PROSPECTUS

INTEROIL

Listing of 25,920,000 Shares on Oslo Børs, each with a nominal value of NOK 0.05, issued in connection with an already completed Private Placement at a subscription price of NOK 12.50 per share, raising gross proceeds of NOK 324,000,000

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO BUY, SUBSCRIBE OR SELL THE SECURITIES DESCRIBED HEREIN.

THIS PROSPECTUS SERVES AS A LISTING PROSPECTUS AND NO SHARES OR OTHER SECURITIES ARE BEING OFFERED OR SOLD IN ANY JURISDICTION PURSUANT TO THIS PROSPECTUS.

Managers

SEB ENSKILDA

Pareto Securities AS

4 October 2010

Important Notice

This prospectus (the "Prospectus") has been prepared by Interoil Exploration & Production ASA (the "Company" or "Interoil", and taken together with its consolidated subsidiaries, the "Group") in order to provide information about the Company and its business and in relation to the listing (the "Listing") on Oslo Børs of 25,920,000 shares (the "Private Placement Shares") issued in a private placement that was completed in August 2010 (the "Private Placement").

For definitions of terms used throughout this Prospectus, see Section 13 "Definitions and Glossary of Terms".

THIS PROSPECTUS SERVES AS A LISTING PROSPECTUS FOR THE SHARES ISSUED IN THE PRIVATE PLACEMENT AS REQUIRED BY APPLICABLE LAWS AND DOES NOT CONSTITUTE AN OFFER TO BUY, SUBSCRIBE OR SELL ANY SHARES OR OTHER SECURITIES.

The Company has furnished the information in this Prospectus. The Managers make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, nor shall be relied upon as, a promise or representation by the Managers. This prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "Norwegian Securities Trading Act") and related secondary legislation, which implement the Prospectus Directive (2003/71/EC) including the Commission Regulation EC/809/2004, in Norwegian law. The Financial Supervisory Authority of Norway (the "NFSA") has reviewed and approved this Prospectus in accordance with section 7-7 of the Norwegian Securities Trading Act. The Prospectus has been published in an English version only.

All inquiries relating to this Prospectus must be directed to the Company. No other person is authorized to give any information about, or to make any representations on behalf of, the Company in connection with the Listing. If any such information is given or made, it must not be relied upon as having been authorized by the Company. Without limiting the manner in which the Company may choose to make any public announcements, and subject to the Company's obligations under applicable law, announcements relating to the matters described in this Prospectus will be considered to have been made once they have been received by Oslo Børs and distributed through its information system.

The information contained herein is as of the date hereof and is subject to change, completion and amendment without further notice. The delivery of this Prospectus at any time after the date hereof shall not under any circumstances imply that there has been no change in the Company's affairs or that the information set forth herein is correct as of any date subsequent to the date hereof. Any new material information and any material inaccuracy that might have an effect on the assessment of the New Shares arising after the publication of this Prospectus and before the listing of the Private Placement Shares, will be published as a supplement to this Prospectus in accordance with section 7-15 of the Norwegian Securities Trading Act.

The contents of this Prospectus shall not be construed as legal, business or tax advice. Each reader of this Prospectus should consult its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about, and to observe, any such restrictions. No action has been taken or will be taken in any jurisdiction by The Company that would permit the possession or distribution of this Prospectus in any country or jurisdiction where specific action for that purpose is required.

Investing in the Company's Shares involves risks. See Section 2 "Risk Factors" of this Prospectus.

Table of contents

1 Summary

The following summary should be read as an introduction to this Prospectus, and is qualified in its entirety, by the more detailed information and the Appendices appearing elsewhere in this Prospectus. Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole. In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might have to bear the cost of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus. For definitions and capitalised terms used throughout this Prospectus, please refer to Section 13 "Definitions and glossary of terms".

1.1 Description of Interoil

1.1.1 Introduction

As an independent oil & gas exploration and production company operating globally, Interoil aims to explore for and produce oil & gas in an economically efficient, socially responsible and environmentally acceptable way, for the benefit of the shareholders, employees, and co-ventures.

1.1.2 History

The Company was incorporated on 2 May 2005 as a Norwegian Private Limited Company ("AS"). It was transformed into a Norwegian Public Limited Company ("ASA") on 14 November 2005.

In 2005, Interoil acquired all the Peruvian and Colombian assets of Mercantile International Production Inc. The same year Interoil was offered participation in block 5 & 6 offshore Angola. In 2006 Interoil signed an agreement for participation in these blocks.

In 2006, Interoil acquired Proseis AG, a Swiss oil & gas exploration and production consultancy group, with expertise in geology, geophysics, petrophysics and reservoir engineering.

In 2007 Interoil signed a farm-in agreement with Tullow Oil on the Tano Shallow Water license in Ghana. The first commitment exploration well on the Tano Shallow Water licence in Ghana was drilled in the same year, and proved dry. Interoil discovered oil in the Southern part of the Mana Licence in Colombia in 2007, and had several successful wells drilled in the area.

In the beginning of 2008, Interoil signed a farm-in agreement with Sonangol P&P in relation to the onshore Cabinda North Block in Angola, and was awarded the Altair exploration license in the Colombian licensing round. The same year Interoil also discovered the new South Mirador field in Block 3 in Peru and had several successful wells drilled in the field. At the end of 2008, Ebony-1, a second commitment well, was drilled on the Tano Shallow Water license in Ghana. The well was declared a discovery. The Ebony prospect was found limited to 80 km2 and the rest of the Tano Shallow license was relinquished.

In 2009 Interoil reached a total production of 10,000 bopd from Peru and Colombia, and farmed out 10% of the Cabina North Block in Angola to Petropars. The same year the Senior Secured Bond Loan in the amount of USD 115,000,000 which the Company had issued was declared in default.

At the end of 2009 Interoil farmed out 7.5% of the Cabinda North Block in Angola to Destin Trading Ltd.

In 2010, Interoil farmed out 10% of the Altair license in Colombia to the drilling contractor Erazo Valencia SA. Interoil impaired all assets in Angola in the financial statements of 2009 due to default notice from the operator.

Later in 2010 the first commitment well on the Altair license, Altair-1, was successful. The well was set on Long Term Testing (LTT). The second well on the license, Purrita-1, was dry.

1.1.3 Business description

Interoil Exploration & Production ASA is an independent oil & gas exploration and production company operating globally, and headquartered in Oslo. The Company is engaged in the acquisition, exploration, development and operation of oil and natural gas properties. Interoil serves as operator or active license partner in several production and exploration assets in Peru, Colombia and Ghana.

1.1.4 Strategy

Interoil's strategy is firstly to continue to explore and develop its existing asset base. Interoil is of the opinion that it has an inventory of drillable prospects with a large upside potential and has made several discoveries in the appraisal/development stage. Secondly, Interoil has an ambition to actively pursue new exploration acreage in designated areas. Thirdly, Interoil intends to acquire producing assets which are undervalued and fit into Company's scope of operations.

The Group currently has the following exploration and/or production licences in its portfolio:

Country	Area	License	Interest	Operator	Partners	Field information
Colombia	55 km2	Puli B	100%	Interoil	Ecopetrol	Producing onshore
	50 km2	Armero	50-100%	Interoil	Sheridan	Producing onshore
	78 km2	Puli C	50-70%	Interoil	Ecopetrol	Producing onshore
	159 km2	Altair	90%	Interoil	Erazo Valencia	Exploration onshore
Peru	358 km2	Block III	100%	Interoil	-	Producing onshore
	307 km2	Block IV	100%	Interoil	-	Producing onshore
Ghana	80 km2	Ebony Discovery Area	58.33%	Interoil	Al Thani	Exploration offshore

1.2 Purpose and background for the Private Placement

The Private Placement was completed in conjunction with a restructuring of the Company's debt. In combination with the Citibank Facilities totalling USD 90 million and the New Senior Secured Bond Issue of ~USD 49 million, the proceeds from the Private Placement have been or will be applied towards redeeming the Secured Bond Loan (of which outstanding amount at the time was ~USD 115 million) as well as other bond loans (~USD 36 million), payment of the Tax Claim towards Eksportconsult AS and Force Capital Partners as well as other debt (~NOK 69 million / ~USD 10.9 million) and fees and expenses incurred during the refinancing process that the Company has been undergoing (~NOK 103 million / ~USD 16 million). Surplus amounts following the use of proceeds as discussed above, will be applied to working capital requirements and general corporate purposes. For a further discussion of the Tax Claim, see Section 9.12 "Tax claim".

1.3 Summary of the completed Private Placement

1.3.1 The Private Placement and listing of the Shares issued in connection with the Private Placement

The Private Placement was completed in August 2010 and raised gross proceeds of NOK 324 million through the issuance of 25,920,000 Private Placement Shares at a subscription price of NOK 12.50 per Private Placement Share.

The Private Placement Shares were offered to certain existing Shareholders of the Company and other qualified Norwegian and international investors through a book-building process.

On 26 August 2010, the Board and the shareholders meeting of the Company resolved to issue the Private Placement Shares. The share capital increase associated with the Private Placement was registered with the Norwegian Register of Business Enterprises on 31 August 2010. The Private Placement Shares were registered with the VPS on 31 August 2010 under the temporary ISIN NO 001 0584352. As of the date of this Prospectus, the Private Placement Shares will be transferred to the ordinary ISIN of the Company´s Shares being ISIN NO 001 0284318 and be assumed for trading on Oslo Børs under the trading symbol of the Company´s shares, being "IOX". The Private

Placement Shares have not been tradable on Oslo Børs during the period from issuance and up until the date hereof.

1.3.2 Dilution

The dilutive effect in connection with the Private Placement was approximately 54.3 percent.

1.4 Expenses in connection with the Offering

Costs attributable to the Private Placement, amounting to approximately NOK 24 million, will be borne by the Company.

1.5 Summary of risk factors

Investing in the Company’s shares involves inherent risks, and any investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Below, is a summary of the risk factors described in Section 2 “Risk factors”. Please note that the risks and uncertainties described in Section 2 “Risk factors” are not the only ones faced by the Company. Additional risks and uncertainties that the Company currently believes are immaterial or that are not presently known to the Company may also have a material adverse effect on its business, financial condition, results of operations and cash flow. If any of these risks materialise, individually or together with other circumstances, they may have a material adverse effect on the Group’s business, financial condition, results of operations and cash flow, which may cause a decline in the value and trading price of the Shares of the Company that could result in a loss of all or part of any investment in the Shares.

1.5.1 Market risks

Market-related risks which may affect the Group’s activities are; i) strong competition, ii) availability of drilling equipment and access restrictions, and iii) commodity price volatility.

1.5.2 Operational risks

Risks from operational activity that may be faced by the Company are related to; i) variation in oil and natural gas production from reported reserves, ii) the Company may not be able to discover new reserves, iii) technical risk in development of oil fields and oil production, iv) the Company’s production being concentrated in a small number of onshore fields, v) the Company’s ability to successfully co-ordinate its exploration projects, vi) operating hazards, vii) the nature of the business, viii) licenses and authorizations, ix) governmental regulations, x) conflicts of interest, xi) retention of key personnel, xii) abandonment costs and xiii) legal proceedings or investigations.

1.5.3 Risks related to the Shares

The Company’s Shares are exposed to, among others, the following risks: i) Share price volatility, ii) limited liquidity, iii) future sales of Shares, iv) Interoils ability to pay dividends, v) shareholders not participating in future offerings might be diluted, vi) voting rights for shares registered in nominee accounts, certain transfer and selling restrictions that may limit shareholder’s ability to sell or otherwise transfer their Shares and vii) Norwegian law that may limit shareholders’ ability to bring an action against the Company.

1.5.4 Financial risks

Financial risks that may be faced by the Company are related to: i) the need for additional funding, ii) the ability to service debt, iii) indebtedness, iv) default and insovelncy of subsidiaries and v) currency, interest rate, credit and liquidity risk.

1.5.5 Other risks

Other risks that the Company may be exposed to are; i) political and regulatory risk and ii) the impact on the environment from operations.

1.6 Directors, senior management and employees

1.6.1 Board of Directors

The Company's Board of Directors consists of the following members: Mårten Rød (chairman), Gian Angelo Perrucci (board member), Thor Håkstad (board member), Berit Kjøll (board member) and Patricia Guerra (board member). For more information, please refer to section 7.5.

1.6.2 Management

The Group's executive management comprises: Tom Wolden (Managing Director), René Graf (Chief Technical Officer), Wilhelm Matheson (Chief Financial Officer), Mauricio De La Mora (General Manager Colombia), Pedro B. Timaná (General Manager Peru) and Thomas J. Fjell (Director Strategic and Legal Affairs).

1.6.3 Employees

As at 30 June 2010 the Company had 283 employees of which 12 were employed in Norway, 12 in Switzerland, 168 in Peru and 91 in Colombia. Interoil has its headquarters and management in Oslo, Norway and a technical department in Zürich, Switzerland.

The in-house expertise of Interoil spans the entire spectrum, from geosciences to drilling and from project development to exploration.

1.7 Advisors and auditors

1.7.1 Managers

The Private Placement was managed by SEB Enskilda and Pareto Securities.

SEB Enskilda AS	Pareto Securities AS
Filipstad Brygge 1	Dronning Mauds gate 5
P.O. Box 1363 Vika	P.O. Box 1411 Vika
NO-0113 Oslo, Norway	0115 Oslo, Norway
Fax: +47 21 00 89 62	Fax: +47 22 83 43 09
Tel: +47 21 00 85 00	Tel: +47 22 87 87 00
www.sebenskilda.no	www.pareto.no

1.7.2 Legal advisor

Wiersholm, Mellbye & Bech advokatfirma AS has acted as Interoil's legal counsel in connection with the Private Placement.

1.7.3 Independent auditor

The Company's independent auditor is Ernst & Young AS. For further information, please refer to Section 8.12 in this Prospectus.

1.8 Summary of operating and financial information

The selected financial information set forth in this Prospectus should be read in conjunction with the financial statements and the notes to those statements set out in Appendices 3 to 6 in addition to section 8 in this Prospectus. For information regarding the basis for preparation of the Company's financial statements, refer to Section 8 "Financial information".

1.8.1 Consolidated income statements

Amounts in USD 1 000	For the 3 month period ended 30 June 2010 (unaudited)	For the 3 month period ended 30 June 2009 (unaudited)	For the 6 month period ended 30 June 2010 (unaudited)	For the 6 month period ended 30 June 2009 (unaudited)	2009	2008 Restated	2008 Original	2007
Sales	23 765	24 281	48 304	45 705	100 430	115 149	115 149	69 408
Cost of goods sold	(13 013)	(14 363)	(25 206)	(27 394)	(56 117)	(49 156)	(41 678)	(29 993)
Gross profit	**10 752**	**9 918**	**23 098**	**18 311**	**44 313**	**65 993**	**73 471**	**39 415**
Exploration cost expensed	(3 508)	(5 578)	(8 365)	(11 183)	(37 435)	(22 405)	(10 685)	(25 680)
Administrative expense	(331)	(357)	(873)	(1 540)	(9 066)	(4 866)	(24 064)	(18 725)
Other income / (expense)	921	7 670	1 550	7 699	11 433	2 046	923	325
Impairment oil and gas assets	-	-	-	-	(34 919)	-	-	-
Gain / (loss) of financial instruments at FVtPL	1 306	22	1 309	9	54	1970	3 093	(12 688)
Result from operating activities	**9 140**	**11 675**	**16 719**	**13 296**	**(25 620)**	**42 738**	**42 738**	**(17 353)**
Finance costs - net	(4 892)	(6 552)	(10 065)	(8 957)	(20 540)	(8 264)	(10 992)	(17 958)
Profit / (loss) before income tax	**4 248**	**5 123**	**6 654**	**4 339**	**(46 160)**	**34 474**	**31 746**	**(35 311)**
Income tax expense	(3 069)	(2 676)	(6 521)	(5 476)	(8 424)	(17 465)	(17 465)	(9 106)
Profit / (loss) for the period	**1 179**	**2 447**	**133**	**(1 137)**	**(54 584)**	**17 009**	**14 281**	**(44 417)**

1.8.2 Consolidated statements of financial position

Amounts in USD 1 000	**As of 30 June 2010** (unaudited)	**As of 30 June 2009** (unaudited)	**2009**	**2008** Restated	**2008** Original	**2007**
ASSETS						
Non-current assets						
Property, plant & equipment	143 897	145 010	145 213	152 328	229 864	166 695
Intangible assets	14 950	52 608	14 950	77 678	142	354
Financial assets at FVtPL	947	-	-		-	-
Trade and other receivables	4 044	-	3 358	-	-	-
Retirement benefit assets	-	45	-	45	45	-
Deferred income tax asset	-	-	-	-	45	12
Total non-current assts	**163 838**	**197 663**	**163 521**	**230 051**	**230 096**	**167 061**
Current assets						
Inventories	1 454	561	376	429	429	790
Trade and other receivables	12 454	54 444	33 552	20 250	20 250	21 324
Financial assets at FVtPL	190	165	211	157	157	3 058
Cash and cash equivalents	11 745	6 431	13 388	14 805	14 805	12 328
Total current assets	**25 843**	**61 601**	**47 527**	**35 641**	**35 641**	**37 500**
TOTAL ASSETS	**189 681**	**259 264**	**211 048**	**265 692**	**265 737**	**204 561**
EQUITY						
Share capital and share premium	43 580	43 580	43 580	43 580	43 580	43 580
Other paid-in equity and reserves	1 742	1 742	1 742	1 742	2 767	2 767
Retained earnings	(92 165)	(38 851)	(92 298)	(37 714)	(41 266)	(55 547)
Total equity	**(46 843)**	**6 471**	**(46 976)**	**7 608**	**5 081**	**(9 200)**
LIABILITIES						
Non-current liabilities						
Borrowings	18 186	16 069	16 736	132 222	145 851	150 761
Deferred income tax liabilities	22 080	25 919	22 875	26 974	27 019	24 389
Financial liabilities at FVtPL	145	634	145	1 124	-	-
Derivative financial instruments	-	-	-	-	-	10 282
Retirement benefit obligation	13	-	13	-	-	-
Provisions for other liabilities and charges	1 604	2 315	1 550	2 319	2 319	2 239
Total non-current liabilities	**42 028**	**44 937**	**41 319**	**162 639**	**175 189**	**187 671**
Current liabilities						
Trade and other payables	39 675	64 557	61 707	71 555	71 577	22 616
Income tax liabilities	1 614	6 687	3 321	10 228	10 228	1 783
Current interest-bearing liabilities	136 925	133 668	136 179	10 064	64	74
Provisions for other liabilities and charges	16 282	2 944	15 498	3 598	3 598	1 617
Total current liabilities	**194 496**	**207 856**	**216 705**	**95 445**	**85 467**	**26 090**
TOTAL LIABILITIES	**236 524**	**252 793**	**258 024**	**258 084**	**260 656**	**213 761**
TOTAL EQUITY AND LIABILITIES	**189 681**	**259 264**	**211 048**	**265 692**	**265 737**	**204 561**

1.8.3 Consolidated cash flow statements

Amounts in USD 1 000	As of 30 June 2010 (unaudited)	As of 30 June 2009 (unaudited)	2009	2008 Restated	2008 Original	2007
Profit / (loss) for the period	**133**	**(1137)**	**(54 584)**	**17 009**	**14 281**	**(44 417)**
Income tax expense	6 521	5 476	8 424	17 465	17 465	9 106
Depreciation, amortization and impairment	12 678	14 918	63 689	24 546	24 546	18 623
Change in fair value from financial assets at FVtPL	21	(9)	(54)	1 014	1 014	1 616
Amortization of debt issuance cost and equity component	1 238	1 234	2 508	2 480	1 329	2 430
Share based payment and increase in retirement benefit obligation	-	-	58	(33)	(33)	(2 103)
Interest expense	8 786	6 310	14 672	13 219	13 458	14 281
Foregn exchange loss on revaluation on long term borrowings	95	1 241	2 955	(4 658)	(4 265)	2 002
Gain (loss) on sale of PP&E	(6)	(7 000)	(10 005)	-	-	(66)
Changes in assets & liabilities						
Inventories	(1 078)	(133)	53	361	361	141
Derivative financial instruments, Financial liabilities at FVtPL	(947)	(489)	979	(13 923)	(10 282)	10 922
Trade and other receivables	20 412	(2 195)	18 753	1 075	1 075	(1 402)
Trade and other payables and provision for other liabilities	(21 596)	(7 370)	890	18 634	18 240	9 124
Interest paid	(8 389)	(6 596)	(14 276)	(13 743)	(13 743)	(12 801)
Taxes paid	(9 022)	(10 070)	(19 428)	(6 434)	(6 434)	(7 920)
Net cash generated from operating activities	**8 846**	**(5 820)**	**12 666**	**57 012**	**57 012**	**-464**
Cash flow from investing activities						
Net investment in property, plant and equipment (PPE)	(11 361)	(7 531)	(19251)	(54 440)	(54 440)	(54 974)
Other financial assets at fair value through profit or loss	-		-	1 888	1 888	(4 119)
Net cash used in investing activities	**(11 361)**	**(7 531)**	**(19 251)**	**(52 552)**	**(52 552)**	**(59 093)**
Cash flow from financing activities						
Proceeds from borrowings	872	4 977	5 168	8 017	8 017	137 841
Repayment of interest bearing debt	-	-	-	(10 000)	(10 000)	(83 235)
Net cash used in financing activities	**872**	**4 977**	**5 168**	**(1 983)**	**(1 983)**	**54 606**
Net increase in cash and cash equivalents	**(1 643)**	**(8 374)**	**(1 417)**	**2 477**	**2 477**	**(4 951)**
Cash and cash equivalents at beginning of the period	13 388	14 805	14 805	12 328	12 328	17 279
Cash and cash equivalents at the end of the year	**11 745**	**6 431**	**13 388**	**14 805**	**14 805**	**12 328**

1.8.4 Information about restatement

In order to improve the presentation of the statement of comprehensive income, the Company has reclassified and/or restated certain items for the year 2008 and going forward. For further information, see section 8.2.1.

1.8.5 Trend information

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Company the last financial year. The Company does not know of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year. For information about the oil price development, please see Section 6.

1.8.6 Management discussion and analysis

First half of 2010

Interoil's production in Q2 2010 decreased by 13.8% compared to Q1 2010. This was mainly caused by depletion in the South Mirador Field in Peru. The operating revenue of USD 23.8 million decreased by 3.2% since Q1 2010. However, the EBITDA of USD 15.2 million has increased by USD 1.0 million compared to Q1 2010 mainly due to less exploration and evaluation cost expensed and a gain in financial instruments of USD 1.3 million connected to the hedging of oil in Peru in Q2 2010. Profit after tax in Q2 2010 was USD 1.2 million compared to a loss of USD 1.0 million in Q1 2010 resulting in a profit of USD 0.1 million for the first half year of 2010 compared to a loss of USD 1.1 million for the same period in 2009.

Interoil had net financial cost of USD 4.9 million in the second quarter of 2010, compared to USD 6.6 million in 2Q 2009. The difference mainly being associated with (i) a foreign exchange gain of USD 0.2 million which was recorded during Q2 compared to a loss of USD 2.7 million in the same quarter last year, and (ii) the interest expenses of USD 4.4 million in 2Q 2010 having increased with USD 1.9 million compared to 2Q 2009 due to the default interest on the Company's borrowings. Net profit for the second quarter of 2010 was USD 1.2 million, after income tax expense of USD 3.1 million.

Interoil's total assets as of 30 June 2010 amount to USD 189.5 million and total cash and cash equivalents were USD 11.7 million. The equity ratio of the group was -24.7%.

The cash flow from operating activities was USD 8.8 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD - 11.4 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 5.3 million) and Colombia (USD 6.1 million). Net cash flow from financing activities was USD 0.9 million. In total, the change in cash and cash equivalents was USD -1.6 million.

In relation to the refinancing process of the Group, Interoil entered into a hedging agreement effective from 1 April 2010 for a 30 months period with Citibank Peru. The hedging agreement is a commodity swap transaction for a total volume of 1.95 million barrels (65,000 barrels per month) at a fixed price of WTI of USD 80 per barrel. Additionally Interoil subsequent to the second quarter, entered into a hedging agreement effective from 1 September 2010 for a 36 months period with Citibank Colombia. The hedging agreement is a commodity swap transaction for a total volume of 1.02 million barrels (28,400 barrels per month) at a fixed price of WTI of USD 75.40 per barrel.

The Company is after the completion of the refinancing process fully financed and the operating cash flow from Peru and Colombia is expected to be more than sufficient for going concern. There are no barriers to transfer cash from Interoil's subsidiaries in Peru and Colombia which will have an effect on Interoil's ability to meet all its obligations.

Full year 2009

Although the total production increased, the operating revenue of USD 100.4 million in 2009 is reduced by USD 14.7 million (13%) compared to 2008 due to a decrease in the oil price. Cost of goods sold were USD 56.1 million, which represented an increase of USD 7.0 million compared to 2008, resulting in a gross profit of USD 44.3 million in 2009 compared to USD 66.0 million in 2008. Other expenses related to operations, exploration and administration expenses, increased with USD 46.7 million to USD 69.9 million in 2009. The increase was mainly associated with an impairment made of USD 34.9 million of the Angolan assets as Interoil was not able to meet all cash call requirements in 2009. Further acquisition of new seismic data on the Altair license in Colombia, and a tax claim provision pertaining to related parties, increased the Company's expenses. As a consequence, the Company's result from operating activities decreased with USD 68.3 million in 2009, resulting in a loss of USD 25.6 million in 2009. Financial cost for the year was USD 20.5 million. Consequently, Interoil incurred a loss amounting to USD 54.6 million after a tax charge of USD 8.4 million in 2009, compared to a profit of USD 17.0 million in 2008.

Interoil's total assets as of December 2009 amount to USD 211.0 million, and total cash and cash equivalents to USD 13.4 million. The equity ratio of the group was -22.3%.

The cash flow from operating activities was USD 12.7 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD - 19.3 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 14.4 million) and Colombia (USD 7.9 million) as well as proceeds from sale of the Cabinda North license of USD 3.0 million. Net cash flow from financing activities was USD 5.2 million. In total, the change in cash and cash equivalents was USD -1.4 million.

Full year 2008

In 2008, the Company recorded a record-high operating revenue and profit before income tax of USD 115.1 million and USD 34.5 million respectively, compared to USD 69.4 million and USD -35.3 million, respectively, in 2007. Operating expenses and other income were net USD 23.5 million. Financial cost for the year was USD 8.3 million. Consequently, Interoil recorded an all time high profit amounting to USD 17.0 million after a tax charge of USD 17.5 million in 2008, compared to loss of USD -44.4 million in the prior year.

The cash flow from operating activities was USD 57.0 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD -52.6 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 29.6 million), Colombia (USD 13.0 million), Angola (USD 2.1 million) and Ghana (USD 9.3 million). Net cash flow from financing activities was USD -2.0 million. In total, the change in cash and cash equivalents was USD 2.5 million.

Full year 2007

The operating revenue and loss before income tax during 2007 was USD 69.4 million and USD -35.3 million, compared to USD 41.2 million and USD -5.0 million respectively for the producing subsidiaries in 2006. Operating expenses and other income were net USD 56.8 million. Financial cost for the period was USD 18.0 million. Consequently, Interoil incurred a loss for the year amounting to USD -44.4 million after a tax charge of USD 9.1 million.

The result for 2007 must also be considered in light of the fact that expenses for Interoil Switzerland are included for a full year period compared to only four months in 2006. The utilization of the technical team of the Company, has increased during 2007, due to higher activity in the licenses in Angola and Ghana. In addition several one-off expense costs were incurred, mainly in connection with exploration in West Africa and seeking of new business opportunities.

The cash flow from operating activities was USD -0.5 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD -59.0 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 29.0 million) and Colombia (USD 22.0 million). Net cash flow from financing activities was USD 54.6 million. The Group repayed USD 83.2 million to BNP / Standard Bank and raised USD 137.8 million in new debt through two bond loans. In total, the change in cash and cash equivalents was USD -4.9 million.

1.9 Significant changes after 30 June 2010

Apart from the restructuring process described in section 4.1-4.2 and in 8.10, there have been no significant changes after 30 June 2010.

1.10 Capitalization and indebtedness

The tables below sets forth the Company's unaudited consolidated statement of capitalization and indebtedness. The tables should be read together with the consolidated financial statements and the related notes thereto, as well as the information under Section 8 "Financial Information".

