - Sell 36.54% post FID for same price of PRL 15

		tcfe	6.43 - OSH	11 - XOM	15
Payment 1:	Initial	US \$ Million	365	365	365
Payment 2:	Interim Resource	US \$ Million	718	718	718
Payment 3:	FID	US \$ Million	66	66	66
Payment 4:	First Cargo	US \$ Million	59	59	59
Payment 5:	Wildcard	US \$ Million	-	386	386
Payment 6:	Final Resource	US \$ Million	-	1,279	2,741
	Total	US \$ Million	1,208	2,873	4,335
	Cash per share	US \$	23.65	56.20	84.79

TOTAL, S.A.- Grand Total Cash

		tcfe	6.43 - OSH	11 - XOM	15
Payment 1:	Initial	US \$ Million	766	766	766
Payment 2:	Interim Resource	US \$ Million	1,506	1,506	1,506
Payment 3:	FID	US \$ Million	139	139	139
Payment 4:	First Cargo	US \$ Million	124	124	124
Payment 5:	Wildcard	US \$ Million	-	810	810
Payment 6:	Final Resource	US \$ Million	-	2,683	5,750
	Total	US \$ Million	2,535	6,028	9,095
	Cash per share	US \$	49.62	117.92	177.91

The Real Value – Sum Of The Parts

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:

The Real Value Picture

11 tcf

Part A: TOTAL Payments:	US\$ 61.72/share (US\$ 3.16 billion)
Part B: 36.54% Remaining PRL 15 Interest	US\$ 56.20/share (US\$ 2.87 billion)
Part C: Discoveries and Exploration	nil
<hr/> Value of InterOil	US\$117.92/share (US\$6.03 billion)

15 tcf – Depletion gas drive – can add up to 50% more resources.

Part A: TOTAL Payments:	US\$ 93.12/share (US\$ 4.76 billion)
Part B: 36.54% Remaining PRL 15 Interest	US\$ 84.79/share (US\$ 4.34 billion)
Part C: Discoveries and Exploration	nil
<hr/> Value of InterOil	US\$177.91/share (US\$9.10 billion)

Even with a fair discount, InterOil shareholders should receive significantly more value than offered by the current XOM Proposal.

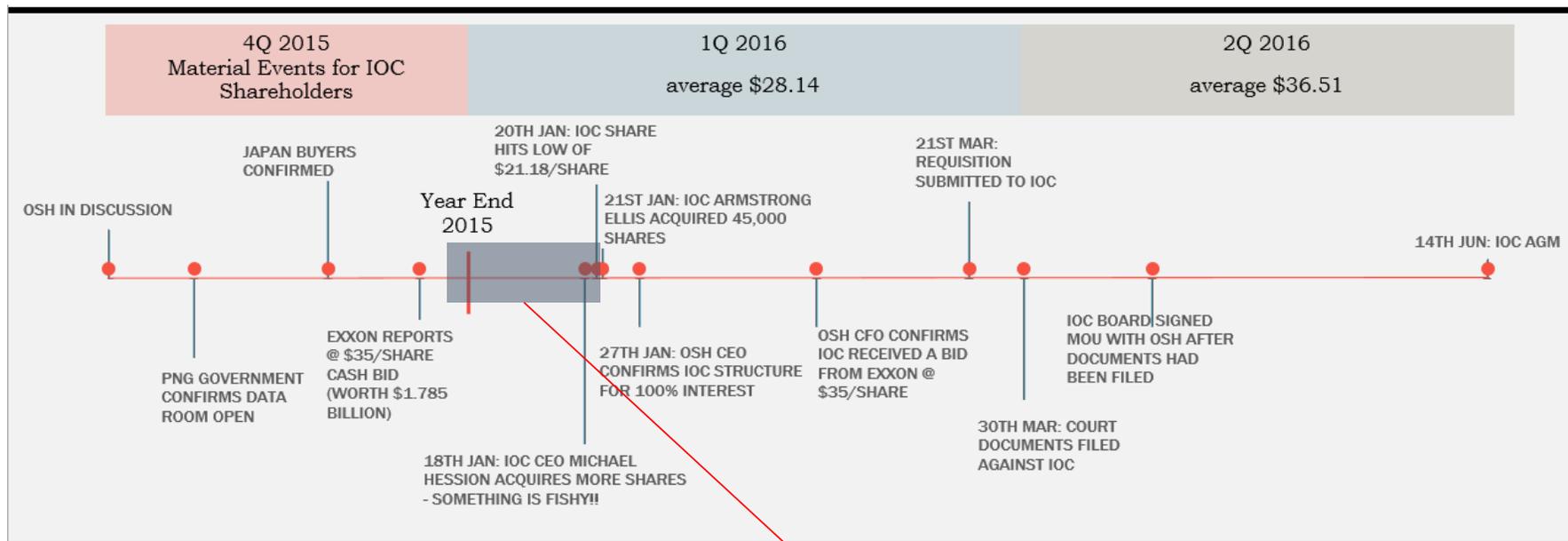
Part I:
*Potential Management and
Board Conflicts*