Amounts in USD 1000	30.06.2010	Changes from 30.06.2010 to 31.08.2010*
Non-current		
Other non-current interest bearing liabilities (unsecured)	925	524
Convertible bond denominated in USD (unsecured)	17,261	(17,261)
Secured interest bearing liability to financial institutions	0	52,362
Total non-current borrowings	**18,186**	**35,625**
Current		
Liabilitie to financial institutions (unsecured)	5,561	521
Secured interest bearing liability to financial institutions	0	35,714
Bond loan denominated in NOK (unsecured)	17,187	(673)
Bond loan denominated in USD **	114,177	(94,177)
Total current interest bearing liabilities	**136,925**	**(58,615)**
Total borrowings	**155,111**	**(22,990)**
Shareholder's equity		
Share capital and share premium	43,580	0
Other paid-in equity	1,742	50,837
Retained earnings	(92,165)	10,165
Total shareholder's equity	**(46,843)**	**61,002**
Total capitalisation and indebtedness	**108,268**	**38,012**

* Changes reflect equity issue, repayment of USD 115m bond loan and relinquishment of Angolan licenses

** as per 30.06.2010 the bond loan is secured, as per 30.08.2010 it is unsecured

Amounts in USD 1000	30.06.2010	Changes from 30.06.2010 to 31.08.2010*
A. Cash	11,745	5,022
B. Cash equivalent (Detail)	-	-
C. Trading securities	190	(69)
D. Liquidity (A) + (B) + (C)	**11,935**	**4,953**
		-
E. Current Financial Receivable	-	-
		-
F. Current Bank debt (approx USD 6.0 mio unsecured)	5,570	36,226
G. Current portion of non current debt	-	-
H. Other current financial debt **	131,355	(94,841)
I. Current Financial Debt (F) + (G) + (H)	**136,925**	**(58,615)**
		-
J. Net Current Financial Indebtedness (I) - (E) - (D)	**124,990**	**(63,568)**
		-
K. Non current Bank loans	-	52,362
L. Bonds Issued (unsecured)	17,261	(17,261)
M. Other non current loans (unsecured)	925	524
		-
N. Non current Financial Indebtedness (K) + (L) + (M)	**18,186**	**35,625**
		-
O. Net financial Indebtedness (J) + (N)	**143,176**	**(27,943)**

* Changes reflect equity issue, repayment of USD 115m bond loan and relinquishment of Angolan licenses
** as per 30.06.2010 the bond loan is secured, as per 30.08.2010 it is unsecured

1.11 Major Shareholders and related party transactions

1.11.1 Major Shareholders

The table below shows the 20 largest shareholders in Interoil at the date of the Prospectus. The table includes the Private Placement shares.

Shareholders owning five per cent or more of The Company have a notifiable interest in the Company's share capital according to the Norwegian securities law (for a description of the notifications thresholds etc, see Section 10).

Investor	Number of shares	%
EKSPORTCONSULT AS	14,268,040	29.87 %
RAKILA PROPERTIES LIMITED	8,522,592	17.84 %
MORGAN STANLEY & CO INC. NEW YORK	5,310,200	11.12 %
TRAFALGAR AS	4,778,646	10.00 %
JPMORGAN CHASE BANK	1,500,000	3.14 %
CREDIT SUISSE SECURITIES	1,269,600	2.66 %
CHEYNE GLOBAL CATALYST	1,112,754	2.33 %
GOLDMAN SACHS INT. - EQUITY -	1,000,000	2.09 %
SKEIE CAPITAL INVESTMENT AS	1,000,000	2.09 %
AVANZA BANK AB	995,883	2.08 %
PERRUCCI GIAN ANGELO	775,000	1.62 %
BETCO SA	706,900	1.48 %
FORCE CAPITAL PARTNERS AS	482,100	1.01 %
DEUTSCHE BANK AG LONDON	416,334	0.87 %
LAGOSTENA RAIMONDO	389,750	0.82 %
WIGGEN JON	268,000	0.56 %
SIX SIS AG	233,600	0.49 %
NORDNET BANK AB	231,007	0.48 %
RBC DEXIA INVESTOR SERVICES TRUST	230,800	0.48 %
RBC DEXIA INVESTOR SERVICES BANK	226,604	0.47 %
Total owned by top 20	**43,717,810**	**91.5 %**
Total	**47,765,000**	**100 %**

1.11.2 Related party transactions

The related parties of the Group are comprised of subsidiaries and members of the Board of Directors and key employees. Other related parties are defined by their ability, directly or indirectly, to control the other party or exercise significant influence over the other party in the decision making process. Furthermore, parties under common control or common significant influence are defined as related. All transactions between the related parties are based on the principle of "arm's length" (estimated market value).

The following is an overview of fees paid out to related parties.

Fipenta SA

Interoil has entered into a consultancy agreement with Fipenta SA, an entity owned by board member Gian Angelo Perrucci. Fees paid to Fipenta SA have been charged as an expense with USD 330,000 for 2009 (2008: USD 240,000, 2007: USD 120,000). As of the date of this Prospectus, Mr. Perrucci receives a monthly consultancy fee of USD 10,000 for services equaling 10 working days per month.

Eksportconsult AS
Interoil has entered into an agreement with Eksportconsult AS, controlled by the Chairman of the Board, Mårten Rød, entitling Eksportconsult AS to a fee of up to 1% of all funds raised in the nearly completed refinancing of the Company. In addition, Interoil has entered into a consultancy agreement with Eksportconsult AS, entitling Eksportconsult to a monthly fee of USD 25,000 (increased from USD 20,000 as of 1 February 2010). The fee is paid for services equaling 10 working days per month.

Fees paid to Eksportconsult AS have been charged as an expense with USD 239,000 in 2009 (2008: USD 247,000, 2007: USD 140,000). Further, Eksportconsult rents office locations from the Company at the Company's registered office address. Net payable to Eksportconsult as at 31 December 2009 was USD 20,000 (2008: net payable USD 20,000, 2007: net receivable USD 30,000). In 2007, 50% of the salary of a part time secretary was charged to Eksportconsult AS, based on estimated time spent on work associated with Eksportconsult AS in January and February 2007. As from March 2007, this secretary was employed by Eksportconsult.

Force Capital Partners
Interoil has entered into a consultancy agreement with Force Capital Partners (owned by Nils Trulsvik, former Managing Director of the Company). Nils Trulsvik receives NOK 250,000 per month for services equaling 10 working days per month as of the date of this Prospectus.

Chief Financial Officer ("CFO")
Until 1 April 2008, Jon Wiggen was engaged by the Company to perform services as functioning CFO of the Company (part time: 50%) through his company Wiggen Consult AS. In 2008, Wiggen Consult AS was paid USD 126,000 (2007; USD 87,000) including a termination compensation of USD 32,000 for these services.

Marine Subsea AS
Marine Subsea AS, indirectly 51% owned by the Chairman of the Board of the Company, Mårten Rød and Board Member Gian Angelo Perrucci was charged USD 27,000 (2008: USD 48,000, 2007: USD 72,000) for general services throughout the year 2009 based on an agreement entered into between Interoil (Norwegian parent company) and Marine Subsea AS.

Further, Marine Subsea AS, leases office locations from the Company at the Company's registered office address. Marine Subsea AS is charged a rent for the lease based on an agreement entered into between the parties. Net receivable from Marine Subsea as at 31 December 2009 was USD 64,000 (2008: USD 18,000, 2007: USD 10,000).

The tax claim
Interoil has entered into an agreement to compensate a tax claim of approximately NOK 52 million relating to a sale of assets to the Company by Mr. Rød and Mr. Trulsvik (NOK 44.7 million to Mr.Rød plus interest and legal fees). The background for the tax claim is as follows:

In 2005 Eksportconsult AS, Force Capital Partners and Caberian sold certain shares in Interoil Exploration and Production S.A. to Interoil Exploration and Production ASA under a share purchase agreement governed by Swiss law (the "SPA"). Eksportconsult AS, Force Capital Partners and Caberian are controlled by Mr. Rød, Mr. Trulsvik and Mr. Perrucci respectively. After the sale, Eksportconsult AS and Force Capital Partners received a tax claim from Norwegian Tax Authorities ("NTA") of NOK 57.15 million (the "Tax Claim"). The Tax Claim was divided between approximately NOK 48.8 million against Eksportconsult and approximately NOK 8.35 million against Force.

In relation to the tax case Meyer Lustenberger (a Swiss law firm where the Board member Patricia Guerra is one of the partners) performed legal services for the Company. The Company (Norwegian parent company) has been charged USD 3,000 (2008: USD 68,000) for these services in 2009.

1.12 Additional information

1.12.1 Share capital and shareholder matters

The Company's registered share capital is NOK 2,388,250 consisting of 47,765,000 Shares each with a nominal value of NOK 0.05 fully paid and issued in accordance with the Norwegian Public Limited Companies Act. All issued Shares in the Company are vested with equal shareholder rights in all respects. There is only one class of Shares and all Shares are freely transferable following the publication of this Prospectus.

The Shares have been created under the Norwegian Public Limited Liability Companies Act, and registered in book-entry form in the VPS under ISIN NO 0010284318.

The Company's VPS registrar is DnB NOR Bank ASA, Verdipapirservice, Stranden 21, 0021 Oslo, Norway.

Fore more information regarding the Company's share capital, see section 9.

1.12.2 Articles of Association

The Company's Articles of Association are included as Appendix 1 to this Prospectus.

1.12.3 Documents on display

For the life of the Prospectus, the following documents (or copies thereof where applicable), may be inspected during usual business hours at the offices of the Company at Strandveien 50, 1366 Lysaker, Norway. The documents are also available on the Company's website www.Interoil.no

- Interoil's annual reports for 2009, 2008 and 2007
- Interoil's interim financial reports for the period 2007-2009
- Annual reports for 2009, 2008 and 2007 for major subsidiaries (not available on the website)
- 2009 Annual Statement of Reserves and the Company's Articles of Association

1.12.4 Third party statements

Information contained in this Prospectus which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

2 Risk factors

Investing in the Shares of the Company involves inherent risks, and any investment in the Shares of the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Please note that the risks and uncertainties described in this Section are not the only ones faced by the Company. Additional risks and uncertainties that the Company currently beliwves are immaterial or that are not presently known to the Company may also have a material adverse effect on its business, financial condition, results of operations and cash flow. If any of these risks materialise, individually or together with other circumstances, they may have a material adverse effect on the Company's business, financial condition, results of operations and cash flow, which may cause a decline in the value and trading price of the Shares of the Company that could result in a loss of all or part of any investment in the Shares. The order in which risk factors appear herein is not intended as an indication of the relative weight or importance thereof. The information herein is presented as of the date hereof and is subject to change without notice.

2.1 Market risks

2.1.1 Strong competition

The oil and natural gas industry is intensely competitive, and particularly intense in the acquisition of prospective oil and natural gas properties and oil and gas reserves. The Company's competitive position depends to a large degree on its geological, geophysical and engineering expertise, its financial resources, and its ability to select, access, and develop proved reserves.

Interoil competes with;

- A substantial number of other companies having larger technical staffs and greater financial and operational resources. Many such companies not only engage in the acquisition, exploration, development, and production of oil and natural gas reserves, but also carry on refining operations and market refined products.
- Major and independent oil and natural gas companies and other industries supplying energy and fuel in the marketing and sale of oil and natural gas to transporters, distributors, and end users, including industrial, commercial, and individual consumers.
- Other oil and natural gas companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time.
- Companies not previously investing in oil and natural gas that may choose to acquire reserves to establish a firm supply or simply as an investment.

2.1.2 Availability of drilling equipment and access restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Current high demand for such limited equipment or access restrictions is affecting the availability and cost of such equipment to the Company, and from time to time delays exploration and development activities. To the extent Interoil is not the operator of its oil and gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will have limited impact through influence of the operator.

2.1.3 Commodity price volatility

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Company's net production revenue and overall value and could result in write-downs. The economics of producing from some wells and assets may change as a result of lower prices, which could result in a reduction in the volumes of the Company's reserves. Interoil might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's net production revenue and overall value and a reduction in its oil and gas acquisition and development activities. A substantial material decline in prices from historical average prices could reduce the Company's ability to refinance its outstanding subordinated notes and may result in a reduced borrowing base under credit facilities available to the Company and possibly require that a portion of the Company's bank debt is repaid.

From time to time the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. However, if commodity prices increase beyond the levels set in such agreements, the Company will not benefit from such increases and may nevertheless be obligated to pay suppliers and other market participants based on such higher price.

2.2 Operational risks

2.2.1 The Company's oil and natural gas production could vary significantly from reported reserves

The Company reports both reserves and contingent resources in accordance with the SPE/AAPG/WPG guidelines. The use of this system is approved by Oslo Børs as stated in the Circular 2/2007 "Guidelines for the disclosure of hydrocarbon reserves, contingent resources and results from exploration". The reserves data included in this Prospectus are estimates. In general, estimates of the quantity and value of economically recoverable oil and gas reserves and the possible future net cash flows are based upon a number of variable factors and assumptions, such as historic production rates, ultimate reserves recovery, interpretation of geological and geophysical data, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, continuity of current fiscal policies and regulatory regimes, future oil and gas prices, operating costs, development and production costs and work-over and remedial costs, all of which may vary from actual results.

Estimates are also to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. Consequently, the nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of oil and gas disclosed will be available for extraction. Therefore, actual production, revenues, cash flows, royalties, development and operating expenditures may vary from these estimates. Such variances may be material and may have a material adverse effect on the Company's valuation, its ability to raise further financing and its financial position in general. Regarding contingent resources, these may not be considered commercially recoverable by the Company for a variety of reasons, including the high costs involved in recovering contingent resources, the price of oil and gas at the time, the availability of the Company's resources and other development plans that the Company may have. By contrast, prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. The Company's estimates of its contingent and prospective resources are uncertain and can change with time and there can be no guarantee that the Company will be able to develop these resources commercially.

2.2.2 The Company may not be able to discover new reserves

The Company's future oil and gas reserves, production and cash flows are highly dependent on the Company successfully identifying new discoveries. Without the addition of new reserves, any existing reserves the Company may have at any particular time and the production thereof will decline over time through production and distribution into the market. A future increase in the Company's reserves will depend not only on the Company's ability to develop any concession it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and gas. Should the Company not discover additional reserves, current operations will not be sustainable.

2.2.3 Technical risk in development of oil fields and oil production

The development of the oil fields in which the Company participates is associated with significant technical risk and uncertainty with regards to production start. These risks include – but are not limited to – cost overruns, production disruptions and delays compared to initial plans established. Some of the most important risk factors are related to the determination of reserves and their recoverability and the planning of a cost efficient and suitable production method. There are also technical risks present in the production, which may cause cost overruns, failed investment and destruction of wells and reservoirs.

2.2.4 The Company's production is concentrated in a small number of fields

Current Interoil production comes from a very limited number of fields. If mechanical problems or other events curtail a substantial portion of the Company's production or if actual reserves associated with any one of the Company's producing fields are less than estimated, the Company's results of operations and financial condition could be adversely affected.

2.2.5 The Company may miss out on exploration opportunities if it is unable to successfully co-ordinate its exploration projects

The Company is to some extent involved in offshore exploration projects. These projects require the co-ordination of a number of activities including obtaining seismic and electromagnetic data, carrying out subsea surveys, obtaining partner approvals and securing rig capacity for the necessary drilling. In the current high demand market environment, there are long lead times to arrange these activities. If the Company fails to successfully co-ordinate the timely delivery or completion, as the case may be with some of these activities, it may miss out on exploration opportunities or may be required to make additional expenditure.

2.2.6 Operating hazards and uninsured losses

Oil and natural gas exploration, development, and production operations are subject to associated risks and hazards, such as fire, explosion, blowouts, and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, and the environment or in personal injury. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable.

Although Interoil maintains liability insurance in an amount that it considers adequate and consistent with industry practice, its insurance may not cover all the potential risks associated with Interoil’s operations. Interoil may also be unable to maintain insurance to cover these risks at economically feasible premiums. In addition, any insurance is typically subject to substantial deductibles and provides for premium adjustments based on claims, and the Company’s insurance coverage would not protect fully, if at all, against loss of income. Any material risks in respect of which Interoil does not have sufficient insurance coverage may result in a material adverse effect on its financial condition, operating results and/or cash flows.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of production from the reservoirs and the invasion of water into gas producing formations.

2.2.7 Nature of the business

An investment in Interoil should be considered speculative due to the nature of The Company's involvement in the exploration for, and the acquisition, development, and production of, oil and natural gas. Also, oil and gas operations involve many risks, which even a combination of experience and knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

2.2.8 Licenses and authorizations

Interoil’s operations depend on authorizations and licenses by regulatory agencies of various governments. Interoil’s exploration and production operations are also subject to inter alia Colombian, Peruvian, Angolan and Ghanaian laws and regulations, which may change from time to time. If these laws and regulations change in the future, modifications to Interoil’s technologies and operations could be required, and Interoil could be required to make unbudgeted capital expenditures, which could lead to an increase in Interoil’s cost base, reduce profitability and/or adversely impact cash flows.

Furthermore, licenses for exploration and production are issued for a limited time-span. Interoil’s licenses in Peru will expire in March 2013. The expiries of the Colombian licenses vary from license to license, but the main producing Mana license expires in 2028. In Ghana a two-year appraisal phase for the license is to be submitted for approval by end October 2010 to the Ministry of Energy in Ghana. See also section 5. Although Interoil is in the process of negotiating a 10-year extension for the licenses in Peru, and will attempt to extend other profitable licenses before they lapse, there is no assurances that such licenses will be extended or renewed. Loss of profitable licences could have a material adverse effect on The Company's business, financial condition, operating results and/or cash flows.

2.2.9 Governmental regulations

The oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants. Environmental concerns relating to the oil and gs industry's operating practices are expected to increasingly influence government regulation and consumption patterns, which favour cleaner burning fuels such as gas. The Company is uncertain as to the amount of operating and capital expenses that will be required to comply with enhances environmental regulation in the countries in which it operates in the future.

2.2.10 Conflicts of interest

There may be potential conflicts of interest to which the directors, officers, and principal Shareholders of the Company will be subject to in connection with the operations of the Company. Some of the directors, officers, and principal Shareholders may become engaged in other oil and gas interests on their own behalf and on behalf of other companies and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies under Norwegian Company Law. The directors and officers of the Company may not devote their time on a full-time basis to the affairs of the Company. (See Section 9.12 for further information about recent transactions with related parties. Certain Directors of the Board and management of Interoil own collectively, directly and indirectly, a significant part of the outstanding share capital of the Company, and will therefore have the possibility to influence the decision-making in the Company.

2.2.11 Retention of key personnel

The Company's business and prospects depend to a significant extent on the continued services of its key personnel in its various business areas. Financial difficulties and other factors could negatively impact The Company's ability to retain key employees. The loss of any of the members of its senior management or other key personnel or the inability to attract a sufficient number of qualified employees could adversely affect its business and results of operations.

2.2.12 Abandonment costs

When the production from an oil field ceases, the Company is obliged to shut in wells and remove installations. Provisions are based on the best available estimates, based on today's technology and today's prices for services, equipment and manpower.

2.2.13 Legal proceedings or investigations

The Company will from time to time be involved in disputes. The Company could be included in criminal or civil proceedings related to, among others, product liability, environment, health and safety, anti-competitive, anti-corruption or other integrity legislation or other forms of commercial disputes which could have a material adverse effect on the Company. Violation of applicable laws and regulations could result in substantial fines or penalties, costs of corrective works and, in rare instances, the suspension or shutdown of the Company's operations. Such proceedings, liabilities or actions could have a material adverse effect on the Company's business, financial condition, operating results and/or cash flows. See also section 12.1.

2.3 Risk factors relating to the Shares

2.3.1 Volatility of share price

The price of the Company's Shares may experience substantial volatility. The trading price of the Shares could fluctuate significantly in response to variations in operation results, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors or changes to the regulatory environment in which the Company operates. The market price of the Shares could decline due to sales of a large number of Shares in the Company in the market or perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price that are deemed appropriate.

2.3.2 Limited liquidity

The Shares of Interoil could experience limited liquidity in the secondary market, which may adversely affect the price of the Shares.

2.3.3 Future sales of Shares

Certain principal Shareholders, directors and key management members own significant shareholdings in the Company. Sales of Shares by these persons, or the perception that such sales could occur, could have an adverse effect on the market value of the Shares and the Company's ability to raise capital through future capital increases.

2.3.4 Interoil's ability to pay dividends

Norwegian law provides that any declaration of dividends must be adopted by Interoil's general meeting of shareholders. Dividends may only be declared to the extent that Interoil has distributable funds and Interoil's Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with Interoil's operations and the need to strengthen its liquidity and financial position. As Interoil's ability to pay dividends is dependent on the availability of distributable reserves, it is, among other things, dependent upon receipt of dividends and other distributions of value from its subsidiaries. The Company is also subject to negative covenants through its credit agreements, inter alia with CitiBank N.A., which impose further restrictions on The Company's ability to declare dividends.

As a general rule, the Company's general meeting of shareholders may not declare higher dividends than the Board of Directors has proposed or approved. If, for any reason, the general meeting of shareholders does not declare dividends in accordance with the above, a shareholder will, as a general rule, have no claim in respect of such non-payment, and Interoil will, as a general rule, have no obligation to pay any dividend in respect of the relevant period.

Interoil has not in the past declared any dividends.

2.3.5 Shareholders not participating in future offerings may be diluted

Unless otherwise resolved or authorised by the general meeting, shareholders in Norwegian public companies such as Interoil have pre-emptive rights proportionate to the aggregate amount of the Shares they hold with respect to new Shares issued by the Company. For reasons relating to US securities laws (and the laws in certain other jurisdictions) or other factors, US investors (and investors in such other jurisdictions) may not be able to participate in a new issuance of Shares or other securities and may face dilution as a result.

2.3.6 Voting rights for shares registered in nominee accounts

Beneficial owners of Shares that are registered in a nominee account (e.g. through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to the general meetings. Interoil cannot guarantee that beneficial owners of the Shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners.

2.3.7 Certain transfer and selling restrictions may limit shareholders' ability to sell or otherwise transfer their Shares

The Shares have been admitted to public trading in Norway, but Interoil has not registered the Shares under the U.S. Securities Act or securities laws of other jurisdictions, including Canada, Australia and Japan, and it does not expect to do so in the future. The Shares may not be offered or sold in the United States, Canada, Australia, Japan or in any other jurisdiction in which the registration or qualification of the Shares is required but has not taken place, unless an exemption from the applicable registration or qualification requirement is available or the offer or sale of the Shares occurs in connection with a transaction that is not subject to such provisions. In addition, there can be no assurances that shareholders residing or domiciled in the United States or other jurisdictions will be able to participate in future capital increases or subscription rights.

2.3.8 Norwegian law may limit shareholders' ability to bring an action against the Company

The rights of holders of the Shares are governed by Norwegian law and by the Articles of Association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by Interoil in respect of wrongful acts committed against Interoil will be prioritized over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against The Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

2.4 Financial risks

2.4.1 Need for additional funding and ability to service debt

The Company may require additional funding in the future to cover working capital and investment needs for future development and growth. There can be no assurance that the Company will be able to obtain necessary funding in a timely manner and on acceptable terms. Should the Company not be able, at any time, to obtain the necessary funding in a timely manner and on acceptable terms, the Company may be forced to reduce or delay capital expenditures or sell assets or businesses at unanticipated times and/or at unfavourable prices or other terms, or to seek additional equity capital (having a dilutive effect on existing shareholders) or to restructure or refinance its debt, There can be no assurance that such measures would be successful or would be adequate to meet debt and other obligations as they come due, or would not result in the Company being placed in a less competitive position. The Company's cash flow from operations may not be sufficient to fund its ongoing activities and implement its business plans. From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions, along with the Company's ongoing operations, may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional financing, which may not be available or, if available, may not be available on favourable terms. Failure to obtain such financing on a timely basis could cause the Company to forfeit or forego various opportunities.

2.4.2 Indebtedness

The Company has a significant amount of debt. A breach of the terms of the Company's current or future financing agreements may cause the lenders to require repayment of the financing immediately and to enforce security granted over the Company's assets, including its subsidiaries. If the Company is unable to comply with the terms of the financing agreements and accordingly is required to obtain additional amendments or waivers from its lenders relating to an existing or prospective breach of one or more covenants in its financing agreements, the lenders may require the Company to pay significantly higher interest going forward.

2.4.3 Defaults and insolvency of subsidiaries

The main operations of the Company are conducted through its subsidiaries in South America and the Citibank Facilities are secured in these assets. In the event of insolvency, liquidation or a similar event relating to one of the Company's subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before the Company, as a shareholder, would be entitled to any payments. Defaults by, or the insolvency of, certain subsidiaries of the Company could result in the obligation of te Company to make payments under parent financial or performance guarantees in respect of such subsidiaries or the occurrence of cross defaults on certain borrowings of the Company or other group companies. Additionally, the Company or its assets may become directly subject to a bankruptcy or similar proceeding initiated against a subsidiary. There can be no assurance that the Company and its assets would be protected from any actions by the creditors of any subsidiary of the Company, whether under bankruptcy law, by contract or otherwise.

2.4.4 Currency, interest rate, credit and liquidity risk

The Group operates internationally and is, to some extent, exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the following currencies; NOK, CHF, PEN and COP. Revenues are invoiced to the customers in USD, CHF and EUR while operating expenses are mostly denominated in USD, NOK, CHF, PEN and COP. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and the investment of excess liquidity. Currently, The Company uses no derivative financial instrument to hedge the above mentioned risk exposure.

As the Group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

Credit risk is the risk that Interoil's customers or counterparties will cause financial loss by failing to honour their obligations. Currently the Group is selling all of its oil to the local state owned company PetroPeru S.A. in Peru, while in Colombia the oil is sold to Hocol S.A, a private company. The credit risk for these customers is considered to be low due to the credit worthiness of these customers.

Prudent liquidity risk management implies maintaining sufficient cash and develop operations according to budget. Liquidity risk is the risk that the Company will not be able to meet its obligations when due. The purpose of liquidity and short term liability management is to make certain that the group at all times has sufficient funds available to cover financial and operational obligations. As a principle, investment decisions are separated from financial decisions. Funding needs arises as a result of the Group's general business activity. The main rule is to establish financing at corporate level, while project financing may be applied in cases involving joint ventures with other companies.

Liquidity forecasts serve as tools for financial planning. Management monitors rolling forecasts of the Group's expected cash flow from operations. In order to maintain necessary financial flexibility, Interoil has requirements for maximum (forecasted) current debt and minimum (forecasted) liquidity reserve. New non-current funding will be initiated if liquidity forecasts reveal non-compliance with given limits, unless further detailed considerations indicate that the non-compliance is likely to be very temporary. In this case, the situation will be further monitored. Monthly and quarterly reports are reviewed and analyzed by management, and all cost categories are matched with budgets and historical figures. All important accounts are reconciled on a continuous basis. All reports are available for the Board of Directors on the intranet of The Company. Interoil has in 2008 and 2009 implemented a new Enterprise Resource Planning system (ERP) in the operational subsidiaries to further improve and make the internal procedures more efficient and ensure even more accurate reporting.

2.5 Other risks

2.5.1 Political and regulatory risk

The Group's operations are subject to a number of risks inherent in any business operating in foreign countries, including but not limited to;

- political, social and economic instability, war and acts of terrorism;
- potential seizure or nationalization of assets;
- damage to equipment or violence directed at the Company's employees;
- increased operating costs;
- import-export quotas;
- confiscatory taxation;
- work stoppages;
- restrictions on currency repatriations;
- currency fluctuations and devaluations; and

- other forms of government regulation and economic conditions that are beyond the Company's control.

The Group's financial condition and results of operations could be susceptible to adverse events beyond its control that may occur in the particular country or region in which it is active. Many governments favour or effectively require that contracts be awarded to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may result in inefficiencies or put the Group at a disadvantage compared to local competitors.

The Group's international operations are subject to various laws and regulations in countries in which it operates, including laws and regulations relating to the equipment and operation of drilling units, currency conversions and repatriation, oil and natural gas exploration and development, taxation of earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of units and other equipment. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so. Failure to comply strictly with applicable laws, regulations, local practices and permitting requirements may result in loss, reduction or expropriation, the imposition of additional local or foreign parties as joint venture partners, enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in rig operations or in the exploration or development of properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of rig and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Group.

Operations in less developed countries can be subject to legal systems which are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings. This could result in risks such as;

- potential difficulties in obtaining effective legal redress in the courts of such jurisdictions;
- whether in respect of a breach of law or regulation, or in an ownership dispute;
- a higher degree of discretion on the part of governmental authorities;
- the lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- inconsistencies or conflicts between and within various laws, regulation, decrees, orders and resolutions; and
- relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions the commitment of local business entities, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain. In particular, agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangement in these jurisdictions cannot be assured.

Incidents such as acts of terrorism or natural disasters can affect the Group directly or indirectly through an adverse effect on the general economic climate or direct attacks on the Group's assets and properties.

The Company is currently primarily exposed to political and regulatory risks in Norway, Switzerland, Peru, Columbia, Ghana and BVI. However, future international business development opportunities might increase political risk for The Company.

Further, the Group is faced with increasingly complex tax laws. The amounts of taxes the Group pays could increase substantially as a result of changes in, or new interpretations of, these laws, which could have a material adverse effect on its liquidity and results of operations. During periods of high profitability, there are often calls for increased or windfall taxes on oil and gas revenue. Taxes have increased or been imposed in the past and may increase or be imposed again in the future.

In addition, taxing authorities could review and question the Group's tax returns leading to additional taxes and penalties, which could be material. Decommissioning (where relevant) could also have a material tax impact for the Group’s financial position and results of operations.

In order to conduct its operations in compliance with applicable laws and regulations, the Group must obtain licences and permits from various government authorities. The Group may incur substantial costs in order to maintain compliance with these existing laws and regulations and additional costs if these laws are revised or if new laws affecting the Group's operations are passed. Furthermore, there can be no assurance that the Group will be able to obtain all necessary licences and permits that may be required to carry out exploration, development and production operations on its properties.

2.5.2 The impact on the environment from operations

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, and releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned, and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company’s financial condition, results of operations or prospects.

It is expected that changes in environmental legislation may require, among other things, reductions in emissions to the air from the operations and result in increased capital expenditures. Although it is not expected that future changes in environmental legislation will result in materially increased costs, such changes could occur and result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, all of which could have a material adverse effect on the Company’s financial condition or results of operations.

3 Statement of responsibility

3.1 Responsibility statement

The members of the Board of Directors of Interoil confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Oslo, 4 October 2010

The Board of Directors of Interoil Exploration & Production ASA

Mårten Rød Chairman	**Gian Angelo Perrucci** Board Member
Berit Kjøll Board member	**Thor Håkstad** Board member
Patricia Guerra Board member	

3.2 Third-party information

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as The Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

4 The completed Private Placement

This Section provides information on the Private Placement that was completed in August 2010 for the purposes of the Listing of the Private Placement Shares on Oslo Børs. No securities are being offered or sold pursuant to this Prospectus.

4.1 Background

On 2 May 2007, the Company issued a five year Senior Secured Bond Loan (ISIN NO 001 036356.7) with a total loan amount of USD 125 million. The Company's Latin American assets were pledged in favour of the bondholders in this loan. In May 2009, the Company defaulted in repaying an installment of USD 10 million of the bond loan. Initially, the Company had planned repay this installment through the Company's cash flow, but the Company´s cash flow during the first half of 2009 was weakened by low oil prices. Further, Interoil had not yet received payment for the sale of 17.5% of the 21% working interest in the Cabinda North licence (LOI signed July 2008).

The bondholders' meeting in April 2010 rejected the Company´s proposal to postpone the payment date for the defaulted instalment for one month, and subsequently the bondholders rejected any discussions for alternative solutions. At the time, two bondholders had acquired a controlling interest of 67% of the voting rights. The Senior Secured Bond Loan was declared in default and due and payable in its entirety.

In June 2009, a stand-still agreement was reached with respect to the Senior Secured Bond Loan, by which enforcement proceedings were suspended. The Company committed to work for full repayment of all outstanding debt. Macquarie/Tristone were engaged as advisors at the request of the bondholders in the Senior Secured Bond Loan in order to assess available solutions by year-end 2009. The solutions proposed by Macquarie were, in the Company´s opinion, unsatisfactory, and did not provide the best possible solution for all creditors and shareholders.

The stand-still agreement was terminated in December 2009 and on June 4 2010 the Enforcement Officer in Asker and Bærum (*Nw: "Namsmannen"*) decided that enforcement proceedings in respect of the Senior Secured Bond Loan could commence.

On 7 June 2010, West Face (Norway) AS, Interoil and the Interoil shareholders Mr. Mårten Rød, Mr. Gian Angelo Perrucci and the former Managing Director of Interoil, Mr. Nils Trulsvik, announced a memorandum of agreement, pursuant to which West Face would, subject to certain conditions, launch a public voluntary cash offer to acquire all outstanding shares of Interoil, except the shares owned by Mr. Rød, Mr. Perrucci and Mr. Trulsvik. The offer price in the voluntary cash offer was NOK 12.50 per share. The offer was not successful and lapsed 2 August 2010. For further information about the offer see section 9.20.

During August 2010, the Company's wholly owned subsidiaries Interoil Peru S.A. and Interoil Colombia E&P Inc. (BVI) entered into the Citibank Facilities totalling USD 90 million, the utilization of which were subject to certain conditions which were fulfilled in conjunction with completion of the Private Placement and issuance of the New Senior Secured Bond Loan. For a further description of the Citibank Facilities, see Section 8.10.4.

4.2 Overview of the Private Placement

Following the unsuccessfull offer by West Face the Board of Interoil announced its intention to raise NOK 317-444 million (USD 50-70 million[1]) through the Private Placement. The Private Placement was fully underwritten up to USD 50 million at NOK 5.00 per share by Eksportconsult AS and Rakila Properties Ltd, companies owned by Mr. Rød and Mr. Perrucci respectively.

On 5 August 2010, the Board of Interoil called for an extraordinary shareholders meeting to resolve an equity issue of NOK 317-444 million (USD 50-70 million). On 23 August 2010 the Company launched the Private Placement as well as a private placement for the issuance of a New Senior Secured Bond Loan of up to NOK 310,000,000.

Private Placement Shares were offered to certain existing Shareholders and other qualified Norwegian and international investors. The Subscription Price was set at NOK 12.50 per Private

[1] Exchange rate of 6.3478 applied

Placement Share through a book building process. Gross proceeds amounted to NOK 324,000,000. Existing shareholders pre-emptive rights were derogated from due to the Company being in acute financial distress and required to raise new equity within a very short period of time.

The Private Placement was resolved partly through a board resolution of 26 August 2010 and partly by shareholders resolutions in the extraordinary shareholders meeting held 26 August 2010. The Board resolved to issue 4,815,711 Shares to Eksportconsult AS and Trafalgar AS by way of debt conversion of NOK 50,674,690 and USD 1,500,000 respectively. The extraordinary shareholders meeting resolved to issue 21,104,289 Shares for cash contribution.

On 27 August 2010, Interoil was informed by the Municipal Court of Asker and Bærum that one of the Shareholders of the Company, Petrominerales Ltd., had obtained a temporary injunction preventing the Company from registering the share capital increase associated with the Private Placement with the Norwegian Registry of Business Enterprises. The temporary injunction was granted without oral hearings and without the Company having been heard. On 30 August 2010 oral hearing were held and the injunction was lifted on 31 August. The share capital increase associated with the Private Placement was registered with the Norwegian Register of Business Enterprises on the same date.

On 31 August, the Senior Secured Bond Loan was repaid in full with proceeds from the Private Placement and the Citibank Facilities.

4.3 Use of proceeds

The Private Placement was completed in conjunction with a restructuring of the Company's debt. In combination with the Citibank Facilities totalling USD 90 million and the New Senior Secured Bond Issue of ~USD 49 million, the proceeds from the Private Placement have been or will be applied towards redeeming the Secured Bond Loan (of which outstanding amount at the time was ~USD 115 million) as well as other bond loans (~USD 36 million), payment of the Tax Claim towards Eksportconsult AS and Force Capital Partners as well as other debt (~NOK 69 million / ~USD 10.9 million) and fees and expenses incurred during the refinancing process that the Company has been undergoing (~NOK 103 million / ~USD 16 million). Surplus amounts following the use of proceeds as discussed above, will be applied to working capital requirements and general corporate purposes. For a further discussion of the Tax Claim, see Section 9.12 "Tax claim".

4.4 Private Placement - corporate resolutions

4.4.1 Board resolution

On 26 August 2010, the Board passed the following resolution, based on an authorisation granted to the Board by a shareholders meeting held on 17 June 2010 (unofficial translation from Norwegian):

"The Company's share capital shall be increased pursuant to the Norwegian Public Limited Companies Act section 10-17, cf. section 10-1 and 10-2, on the following conditions:

1. The share capital is incresead with NOK 240,785.55 through an issue of 4,815,711 shares, each share having a nominal value of NOK 0.05.

2. The subscription price per share is NOK 12.50

3. The shares may be subscribed by Eksportconsult AS and Kristen S. Jakobsen. Oversubscription is not allowed. The pre-emptive right for subscription of shares for existing shareholders pursuant to the Norwegian Public Limited Companies Act is set aside.

4. Subscription shall be made on a separate subscription form no later than 27 August 2010.

5. The share consideration shall be settled within 28 August 2010 by a set off against the Claim and the Loan as described in the independent expert's report attached hereto as annex 2.

6. The shares shall carry full shareholder rights, including dividends, from the time of the registration of the share capital increase with the Norwegian Register of Business Enterprises.

7. The Company's articles of association section 4 is amended as follows:
"The share capital is NOK 1,333,035.55 divided into 26,660,711 shares each of a nominal value of NOK 0.05. The shares shall be registered in a securities registry."

8. Completion of the share capital increase is dependent on The Company's general meeting resolving the board of director's proposed allocation in connection with the Share Issue.

4.4.2 Shareholder resolution

On 26 August 2010, the extraordinary shareholders meeting of the Company passed the following resolution (unofficial translation from Norwegian):

"The Company's share capital is increased cf. section 10-1 of the Norwegian Public Limited Companies Act section 10-1, as follows:

1. The Company's share capital is increased by NOK 1,055,214.45 through issuance of 21,104,289 new shares.

2. The nominal value of the shares is NOK 0.05.

3. The subscription price is NOK 12.50 per share

4. The new shares may be subscribed by and in the amount set out in the list attached hereto as annex 1. Over-subscription is not allowed. The pre-emptive right for subscription of shares for existing shareholders pursuant to the Norwegian Public Limited Companies Act is set aside.

5. Subscription shall be made on a separate subscription form no later than 27 August 2010.

6. Completion of the share capital increase is conditional upon the Board of Directors of the Compan, no later than 17:30 hours CET on 9 September 2010, announcing that the following conditions are fulfilled at the time of the announcement:

- *a) the Board of The Company has not petitioned for bankruptcy or other insolvency proceedings and no court has ruled that any such bankruptcy or insolvency proceedings in respect of The Company shall be opened;*
- *b) the loan agreements with Citibank for loans totaling USD 90 million (the "Citibank Facilities") have been duly executed with the relevant subsidiaries of The Company and remain in force, and that Citibank has not in any way withdrawn its conditional commitment to make available the funds under the Citibank Facilities;*
- *c) the Board, CEO and CFO of The Company are not aware, after having made due investigations, of any circumstances implying that The Company would not be in a position to draw under the Citibank Facilities following receipt of the proceeds of the private placement, and to use the proceeds from the private placement and the Citibank Facilities to repay The Company's bond loan ISIN NO 001 036 356.7 – FRN Interoil Exploration and Production ASA Senior Secured Callable and Putable Bond Issue 2007/2012 (the "Secured Bond Loan");*
- *d) that no bid has been accepted under the enforcement sale under the Secured Bond Loan*

7. The subscription price for the new shares shall be paid by the subscribers immediately and no later than one banking day following the announcement that the conditions for the completion of the share capital increase set forth above have been fulfilled, by cash payment to a special account for the share capital increase as designated by The Company.

8. The new shares entitle the shareholders to full shareholder rights, including dividends, from the time of the registration of the share capital increase in the Norwegian Register of Business Enterprises.

9. The Company's articles of association section 4 shall be amended to reflect the new share capital and new number of shares following the capital increase."

4.5 Share capital after the completion of the Private Placement

A total of 25,920,000 Private Placement Shares were issued in the Private Placement based on the Board resolution and shareholders resolution described above.

The Company's share capital after the completion of the Private Placement is NOK 2,388,250.00 divided into 47,765,000 Shares, each Share with a par value of NOK 0.05.

4.6 Dilution

The percentage of immediate dilution resulting from the Private Placement for Interoil's Shareholders who did not participate in the Private Placement was approximately 54.3% percent, as shown in the table below.

Old shares	New shares	Total
21,845,000	25,920,000	47,765,000
45.7%	54.3%	100%

4.7 Subscription Price

Following the close of the book-building process of the Private Placement, the Board of Directors, after consultation with the Managers, resolved to set the subscription price in the Private Placement to NOK 12.50 per Private Placement Share.

4.8 Allocation of Shares in the Private Placement

The Managers received an order for shares in the Private Placement from Petrominerales Ltd. The order for shares was for NOK 450 million, at a price of NOK 16 per share. The order was subject to Petrominerales being allocated a number of shares to achieve a minimum shareholding of 50.1% of Interoil's outstanding shares. If the share price in the Private Placement was set below NOK 16 per share, the order was subject to Petrominerales being allocated a sufficient number of Interoil shares to reach an ownership position of not less than 50.1% of the Interoil shares outstanding after completion of the Private Placement. After consideration and by exercising due caution with regards to a general view that takeover offers should be presented to shareholders directly, the Board chose not to recommend the conditions for the order.

Based on the Board's decision regarding Petrominerales' order, allocation of New Shares in the Private Placement was made by the Board of Directors on 26 August 2010, after consultation with the Managers. Notice of allocation was sent to the investors on 26 August 2010.

4.9 The rights conferred by the Private Placement Shares

The Private Placement Shares carry full shareholders' rights including the right to dividend. See also section 9.13 to 9.22 for additional information on the rights conferred by the Private Placement shares. The share capital increase associated with the Private Placement, and the Private Placements Shares, were registered with the Norwegian Registry of Business Enterprices on 31 August 2010.

4.10 Proceeds and costs from the Private Placement

The gross proceeds from the Private Placement were NOK 324,000,000. The costs and expenses in associated with the Private Placement, to be borne by the Company, were approximately NOK 24,000,000. Net proceeds from the Private Placement were approximately NOK 300,000,000. No expenses or fees were charged to the subscribers in the Private Placement.

4.11 VPS registration

The Private Placement Shares were registered with the VPS on 31 August 2010 under the temporary ISIN NO 001 0584352. At the date of this Prospectus, the Private Placement Shares will be transferred to the ordinary ISIN of the Company´s Shares being ISIN NO 001 0284318 and be assumed for trading on Oslo Børs under the trading symbol of the Company´s Shares, being "IOX". The Private Placement Shares have not been tradable on Oslo Børs during the period from issuance and up until the date hereof.

The Private Placement Shares were issued pursuant to the Norwegian Public Limited Companies Act. The Company's account manager is DnB NOR Bank ASA, Verdipapirservice, Stranden 21, 0021 Oslo, Norway.

4.12 Underwriting

Pursuant to an underwriting agreement entered into by the Company with Eksportconsult AS and Rakila Properties Limited (controlled by the Company's directors and largest indirect shareholders Mr. Mårten Rød and Mr. Gian Angelo Perrucci) on 5 August 2010, the underwriters had guaranteed a minimum subscription in the Private Placement of USD 50 million at NOK 5.00 per share. As compensation, the underwriters were granted the option to be allocated 20 per cent of the Private Placement at the Subscription Price in the Private Placement.

Eksportconsult AS has the following address: Eksportconsult AS, Strandeveien 50, 1366 Lysaker, Norway. Rakila Properties Limited has the following address: Gr. Xenopoulou 17, P.C. 3106 Limassol, Cyprus.

4.13 Interest of natural and legal persons that were involved in the Private Placement

Other than, Rakila Properties Limited, controlled by Board member Gian Angelo Perrucci, and Exportconsult AS, controlled by Chairman Mårten Rød, which were allocated 4,062,592 and 14,268,040 Private Placement Shares respectively, and which had an interest in preventing an enforcement sale of the Company's South American assets due to a default of the Senior Secured Bond Loan as described under section 4.1 above and prevent the Company from initiating insolvency proceedings (to the detriment of inter alia their own, and other shareholders' equity interest in the Company), the Company is not aware of any material interest, including conflicting ones, associated with the Private Placement.

4.14 Managers

The Private Placement was managed by SEB Enskilda (with address P.O. Box 1363 Vika, N-0113 Oslo, Norway) and Pareto Securities (with address P.O. Box 1411 Vika, N-0115 Oslo, Norway). As of the date of the Prospectus, SEB Enskilda and its employees own 0 shares in Interoil. Pareto Securities and its employees own 0 shares in Interoil.

4.15 Legal advisor

Advokatfirmaet Wiersholm, Mellbye & Bech advokatfirma AS (with address, P.O. Box 1400 Vika, N-0114 Oslo, Norway) has acted as Interoil's legal counsel in connection with the Private Placement.

5 Presentation of Interoil

Cautionary note regarding forward-looking statements
Certain statements in chapter 1 "Summary", chapter 2 "Risk Factors", chapter 5 "Presentation of Interoil", chapter, 6 "Principal Markets", and elsewhere in this Prospectus are forward-looking. Such forward-looking statements and information are based on the beliefs of the Company's Management or assumptions based on information available to the Company. When used in this document, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to the Group or its Management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Company or its Management with respect to future events and are subject to certain risks, uncertainties and assumptions. The Company can give no assurance as to the correctness of such forward-looking statements. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the Company's products, technological development, growth management, relations with customers and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations (including those of the European Union), taxes, changes in competition and pricing environments, and other factors referenced in this document. Some of these factors are discussed in more detail under chapter 2 "Risk Factors". Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. Except as required by applicable law, the Company does not intend, and does not assume any obligation to update the forward-looking statements included in this Prospectus as at the date hereof.

The basis for any statement with regards to The Company's competitive position herein, is based on The Company's own assessment.

5.1 General

Interoil Exploration & Production ASA is an independent oil & gas exploration and production company operating globally headquartered in Oslo. The Company is engaged in the acquisition, exploration, development and operation of oil and natural gas properties. Interoil serves as operator or active license partner in several production and exploration assets in Peru, Colombia and Ghana.

Interoil's portfolio exists of 5 production licenses and one exploration license covering 1'082 km² in Peru and Colombia, and a license in Ghana. The licenses in Peru and Colombia has been acquired through company acquisitions and the Company aims to expand its portfolio through further acquisitions, purchase of license shares and by license applications or awarded permits/licenses mainly in South America and West Africa.

The Company has a strong position as an oil producer in Peru and Colombia and will use this position to expand the operations in Peru and Colombia. A number of projects are being evaluated both producing fields and prospecting areas.

Interoil has offices in Oslo (Norway), in Zürich (Switzerland), in Bogota (Colombia), in Lima (Peru) and Talara (Peru).

The Company's shares are registered on the Oslo Stock Exchange and are traded under the ticker-code "IOX".

5.2 History

The Company was incorporated on 2 May 2005 as a Norwegian Private Limited Company ("AS"). It was transformed to a Norwegian Public Limited Company ("ASA") on 14 November 2005.

Date	Main Events
Q3 2005	• Interoil acquires all the Peruvian and Colombian assets of Mercantile International Petroleum Inc.
Q4 2005	
Q1 2006	• Interoil applied for two offshore blocks in Angolan licensing round.
Q2 2006	• Interoil was offered participation in Block 5 & 6 offshore Angola.
Q3 2006	• Interoil is listed on the Oslo Stock Exchange main list. • Interoil acquires Proseis AG, a Swiss oil & gas exploration and production consultancy group, with expertise in geology, geophysics, petrophysics and reservoir engineering.
Q4 2006	• Signing of Block 5 & 6 in Angola.
Q1 2007	• The Company signs farm-in agreement with Tullow Oil on Tano Shallow Water license in Ghana
Q2 2007	• Interoil discovered the Mana oil Field in the Puli C License in Colombia.
Q3 2007	• Several successful wells drilled on the Mana Field in Colombia, raising the total production in Colombia from 1’100 to 1,800 BOPD.
Q4 2007	• The first commitment exploration well drilled on the Tano Shallow Water license in Ghana. Oil was discovered, but non-commercial due to tight reservoir.
Q1 2008	• Interoil signed farm-in agreement with Sonangol P&P on the onshore Cabinda North Block in Angola. • Interoil awarded the Altair exploration license in Colombian licensing round.
Q2 2008	• Interoil discovered the new South Mirador field in Block III in Peru.
Q3 2008	• Several successful wells drilled on the South Mirador field in Peru
Q4 2008	• Second commitment well, Ebony-1, was drilled on the Tano Shallow Water license in Ghana. The Ebony-1 well was declared as a gas/condensate discovery. The Ebony prospect is limited to 80 km2 and the rest of the Tano Shallow license was relinquished.
Q1 2009	• Interoil reached total production of 10’000 bopd from Peru and Colombia.
Q2 2009	• Interoil farmed-out 10% of the Cabinda North Block in Angola to Petropars. • The Senior Secured Bond loan was declared in default.
Q4 2009	• Interoil farmed-out 7.5% of the Cabinda North Block in Angola to Destin Ltd.
Q1 2010	• Successful farm-out of 10% of the Altair license in Colombia to the drilling contractor Erazo Valencia SA. • Interoil impared all assets in Angola in the financial statement 2009 due to default notice from the operator.
Q2 2010	• The first commitment exploration well, Altair-1, discovered oil. • The second well on the Altair license was proven dry.

5.3 Business idea and strategy

5.3.1 Business Idea

The Company is engaged in the acquisition, exploration, development and operation of oil and natural gas properties. Interoil is pursuing the following strategy:

Interoil's strategy is firstly to continue to explore and develop its existing asset base. Interoil is of the opinion that it has an inventory of drillable prospects with a large upside potential and has made several discoveries in the appraisal/development stage. Secondly, Interoil has an ambition to actively pursue new exploration in designated areas. Thirdly, Interoil intends to acquire producing assets which are undervalued and fit into Company's scope of operations.

5.3.2 Strategy

As an independent oil & gas exploration and production company operating globally, Interoil aims to explore for and produce oil & gas in an economically efficient, socially responsible and environmentally acceptable way, for the benefit of shareholders, employees, and co-ventures. The Company applies the same standards to activities in all regions in which it operates to satisfy both commercial and ethical requirements and continuously strive to improve performance and to act in accordance with good oilfield practice and high standards of corporate citizenship.

Although the Company has designated core areas in South America, it employs objectives for building shareholder value through a portfolio of oil and gas assets by focusing on:

Growth phases
- Initial growth to come from purchase of junior oil and gas producers and/or producing assets. Secondary growth to come from developing organically the acquired assets through drilling new production wells, well operations and exploration / appraisal drilling
- Further growth to come from purchase of discoveries ready for development and participating in strategic exploration opportunities
- Long-term goal to participate in both onshore and offshore exploration and production activity and achieving a balanced portfolio consisting of exploration, appraisal, developing and producing assets

Organizational development
- Build up local technical and operational competence in order to facilitate local demands and keep costs to a minimum
- Build up a small and effective multi-disciplinary team of key professionals and outsource all services to the extent practical

5.4 Assets and resource overview

5.4.1 Asset overview

The Company currently has the following exploration and/or production licenses in its portfolio:

Country	Area	License	Interest	Operator	Partners	Field information
Colombia	55 km2	Puli B	100%	Interoil	Ecopetrol	Producing onshore
	50 km2	Armero	50-100%	Interoil	Sheridan	Producing onshore
	78 km2	Puli C	50-70%	Interoil	Ecopetrol	Producing onshore
	159 km2	Altair	90%	Interoil	Erazo Valencia	Exploration onshore
Peru	358 km2	Block III	100%	Interoil	-	Producing onshore
	307 km2	Block IV	100%	Interoil	-	Producing onshore
Ghana	80 km2	Ebony Discovery Area	58.33%	Interoil	Al Thani	Exploration offshore

5.4.2 Reserves and resources

The reserves of the Group are located in Peru and Colombia. As of 31 December 2009, Interoil's proven reserves ("1P") are 13.1 million barrels of oil equivalent ("mmboe") and the 2P reserves are

15.0 mmboe. This represents a decrease of 4.8 mmboe in both the 1P and 2P reserves compared to 31 December 2008. As a result the reserves are back at approximately the same level as reported for 31 December 2007.

The equity production in 2009 amounted to 2.6 mmboe compared to 2.0 mmboe for 2008; nevertheless the proved developed reserves decreased by only 1.5 mmboe to 7.4 mmboe, due to development drilling in both Peru and Colombia.

The decrease in total reserves was, in addition to production, mainly caused by a reclassification of 2.4 mmboe 1P and 2.6 mmboe 2P undeveloped reserves in Peru to contingent resources, due to an expected delay of production of these volumes to after March 2013, when the current Peruvian licenses are due to expire.

The reserves have been estimated and classified according to the "Petroleum Resources Management System", developed and approved in March 2007 jointly by the Society of Petroleum Engineers, World Petroleum Council, American Society of Petroleum Geologists and Society of Petroleum Evaluations Engineers, here after referred to as the "SPE PRMS"[2] and have been audited by the independent petroleum engineering firm of Gaffney, Cline & Associates Inc (with address Four Oaks Place 1360 Boulevard, Suite 2500 Houston, Texas 77056). The reserve statement prepared by Gaffney, Cline & Associates Inc. in this respect have been prepared at the request of Interoil and has been incorporated by reference in this Prospectus. Gaffney, Cline & Associates has no material interest in the Company.

The annual statement of reserves has been prepared according to the guidelines issued by the Oslo Børs in Circular No. 9/2009 of 17 December 2009.

Quantitative Information

A summary of the 1P and 2P reserves per country as per 31 December 2009 is given in the table below. The reserves have been further subdivided into a Developed Producing, a Developed Non-Producing and a Non-Developed category, in line with the SPE PRMS definitions of these categories.

The table underneath shows a reconciliation of the changes in reserves as these occurred during the year.

Reported volumes are net equity. For Peru this equals to 100% of the gross reserves since Interoil is sole licensee holder of its interests and royalty in paid in cash. For Colombia, where royalty is paid in-kind, the figures are working interest net of royalty. Both royalty and working interest vary per field.

[2] For a full description of the "SPE PRMS", please refer to the Society of Petroleum Engineers website: www.spe.org.