Something Smells Rotten

- During 1Q2016, several IOC Board members purchased shares of the Company in the market when we understand proposals were actively being discussed by the Board for sale of IOC either to XOM for cash or to OSH on terms substantially similar to the current XOM Proposal and former OSH/TOTAL proposal, and others including Japanese parties.
- As demonstrated by the effect on the IOC share price when the former OSH/TOTAL Proposal was announced, this information was CLEARLY material in that it affected the price significantly.
- Thus, it appears these directors were in the market at the time they were in possession of material inside information.
- This is also the FIRST time, to our knowledge, that any of the directors in question purchased shares in the market with their own money.
- We believe after the Canadian courts' findings coupled with the incomplete and selective disclosure by IOC and XOM the **Alberta** or **Ontario Securities Commission** and the **New York Stock Exchange** should review the facts in this matter to determine whether potential securities law violations occurred, by IOC management, IOC board or XOM.

Something Smells Rotten

Timeline of Events Preceding OSH Announcement



After material offers/discussions had been made and the OSH and XOM proposals were under discussion, IOC insiders acquired shares, often for the first time, in open market purchases at the lowest recent price.

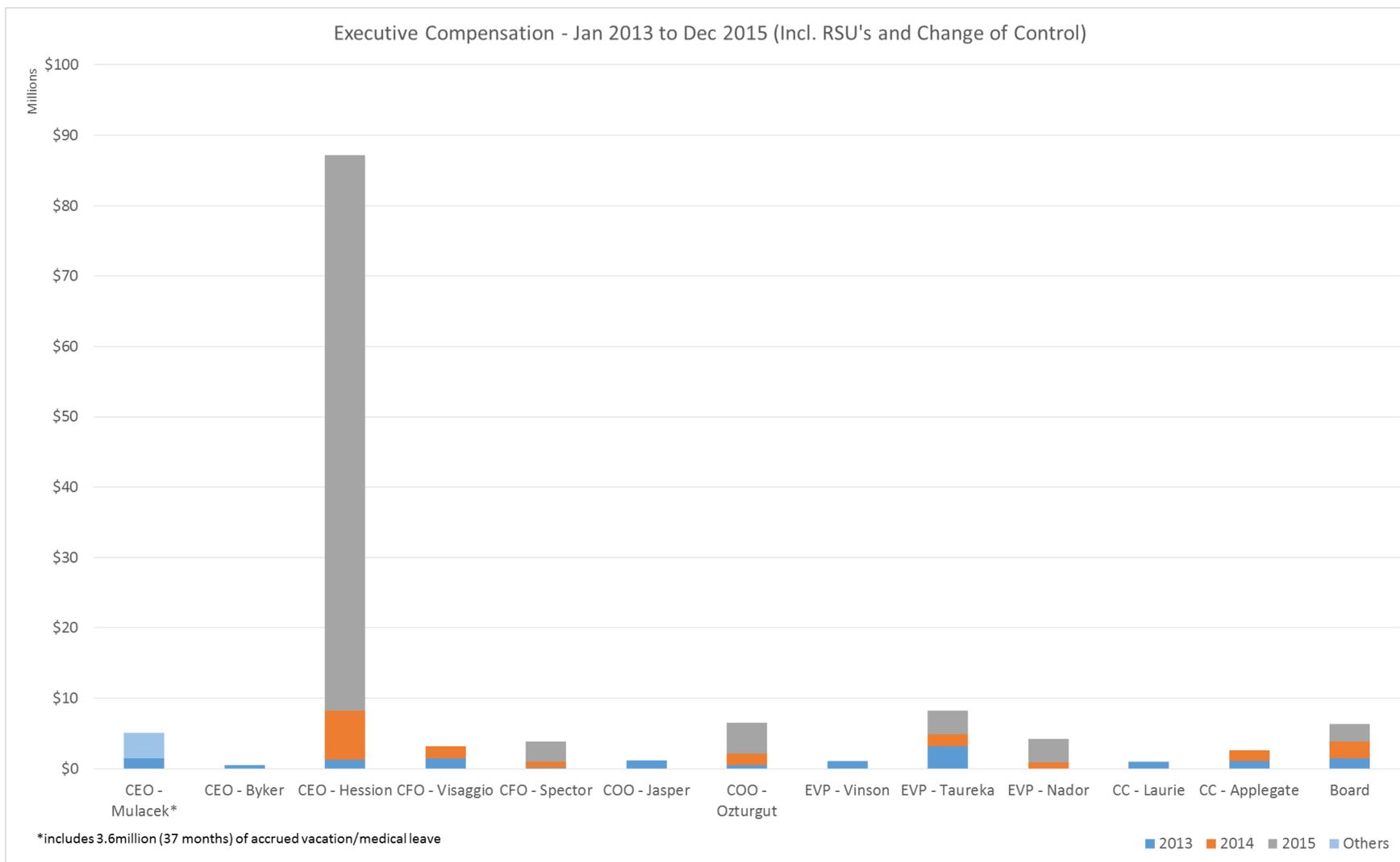
Even though every transaction has normal CP's and conditions, we believe this was **material nonpublic information** at the time of IOC Board and management trades.

Date	Person	Insider Position	No. of Shares	Share Price
2-Sep-15	Jon Ozturgut	Chief Commercial Officer	4200	33.37
23-Dec-15	David Kirk	SVP Dev & Drilling	4690	32.23
13-Jan-16	David Kirk	SVP Dev & Drilling	4136	24.28
18-Jan-16	Michael Hession	CEO	84675	24.09
21-Jan-16	Ellis Armstrong	Board Member	45000	25.47
22-Jan-16	Christopher Finlayson	Chairman	8000	27.35
11-Mar-16	Jon Ozturgut	Chief Commercial Officer	2402	29.40