Developed Producing Reserves as of 31-12-2009

	1P					2P				
	Gross			Interest	Equity	Gross			Interest	Equity
	Oil	Gas				Oil	Gas			
	mmbbl	BCF	mmboe	%	mmboe	mmbbl	BCF	mmboe	%	Mmboe
Colombia	4.6	3.0	5.2	59%	3.0	4.7	3.0	5.3	59%	3.1
Peru	4.4		4.4	100%	4.4	4.4		4.4	100%	4.4
Total	9.0	3.0	9.6		**7.4**	9.1	3.0	9.6		**7.5**

Developed Non-Producing Reserves as of 31-12-2009

	1P					2P				
	Gross			Interest	Equity	Gross			Interest	Equity
	Oil	Gas				Oil	Gas			
	mmbbl	BCF	mmboe	%	mmboe	mmbbl	BCF	mmboe	%	mmboe
Colombia	0.4	0.5	0.5	65%	0.3	0.5	0.9	0.7	65%	0.5
Peru	0.8		0.8	100%	0.8	0.8		0.8	100%	0.8
Total	1.2	0.5	1.3		**1.1**	1.4	0.9	1.5		**1.3**

Non-Developed Reserves as of 31-12-2009

	1P					2P				
	Gross			Interest	Equity	Gross			Interest	Equity
	Oil	Gas				Oil	Gas			
	mmbbl	BCF	mmboe	%	mmboe	mmbbl	BCF	mmboe	%	mmboe
Colombia	1.1	6.4	2.3	65%	1.5	2.7	8.0	4.2	65%	2.7
Peru	3.0		3.0	100%	3.0	3.5		3.5	100%	3.5
Total	4.1	6.4	5.3		**4.5**	6.2	8.0	7.7		**6.2**

Total Reserves as of 31-12-2009

	1P					2P				
	Gross			Interest	Equity	Gross			Interest	Equity
	Oil	Gas				Oil	Gas			
	mmbbl	BCF	mmboe	%	mmboe	mmbbl	(BCF)	mmboe	%	mmboe
Colombia	6.1	9.9	7.9	61%	4.8	8.0	11.8	10.2	62%	6.3
Peru	8.2		8.2	100%	8.2	8.7		8.7	100%	8.7
Total	14.3	9.9	16.2		**13.1**	16.7	11.8	18.9		**15.0**

Notes: mmboe = million stock tank barrels of oil equivalent

Gross Reserves are Operated Reserves

Equity Reserves : Colombia Net after Royalty

Peru Net before Royalty

Working Interest varies per concession; reported percentages are averages

Gas converted to oil equivalent based on 5300 scf equals 1 boe

Table 2 - Aggregate Reserves, Production, Developments and Adjustments

(mmboe)	1P				2P			
	Developed Producing	Developed Non-Producing	Non-Developed	Total	Developed Producing	Developed Non-Producing	Non-Developed	Total
Reserves at 31-12-2008	**8,9**	**1,0**	**7,9**	**17,9**	**9,0**	**1,0**	**9,9**	**19,9**
Production	-2,6			-2,6	-2,6			-2,6
Acquisition / Disposals								
Extensions & Discoveries								
New Developments	2,0	0,6	-1,4	1,2	2,0	0,8	-1,2	1,5
Transfer to/from Contingent Resources		-0,5	-2,4	-2,9		-0,5	-2,6	-3,2
Revisions	-0,9		0,4	-0,5	-0,8		0,2	-0,6
Total Changes	-1,5	0,1	-3,4	-4,8	-1,5	0,3	-3,7	-4,9
Reserves at 31-12-2009	**7,4**	**1,1**	**4,5**	**13,1**	**7,5**	**1,3**	**6,2**	**15,0**

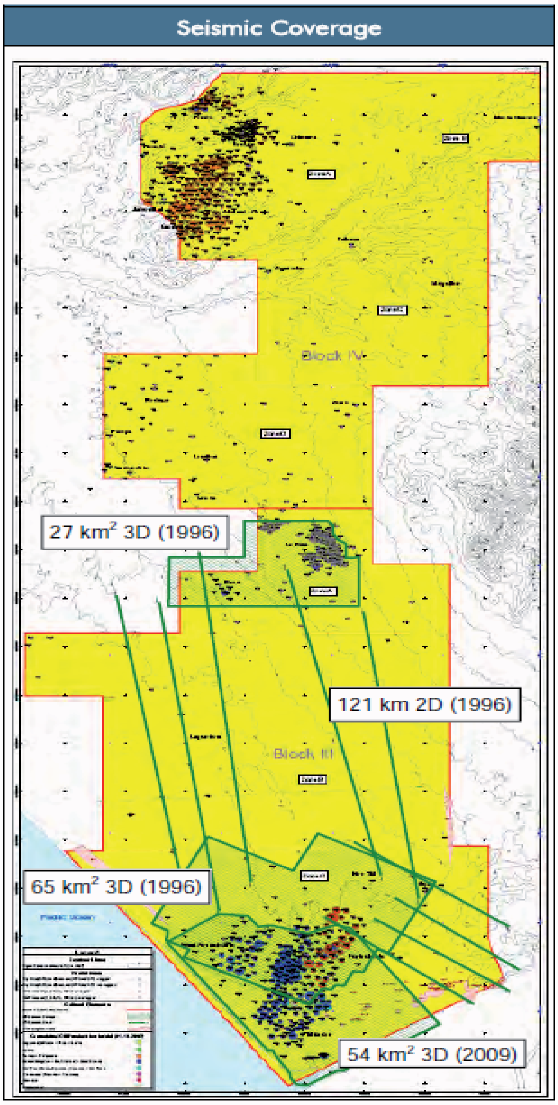
Notes: mmboe = million stock tank barrels of oil equivalent
Numbers may not add upp due to rounding

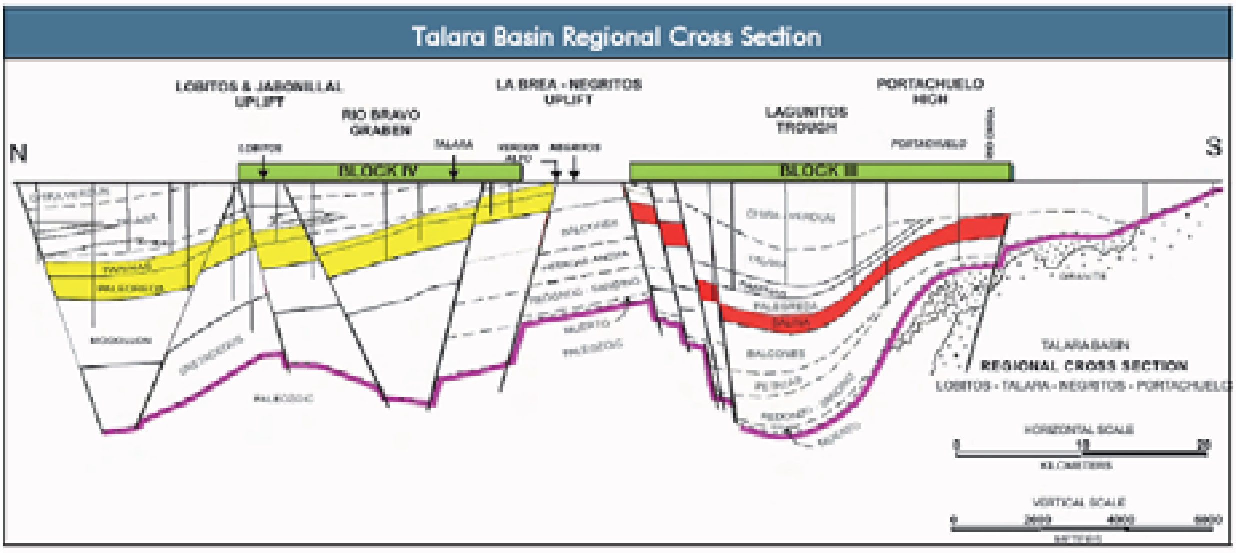
5.5 Peru

In Peru Interoil's activities and assets are held by Interoil Peru SA and North Oil SAC. Interoil Peru SA operates and is sole interest owner of Block III and IV which are located in the Talara Basin North-west in Peru. The desert landscape of Block III and IV is close to the Pacific Ocean and a number of other oil companies, e.g. Petrobras, Pluspetrol, Occidental Petroleum, Petro-Tech Peruana and the state owned PetroPeru are located in this region. North Oil SAC is a service company, which is located in the city of Talara. The Company provides well services to Interoil Peru and other operating oil companies in the area. The total number of employees in the Peruvian subsidiaries are 168 as of June 30 2010, and are located in Talara and in Lima.

Interoil's average net production before royalties in Q2 2010, was approx. 3'400 bopd, which is an increase of approximately 1'800 bopd since Interoil acquired the assets in 2005. Target production for year end 2010 is 5'000 bopd, which will mainly be achieved by drilling of new wells in Block III. Interoil owns and operates all the infrastructure on the two blocks and the oil is piped directly to PetroPeru's refinery in Talara. PetroPeru is the buyer of all the oil Interoil produces in Peru.
Interoil is negotiating with the Peruvian government to extend the licenses on Block III and IV by 10 years from 2013. A license extension in Peru will contribute to additional approximately 16 mmboe of 2P reserves, which as per today is classified as contingent resources.

A total of 119 km of 2D seismic data and 146 km2 of 3D seismic data have been obtained to date on Block III. No seismic data has been acquired over Block IV.

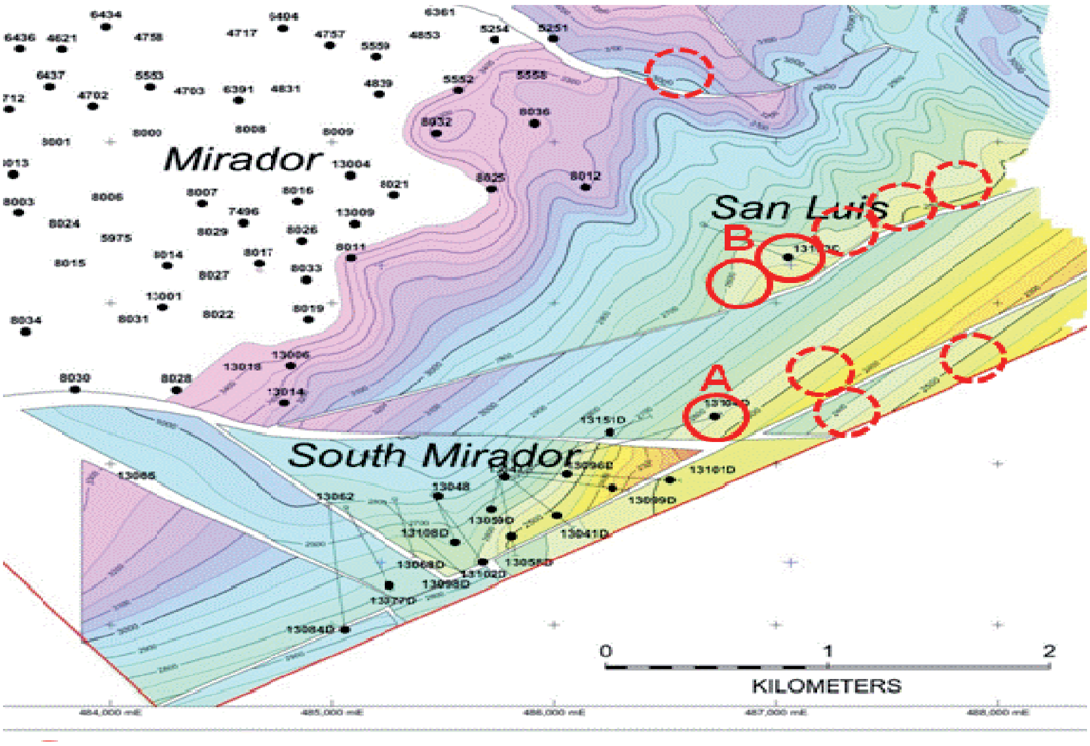




Below is further description of Block III and IV:

Block III
Interoil has a working interest in Block III of 100%. Block III covers an area of 356 km^2 and production from the block started as early as 1916. As of today approximately 470 wells have been drilled on the block, of which 20 has been drilled after Interoil acquired the block in 2005. Current production is from approximately 200 wells. There are mainly two production areas in Block III, in the North (Portachuelo Field) and in the South (Mirador Field), of which the highest production comes from the South Mirador Field in the South. Interoil discovered the South Mirador Field mid 2008 and has developed the field by drilling 16 wells and establishing production facilities during the last two years. The wells drilled to date have produced at rates up to 900 bopd and at its peak South Mirador increased Block III production by more than 4’000 bopd. During the last year the field has depleted and current production in Block III is approximately 2’400 bopd. The target formation in this area is the Salina Mogollon sandstone, several drilling locations have been defined and Interoil plan to develop this field further going forward.

In 2009, Interoil acquired a new 40 km2 3D seismic over the Southern part of Block III. A potential new structure, called San Luis, with a four way closure at top reservoir level, has been identified by the 3D seismic in an area 1 km northeast of the South Mirador Field. At the end of July 2010 Interoil spudded the exploration well (13103D) in this new area. The well encountered the main reservoir at 2500 ft, which is similar to the Mirador South Field. Several zones with oil shows were observed during drilling of the well. Electric logs confirmed oil at intervals from 2500 ft to approximately 2900 ft. Pressure points were taken confirming a significant oil column supporting the presence of an undepleted structure. During initial testing, the well produced equivalent of 1'250 bopd. The gravity of the oil is 36° API, which represents good quality oil. The plan is to develop the San Luis discovery going forward with more than 20 infill wells can be placed in this new structure. The next well will test the Southern part of the new structure and will be spudded end August 2010. Interoil plans to drill up to seven further wells in this area during 2010.



Macquirie Tristone did a significant technical due diligence of the assets in Peru in 2009 recognizing significant upside potential in both Block III and IV. The upside potential in Block III includes license extension and can be summarized as follow:

- PDP forecast is 184 wells producing mainly from the Salina/Mogollon and Amotape Reservoirs
- 61 PDNP workover opportunities, most of which are reactivations of wells in Portachuelo Field
- 55 PUD, PROB, or POSS drilling locations, mostly targeting the Salina Mogollon Formation in the Mirador or Portachuelo Fields
  - All locations are technically Proved locations, either infill or one location from existing wells
  - All PUD reserves are from 51 Proved drilling locations
  - PROB reserves are mainly incremental recovery from the 51 PUD drilling locations, but also includes three additional Proved locations that were uneconomic with the 1P forecast
  - POSS reserves are mainly incremental recovery from 51 PUD and three PROB drilling locations, but also includes one additional Proved drilling location that was uneconomic with the 2P forecast

Block III Producing Wells, Workover Targets and Drilling Locations by Field

Field Area	PDP	PDNP	PUD	PROB	POSS	UU	TOTAL
Boca	25	0	0	0	0	9	34
La Brea	5	0	0	0	0	52	57
Mirador	45	8	21	1	1	50	126
Portachuelo	90	41	18	2	0	2	153
West Portachuelo	19	12	12	0	0	0	43
Total	**184**	**61**	**51**	**3**	**1**	**113**	**413**

Block IV

Interoil's working interest in Block IV is 100%. Block IV covers an area of 307 km^2 and production from the block started in 1951. The gross daily production today is approx. 1'000 bopd, while the peak production of approximately 5'000 bopd was obtained in 1960. As of today approx. 400 wells have been drilled on the block, of which 45 wells have been drilled after Interoil acquired the asset in September 2005. Current production is from approx. 240 wells. Most of the production in Block IV comes from the Parinas and Palegreda formations in the Bronco Field Northeast in the block. Interoil intends to develop the Northern area in the years to come. Several well locations are defined and the plan is to drill these wells in 2011 going forward.

The upside potential in Block IV recognized by Macqurie/Tristone includes license extension and can be summarized as follow:

- PDP forecast is 245 wells producing mainly from the Parinas and Palegreda Formations
- 62 PDNP workover opportunities, most targeting the Parinas and Palegreda Formations in the Bronco Field
  - All locations are technically Proved locations, either infill or one location from existing wells
  - All PUD reserves are from 55 Proved drilling locations
  - PROB reserves are mainly incremental recovery from the 55 PUD drilling locations, but also includes four additional Proved drilling locations that were uneconomic with the 1P forecast
  - POSS reserves are incremental recovery from the 55 PUD and four PROB drilling locations

Block IV Producing Wells, Workover Targets and Drilling Locations by Field							
Field Area	**PDP**	**PDNP**	**PUD**	**PROB**	**POSS**	**UU**	**TOTAL**
Alvarez	150	15	5	0	0	2	172
Oveja	27	2	11	0	0	13	53
Fondo	8	19	5	0	0	5	37
Bronco	42	19	26	3	0	11	101
Other	18	7	8	1	0	7	41
Total	**245**	**62**	**55**	**4**	**0**	**38**	**404**

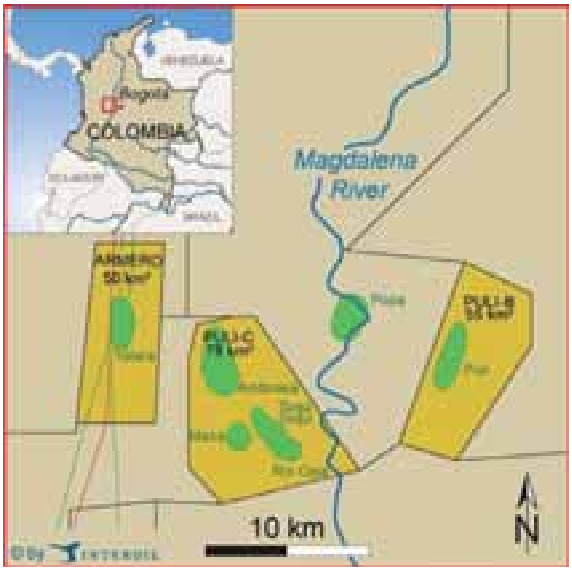
5.6 Colombia

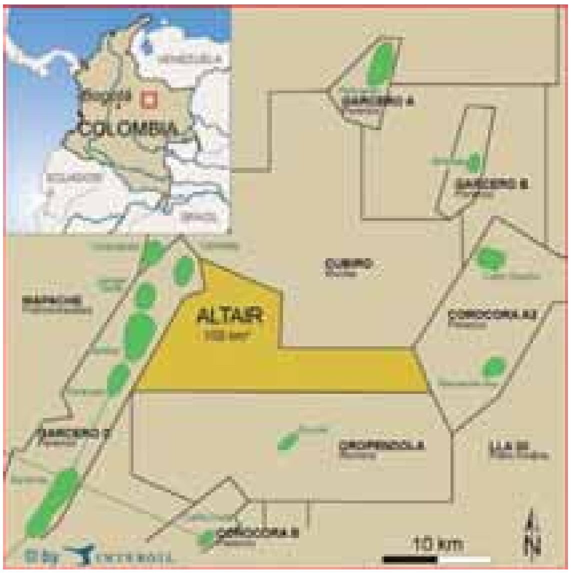
In Colombia, Interoil's activities and assets are held by its subsidiaries Interoil Colombia Exploration and Production Inc. with head office in Bogota. The Colombian assets include three Interoil operated producing licenses: Armero, Puli C and Puli B and the Altair Exploration license.

The producing licenses cover a total area of 258 km^2 and are located in the Rio Magdalena basin. The three producing licenses include six active association contracts: Totare, Ambrosia, Toqui Toqui, Mana, Rio Opia and Puli B.

The Altair Exploration covers an area of 159 km^2 and is located in the Llanos basin.

Colombia License Overview							
					Acreage		
Status	**License**	**Association Contract**	**WI**	**Royalty**	**Gross**	**WI**	**Expiration Date**
Producing							
	Amero	Totare	50%	20%	12,355	6,178	Dec 2010
	Puli B	Puli B	50%	20%	13,480	6,740	Apr 2012
	Puli C	Ambrosia	70%	8%	3,800	2,660	Dec 2027
		Mana	70%	8%	13,000	9,100	Nov 2028
		Rio Opia	70%	8%	998	698	Jun 2030
		Toqui Toqui	50%	20%	1,367	683	Mar 2012
				Subtotal	**45,000**	**26,060**	
Exploration							
	Altair	n/a	90%	8%	39,370	39,370	May 2010 (1st Exploration Phase)
				Total	84,370	65,430	





Interoil Colombia employs approximately 91 people, based in Bogota and at the production facilities in the Magdalena Valley. Interoil's average net production before royalties in Q2 2010, was approx. 2'000 bopd, which is an increase of more than 1'000 bopd since Interoil acquired the assets in 2005. Current production comes from 64 wells of which 28 have been drilled by Interoil since the acquisition. The target production for year end 2010 is 3'400 bopd, which will be achieved by drilling of new wells in the Mana, Rio Opia and the Altair license.

The Company acquired in 2006 80 km2 of 3D seismic covering most of the Puli C Block. Interoil owns and operates the entire infrastructure in the licenses. The oil is piped directly into local storage tanks and is transported by truck about 200 km south to Hocol's storage facilities. Hocol is the buyer of all the oil produced by Interoil in Colombia.

Interoil started the 2010 drilling campaign in the Mana and Rio Opia license at the end of Q2. In total 6 new wells will be drilled back to back during the second half of 2010. The first two wells in the Mana and Rio Opia license were completed in August and produce today approximately 100 bopd each. In addition Interoil plans to drill one additional exploration well in the Altair license at the end of 2010.

Below is further description of Interoil's contract areas in Colombia:

Toqui-Toqui field (located within Puli C Block)
The Toqui-Toqui field was the main producing asset in this area and produces today gross 1'000 bopd. The field started production in 1987. As of today approximately 40 wells have been drilled in total on the field, of which 31 is producing and 8 has been drilled by Interoil after the acquisition in 2005. Interpretation of the 80 km^2 3D seismic acquired in 2006 showed that the Toqui-Toqui field extended to Southwest into the Mana license, resulting that Interoil has focused more on this license during the last couple of years. Interoil's working interest in Toqui-Toqui is 50% and Ecopetrol is the partner. The Toqui-Toqui license expires early 2012 and negotiations for extension of the association contract to the end of the economic life is ongoing.

Mana contract (located within Puli C Block)
Before Interoil acquired the 3D seismic and started the development of the Mana Field only one well was drilled early 2004 and was defined as a discovery. The 3D seismic changed the picture of the Mana license totally. Several new structures were defined and showed that the Toqui-Toqui field extended into the license. Interoil started the drilling of new wells on the Mana license in 2006. As per today Interoil has drilled in total 20 wells in Mana during the last four years. Most of Interoil's proven reserves in Colombia are now located in the Mana license and the current gross production from the license is 1'800 bopd. Interoil has discovered that the Mana Field extends to the South and will develop this area going forward. The plan is to drill three wells in the Mana South during 2010. Interoil's working interest in the Mana contract is 70% and Ecopetrol is partner with a 30% interest. The Mana license expires in 2028.

Rio Opia contract (located within Puli C Block)
The gross daily production from the Rio Opia contract is approx. 100 bopd produced from two wells. The first successful well in the area was drilled in the spring of 2004. Several well locations are defined and the plan is to develop the license going forward. Interoil will drill two wells in Rio Opia in 2010. One well was completed in August 2010 and produces today 80 bopd. Interoil's working interest in the Rio Opia contract is 70% and Ecopetrol is partner with a 30% interest. The Rio Opia license expires in 2030.

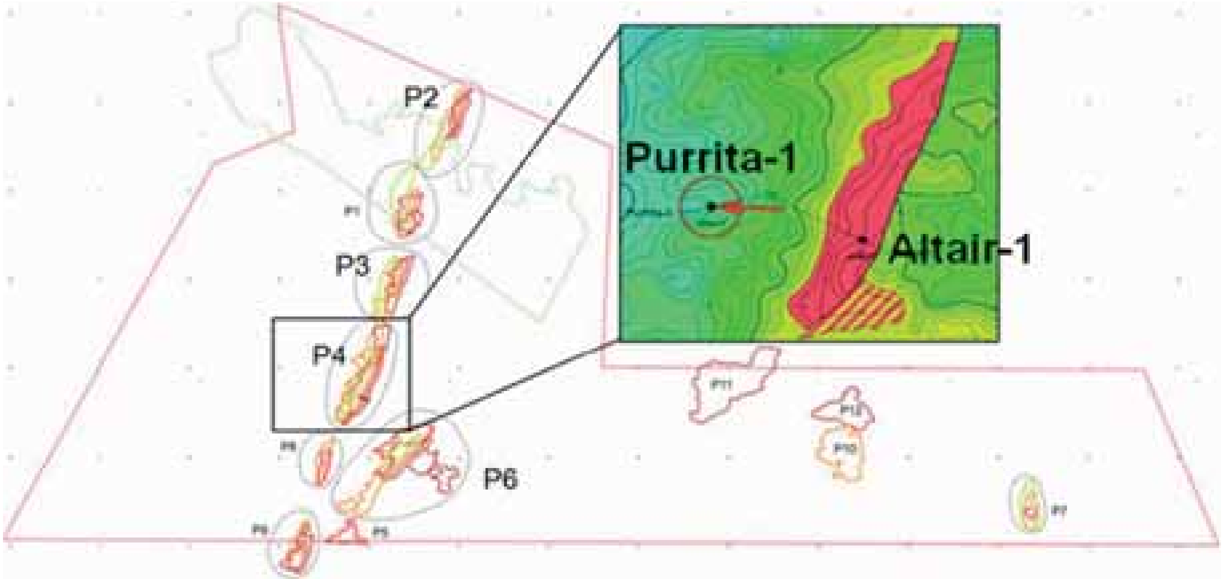
Ambrosia contract (located within Puli C Block)
The gross daily production from the Ambrosia contract is approx. 45 bopd from four wells. Five successful wells were drilled in the area in 2003/2004. The production development has been disappointing and no further wells have been drilled since than. Interoil's working interest in the Ambrosia contract is 70% and Ecopetrol is partner with a 30% interest. The Ambrosia license expires late 2027.

Totare contract (located within Armero Block)
The gross daily production from the Totare contract is approx. 100 bopd from three wells. Seven successful wells were drilled in the area in the period 1987-1991. The production from these wells, however, did not start until 1999 due to lack of infrastructure. The production development has been disappointing and no further wells have been drilled since then. Interoil's working interest in the Armero contract is 50% and Ecopetrol is partner with a 50% interest. The Armero license expire in December 2010 and negotiations for extension of the association contract to the end of the economic life is ongoing.

Puli B Block
The gross daily production from the Puli B Block is approx. 170 bopd from two wells. One successful well was drilled on the block in 1992, while a new well was drilled in 2006. The production from the first well, however, did not start until 1998 due to lack of infrastructure. Interoil's working interest in the Puli B Block is 100% for the first well and 50% of the second well. Sheridan Energy, a US Company has a 50% interest in the second well. The Puli B block expire early 2012 and negotiations for extension of the association contract to the end of the economic life is ongoing.

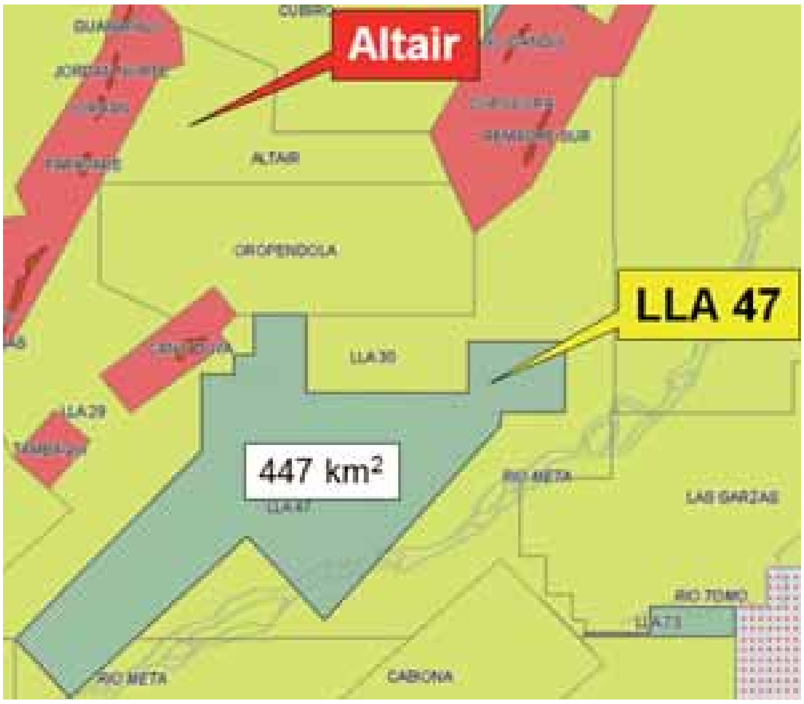
Altair Exploration license
Interoil was awarded in March 2008 the onshore Altair exploration block in the highly prolific Llanos Basin in a Colombian licensing round. The block covers an area of 159 km2 and is surrounded by established oil production and infrastructure. Interoil has fulfilled the first investment phase by acquiring 3D seismic covering the whole block and drilling of the first exploration well in April 2010. In February 2010 Interoil traded a 10% working interest of the Altair license to the Colombian drilling contractor Erazo Valencia Inc., against the drilling of two firm wells and two conditional wells. Two wells have been drilled in the Altair block during the second quarter 2010. The first exploration well (Altair-1) encountered oil in several intervals. A 14 days production test of the prospective Carbonera C7 reservoir was performed and the initial results were encouraging. The well was set in a Long Term Testing (LTT) in the beginning of July with 750 bopd. The relative thin oil column (21 ft), together with very good reservoir parameters (permeability of up to 20 Darcy) makes the prediction of the water cut from the test uncertain. The result from the LTT will give the Company a better understanding of the reserves to be expected from the Altair-1 structure.

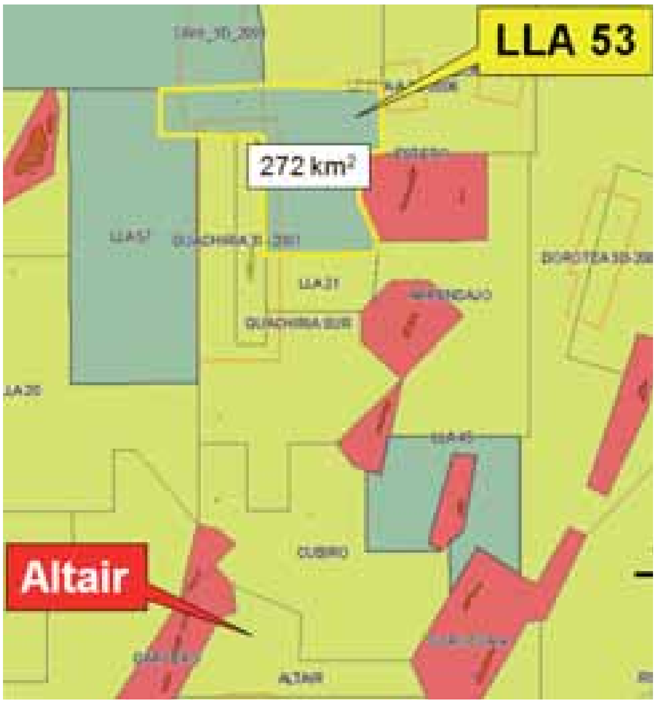
The second exploration well in the Altair Block, Purrita-1, drilled during May/June, was targeting a stratigraphic trap at the Gacheta level. The well reached the final depth at 7020 ft in economic basement. Poor oilshows was recorded at the target level. Electrical Logs were run, confirming the presence of a 40 ft net sand associated with the stratigraphic trap, but the petrophysical analysis showed a water wet sand. The well is being considered as a water injector for the Altair-1 well. Based on the result from Altair-1 and Purrita-1, Interoil will use the next 6 months to re-evaluate the remaining potential of the Block and subject to result, drill another exploration well in Altair by the end of 2010. Interoil has identified 12 potential structures (P1 to P12) by 3D seismic in the Altair license, of which 3 - 4 structures are expected to be profitable. Interoil will most likely drill the P3 structure under terms of the farm-in agreement with Erazo Valencia in the end of 2010, which is a similar structure to Altair-1.



Map: Altair license with potential structures identified by 3D seismic

New Areas
Interoil participated in the 2010 Colombian license round. The Colombian Hydrocarbon Agency (ANH) published a preliminary eligibility list of operators in June 2010 and Interoil has been ranked as the preferred operator of three licenses. The decision by ANH is subject to final approval by the Directive Council of the ANH and the final approval will be presented before the end of October 2010. Interoil intends to keep two of the licenses in the Llanos Basin (LLA 47 and LLA 53) if all CAPEX can be carried. The total CAPEX commitment for the two licenses over the initial investment period of three years is USD 50 million. Interoil is in the process of negotiating farm-in agreements and the plan is to remain as operator with a significant share.





Map of new licenses

5.7 Angola

Interoil was partner in the offshore Blocks 5 & 6 and in the onshore Cabinda North license in Angola.

Due to financial difficulties Interoil has not been able to meet all cash call requirements in Angola and has therefore now relinquished from the production sharing agreement in all three blocks. All capitalized assets in amount of USD 34.9 million related to Angola were impaired in the 2009 financial statements. Interoil has no further cash commitments in Angola and the relinquishment will have a positive profit and loss effect in the Q3 2010 financial statement on reversal of provisions of USD 12 million.

5.8 Ghana

In 2007 Interoil entered into a farm-out agreement with Tullow Ghana Limited to acquire a 31.5% working interest in the Tano Shallow Water Contract in Ghana. The Tano Shallow Water Contract is an offshore area with water depth of less than 300 m, lying in the Ivorian Basin, close to Ghana's western border. Three sub-economic, undeveloped oil and gas fields and two small, sub-economic oil discoveries were discovered during previous exploration and appraisal phases.

The second and final commitment well (Ebony-1) was drilled on the Ebony prospect November 2008. The well confirmed a four metre oil bearing interval at 2'053 metres and a two metre high-pressure gas-condensate interval at 2'570 metres. Log and sample data from the high-pressure gas-condensate sands and regional seismic interpretation shows that the sand belongs to a Turonian Fan system and there may be a large hydrocarbon column present, extending down-flank to the south within that fan system. Ebony-1 was in December 2008 declared as a hydrocarbon discovery by the Joint Management Committee (JMC). The Ebony prospect is limited to 80 km2. The remaining part of the Tano Shallow license area has been relinquished.

The operator Tullow Oil and Sabre Oil decided in April 2009 to withdraw from the license and transfer their interests to the remaining partners, Interoil and Thani Petroleum. The partners agreed that Interoil will take over the operatorship of the license. The formal consent for transferring the operatorship was approved in July 2010 by GNPC and the Ministry of Energy in Ghana.

Additional technical G&G work is carried out in order to refine the possible discovered volumes and to decide further work to be done at the Ebony prospect. Commercialization of the discoveries is being considered in connection with the landing of the Jubilee field associated gas which is located in the Tano Deep Water license. An appraisal program for the Ebony Discovery Area is to be submitted for approval by Ministry of Energy in Ghana by end October 2010 and Interoil has then two years to complete the appraisal program. Interoil is targeting full cost carry and is in the process of negotiating farm-in agreements in Ghana.

5.9 Patents and licences

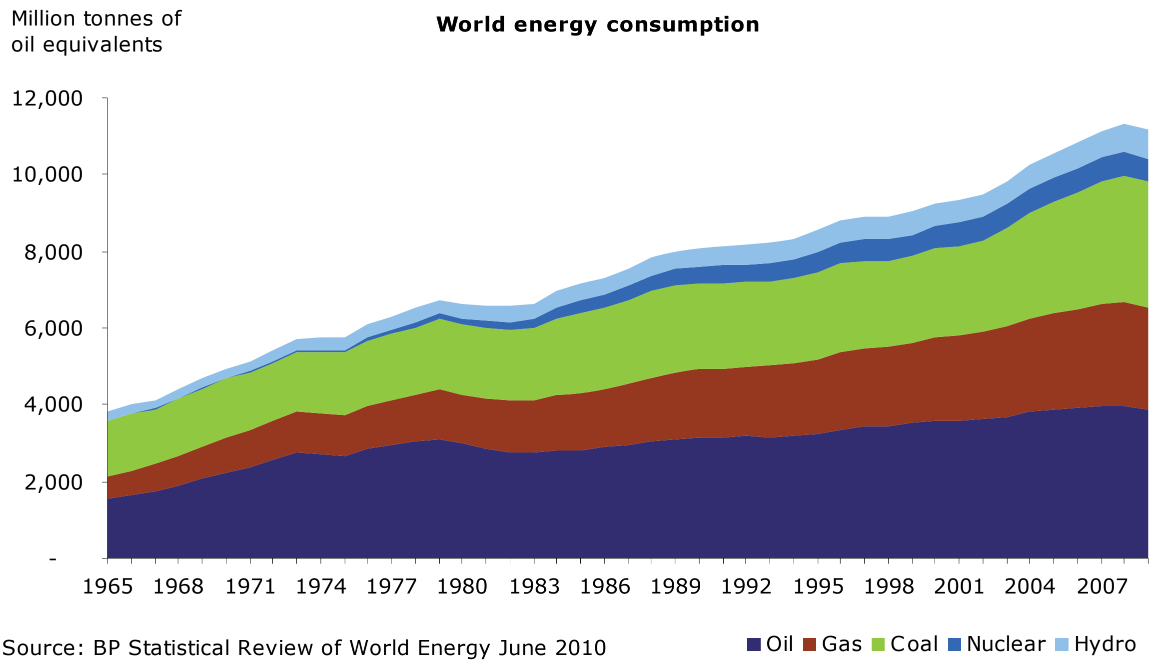
Except for the Company’s oil and gas licences in Peru and Colombia as described above in this section 5, the Company’s business is not dependent on any patents, licences or new manufacturing processes.

6 Principal markets

6.1 The global energy market

The world energy consumption has seen a steady increase since the industrial revolution, and is expected to continue to do so in the years to come. Fossil fuels continue to supply more than 85 per cent of the world's energy, and this share is expected to be approximately 77 percent in 2030[3].

The world consumption of primary energy – including oil, natural gas, coal, nuclear and hydro power – fell by 1.1% in 2009[4]. Global oil consumption declied by 1.2 million barrels per day or 1.7% in 2009, which was the largest decline since 1982.



Source: BP Statistical Review of World Energy June 2010

Prices of energy sources have experienced substantial volatility over the last two years. During the second half of 2007 prices of energy commodities initiated a rally that continued until mid summer 2008. The oil spot price reached USD 147 in mid-July 2008, well above the previous historical all time high for the oil price in real terms which was set in the beginning of the 1980s.

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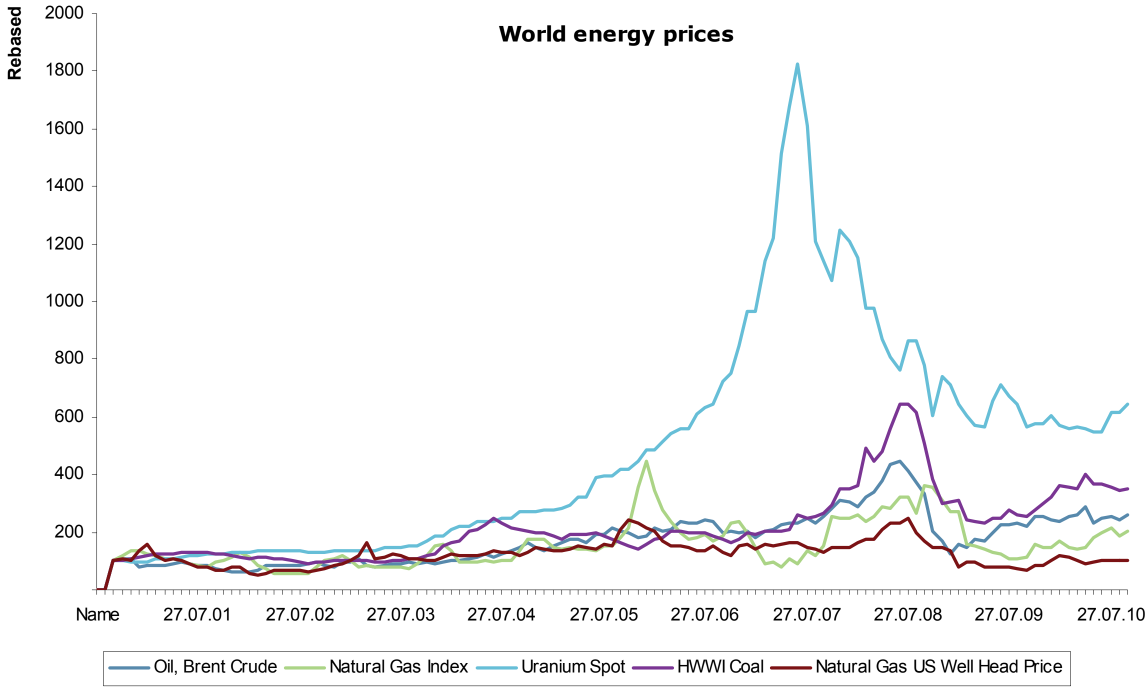
[3] International Energy Outlook, May 2009, Energy Information Administration,
[4] BP Statistical Review of World Energy, June 2010



Source: Datastream, September 2010

After the peak during the summer 2008 most energy commodity prices suffered from a correction that worsened with the collapse of the financial markets in autumn 2008 and the worsening outlook for the global growth prospects. Oil and uranium prices has recovered significantly in 2009 and in the first half of 2010 and as the economies of the World recover, most energy commodity prices are expected to grow in real terms in the coming years[5].

6.1.1 The oil market

Oil is a common description for hydrocarbons in liquid form. Crude oil produced from different oil fields varies greatly in composition, and the composition and distribution of hydrocarbon components determines the weight of the oil, with light crude oil having a higher percentage of light hydrocarbons than heavier oil. Light oil requires less refinement to be usable, and is therefore more valuable than the heavy oil.

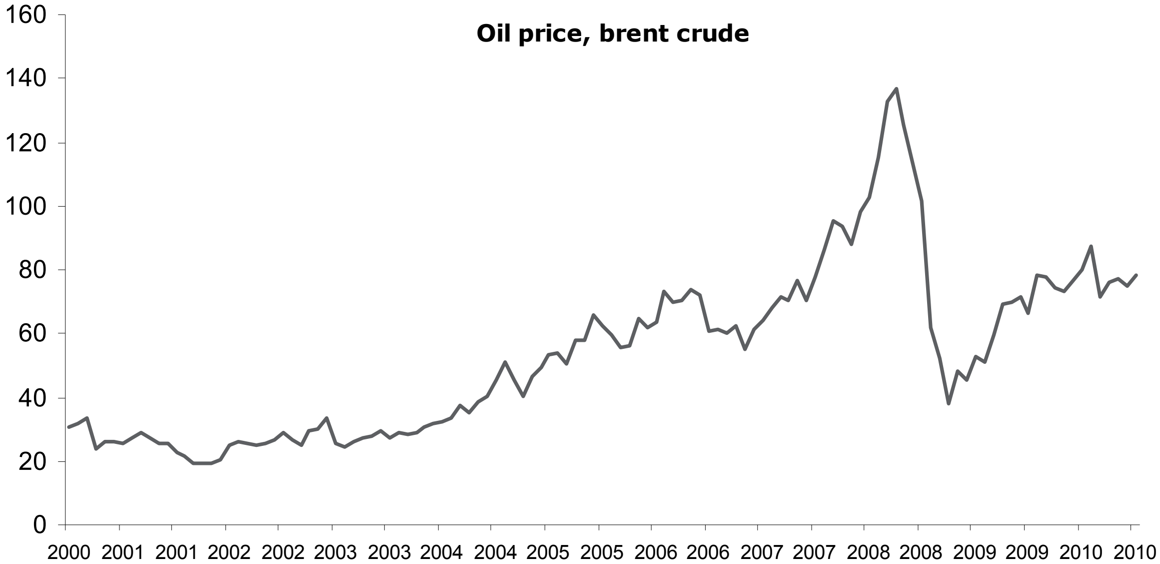
Oil is well suited for storage and transportation, and is transported over long distances in large crude oil tankers. Because of this, oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchanges, with NYMEX in New York and the IPE in London as the most important market for the determination of world oil prices. Prices are determined by the weight of the oil, with WTI, the main benchmark for NYMEX, as the lightest of the main benchmarks in oil pricing. Brent Crude, the main benchmark for IPE is slightly heavier.

Crude oil is used for a variety of purposes, the most important being the production of energy rich fuels, with 76 per cent of the hydrocarbons being used for gasoline, diesel, jet fuel and other fuel oils[6]. The remaining hydrocarbons are used as raw material for many chemical products, including pharmaceuticals, solvents, fertilisers, pesticides, and plastics.

6.1.1.1 The oil price

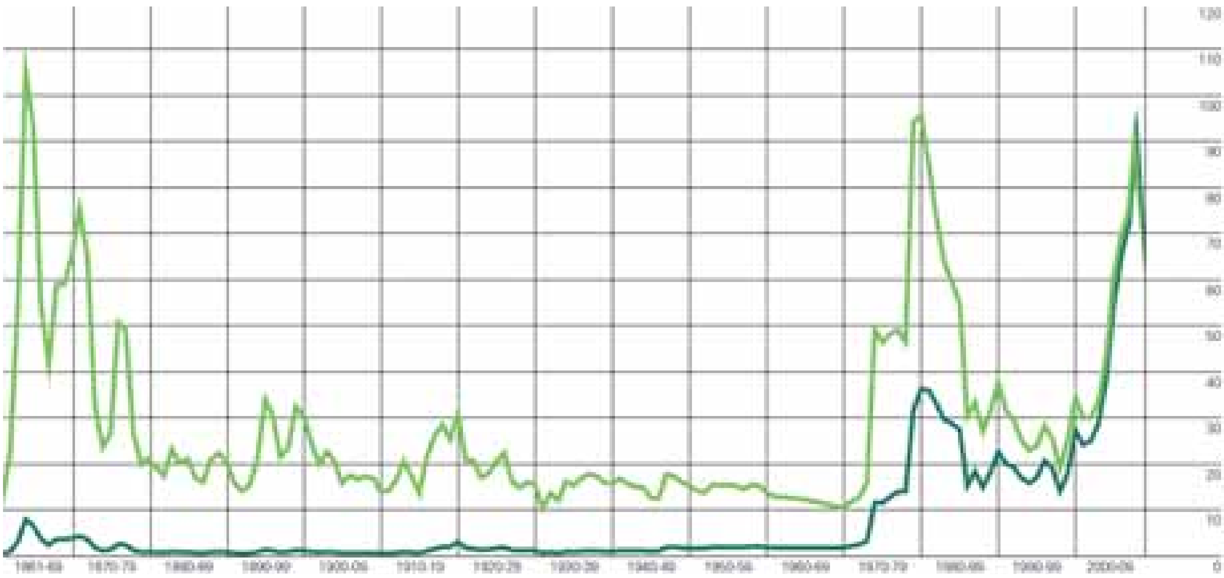
The brent crude oil price is currently at around USD 80 per barrel. The graph below shows the development of the oil price the last ten years.

[5] International Energy Outlook, May 2009, Energy Information Administration
[6] Annual Energy Review 2007, Energy Information Administration



Source: Factset, September 2010

Development of oil prices since 1861:

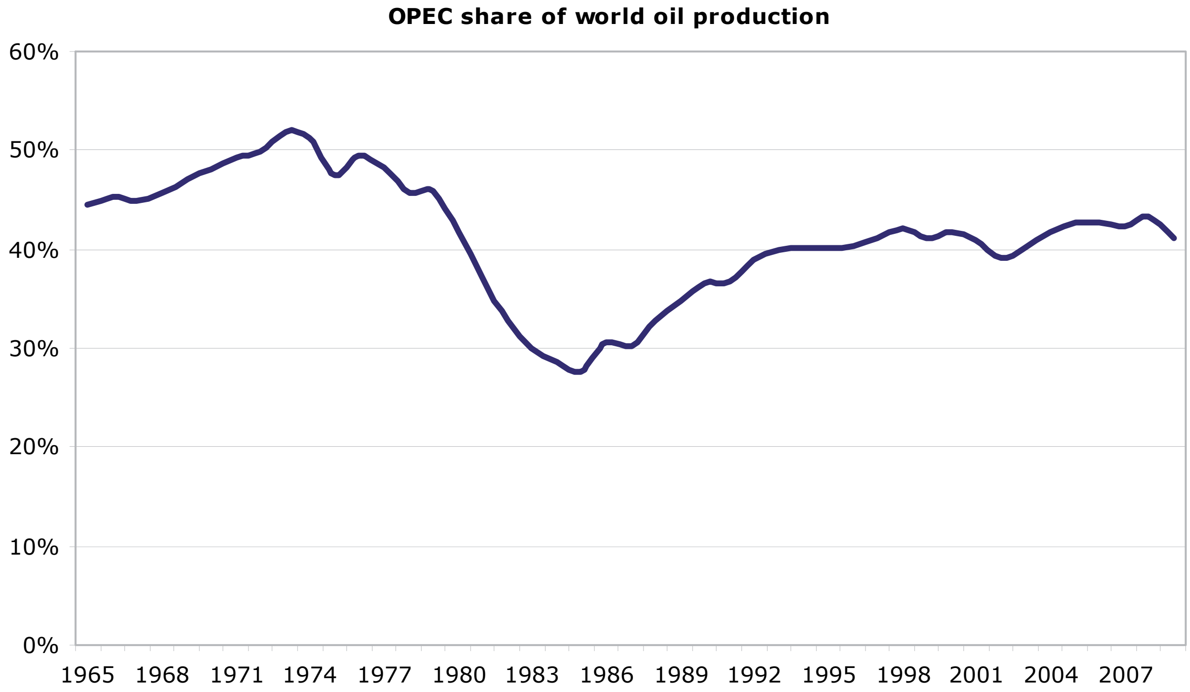


Nominal prices in dark green. Real oil prices in light green.

Source: BP Statistical Review of World Energy 2010

The price of oil is very volatile, as it is determined by a number of factors, including the supply and demand situation, GDP growth, geopolitical issues, climate, OPEC influence and government regulations. The oil price surge that ended in mid 2008 was driven by various events, including worries over peak oil, Middle East tension, oil price speculation and reports from the U.S. Department of Energy, increased demand from emerging countries like China and India, and others showing a decline in petroleum reserves.

The supply of oil and thus, the oil price, has since 1960 been strongly influenced by OPEC. OPEC is an international organisation of twelve countries, which are heavily reliant on oil revenues as their main source of income. The current members are Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. Indonesia withdrew from the organisation with effect in 2008. OPEC accounted for about 41 per cent of the World oil production in 2009[7]. The Oil and Energy ministers decide the output levels, and thereby controls a large amount of the available supply on the world market.



Source: BP Statistical Review of World Energy 2010

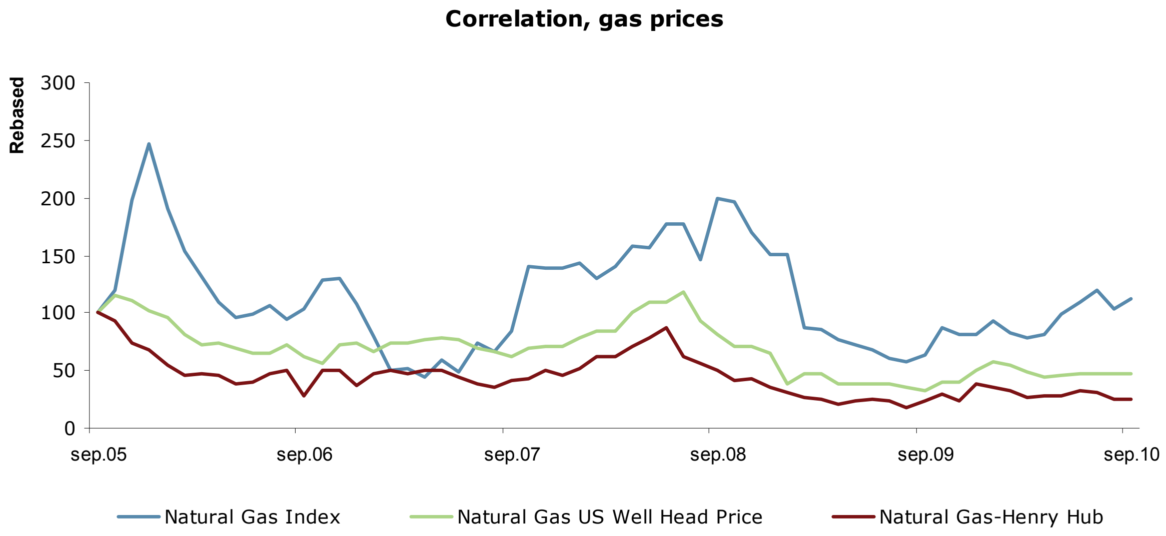
6.1.2 The gas market

Natural gas, for the most part, is colourless, odourless and non-toxic at ambient temperatures. It can be found in onshore and offshore reservoirs as associated gas in crude oil or condensate reservoirs, or in gas fields. Natural gas is composed primarily of methane, but may also contain ethane, propane and heavier hydrocarbons. Small quantities of nitrogen, oxygen, carbon dioxide, sulphur compounds, and water can also be found in natural gas. It is often termed a premium commodity for its value as both an energy source and as a feedstock, and because it is relatively clean-burning. As a result, natural gas is relied upon for a wide variety of applications: direct use in home and business heating; electric power generation; the manufacture of petrochemical products ranging from plastics to fertilisers and intermediate materials; and as a vehicle fuel.

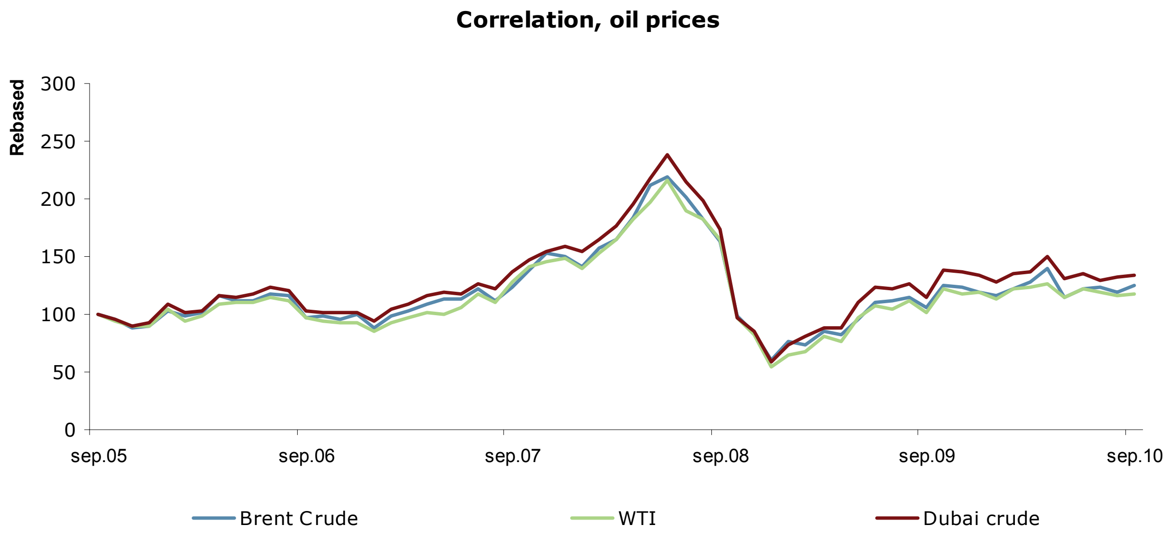
6.1.2.1 The gas price

The gas price is not determined by a world market place, as gas is not as easily transported as oil. The gas price is usually determined within different regional markets established by network of pipelines. Therefore, the different gas prices are much less correlated than the different oil types. The general trend for the gas price is nonetheless correlated to the oil price and other energy prices.

[7] BP Statistical Review of World Energy, June 2010



Source: Datastream, September 2010



Source: Datastream, September 2010

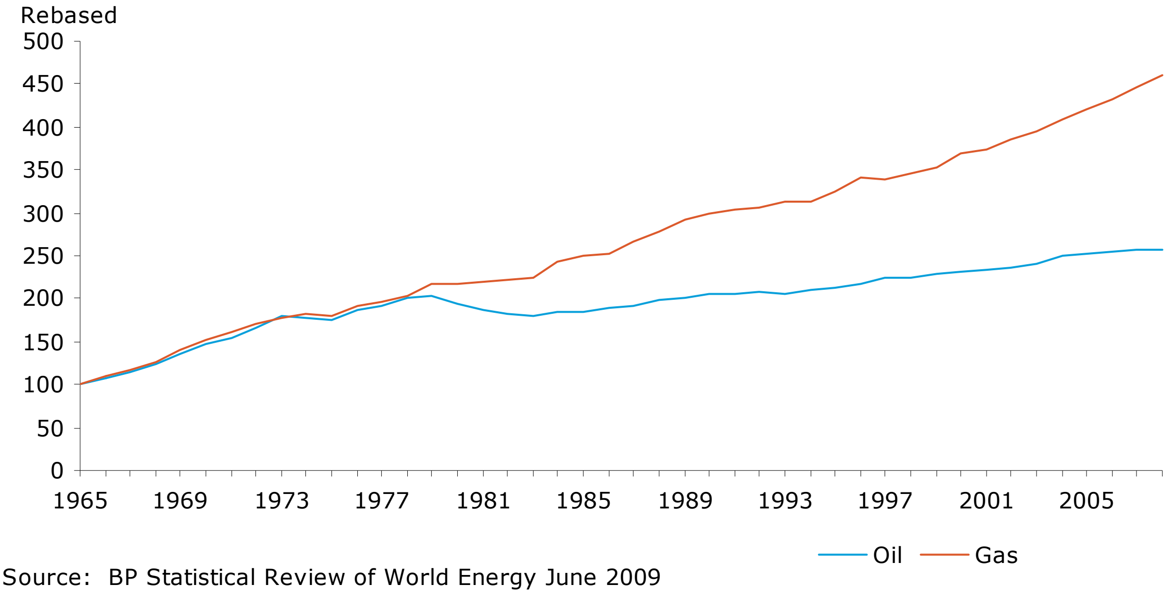
The volatility for gas prices is also significantly larger than for the oil price. This is because gas is not as easy to store as oil, which causes gas prices to be determined by the immediate supply and demand situation at the pipeline system.

6.1.2.2 Supply and demand

Demand for natural gas has increased substantially since 1970, at a much higher pace than the demand for oil. Gas has become a very competitive source of energy, and as gas is a more environmental friendly source of energy compared to oil and coal, the global gas consumption is expected to grow significantly. Projections made by the United States Department of Energy foresee the global consumption of natural gas growing by 70 per cent over a 25-year period running from 2001 to 2025. At 2.2 per cent growth per annum, the natural gas sector will far outstrip the annual growth for the oil or coal sector.[8]

[8] US Department of Energy

Consumption of oil and gas



Source: BP Statistical Review of World Energy June 2009

Much of the demand for natural gas is inelastic, meaning less responsive to variations in price, with residential heating being a good example. Industrial use of natural gas, however, is very sensitive to price, as is electric power generation. Despite being one of the most abundant energy sources on the planet, a large part of the world's discovered natural gas is considered stranded. Stranded gas refers to reserves that have been discovered, but have not been developed because, for whatever reason, they are uneconomic to deliver to market.