* IOC PPS as of Market Close - 28-Jun-16

InterOil & Senior Management Extraordinary Golden Parachute

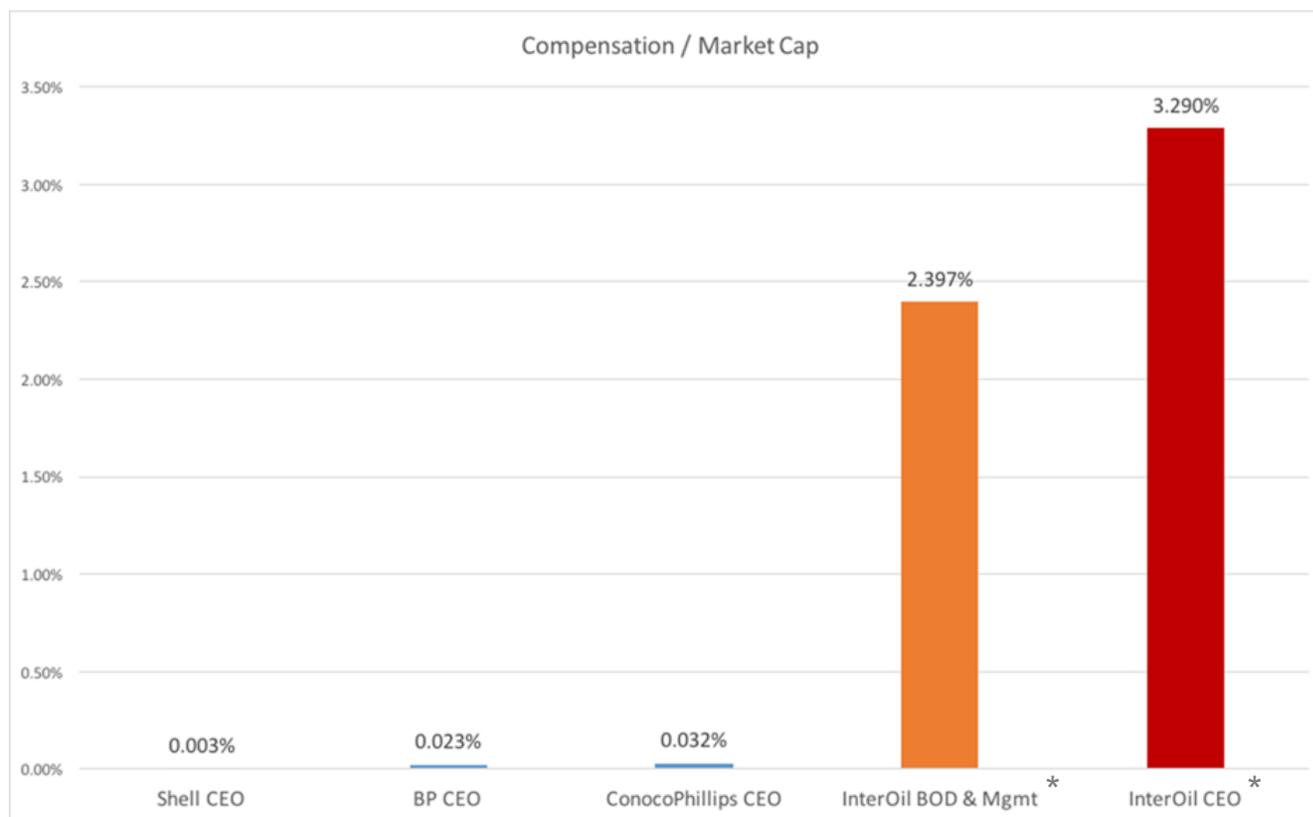
Executive - Total compensation of past and current management.



* info from various public filings and based on current share price

InterOil & Senior Management Extraordinary Golden Parachute

The InterOil CEO is paid far more than his peers in the industry as a percentage of the employer's market capitalization. For example, the Shell, BP and ConocoPhillips CEOs' total compensation is 0.032% or lower than the market cap, while Mr. Hession's total 2015 compensation (including termination payment) is **almost 100 times higher** on a relative basis, at 3.29% of IOC's market cap. It is also greater than total compensation for all other Board members and executive officers of **IOC combined**.



* IOC BOD = total compensation for 2015 – IOC + Senior Management excluding CEO; info from various public filings

* IOC CEO - Mr Hession's salary, compensation, bonuses, RSU, & change of control payment and based on current share price

Summary

Mr. Mulacek is voting **against** the XOM-IOC Proposal:

In our opinion, there is 100% value appreciation if done correctly.

If the XOM proposal is voted down, there is no break fee payable – saving US\$100 million.

The following must be done to increase shareholder value by 50% to 100% over 12-18 months

1. Regards to the five cash TOTAL S.A. payments: Allocate 80% of all future TOTAL payments to a special CRP for IOC shareholders – immediately.
2. Place proper controls for the sale of the remaining 36.5% of PRL-15 to other parties – immediately.
3. Sole risk Antelope #7B and Antelope #6B and drill these two wells immediately. These two wells can add 1 to 2 tcf of resources at the lowest risk and gain the highest technical data for a cost lower than what TOTAL –IOC spent on Antelope #4.
4. Place a special shareholders committee to oversight the conflicted Board and Management.

Each InterOil shareholder must now seriously consider how they will vote on the current XOM-IOC proposal.

Thank You
Phil Mulacek