Gas is not as easy to store and transport as oil, and therefore the consumption and production of natural gas is more correlated than for oil. From the start of commercial gas production the only feasible, safe, reliable and economical method of transportation was through pipeline. However, since the first trials in the sixties, LNG has become an alternative method of transportation as technological improvements have made it economically more viable.

The pipeline transportation mode was ideally suited to the supply and market conditions of the twentieth century, when large reservoirs of gas could be found in accessible locations that provided the stability and long-term security that pipeline projects demand. Now, in the 21st century, the vast majority of the large, easily accessible gas plays have been tapped, and attention is shifting to stranded reservoirs that were previously considered to be too small, too remote, or too geographically harsh to develop. The majority of the offshore industry is geared toward the production of crude oil, which, being a liquid, can be easily transported by tanker to virtually any market in the world. The natural gas produced in association with the crude oil, however, presents a challenge. Pipelines are extremely expensive in all but the most ideal conditions, and with the current trend toward deepwater drilling, pipelines are often not technically or economically feasible. LNG requires large processing facilities in order to transport the gas; however the development of new fields located in the Barents Sea offshore Norway are laying the foundation for LNG technology that can be applied to other gas sources, and thereby making LNG more common.

7 Organisation, board, management and corporate governance

7.1 About the Company

Interoil is a public limited company incorporated in accordance with the Norwegian Public Limited Companies Act and subject to Norwegian law. The Company was incorporated on 2 May 2005. The Company's Shares are registered in VPS under ISIN NO 0010284318. The Company's account manager is DnB NOR Bank ASA, Verdipapirservice, Stranden 21, 0021 Oslo, Norway.

The Company has the following contact details:

Interoil Exploration & Production ASA
Strandveien 50
1366 Lysaker
Norway

Telephone:	+47 6751 8650
Fax:	+47 6751 8660
E-mail:	info@Interoil.no
Website:	www.Interoil.no

The Company is registered with the Norwegian Register of Business Enterprises under the organisation number 988 247 006.

As at 30 June 2010, the Group employed 283 employees of which 12 were employed in Norway, 12 in Switzerland, 168 in Peru and 91 in Colombia. Interoil's headquarter and management is located in Oslo, with a technical department in Zürich, Switzerland, and fully operational subsidiaries in Peru and Colombia.

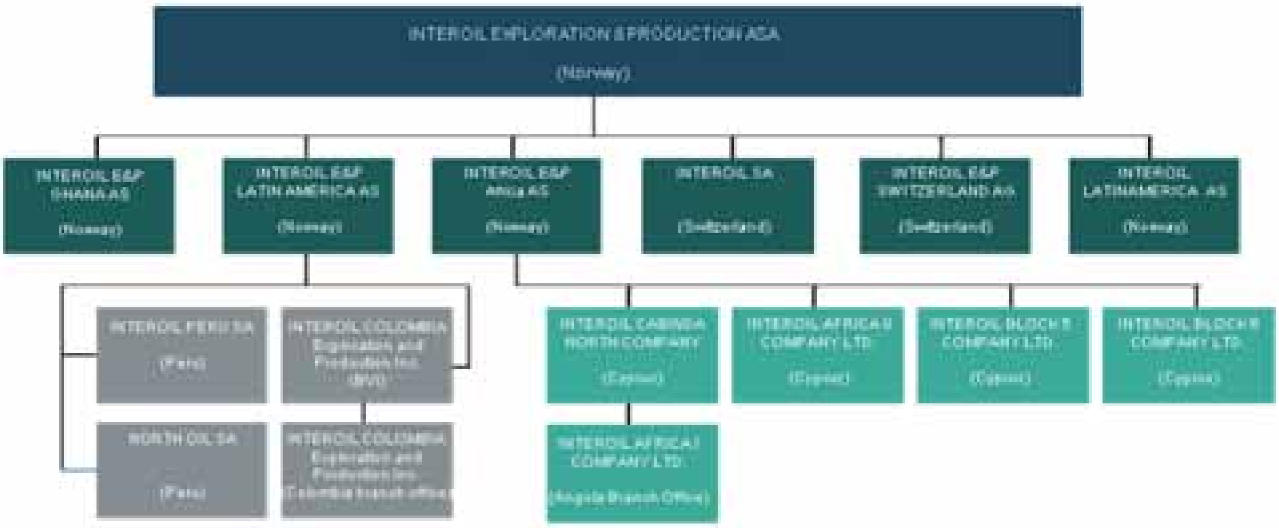
The Board of Directors of the Company consists of five members who contribute in technology and business development, complementing the capabilities of Interoil's staff.

7.2 Legal structure

The figure below shows the Company's legal structure as of the date of the Prospectus. Interoil Exploration and Production ASA is the parent company of the Group consisting of a total of 15 companies and is an operative company. These companies are:

Company	**Registered business Address**	**Direct and indirect share-holding and voting rights**
Interoil SA	Switzerland	100%
Interoil E&P Switzerland A	Switzerland	100%
Interoil Exploration and Production Latin America AS	Norway	100%
Interoil Latinamerica AS	Norway	100%
Interoil Exploration and Production Africa AS	Norway	100%
Interoil Exploration and Production Ghana AS	Norway	100%
Interoil Cabinda North Company Limited	Cyprus	100%
Interoil Africa II Company Limited	Cyprus	100%
Interoil Block 5 Company Limited	Cyprus	100%
Interoil Block 6 Company Limited	Cyprus	100%
Interoil Africa I Company Limited (Branch office)	Angola	100%
Interoil Peru SA	Peru	100%
North Oil Services S.A	Peru	100%
Interoil Colombia Exploration and Production Inc. (Branch office)	Colombia	100%
Interoil Colombia Exploration and Production Inc.	The British Virgin Islands	100%

The following chart illustrates the corporate structure of Interoil Exploration & Production ASA:



7.3 Organisational structure

7.4 Corporate Governance

Interoil's corporate governance principles aims at contributing to value creation over time, benefiting shareholders as well as other stakeholders. As an international exploration and production company, Interoil aims to conduct business in an economically efficient, socially responsible and environmentally acceptable way.

Interoil`s Board of Directors strongly believes sound principles for corporate governance are an important prerequisite for building trust between the Company and its stakeholders and securing shareholder value. Owners, investors, customers, employees and other stakeholders should always be confident that Interoil's business activities are characterized by reliability, control, transparency and high ethical standards. The Company is currently in compliance with, and is dedicated to observing high standards of corporate governance, based on the principles set forth in the Norwegian Code of Practice for Corporate Goverannce, as published on 21 October 2009.

The full Corporate Governance statement of the Board of Directors is presented in the 2009 Annual Report.

7.5 Board of directors

According to Norwegian law, the Board of Directors is responsible for administering the Company's affairs and for ensuring that the Company's operations are organized in a satisfactory manner. In the annual general meeting held on 17 June 2010, the current members of the Board of Directors were re-elected for a period of two years.

Mårten Rød, Chairman
Member of the Board since the 17 September 2005.
Business address: Interoil, Strandveien 50, 1366 Lysaker, Norway.

Mr. Rød has long experience as an entrepreneur and from the oil and gas industry, both from upstream and downstream business. He worked 11 years for Arco in the North Sea, founded Northern Energy UK in 1998, an oil company with production in Texas and Oklahoma. From 1995 he was President of Interoil Norway, which participated in various oil and mineral projects in West-Africa.

Gian Angelo Perrucci, board member
Member of the board since the 14 November 2005.
Business address: Nicrest Limited, 14 Grosvenor Crescent, London SWIX 7EE, UK.

Mr. Perrucci is an Italian entrepreneur. He previously built up a major shipping company in USA and Europe. During the last 15 years, he has developed a substantial logistics operation in West Africa including supply bases, engineering and production yards, as well as offshore support vessels.

Berit Kjøll, board member
Member of the board since the 26 July 2006.
Business address: BKConsulting, Huk terrasse 3, 0287 Oslo, Norway.

Ms. Kjøll has broad experience from managing businesses in Norway. She has previously held positions as COO at Telenor ASA, CEO at Steen&Strøm ASA, CEO at Flytoget AS, CEO at Tusenfryd ASA and CEO at Kilroy Travels AS. Mrs. Kjøll has extensive directorial board experience and has served on the Board of directors of, among others, SAS AB, DnBNOR ASA, Telenor Mobil AS, AVINOR and Aker Holding AS. She is currently on the Board of Directors of Hurtigruten ASA, the Student Board of BI Norwegian school of Management, the C. Ludens Ringnes Stiftelse, Den Norske Turistforening and Norges Rytterforbund.

Patricia Guerra, board member
Member of the board since the 26 July 2006.
Business address: Meyer Lustenberger Attorney at Law, Forchstrasse 452, P.O. Box 1432, 8032 Zürich, Switzerland.

Ms. Guerra is a partner in the Swiss law firm meyerlustenberger and was born in Ecuador. Ms Guerra is admitted to bar in Switzerland and New York and is member of the International Bar

Association. Her main areas of practice are corporate law, international estate planning and charitable organizations. Mrs. Guerra has previously been working as an attorney with the law firms Mayer Brown, Chicago, USA and with König and Meyer, Zurich, Switzerland.

She is member of the board of directors of several Swiss companies, including subsidiaries of large international groups active in the areas of shipping and the glass industry. Mrs Guerra is also a member of the Legal & Tax Chapter of the Latin American Chamber of Commerce in Switzerland and Honorary Consul of Ecuador in Zurich.

Thor Håkstad, board member
Member of the board since the 27 May, 2009.
Business address: Vabråten 105, 1392 Vettre, Norway.

Mr. Håkstad is a Mechanical Engineer of the Norwegian University of Technology in Trondheim. He started his career at Norsk Hydro in Oslo in 1974 and gained broad experiences from different Positions. Between 1982 and 1989 he was in charge of oil and gas operations. From 1989 – 1991 he was President of Hydro Energy (gas and power), from 1991–2004 Executive Vice President and Member of the Corporate Management Board. Between 2002 and 2009 he was member of the Board of Directors of Sulzer Ltd, Winterthur Switzerland (Vice Chairman from 2004). He is currently member of the Board of Standards Norway (Chairman), Flexiteek International and Statnett (Vice Chairman).

Fraudulent offences, bankruptcies, receiverships and liquidations
None of the members of the Board of Directors have been convicted in relation to fraudulent offences. Except where explicitly stated otherwise in this Prospectus, none of them have been involved in any bankruptcies, receiverships or liquidations. Nor have they been given any public incrimination and/or sanctions by regulatory authorities (including designated professional bodies) or have ever been disqualified by a court from acting as a member in the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Over the five years preceding the date of this document, the members of the Board hold or have held the following directorships and /or partnerships:

Board of Directors	**Current directorships/partnerships**	**Previous directorships/partnerships**
Mårten Rød	Chairman of the Board - Interoil, Chairman of the Board - Marine Subsea AS Chairman of the Board – Eksportconsult AS	
Gian Angelo Perrucci	Member of the Board - Interoil, Member of the Board - Marine Subsea AS, Member of the Board – Orlean Invest	
Patricia Guerra	Member of the Board – Interoil, Partner in Swiss law firm Meyerlustenberger, member of the Board – *Gearbulk AG, Switzerland*, member of the Board – Vitro Europa Ltd., Switzerland, Member of the Board – Vitro Global SA, Switzerland, member of the Board – IP Vitro Vidrio Y Cristal Ltd., Switzerland, member of the Board – Corinphila Auktionen AG, Switzerland	Member of the Board in U.S. Robotics (Schweiz) GmbH, Switzerland, Centro de Tecnologia Vidriera Ltd., Switzerland, Glass Re SA, Givisiez AG, Switzerland, Renewave Medical Systems SA, Switzerland, Tecnologia Vitro Vidrio Y Cristal Ltd., Switzerland, Vitrosa Holding, Switzerland
Berit Kjøll	Member of the Board – Interoil, Member of the Board - Hurtigruten ASA, the Student Board of – BI Norwegian School of Management, Member of the Board – C. Ludens Ringnes Stiftelse, Member of the Board – Den Norske Turistforening, Member of the Board – Norges Rytterforbund	COO in Telenor ASA, Member of the Board in SAS AB, DnBNOR ASA, Telenor Mobil AS, AVINOR and Aker Holding AS.
Thor Håkstad	Member of the Board – Interoil, Chairman of the Board - Standards Norway, Boardmember - Flexiteek International A/S, Vice Chairman of the Board - Statnett	Vice Chairman of the Board - Sulzer AG Switzerland

7.6 Management

Tom Wolden, Managing director
Business address: Interoil Exploration & Production ASA, Strandveien 50, 1366 Lysaker, Norway

Tom Wolden is a petroleum geologist with 28 years of experience in the oil business focused on offshore in NW Europe, Africa, Russia, SE Asia, Middle East and Norway. Mr. Wolden has been working for Saga Petroleum, Nopec and PGS and he was business area manager in the Middle East and Mediterranean for PGS Exploration AS until 2006. Mr. Wolden was the Chief Operating Officer in Interoil before he became Managing Director in January 2010.

Wilhelm Matheson, Chief Financial Officer
Business address: Interoil Exploration & Production ASA, Strandveien 50, 1366 Lysaker, Norway

Wilhelm Matheson is a graduate of BI in Oslo. Following 6 years with PricewaterhouseCoopers in Zurich, as a manager with investment management audit services, he took up the position of Interoil Group Controller in 2006 and Chief Financial Officer in 2008.

René Graf, Chief Technical Officer
Business address: Interoil Exploration & Production Switzerland AG, Seefeldstrasse 287, 8008 Zurich, Switzerland.

René Graf has long international experience, covering all aspects of exploration with focus on geophysical field operations, processing and interpretation, both 2-D and 3-D, land and marine seismic. This experience has been acquired during a period of almost 20 years working for Shell International in The Netherlands, France, Malaysia and Colombia.

Mauricio De La Mora, General Manager Colombia
Business address: Interoil E&P Colombia SA, Carrera 7 No. 113-43 oficina 1202, Edificio Torres Samsung, Bogota, Colombia.

Mr. De La Mora is a petroleum engineer with 23 years of experience in drilling, oil production, operations and reservoir. Mr. De La Mora has major studies in administration and finance and has worked for oil companies like BP Exploration, Hocol, Seven Seas Petroleum in Venezuela, USA and Ecuador. For the last 5 years, Mr. De La Mora was Operations & Production Manager for MCOG before he became General Manager Colombia in December 2005.

Pedro B. Timaná, General Manager Peru
Business address: Interoil Peru SA, Av. Republica de Panama 3531 Torre A Office 403 San Isidro, Lima, Peru.

Mr. Timana is a petroleum engineer with 30 years of experience in the Petroleum industry. Mr. Timana has worked on various oil and gas projects at the coast and in the jungle of Peru for several oil companies such as Petroperu, GMP and Mercantile. For the last 5 years, Mr. Timana was Operations & Production manager of MPOG before he became General Manager Peru in December 2005.

Thomas J. Fjell, Director Strategic and Legal Affairs
Business address: Interoil Exploration & Production ASA, Strandveien 50, 1366 Lysaker, Norway.

Mr. Fjell has a law degree from the University of Oslo. Prior to joining Interoil, Mr. Fjell worked as an attorney for 10 years advising a variety of global and domestic business clients on legal and strategic issues related to corporate restructurings, mergers, acquisitions and joint ventures.

Fraudulent offences, bankruptcies, receiverships and liquidations
None of the members of the management have been convicted in relation to fraudulent offences or have been involved in any bankruptcies, receiverships or liquidations. Nor have they been given any public incrimination and/or sanctions by regulatory authorities (including designated professional bodies) or have ever been disqualified by a court from acting as a member in the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years. There are no potential conflicts of interests between any duties to the issuer, of the persons referred to in section 7.6, and their private interests and or other duties.

Over the five years preceding the date of this document, the members of the senior management hold or have held the following directorships and /or partnerships:

Management	**Current directorships/partnerships**	**Previous directorships/partnerships**
Tom Wolden	Managing Director - Interoil	-
Wilhelm Matheson	CFO - Interoil	-
René Graf	CTO – Interoil	-
Thomas J. Fjell	Director Strategic and Legal Affairs – Interoil, Director Strategic and Legal Affairs – Marine Subsea AS	-
Mauricio De La Mora	General Manager Colombia – Interoil	-
Pedro B. Timaná	General Manager Peru - Interoil	-

7.7 Conflicts of interest

To the Company's knowledge, there are currently no other potential conflicts of interests between any duties to the issuer, of the persons referred to in section 7.5 and 7.6, and their private interests and or other duties, except as described below.

None of the persons referred to in section 7.5 and 7.6 have service contracts with Interoil or any of its subsidiaries providing for benefits upon termination of employment.

Some of the members of the Board of Directors and senior management may become engaged in other oil and gas interests on their own behalf and on behalf of other companies and situations may arise where the directors and officers will be in direct competition with the Company.

Chairman Mårten Rød and Board member Gian Angelo Perrucci are also the principal shareholders of the Company, and will therefore have the possibility to influence the decision-making in the Company. There may be potential conflicts of interests between their duties as members of the Board of Directors and their interests as shareholders in the Company.

Furthermore, Interoil has consultancy agreements with Eksportconsult AS and Fipenta SA, relating to the board members Mårten Rød and Gian Angelo Perrucci, which are engaged in the business development of the Company. The remuneration to the Board of Directors and the consultancy schemes are described in note 6 and 7 in the consolidated financial statement in the annual report 2009. See also 9.12 for a description of certain other related party transactions.

7.8 Remuneration and pension

The Board and management of Interoil were in 2009 remunerated in accordance to the following:

Management compensation in 2009:

Amounts in USD 1000	**N. Trulsvik *, CEO**	**T. Wolden *, COO**	**W.Matheson, CFO**	**R.Graf, CTO**
Period	01.01 - 31.12	01.01 - 31.12	01.01 - 31.12	01.01 - 31.12
Salary	531	352	222	396
Bonus	65	86	96	115
Fee from subsidiary	73	-	-	-
Pension scheme	25	24	17	-
Other (company car)	30	34	-	-

*) As of 29 January 2010 Tom Wolden was appointed as new Managing Director, Nils Trulsvik will continue as advisor to the Board.

Thomas J. Fjell was assigned as Director Strategic and Legal Affairs in February 2010 and received no compensation in 2009.

Board member compensation in 2009:

Amounts in USD 1000	M. Rød Chairman	G.A. Perrucci Dep. Chairman	Thor Håkstad ** Member	B. Kjøll Member	P. Guerra Member
Period	01.01 - 31.12	01.01 - 31.12	27.05 - 31.12	01.01 - 31.12	01.01 - 31.12
Board member fee	75	60	-	50	50
Fee from subsidiary	73	73	-	-	-
Consultancy fee	239	330	-	-	3*
Nomination commitee fee	-	-	-	3	-

*) The fee was paid to Meyer Lustenberger, a Swiss law firm where Patricia Guerra is one of the partners, in relation to the legal services performed on behalf of the Company in relation to the tax claim pertaining to related parties as further discussed in Section 9.12.

**) As from May 27 2009 Mr. Thor Håkstad replaced former board member Mr. Robert Blair Thomas.

No agreements related to salary payments after termination of employment has been made.

None of the members of the management team of the Company posess any options to acquire Shares in Interoil as of the date of the Prospectus.

7.9 Shareholdings and stock options

7.9.1 Overview

The Board and management of Interoil hold, control or represent the following shares and warrants convertible into Shares in Interoil ASA:

Name	**As of 31 December 2009**		**As of the date of the prospectus**	
Numbers in 1,000	**Number of Shares**	**Total Number of Warrants**	**Number of Shares**	**Total number of Warrants**
Mårten Rød	5,435,000	612,000	14,068,025	612,000
Gian Angelo Perrucci	5,435,000	612,000	9,488,960	612,000
Berit Kjøll	5,000	-	10,000	-
Patricia Guerra	-	-	-	-
Thor Håkstad	-	-	-	-
Tom Wolden	200	-	200	-
René Graf	20,000	-	120,000	-
Wilhelm Matheson	-	-	-	-
Mauricio De La Mora	-	-	-	-
Pedro B. Timaná	-	-	-	-
Thomas J. Fjell	-	-	-	-

The table above shows shareholdings before the capital increase.

Mårten Rød owns his shares through Eksportconsult AS, owned by him and his family. Gian Angelo Perrucci owns 1.6% directly and 17.8% through his fully controlled company Rakila Properties Limited. Further, Perrucci controls 200,000 shares registered under Eksportconsult AS, representing 0.4% of the total shares in the Company. Nils Trulsvik owns his shares through the company Force Capital Partners.

The following members of the Board and management of Interoil acquired Shares in the Private Placement as set out below:

Numbers in 1,000	Number of Shares	Share price (NOK)	Total cash contribution
Mårten Rød	4,579,065	12.5	57,238,313
Mårten Rød	4,053,960	12.5	0*
Gian Angelo Perrucci	4,062,600	12.5	50,782,000
Berit Kjøll	5,000	12.5	62,500
René Graf	100,000	12.5	1,250,000

* These shares were subscribed for by way of debt conversion, as described in section 4.

No members of the board or management have acquired any Shares in the Company during 2009 other than in the Private Placement.

8 Financial information

You should read the following discussion of the financial condition and results of operations in conjunction with the financial statements included in this Prospectus. The following discussion contains forward-looking statements that are based on current assumptions and estimates by The Company's management regarding future events and circumstances. The Company's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of many factors, including those described in Section 2 "Risk factors".

Historical financial information for the Company for the years 2007, 2008, 2009 and the first half of 2010 is presented below. International Financial Reporting Standards (IFRS) as adopted by EU have been applied as the accounting principles for listed companies in Norway since The Company was established on 2 May 2005. The financial statements for the last three years are audited, whereas the first half figures for 2009 and 2010 are unaudited.

For further comments regarding the Company's financial information and explanatory notes, see the annual and quarterly reports for 2007, 2008 and 2009. The figures for the first half of 2010 as included below have been prepared by the Company and are unaudited. The Company's financial statements are available at the Company's website www.Interoil.no.

8.1 Summary of significant accounting policies

A summary of significant accounting policies is presented below. For other accounting principles, please refer to the accounting principles section preceding the notes in the 2009 financial statement for Interoil Exploration & Production ASA.

The consolidated financial statements include the Company and all its subsidiaries (together referred to as "the Group"). The Group consists of the Company based in Norway, with subsidiaries based in Norway, Switzerland, Cyprus, Angola, Peru, Colombia and the British Virgin Islands.

8.1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and correspond with the interpretation of the International Accounting Standards Board. The consolidated financial statement is presented in USD and is rounded up to thousands (1,000). The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 in The Company's financial statement of 2009.

Changes in accounting policies and disclosures

With effect from 1 January 2010 Interoil adopted certain revised and amended accounting standards and improvements to IFRS as further outlined in the Significant accounting principles note disclosure to Interoil's financial statements for 2009. None of these revised standards or amendments have significantly impacted financial information for the first half of 2010, nor have there been any other significant changes in accounting policies compared to the annual financial statements.

8.1.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill if applicable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

8.1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

8.1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the functional currency for the parent company and all significant companies in the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

8.1.5 Exploration and production rights assets

Oil exploration expenditures are accounted for using the successful efforts method of accounting. Some exploration and evaluation assets should be classified as intangible, for example license acquisition costs and capitalized exploration assets. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred, except for costs connected to areas with proven reserves which are capitalized. Costs directly associated with an exploration well are capitalized until the determination of reserves is evaluated. Each individual exploration well is considered being a unit when considering impairment of the evaluation and exploration asset. If the commercial discovery has not been achieved, these costs are charged to expense.

Once commercial reserves are found, exploration and production rights assets are tested for impairment and transferred to development assets. No depreciation and/or amortization are charged during the exploration phase.

8.1.6 Development assets

Expenditure on the construction, installation or completion of infrastructure facilities such as production equipment, pipelines and the drilling of commercially proven development wells is capitalized within tangible assets. When development is completed on a specific field, it is transferred to production assets. No depreciation and/or amortization are charged during the development phase.

8.1.7 Oil production assets

Oil production assets are aggregated exploration, production rights assets and development expenditures associated with the production of proved reserves. Furthermore, the oil production assets include property leasehold acquisition costs directly attributable to production assets.

8.1.8 Depreciation and amortisation

Oil assets that are purchased are depreciated and amortized using the unit-of-production method based on proved reserves. Exploration and development assets transferred to production assets are depreciated and amortized using the unit-of-production method based on proved developed reserves, which are oil mineral reserves estimated to be recovered from existing facilities using current operating methods.

8.1.9 Impairment – production rights, exploration and development assets

Production rights, exploration and development assets are tested for impairment whenever facts and circumstances indicate impairment. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the assets subject to testing are tested for impairment on a production field (CGU) by production field basis.

8.1.10 Impairment – oil production assets

Oil production assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, the proved oil and gas properties subject to testing are tested for impairment on a production field (CGU) by production field basis.

8.1.11 Other property, plant and equipment

All other property, plant and equipment are stated at historical cost less depreciation and impairment. Historical costs include expenditures that are directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method to allocate their cost to their values over their estimated useful lives (3 – 10 years). The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

8.1.12 Intangible assets

(a) Other intangible assets

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives (three to five years). The other intangible assets are fully amortized as of December 31, 2009.

(b) Exploration and evaluation assets

Some exploration and evaluation assets are classified as intangible assets according to IFRS 6, for example license acquisition costs and capitalized exploration assets. When technical feasibility and commercial viability of the assets are demonstrable, the assets are reclassified to tangible assets and depreciated. The exploration and evaluation assets which are classified as intangible are assessed for impairment before reclassification.

8.1.13 Financial assets and liabilities at FVtPL

Financial assets at fair value through profit or loss (FVtPL) includes financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships. Financial instruments included in the financial assets at FVtPL category for the Group comprise of commodity based derivative contracts (energy derivative transactions) to reduce the risks in overall earnings and cash flows and money market funds. The Group has not designated any financial assets upon initial recognition as at FVtPL. Financial assets at FVtPL are carried in the statement of financial position at fair value with changes in fair value recognized the statement of comprehensive income, presented as gain / (loss) on financial instruments at FVtPL. In addition to the financial instruments described above, the Group has a USD convertible bond loan. As USD is the functional currency and the conversion rights are in NOK, the conversion rights are treated as derivative financial instruments at FVtPL. Fair value of the conversion rights are carried in the statement of financial position with changes in fair value recognized in the statement of comprehensive income, presented as financial income or financial expense.

8.1.14 Trade receivables

Trade receivables are recognized at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

8.1.15 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Inventory cost includes raw material, freight, and direct production expenses together with a portion of indirect expenses.

8.1.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. All cash and cash equivalents not available to the Group at the end of the reporting period are classified as restricted.

8.1.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

8.1.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Please refer to section 8.10.4 for description of conversion rights attached to bond loan.

8.1.19 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

8.1.20 Employee benefits

Defined benefit plan:
The Group operates one defined benefit plan for the employees in the holding company, Interoil Exploration and Production ASA. The scheme is funded through payments to insurance companies, determined by periodic actuarial calculations. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the Currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plans:
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

8.1.21 Provisions

General:
A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Abandonment and decommissioning liabilities:
In accordance with the terms of the license concessions for licenses where the Group has ownership interest, the local authorities may instruct the license holders to partly or completely remove the facilities at the end of production or when the concession period expires. Upon initial recognition of a liability when The Company has a constructive obligation, The Company calculates and records the net present value related to future abandonment and decommissioning. The same amount is capitalized as part of the cost price of the asset and depreciated using the unit of production method. The change in the time value of the liability related to the abandonment and decommissioning is charged to expense as other expenses and increases the future liability related to the abandonment and decommissioning. Any change in the estimate related to expenditures associated with abandonment and decommissioning liabilities are accounted for prospectively (remaining production) based on the unit of production method.

8.1.22 Revenue recognition

Sales revenue related to sale of oil and gas is recognized when the ownership rights are transferred to the customer at the time of delivery based on contractual terms in the sales agreements, i.e. when deliveries are made at a sales transfer point. Sales are presented net of royalty payments. Revenues connected to test production for new wells in association contract are recognized as other provision and charges until participation by the association party is determined. If the association party declares participation in accordance with the agreement, deferred revenue is transferred to the association contract account. If the association party declares no participation, the deferred revenue is recognized as revenue.

8.1.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

8.1.24 Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares from exercise of stock options. Stock options are deemed to have been converted into ordinary shares on the date when the options were granted. When net profit is negative, the dilutive instruments described above will have an anti dilutive effect when calculating dilutive earnings per share. This anti dilutive effect will not be considered when calculating dilutive earnings per share.

8.1.25 Accounting for association contract with Ecopetrol (Colombia)

Revenues connected to test production for new wells in association contract with Ecopetrol are recognized as deferred revenue until 30% participation by Ecopetrol is determined. Deferred revenue is transferred to the association contract account when Ecopetrol declares participation in accordance with the association contract.

Capital expenditures and operating expenses connected to such test productions are expensed as incurred. At the time Ecopetrol declares participation in accordance with the association contract, 30% of capital expenditures and operating expenses that will be refunded to Ecopetrol are credited to property, plant and equipment and other income respectively.

8.1.26 Acquisitions, Sales and License Exchanges

Proceeds from the sale of oil and gas licenses in the exploration stage are offset against the related capitalized costs of each cost centre with any excess of net proceeds over all costs capitalized included in Other income/ (expense) in the statement of comprehensive income.

8.2 Historical financial information

8.2.1 Restatement and reclassification

In order to improve the presentation of the statement of comprehensive income, The Company has reclassified certain items for the year 2008. Because the financial information for the year 2007 has not been restated and thus is not comparable to the financial information from 2008 and 2009.

In the following passage, objects affected by the reclassification are mentioned.

Operating expenses including salaries and social expenses directly related to the operations, have been reclassified from Administration expenses to Cost of goods sold and Exploration expenses. This to better demonstrate the correct allocation of the expenses and resources used to perform the operating activities of the Group.

Further to improve the presentation of financial instruments from operating activities, gain / (loss) from change in fair value or interest of the financial assets at FVtPL, has been reclassified from other income / (expenses) to gain / (loss) on financial instruments at FVtPL.

IFRS 6 Exploration for and Evaluation of Mineral Resources requires exploration and evaluation assets to be classified as tangible or intangible according to the nature of the assets. Some exploration and evaluation assets, license acquisition costs and capitalized exploration assets have therefore been reclassified as intangible assets.

For further information and impact on the presentation of the financial statements related to these reclassifications, please see the Annual Report of 2009, note 5.

In the following passage, objects affected by the restatement are mentioned.

In the annual report 2008 the USD 10.0 million installment which was due 2 May 2009 was presented as non-current liabilities in the consolidated statement of financial positions. The balance has been restated from non-current liabilities to current liabilities as of 31 December 2008.

Upon initial recognition of the convertible bond, the Company did not separate the loan into a liability component and an equity component, in which the fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond and the equity component calculated as the residual. As The Company's functional currency is USD and the convertible element is in NOK, the conversion rights should have been recognized in accordance with IAS 39 as a derivative financial instrument and not as an equity element in accordance with IAS 32 upon initial recognition. The recognition in accordance with IAS 39 implies treating the conversion rights as a derivative financial instrument at fair value through profit and loss, subsequent changes in fair value from issuance is recorded as a financial income/expense in the statement of comprehensive income. The fair value of the conversion has been determined using the Black &-Scholes valuation model. The value of the liability component, USD 11.8 million, and the conversion rights, USD 7.4 million, were determined at issuance of the bond. Subsequent changes in fair value of the conversion rights are recorded in financial items in the statement of comprehensive income.

For further information and impact on the financial statements related to these restatements, please see the Annual Report of 2009, note 5.

8.2.2 Consolidated income statements

Set out below is the consolidated income statement for the Group:

Amounts in USD 1 000	**For the 3 month period ended 30 June 2010** (unaudited)	**For the 3 month period ended 30 June 2009** (unaudited)	**For the 6 month period ended 30 June 2010** (unaudited)	**For the 6 month period ended 30 June 2009** (unaudited)	**2009**	**2008** Restated	**2008** Original	**2007**
Sales	23 765	24 281	48 304	45 705	100 430	115 149	115 149	69 408
Cost of goods sold	(13 013)	(14 363)	(25 206)	(27 394)	(56 117)	(49 156)	(41 678)	(29 993)
Gross profit	**10 752**	**9 918**	**23 098**	**18 311**	**44 313**	**65 993**	**73 471**	**39 415**
Exploration cost expensed	(3 508)	(5 578)	(8 365)	(11 183)	(37 435)	(22 405)	(10 685)	(25 680)
Administrative expense	(331)	(357)	(873)	(1 540)	(9 066)	(4 866)	(24 064)	(18 725)
Other income / (expense)	921	7 670	1 550	7 699	11 433	2 046	923	325
Impairment oil and gas assets	-	-	-	-	(34 919)	-	-	-
Gain / (loss) of financial instruments at FVtPL	1 306	22	1 309	9	54	1970	3 093	(12 688)
Result from operating activities	**9 140**	**11 675**	**16 719**	**13 296**	**(25 620)**	**42 738**	**42 738**	**(17 353)**
Finance costs - net	(4 892)	(6 552)	(10 065)	(8 957)	(20 540)	(8 264)	(10 992)	(17 958)
Profit / (loss) before income tax	**4 248**	**5 123**	**6 654**	**4 339**	**(46 160)**	**34 474**	**31 746**	**(35 311)**
Income tax expense	(3 069)	(2 676)	(6 521)	(5 476)	(8 424)	(17 465)	(17 465)	(9 106)
Profit / (loss) for the period	**1 179**	**2 447**	**133**	**(1 137)**	**(54 584)**	**17 009**	**14 281**	**(44 417)**

8.2.3 Segment information

The Group's organizational structure reflects the different activities in which Interoil is engaged. Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions. The Group has five reportable segments, as described below, which are the Group's strategic business units. The business is considered both from a geographic and development phase perspective. Geographically, management considers the performance of the activities in Colombia, Peru, Ghana, Angola and Corporate. For each of the strategic business units, the management and other decision makers review internal management reports on a day to day basis. The following summary describes the operations in each of the Group's reportable segments:

– Colombia, consists of upstream activities including oil and natural gas exploration, field development and production from the Group's licenses in Colombia
– Peru, consists of upstream activities including oil and natural gas exploration, field development and production from the Group's licenses in Peru
– Ghana, consists of exploration activities performed by the operator or internally in relation to the Group's license in Ghana
– Angola, consists of exploration activities performed by the operator or internally in relation to the Group's former license in Angola
– Other businesses and Corporate consist of activities performed by the Technological centre and corporate activities world wide

No operating segments have been aggregated to form the above reportable operating segments.
Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on production, operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Segment revenues and segment results include transactions between business segments. These transactions and any unrealized profits and losses are eliminated. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment information – business segments

For the 6 month period ended 30 June 2010 Amounts in USD 1 000	**Colombia**	**Peru**	**Ghana**	**Angola**	**Other busin. And Corpor.**	**Total report. segm.**	**Elimin.**	**Group**
Sales	20 360	27 320	-	-	2 498	50 178	-	50 178
Inter-segment sales	-	-	-		-	-	(1 874)	(1 874)
Cost of goods solds	(9 565)	(15 417)	-	-	(224)	(25 206)	-	(25 206)
Gross Profit	**10 795**	**11 903**	**-**	**-**	**2 274**	**24 972**	**(1 874)**	**23 098**
Exploration cost expensed	(1 771)	(1 473)	(425)	(2 779)	756	(5 692)	(2 673)	(8 365)
Administrative expense	-	-	-	(10)	(863)	(873)	-	(873)
Other income / (expenses)	1 297	223	-		30	1 550	-	1 550
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	1 309	1 309	-	1 309
Result from operating activities	**10 321**	**10 653**	**(425)**	**(2 789)**	**3 506**	**21 266**	**(4 547)**	**16 719**
Finance costs - net	(666)	326	-	-	(9 725)	(10 065)	-	(10 065)
Result before income tax	**9 655**	**10 979**	**(425)**	**(2 789)**	**(6 219)**	**11 201**	**(4 547)**	**6 654**
Income tax expense	(3 185)	(3 336)	-	-	-	(6 521)	-	(6 521)
Result for the year	**6 470**	**7 643**	**(425)**	**(2 789)**	**(6 219)**	**4 680**	**(4 547)**	**133**

For the 6 month period ended 30 June 2009 Amounts in USD 1 000	**Colombia**	**Peru**	**Ghana**	**Angola**	**Other busin. And Corpor.**	**Total report. segm.**	**Elimin.**	**Group**
Sales	13 095	31 847	-	-	3 271	48 213	-	48 213
Inter-segment sales	-	-	-		-	-	(2 508)	(2 508)
Cost of goods solds	(10 313)	(16 277)	-	-	(804)	(27 394)	-	(27 394)
Gross Profit	**2 782**	**15 570**	**-**	**-**	**2 467**	**20 819**	**(2 508)**	**18 311**
Exploration cost expensed	(1 033)	(801)	(793)	(6 724)	(1 832)	(11 183)		(11 183)
Administrative expense	-	-	-	(25)	(1 515)	(1 540)	-	(1 540)
Other income / (expenses)	840	(169)	-	7 000	28	7 699	-	7 699
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	9	9	-	9
Result from operating activities	**2 589**	**14 600**	**(793)**	**251**	**(843)**	**15 804**	**(2 508)**	**13 296**
Finance costs - net	(1 038)	222	-	-	(8 141)	(8 957)	-	(8 957)
Result before income tax	**1 551**	**14 822**	**(793)**	**251**	**(8 984)**	**6 847**	**(2 508)**	**4 339**
Income tax expense	(512)	(4 986)	-	-	-	(5 476)	-	(5 476)
Result for the year	**1 039**	**9 836**	**(793)**	**251**	**(8 962)**	**1 371**	**(2 508)**	**(1 137)**

For the year ended 31 December 2009 Amounts in USD 1 000	**Colombia**	**Peru**	**Ghana**	**Angola**	**Other busin. And Corpor.**	**Total report. segm.**	**Elimin.**	**Group**
Sales	36 085	62 404	-	-	6 557	105 046	-	105 046
Inter-segment sales	-	-	-		-	-	(4 616)	(4 616)
Cost of goods solds	(22 634)	(31 455)	-	-	(2 028)	(56 117)	-	(56 117)
Gross Profit	**13 451**	**30 949**	**-**	**-**	**4 529**	**48 929**	**(4 616)**	**44 313**
Exploration cost expensed	(11 514)	(3 137)	(1 589)	(16 678)	1 805	(31 113)	(6 322)	(37 435)
Administrative expense	-	-	-	(36)	(9 030)	(9 066)	-	(9 066)
Other income / (expenses)	2 859	(1 381)	-	9 906	49	11 433	-	11 433
Impairment of oil and gas assets	-	-	-	(34 919)	-	(34 919)	-	(34 919)
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	54	54	-	54
Result from operating activities	**4 796**	**26 431**	**(1 589)**	**(41 727)**	**(2 593)**	**(14 682)**	**(10 938)**	**(25 620)**
Finance costs - net	(1 988)	207	-	-	(18 759)	(20 540)	-	(20 540)
Result before income tax	**2 808**	**26 638**	**(1 589)**	**(41 727)**	**(21 332)**	**(35 222)**	**(10 938)**	**(46 160)**
Income tax expense	(160)	(8 294)	-	-	30	(8 424)	-	(8 424)
Result for the year	**2 648**	**18 344**	**(1 589)**	**(41 727)**	**(21 332)**	**(43 646)**	**(10 938)**	**(54 584)**

For the year ended 31 December 2008 (restated) Amounts in USD 1 000	**Colombia**	**Peru**	**Ghana**	**Angola**	**Other busin. And Corpor.**	**Total report. segm.**	**Elimin.**	**Group**
Sales	50 694	62 431	-	-	7 321	120 446	-	120 446
Inter-segment sales	-	-	-		-	-	(5 297)	(5 297)
Cost of goods solds	(24 487)	(22 672)	-	-	(1 997)	(49 156)	-	(49 156)
Gross Profit	**26 207**	**39 759**	**-**	**-**	**5 324**	**71 290**	**(5 297)**	**65 993**
Exploration cost expensed	(4 142)	(1 429)	(2 276)	(10 460)	(1 591)	(19 898)	(2 507)	(22 405)
Administrative expense	-	-	-	(42)	(4 824)	(4 866)	-	(4 866)
Other income / (expenses)	1 899	71	-		76	2 046	-	2 046
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	1 970	1 970	-	1 970
Result from operating activities	**23 964**	**38 401**	**(2 276)**	**(10 502)**	**955**	**50 542**	**(7 804)**	**42 738**
Finance costs - net	(307)	(189)	-	-	(7 768)	(8 264)	-	8 264
Result before income tax	**23 657**	**38 212**	**(2 276)**	**(10 502)**	**(6 813)**	**42 278**	**(7 804)**	**34 474**
Income tax expense	(7 304)	(10 194)	-	-	33	(17 465)	-	(17 465)
Result for the year	**16 353**	**28 018**	**(2 276)**	**(10 502)**	**(6 780)**	**24 813**	**(7 804)**	**17 009**

For the year ended 31 December 2008 (original)

Amounts in USD 1 000	**Colombia**	**Peru**	**Ghana**	**Angola**	**Total report. segm.**	**Unalloc./ elimin.**	**Group**
Sales	50,694	62,431	-	-	113,125	2,024	115,149
Cost of goods sold	(20,785)	(19,274)	-	-	(40,059)	(1,619)	(41,678)
Gross profit	**29,909**	**43,157**	**-**	**-**	**73,066**	**405**	**73,471**
Exploration cost expensed	(591)	-	(1,994)	(8,100)	(10,685)	-	(10,685)
Administrative expense	(3,702)	(3,407)	-	(521)	(7,630)	(16,434)	(24,064)
Recharges head office expenses	(2,507)	-	-	-	(2,507)	2,507	-
InterOil Switzerland charge	(1,045)	(1,421)	(282)	(1,881)	(4,629)	4,629	-
Other Income / (expense)	1,900	72	-	-	1,972	(1,049)	923
Gain on derivative financial instruments	-	-	-	-	-	3,093	3,093
Result from operating activities	**23,964**	**38,401**	**(2,276)**	**(10,502)**	**49,587**	**(6,849)**	**42,738**
Finance costs – net	(307)	(189)	-	-	(496)	(10,496)	(10,992)
Profit before income tax	**23,657**	**38,212**	**(2,276)**	**(10,502)**	**49,091**	**(17,345)**	**31,746**
Income tax expense	(7,304)	(10,194)	-	-	(17,498)	33	(17,465)
Profit for the year	**16,353**	**28,018**	**(2,276)**	**(10,502)**	**31,593**	**(17,312)**	**14,281**

For the year ended 31 December 2007

Amounts in USD 1 000	**Colombia**	**Peru**	**Ghana**	**Angola**	**Total report. segm.**	**Unalloc./ elimin.**	**Group**
Sales	33 276	35 414	-	-	68 690	718	69 408
Cost of goods solds	(16 506)	(13 247)	-	-	(29 753)	(240)	(29 993)
Gross Profit	**16 770**	**22 167**	**-**	**-**	**38 937**	**478**	**39 415**
Exploration cost expensed	(2600)	-	(10 571)	(12 509)	(25 680)	-	(25 680)
Administrative expense	(2 925)	(2 553)		(68)	(5 546)	(13 179)	(18 725)
Recharges head office expenses	(1 651)	-	-	-	(1 651)	1 651	-
InterOil Switzerland charge	-648	-595	-	-	(1 243)	1 243	-
Other income / (expense)	1 750	222	-	-	1 972	(1 647)	325
Loss on derivative financial instruments	-	-	-	-	-	(12 688)	(12 688)
Result from operating activities	**10 696**	**19 241**	**(10 571)**	**(12 577)**	**6 789**	**(24 142)**	**(17 353)**
Finance costs - net	(542)	517	-	-	(25)	(17 933)	(17 958)
Profit / (loss) before income tax	**10 154**	**19 758**	**(10 571)**	**(12 577)**	**6 764**	**(42 075)**	**(35 311)**
Income tax expense	(2 680)	(6 729)	-	-	(9 409)	303	(9 106)
Profit / (loss) for the year	**7 474**	**13 029**	**(10 571)**	**(12 577)**	**(2 645)**	**(41 772)**	**(44 417)**

8.3 Consolidated statements of financial position

Amounts in USD 1 000	**As of 30 June 2010** (unaudited)	**As of 30 June 2009** (unaudited)	**2009**	**2008** Restated	**2008** Original	**2007**
ASSETS						
Non-current assets						
Property, plant & equipment	143 897	145 010	145 213	152 328	229 864	166 695
Intangible assets	14 950	52 608	14 950	77 678	142	354
Financial assets at FVtPL	947	-	-		-	-
Trade and other receivables	4 044	-	3 358	-	-	-
Retirement benefit assets	-	45	-	45	45	-
Deferred income tax asset	-	-	-	-	45	12
Total non-current assts	**163 838**	**197 663**	**163 521**	**230 051**	**230 096**	**167 061**
Current assets						
Inventories	1 454	561	376	429	429	790
Trade and other receivables	12 454	54 444	33 552	20 250	20 250	21 324
Financial assets at FVtPL	190	165	211	157	157	3 058
Cash and cash equivalents	11 745	6 431	13 388	14 805	14 805	12 328
Total current assets	**25 843**	**61 601**	**47 527**	**35 641**	**35 641**	**37 500**
TOTAL ASSETS	**189 681**	**259 264**	**211 048**	**265 692**	**265 737**	**204 561**
EQUITY						
Share capital and share premium	43 580	43 580	43 580	43 580	43 580	43 580
Other paid-in equity and reserves	1 742	1 742	1 742	1 742	2 767	2 767
Retained earnings	(92 165)	(38 851)	(92 298)	(37 714)	(41 266)	(55 547)
Total equity	**(46 843)**	**6 471**	**(46 976)**	**7 608**	**5 081**	**(9 200)**
LIABILITIES						
Non-current liabilities						
Borrowings	18 186	16 069	16 736	132 222	145 851	150 761
Deferred income tax liabilities	22 080	25 919	22 875	26 974	27 019	24 389
Financial liabilities at FVtPL	145	634	145	1 124	-	-
Derivative financial instruments	-	-	-	-	-	10 282
Retirement benefit obligation	13	-	13	-	-	-
Provisions for other liabilities and charges	1 604	2 315	1 550	2 319	2 319	2 239
Total non-current liabilities	**42 028**	**44 937**	**41 319**	**162 639**	**175 189**	**187 671**
Current liabilities						
Trade and other payables	39 675	64 557	61 707	71 555	71 577	22 616
Income tax liabilities	1 614	6 687	3 321	10 228	10 228	1 783
Current interest-bearing liabilities	136 925	133 668	136 179	10 064	64	74
Provisions for other liabilities and charges	16 282	2 944	15 498	3 598	3 598	1 617
Total current liabilities	**194 496**	**207 856**	**216 705**	**95 445**	**85 467**	**26 090**
TOTAL LIABILITIES	**236 524**	**252 793**	**258 024**	**258 084**	**260 656**	**213 761**
TOTAL EQUITY AND LIABILITIES	**189 681**	**259 264**	**211 048**	**265 692**	**265 737**	**204 561**

8.4 Cash flow statements

Amounts in USD 1 000	As of 30 June 2010 (unaudited)	As of 30 June 2009 (unaudited)	2009	2008 Restated	2008 Original	2007
Profit / (loss) for the period	**133**	**(1137)**	**(54 584)**	**17 009**	**14 281**	**(44 417)**
Income tax expense	6 521	5 476	8 424	17 465	17 465	9 106
Depreciation, amortization and impairment	12 678	14 918	63 689	24 546	24 546	18 623
Change in fair value from financial assets at FVtPL	21	(9)	(54)	1 014	1 014	1 616
Amortization of debt issuance cost and equity component	1 238	1 234	2 508	2 480	1 329	2 430
Share based payment and increase in retirement benefit obligation	-	-	58	(33)	(33)	(2 103)
Interest expense	8 786	6 310	14 672	13 219	13 458	14 281
Foregn exchange loss on revaluation on long term borrowings	95	1 241	2 955	(4 658)	(4 265)	2 002
Gain (loss) on sale of PP&E	(6)	(7 000)	(10 005)	-	-	(66)
Changes in assets & liabilities						
Inventories	(1 078)	(133)	53	361	361	141
Derivative financial instruments, Financial liabilities at FVtPL	(947)	(489)	979	(13 923)	(10 282)	10 922
Trade and other receivables	20 412	(2 195)	18 753	1 075	1 075	(1 402)
Trade and other payables and provision for other liabilities	(21 596)	(7 370)	890	18 634	18 240	9 124
Interest paid	(8 389)	(6 596)	(14 276)	(13 743)	(13 743)	(12 801)
Taxes paid	(9 022)	(10 070)	(19 428)	(6 434)	(6 434)	(7 920)
Net cash generated from operating activities	**8 846**	**(5 820)**	**12 666**	**57 012**	**57 012**	**-464**
Cash flow from investing activities						
Net investment in property, plant and equipment (PPE)	(11 361)	(7 531)	(19251)	(54 440)	(54 440)	(54 974)
Other financial assets at fair value through profit or loss	-		-	1 888	1 888	(4 119)
Net cash used in investing activities	**(11 361)**	**(7 531)**	**(19 251)**	**(52 552)**	**(52 552)**	**(59 093)**
Cash flow from financing activities						
Proceeds from borrowings	872	4 977	5 168	8 017	8 017	137 841
Repayment of interest bearing debt	-	-	-	(10 000)	(10 000)	(83 235)
Net cash used in financing activities	**872**	**4 977**	**5 168**	**(1 983)**	**(1 983)**	**54 606**
Net increase in cash and cash equivalents	**(1 643)**	**(8 374)**	**(1 417)**	**2 477**	**2 477**	**(4 951)**
Cash and cash equivalents at beginning of the period	13 388	14 805	14 805	12 328	12 328	17 279
Cash and cash equivalents at the end of the year	**11 745**	**6 431**	**13 388**	**14 805**	**14 805**	**12 328**

8.5 Changes in the consolidated shareholders' equity

Amounts in USD 1 000	Share capital and share premium	Other paid-in equity	Retained earnings	Total equity
Balance at 31 December 2006	**43 574**	**4 842**	**(11 130)**	**37 286**
Issue of share capital, net of share issuance cost 17 October 2007	6	-	-	6
Employee share option scehme, value of employeed services	-	(2 075)	-	(2 075)
Net loss for the period	-	-	(44 417)	(44 417)
Balance at 31 December 2007	**43 580**	**2 767**	**(55 547)**	**(9 200)**
2008 original				
Net profit for the period	-	-	14 281	14 281
Balance at 31 December 2008 (original)	**43 580**	**2 767**	**(41 266)**	**5 081**
2008 restated				
Balance at 1 January 2008 (Restated)	43 580	1 742	(54 723)	(9 401)
Total comprehensive income for the period	-	-	17 009	17 009
Balance at 31 December 2008 (Restated)	**43 580**	**1 742**	**(37 714)**	**7 608**
2009				
Balance at 1 January 2009	43 580	1 742	(37 714)	7 608
Total comprehensive income for the period	-	-	(54 584)	(54 584)
Balance at 31 December 2009	**43 580**	**1 742**	**(92 298)**	**(46 976)**
First quarter 2010				
Balance at 1 January 2010	43 580	1 742	(92 298)	(46 976)
Total comprehensive income for the period	-	-	(1 046)	(1 046)
Balance at 31 March 2010	**43 580**	**1 742**	**(93 344)**	**(48 022)**
First half 2010				
Balance at 1 April 2010	43 580	1 742	(93 344)	(48 022)
Total comprehensive income for the period	-	-	1 179	1 179
Balance at 30 June 2010	**43 580**	**1 742**	**(92 165)**	**(46 843)**

8.6 Management discussion and analysis

First half of 2010

Interoil's production in Q2 2010 decreased by 13.8% compared to Q1 2010. This was mainly caused by depletion in the South Mirador Field in Peru. The operating revenue of USD 23.8 million decreased by 3.2% in Q1 2010. However, the EBITDA of USD 15.2 million has increased by USD 1.0 million compared to Q1 2010 mainly due to less exploration and evaluation cost expensed and a gain in financial instruments of USD 1.3 million connected to the hedging of oil in Peru in Q2 2010. Profit after tax in Q2 2010 was USD 1.2 million compared to a loss of USD 1.0 million in Q1 2010 resulting in a profit of USD 0.1 million for the first half year of 2010 compared to a loss of USD 1.1 million for the same period in 2009.

Interoil had net financial cost of USD 4.9 million in the second quarter of 2010, compared to USD 6.6 million in Q2 2009, the difference mainly being associated with (i) a foreign exchange gain of USD 0.2 million which was recorded during Q2 compared to a loss of USD 2.7 million in the same quarter last year, and (ii) the interest expenses of USD 4.4 million in 2Q 2010 having increased with USD 1.9 million compared to 2Q 2009 due to the default interest on the Company's borrowings. Net profit for the second quarter of 2010 was USD 1.2 million, after income tax expense of USD 3.1 million.

Interoil's total assets as of 30 June 2010 amount to USD 189.5 million and total cash and cash equivalents were USD 11.7 million. The equity ratio of the group was -24.7%.

The cash flow from operating activities was USD 8.8 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD - 11.4 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 5.3 million) and Colombia (USD 6.1 million). Net cash flow from financing activities was USD 0.9 million. In total, the change in cash and cash equivalents was USD -1.6 million.

In relation to the refinancing process of the Group, Interoil entered into a hedging agreement effective from 1 April 2010 for a 30 months period with Citibank Peru. The hedging agreement is a commodity swap transaction for a total volume of 1.95 million barrels (65,000 barrels per month) at a fixed price of WTI of USD 80 per barrel. Additionally Interoil subsequent to the second quarter, entered into a hedging agreement effective from 1 September 2010 for a 36 months period with Citibank Colombia. The hedging agreement is a commodity swap transaction for a total volume of 1.02 million barrels (28,400 barrels per month) at a fixed price of WTI of USD 75.40 per barrel.

The company is after the completion of the refinancing process fully financed and the operating cash flow from Peru and Colombia is expected to be more than sufficient for going concern. There are no barriers to transfer cash from Interoil's subsidiaries in Peru and Colombia which will have an effect on Interoil's ability to meet all its obligations.

Full year 2009

Although the total production increased the operating revenue of USD 100.4 million in 2009 is reduced by USD 14.7 million (13%) compared to 2008 due to a decrease in the oil price. Cost of goods sold were USD 56.1 million, which represented an increased of USD 7.0 million compared to 2008, resulting in a gross profit of USD 44.3 million in 2009 compared to USD 66.0 million in 2008. Other expenses related to operations, exploration and administration expenses, increased with USD 46.7 million to USD 69.9 million in 2009. The increase was mainly associated with an impairment made of USD 34.9 million of the Angolan assets as Interoil was not able to meet all cash call requirements in 2009. Further acquisition of new seismic data on the Altair license in Colombia and a tax claim provision pertaining to related parties, increased the Company's expenses. As a consequence, the Company's result from operating activities decreased with USD 68.3 million in 2009, resulting in a loss of USD 25.6 million in 2009. Financial cost for the year was USD 20.5 million. Consequently, Interoil incurred a loss amounting to USD 54.6 million after a tax charge of USD 8.4 million in 2009, compared to a profit of USD 17.0 million in 2008.

Interoil's total assets as of 31 December 2009 amount to USD 211.0 million, and total cash and cash equivalents to USD 13.4 million. The equity ratio of the group was -22.3%.

The cash flow from operating activities was USD 12.7 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD - 19.3 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 14.4 million) and Colombia (USD 7.9 million as well as proceeds from sale of the Cabinda North license of USD 3.0 million. Net cash flow from financing activities was USD 5.2 million. In total, the change in cash and cash equivalents was USD -1.4 million.

Full year 2008

In 2008, the Company recorded a record-high operating revenue and profit before income tax of USD 115.1 million and USD 34.5 million respectively, compared to USD 69.4 million and USD -35.3 million, respectively, in 2007. Operating expenses and other income were net USD 23.5 million. Financial cost for the year was USD 8.3 million. Consequently, Interoil recorded an all time high profit amounting to USD 17.0 million after a tax charge of USD 17.5 million in 2008, compared to loss of USD -44.4 million in the prior year.

The cash flow from operating activities was USD 57.0 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD -52.6 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 29.6 million), Colombia (USD 13.0 million), Angola (USD 2.1 million) and Ghana (USD 9.3 million). Net cash flow from financing activities was USD -2.0 million. In total, the change in cash and cash equivalents was USD 2.5 million.

Full year 2007

The operating revenue and loss before income tax during 2007 was USD 69.4 million and USD -35.3 million, compared to USD 41.2 million and USD -5.0 million respectively for the producing subsidiaries in 2006. Operating expenses and other income were net USD 56.8 million. Financial cost for the period was USD 18.0 million. Consequently, Interoil incurred a loss for the year amounting to USD -44.4 million after a tax charge of USD 9.1 million.

The result for 2007 must also be considered in light of the fact that expenses for Interoil Switzerland are included for a full year period compared to only four months in 2006. The utilization of the technical team of the Company has increased during 2007, due to higher activity in the licenses in Angola and Ghana. In addition several one-off expense costs were incurred, mainly in connection with exploration in West Africa and seeking of new business opportunities.

The cash flow from operating activities was USD -0.5 million. All positive operating cash flows derived from the Peruvian and Colombian operations. Net cash flow from investment activities was USD -59.0 million, mainly driven by investments (mainly exploration and drilling activity, see also section 8.7), in Peru (USD 29.0 million) and Colombia (USD 22.0 million). Net cash flow from financing activities was USD 54.6 million. The Group repayed USD 83.2 million to BNP / Standard Bank and raised USD 137.8 million in new debt through two bond loans. In total, the change in cash and cash equivalents was USD -4.9 million.

8.7 Investments

The table below gives an overview of investments made during the last 3 accounting years. The investments are mainly connected to the drilling of wells, development of assets and expenditures for office and production facilities to develop and produce the reserves and resources described in section 5.4. The investments are represented as capital expenditures in the financial statements.

Amounts in USD 1 000	**For the 6 month period ended 30 June 2010** (unaudited)	**For the 6 month period ended 30 June 2009** (unaudited)	**2009**	**2008** Restated	**2007**
Cash flow from investing activities					
Purchases of property, plant and equipment	(11 361)	(7 522)	**(22 251)**	(54 440)	(55 239)
Proceeds from sale of PP&E	-	-	3 000	-	265
Other financial assets at fair value through profit or loss	-	1	-	1 888	(4 119)
Net cash used in investing activities	**(11 361)**	**(7 521)**	**(19 251)**	**(52 552)**	**(59 093)**

First half 2010
Investments/Capitalized expenditures in the first six months of 2010 were USD 11.4 million, whereof USD 5.3 million is related to the drilling of wells in the Mirador area in Peru. The remaining USD 6.1 million is related to the new drilling campaign on Mana and Rio Opia and the completion of wells on the Altair license in Colombia.

Full year 2009
Total capitalized expenditures for the period were USD 22.3 million. The capitalized expenditures were USD 14.4 million in Peru and USD 7.9 million in Colombia during 2009 and can mainly be traced back to the drilling activity and upgrade of production facilities in Peru and Colombia.

Full year 2008
Total capitalized expenditures for the period were USD 54.4 million. The capitalized expenditures were USD 13.4 million in Colombia and USD 29.6 million in Peru during 2008 and can mainly be traced back to the drilling activity in Peru and Colombia. Interoil has capitalized USD 9.3 million for the Ebony-1 exploration well in Ghana. The remaining part of USD 2.1 million is connected to Angola.

Full year 2007
Total capitalized expenditures for the period were USD 55.2 million. The capitalized expenditures were USD 22 million in Colombia and USD 29 million in Peru during 2007 and can mainly be traced back to the drilling activity in Peru and Colombia.

8.7.1 Principal investments in progress

Interoil's principal investments in progress are related to further improve the Group's operation and increase its production in Peru and Colombia. Interoil is currently performing the 2010 drilling campaign in both countries.

Interoil Peru intends to drill up to seven new wells in the new structure (San Luis) discovered north to the Mirador South field during the remaining part of 2010.

Interoil Colombia intends to drill two appraisal wells in the Mana Field and one exploration well in the Altair license during the remaining part of 2010.

The investments in both Peru and Colombia are financed by cash flow generated by the activities of the Group in the two countries.

8.7.2 Principal future investments

Interoil's principal future investments are expected to centre around further improvements of the Group's operations and increase the production in Latin America by further drilling and development of the licenses. As of the date of this Prospectus, the Group has no investment commitments in Peru or Colombia, but the Company's intention is to drill 10 – 20 new wells in both Peru and Colombia in the short to medium term. The Company's investment program in Peru will to a large extent depend upon a license extention for additional 10 years beyond March 2013.

The Group is shortlisted for new license awards in Colombia, as described in Section 5.6 ("New areas"), that may require additional investments. However, the Group is expecting to farm out the USD 50 million capex commitment. The Company has no obligation to invest any further in Ghana, as described in Section 5.8, and will seek full cost carry for any future activity.

8.8 Significant changes after 30 June 2010

Apart from the restructuring described in section 4.1-4.2 and 8.10 there has been no significant changes after 30 June 2010.

8.9 Trend information

At year-end 2009, the Company produced approximately 7,100 barrels per day. As of the date of the Prospectus, the Company is producing approximately 6,300 barrels per day. Sales volume has decreased in accordance with the change in production, as oil prices and inventory levels have been relatively stable in the period

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to The Company since 31 December 2009. The Company does not know of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on The Company's prospects for the current financial year. For information about the oil price development, please see Section 6.

8.10 Capitalization and indebtedness

8.10.1 Statement of capitalization and indebtedness

Amounts in USD 1000	**30.06.2010**	**Changes from 30.06.2010 to 31.08.2010***
Non-current		
Other non-current interest bearing liabilities (unsecured)	925	524
Convertible bond denominated in USD (unsecured)	17,261	(17,261)
Secured interest bearing liability to financial institutions	0	52,362
Total non-current borrowings	**18,186**	**35,625**
Current		
Liabilitie to financial institutions (unsecured)	5,561	521
Secured interest bearing liability to financial institutions	0	35,714
Bond loan denominated in NOK (unsecured)	17,187	(673)
Bond loan denominated in USD **	114,177	(94,177)
Total current interest bearing liabilities	**136,925**	**(58,615)**
Total borrowings	**155,111**	**(22,990)**
Shareholder's equity		
Share capital and share premium	43,580	0
Other paid-in equity	1,742	50,837
Retained earnings	(92,165)	10,165
Total shareholder's equity	**(46,843)**	**61,002**
Total capitalisation and indebtedness	**108,268**	**38,012**

* Changes reflect equity issue, repayment of USD 115m bond loan and relinquishment of Angolan licenses

** as per 30.06.2010 the bond loan is secured, as per 30.08.2010 it is unsecured

Amounts in USD 1000	**30.06.2010**	**Changes from 30.06.2010 to 31.08.2010***
A. Cash	11,745	5,022
B. Cash equivalent (Detail)	-	-
C. Trading securities	190	(69)
D. Liquidity (A) + (B) + (C)	**11,935**	**4,953**
		-
E. Current Financial Receivable	-	-
		-
F. Current Bank debt (approx USD 6.0 mio unsecured)	5,570	36,226

G. Current portion of non current debt	-	-
H. Other current financial debt **	131,355	(94,841)
I. Current Financial Debt (F) + (G) + (H)	**136,925**	**(58,615)**
		-
J. Net Current Financial Indebtedness (I) - (E) - (D)	**124,990**	**(63,568)**
		-
K. Non current Bank loans	-	52,362
L. Bonds Issued (unsecured)	17,261	(17,261)
M. Other non current loans (unsecured)	925	524
		-
N. Non current Financial Indebtedness (K) + (L) + (M)	**18,186**	**35,625**
		-
O. Net financial Indebtedness (J) + (N)	**143,176**	**(27,943)**

* Changes reflect equity issue, repayment of USD 115m bond loan and relinquishment of Angolan licenses
** as per 30.06.2010 the bond loan is secured, as per 30.08.2010 it is unsecured

The below table provides an overview of the sources and uses of funds for the total refinancing of the Company that has taken place after 30 June 2010.

Amounts in millions	**NOK**	**USD**
Sources		
Private Placement - cash	263.8	41.6
Private Placement - debt conversion	60.2	9.5
Citibank facilities	571.3	90.0
New bond issue	310.0	48.8
Total sources	**1205.3**	**189.9**
Uses:		
Repayment of Senior Secured Bond	730.0	115.0
Repayment of Unsecured Bond (in progress)	100.0	15.8
Repayment of Convertible Bond (in progress)	127.0	20.0
Refinancing fees and expenses	103.0	16.2
Repayment of tax claim and other debt	68.9	10.9
Increased working capital	76.5	12.1
Total uses	**1205.3**	**189.9**

NOK/USD figures based on exchange rate of 6.3478 (25 August 2010)

After 30 June 2010 based on the equity issue, bond issue and Citibank facilities, the Company is fully financed for continued investment activity.

The table below displays the repayment schedule for the Company's borrowings

Amounts in USD 1000	**2010**	**2011**	**2012**	**2013**	**2014**
Citibank facility Colombia	2,500	10,000	10,000	7,500	
Citibank facility Peru	10,714	25,714	23,571		
Bond loan*					48,836
TOTAL	13,214	35,714	33,571	7,500	48,836

Exchange rate of 6.3478 applied

8.10.2 Significant changes in capitalisation and indebtedness after 30 June 2010

As described in Section 4.2 Interoil has completed issuance of a New Senior Secured Bond Loan, the Private Placement and secured loan facilities from Citibank of USD 90 million. The New Senior Secured Bond Loan and the loan facilities from Citibank is described further in section 8.10.4. The Private Placement is described in section 4.

8.10.3 Treasury policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to Shareholders, return capital to Shareholders or issue new Shares. The Group can, due to covenants in loan agreements, currently not pay a dividend or purchase own shares. The Group is continuously evaluating the capital structure with the aim of having an optimal mix of equity and debt capital to reduce the Group's cost of capital, and is monitoring the capital on the basis of its book equity ratio. The Company's excess funds are placed in bank accounts denominated in NOK or USD. Please see discussion on currency and interest rate risk.

8.10.4 Borrowing requirements and funding structure

Senior Unsecured Bond Loan – to be redeemed
Interoil issued a 3 year Senior Unsecured Bond Loan with a total loan amount of NOK 100 million on 29 March 2007. The Senior Unsecured Bond Loan has a term of 3 years, and matured on 29 March 2010. The bonds have a nominal value of NOK 500,000. The bond loan has a fixed interest rate of 12.5% payable semi-annually in arrears. The Company expects to redeem the loan primo October 2010 with the proceeds from the New Senior Secured Bond Loan (described below).

Convertible Bond Loan – to be redeemed
Interoil issued 20,000 9% convertible bonds at a par value of USD 20 million on 11 July 2006. The bonds mature five years from the issue date at their nominal value of USD 20 million or can be converted into Shares in the Company at the holders' option at a conversion price of NOK 46 per Share. The nominal interest rate is 9% and interest payments falls due semi-annually. Each bondholder has been allocated warrants, hence the conversion right is separated from the bond loan. On 2 September 2010, the bondholders' meeting approved the Company's proposal of early redemption of the loan. The Company expects to redeem the loan primo October 2010 with the proceeds from the New Senior Secured Bond Loan (described below).

Citibank Senior Secured Term Loan facility
Citibank N.A. acting through its International Banking Facility is the arranger and lender of 90m USD senior secured term loan facilities. Interoil Peru S.A. borrowed USD 60m, while Interoil Colombia E&P Inc. (BVI) borrowed USD 30m. The tenor for the facilities is 2.5 and 3.0 years for Peru and Colombia respectively with monthly respectively quarterly amortization in Peru and Colombia. As collateral for the facilities are:

(i) Assets of the borrowers
(ii) First priority security interest in the shares of Interoil Colombia E&P Inc. and Interoil Peru S.A.
(iii) Guarantee from Interoil E&P ASA
(iv) Pledge over sales contracts
(v) Right of setoff between the loan and MTM of oil hedge

The facilities have a margin of 550 to 650 bps over Libor. As a requirement for the facilities Interoil must hedge with Citibank:

(i) 1.95 mill barrels in Peru from April 2010 to September 2012 (hedged at WTI 80 per bbl)
(ii) 1.02 mill barrels in Colombia from September 2010 to August 2013 (hedged at WTI 75.40 per bbl)
(iii) 50% of the interest rate risk if Libor reaches 1.75% before maturity in Peru.

The facilities have the following financial covenants:

(i) Senior debt cannot be over 1.25 of EBITDA
(ii) Debt service coverage ratio must be over 2x

(iii) Total liabilities must be under 1.5 times the total net worth of The Company
(iv) The current ratio cannot exceed 1x
(v) The leverage ratio must be below a maximum level
(vi) Daily average production must exceed a minimum level

The facilities have the following negative covenants:
(i) No liens on properties,
(ii) No sale or disposal of assets
(iii) Certain limitations on additional debt.

The facilities also include a change of control covenant which states that Mr. Perrucci, Mr. Rød and Mr. Trulsvik must directly and indirectly own more than 50 % of the voting shares in The Company.

Any paid out dividend triggers a dollar for dollar prepayment on the outstanding amounts under the facilities. All prepayments shall be applied to reduce each installment of the Advance scheduled to be paid on each remaining Repayment Date on a *pro-rata* basis. 70% of all free cash flow in Peru must go to mandatory pre-payment ("Cash sweep") if there are no licence extension by 31 December 2010.

The facilities include an optional prepayment at 102%, or 100% if Citibank does not offer additional funds on extension in Peru or increased reserves in Colombia. The facilities are governed by NY Law.

New Senior Secured Bond Loan
In August 2010, Interoil raised a NOK 310 million New Senior Secured Bond Loan with settlement date 14 September 2010 and ISIN NO 001 0584683. The New Senior Secured Bond Loan matures on 14 March 2014 (3.5 years after settlement date), at 100% of par value. The coupon rate for the Bonds is 15% p.a., payable quarterly in arrears, the first interest payment date being December 2010. The bonds are denominated in NOK. The nominal value of the bonds is NOK 500,000.

Subscription was settled in cash or by delivery of bonds under the existing Senior Unsecured Bond Loan and the Convertible Bond Loan (as described above) (at par value) or in combinations thereof.

Interoil may redeem the bonds issued in the New Senior Secured Bond Loan in whole or in part (on a pro rata basis) at any time from and including:
(i) the date falling 1 year after Settlement Date to, but not including, the date falling 2 years after Settlement Date at a price equal to 110% of par value (plus accrued interest on redeemed amount);
(ii) the date falling 2 years after Settlement Date to, but not including, the date falling 3 years after Settlement Date at a price equal to 105% of par value (plus accrued interest on redeemed amount); and
(iii) the date falling 3 years after Settlement Date to, but not including, the final maturity date at a price equal to 101% of par value (plus accrued interest on redeemed amount).

The loan agreement for the New Senior Secured Bond Loan contains provisions on mandatory redemption upon a change of control in Interoil, as well as redemption triggered upon the occurrence of certain events such as increase of amounts outstanding under the Citibank facilities and upon receipt of funds under the tax claim towards Exportconsult AS and Force Capital AS.

All bonds, including but not limited to interests and expenses, are secured by:

(i) a first priority pledge over, and claim against the bank for, the amount from time to time standing to the credit in a retention account (a blocked account in the name of Interoil in which an amount equal to 3 months interest on the bonds shall be held for the tenor of the bond issue) in favour of the bond loan trustee on behalf of the bondholders;
(ii) a pledge over the receivables and bank accounts of Interoil's Swiss subsidiaries;
(iii) a first priority pledge over the machinery, inventory, receivables and bank accounts of each of InterOil Exploration & Production Latin America AS and InterOil Latinamerica AS;
(iv) a first priority pledge over the shares (100%) held by Interoil in Interoil Exploration & Production Ghana AS, InterOil Exploration & Production Latin America AS, InterOil Latinamerica AS and Interoil's Swiss subsidiaries;

(v) unconditional and irrevocable guarantees from Interoil Exploration & Production Ghana AS, InterOil Exploration & Production Latin America AS, InterOil Latinamerica AS and Interoil's Swiss subsidiaries;

(vi) a first priority assignment over the claims of the Interoil towards Exportconsult AS and Force Capital AS related to any tax refund from the Norwegian Tax Authorities in relation to Interoil's acquisition of the shares in Interoil Exploration SA; and

(vii) a first priority assignment of Interoil's rights and receivables under intercompany loans made to any of its subsidiaries.

The loan agreement for the New Senior Secured Bond Loan contains customary provisions with respect to matters such as covenants related to preservation of equity, security interst, restrictions on financial indebtedness, creation of security and provision of financial support, as well as covenants related to the hydrocarbon resources of Interoil.

8.11 Working capital statement

The Company is of the opinion that its working capital is sufficient for The Company's present requirements for a period of at least 12 months.

8.12 The Company's auditor

The Company's auditor is Ernst & Young AS, (address: Oslo Atrium, Christian Frederiks plass 6, PO Box 20, 0051 Oslo). The audit partners of Ernst & Young AS are members of the Norwegian Institute of Public Accountants. PricewaterhouseCoopers AS was the Group's auditor until May 2009. As from June 2009 Ernst & Young was elected as the auditor.

PricewaterhouseCoopers AS has audited The Company's financial statements for 2007 and 2008. Ernst & Young AS has audited The Company's financial statements for 2009.

The auditor report of 2009 stated the following:

"We emphasize that there is doubt about The Company's ability to continue a going concern. We refer to the Board of Director's report and note 32 in the Group's financial statements. The financial statements do not reflect the impairment charges or accruals for expenses that could occur if The Company is liquidated or assets are sold in a distressed situation."

The background for the above statement was, inter alia, the fact that the Group had negative equity as at 31 December 2009, was in default on its USD 115 bond loan in favour of which the Group's Latin American assets were pledged and had not completed the initiated refinancing process at the date of release of the audit report. The statement specifically refers to note 32 in the 2009 Annual Report, attached hereto as appendix 3.

The Auditor's report for 2009 is included in the Company's Annual Report of 2009, attached as appendix 3 to this Prospectus. The Auditors reports for 2008 and 2007 are included in the respective Annual Reports, incorporated by reference in this Prospectus. See section 14.3 for documents incorporated by reference.

9 Share capital and Shareholder matters

9.1 Current share capital and Shares

The Company's registered share capital is NOK 2,388,250 consisting of 47,765,000 Shares each with a nominal value of NOK 0.05 fully paid and issued in accordance with the Norwegian Public Limited Companies Act. As at 30 June 2010 the number of shares was 21,845,000.

All issued Shares in the Company are vested with equal shareholder rights in all respects. There is only one class of Shares and all Shares are freely transferable following the publication of this Prospectus.

4,815,711 shares, approximately 10.08% of the outstanding Shares, have been issued by way of contribution-in-kind. See section 4 for further details.

The Shares have been issued under the Norwegian Public Limited Liability Companies Acts, and registered in book-entry form in the VPS under ISIN NO 0010284318. The Private Placement Shares that were issued were registered in VPS on 31 August 2010 under the temporary ISIN NO 001 0584352. At the date of this Prospectus, the Private Placement Shares will be transferred to the ordinary ISIN NO 001 0284318.

The registrar for the Shares is DnB NOR Bank ASA, Verdipapirservice, Stranden 21, 0021 Oslo, Norway.

9.2 Outstanding authorisations

9.2.1 Authorisation to increase share capital

At The Company's annual general meeting held on 27 May 2009, the Board of Directors was given the following authorisation to issue new Shares:

a) In accordance with the Public Companies Act Section 10-14, the Board of Directos is granted authority to increase The Company's share capital by up to NOK 546,100. Within this limit the authority can be used more than one time.

b) The authority is valid until the ordinary general meeting 2011, however no longer than 27 May 2011.

c) The authority also covers capital increase against non-cash contributions and the right to subject The Company to special obligations cf. the Public Companies Act Section 10-2. The authority can be used in connection with a merger, cf. the Public Companies Act Section 13-5.

d) The shareholders' pre-emption right under the Public Companies Act Section 10-4 can be waived.

e) By use of the authority, the Board of Directors is granted powers to amend section 4 of the articles of association to reflect the share capital and the number of shares after the capital increase.

f) The authority shall replace the authority resolved at the general meeting of 29 April 2008.

The board of directors has issued 4,815,711 shares under the authorization through the debt conversion as described in section 4. Consequently, the remaining authorization is NOK 305,314.50.

9.3 Share capital development for the last three financial years

Share capital development for the last three financial years

Date of resolution	Type of change in share capital	No. Of Shares after change	Par Value (NOK)	Subscription price	Share capital after change
19.07.2006	**Initial public offering**	**21,245,000**	**0.05**		**1,062,250**
31.12.2006	**Closing balance 2006**	**21,245,000**	**0.05**		**1,062,250**
17.10.2007	Capital increase	21,845,000	0.05		1,092,250
31.12.2007	**Closing balance 2007**	**21,845,000**	**0.05**		**1,092,250**
31.12.2008	**Closing balance 2008**	**21,845,000**	**0.05**		**1,092,250**
31.12.2009	**Closing balance 2009**	**21,845,000**	**0.05**		**1,092,250**
26.08.2010	Private Placement	47,765,000	0.05		2,388,250
	Date of the prospectus	**47,765,000**	**0.05**		**2,388,250**

9.4 Shareholder structure and major Shareholders

The table below shows the 20 largest shareholders in Interoil at the the date of the prospectus. The table includes the Private Placement shares.

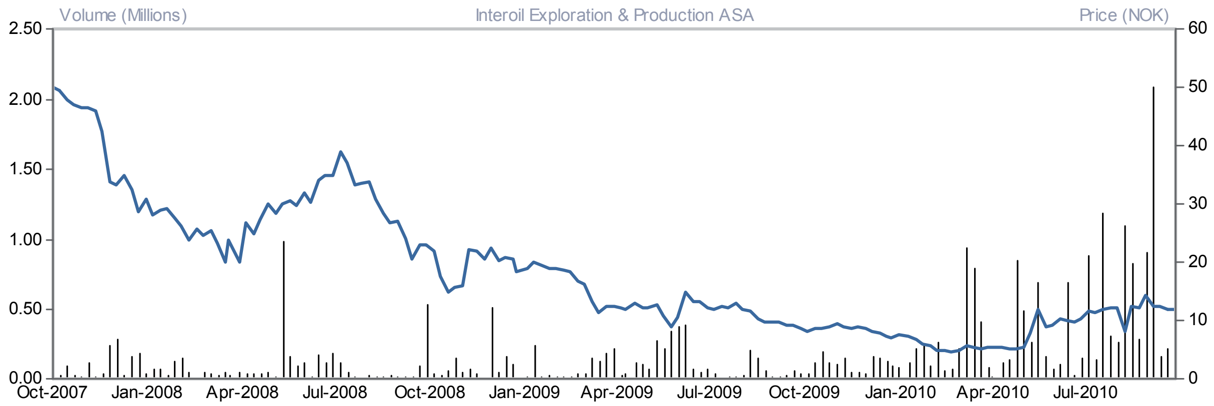
Investor	Number of shares	%
EKSPORTCONSULT AS	14,268,040	29.87 %
RAKILA PROPERTIES LIMITED	8,522,592	17.84 %
MORGAN STANLEY & CO INC. NEW YORK	5,310,200	11.12 %
TRAFALGAR AS	4,778,646	10.00 %
JPMORGAN CHASE BANK	1,500,000	3.14 %
CREDIT SUISSE SECURITIES	1,269,600	2.66 %
CHEYNE GLOBAL CATALYST	1,112,754	2.33 %
GOLDMAN SACHS INT. - EQUITY -	1,000,000	2.09 %
SKEIE CAPITAL INVESTMENT AS	1,000,000	2.09 %
AVANZA BANK AB	995,883	2.08 %
PERRUCCI GIAN ANGELO	775,000	1.62 %
BETCO SA	706,900	1.48 %
FORCE CAPITAL PARTNERS AS	482,100	1.01 %
DEUTSCHE BANK AG LONDON	416,334	0.87 %
LAGOSTENA RAIMONDO	389,750	0.82 %
WIGGEN JON	268,000	0.56 %
SIX SIS AG	233,600	0.49 %
NORDNET BANK AB	231,007	0.48 %
RBC DEXIA INVESTOR SERVICES TRUST	230,800	0.48 %
RBC DEXIA INVESTOR SERVICES BANK	226,604	0.47 %
Total owned by top 20	**43,717,810**	**91.5 %**
Total	**47,765,000**	**100 %**

Each Share represents one vote in The Company's General Meeting, and none of The Company's major Shareholders have different voting rights (see section 10.14 below for further details).
The major Shareholders of The Company are defined as holding more than 5 per cent of the share capital.

Shareholders owning five per cent or more of The Company have a notifiable interest in The Company's share capital according to the Norwegian securities law (for a description of the notifications thresholds etc, see Section 10).

The Company is not aware of any other arrangements that may result in, prevent, or restrict a change of control of The Company, apart from the covenant in the Citibank facility regarding ownership by certain shareholders. See section 8.10.4 for further details.

9.5 Share price development and Share trading last three years



Source: Factset

9.6 Own Shares

The Company has no own Shares.

9.7 Investor relations policy

Interoil believes that sufficient, objective and timely information to the market is a prerequisite for a fair valuation of the Interoil share and in turn, the generation of value for Interoil's Shareholders. This commitment will be evenly fulfilled irrespective of whether the information is positive or negative for The Company.

Interoil will fulfil the requirements for disclosure set by laws, regulations and rules of the Oslo Børs. In addition, Interoil will to the extent legally allowed give all details required by investors and analysts for them to be able to build a correct picture of Interoil's financial situation.

Interoil will disclose all information to recipients equally in terms of contents and timing. Interoil's Managing Director and Chief Financial Officer are the sole spokespersons of Interoil. Other officers or employees are not entitled to communicate with Shareholders, investors or analysts. In connection with news releases other contact persons may be authorised by the Managing Director to release information, but their authority is limited to the specific issue at hand.

9.8 Dividends

9.8.1 Dividend policy

The Company has been and still is in a phase involving considerable investments. The Company has a high focus on value creation and will have a dividend policy that will preserve the interests of the Company and its shareholders.

Interoil will strive to follow a dividend policy favourable to shareholders. This will be achieved by sound development and continious growth. The Company aims to give shareholders a competitive return on capital relative to the underlying risk. Interoil's existing dividend policy is to retain earnings in order to maintain a sound equity ratio a liquidity reserve and secure funding of product development projects. Due to this Interoil does not anticipate to pay cash divided on a regular basis in the foreseeable future. The payment of future dividends will, among other things, depend on the Company's earnings, financial condition, investment requirements and rate of growth.

Interoil did not pay any dividend in the last three financial years.

9.8.2 Legal constraints on distribution of dividends

Dividends may be paid in cash or in some instances in kind. The Public Limited Liability Companies Act provides several constraints on the distribution of dividends:

- Dividends are payable only out of distributable reserves of Interoil. Section 8-1 of the Public Limited Liability Companies Act provides that distributable reserves consist of the profit for the prior fiscal year (as reflected in the income statement approved by the annual general meeting) and the retained profit from previous years (adjusted for any reclassification of equity), less (i) uncovered losses, (ii) the book value of research and development, goodwill and net deferred tax assets (as recorded in the balance sheet, as of the most recent fiscal year end, approved by the annual general meeting), (iii) the total nominal value of treasury shares acquired for ownership or as security in previous fiscal years, and credit and security that, pursuant to Sections 8-7 to 8-9 of the Public Limited Liability Companies Act, fall within the limits of distributable equity, and (iv) that part of the profit for the prior fiscal year which, by law or pursuant to the Company's Articles of Association, must be allocated to the un-distributable reserves or cannot be distributed as a dividend.
- Dividends cannot be distributed if Interoil's equity amounts to less than 10% of its total assets unless the procedures stipulated in Sections 12-4 and 12-6 of the Public Limited Liability Companies Act for the reduction of share capital are complied with.
- Dividends can only be distributed to the extent compatible with good and careful business practice, with due regard to any losses that may have been incurred since the balance sheet date (i.e. the prior fiscal year end) or that may be expected to be incurred.
- The amount of distributable dividends is calculated on the basis of Interoil's separate financial statements and not on the basis of the consolidated financial statements of the Company and its subsidiaries.
- Distribution of dividends is resolved by a majority vote at the general meeting of the shareholders of the Company, and on the basis of a proposal from the Board of Directors. The General Meeting cannot distribute a larger amount than what is proposed or accepted by the Board of Directors.

The Norwegian Public Limited Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 11

9.9 Warrants and other rights to acquire Shares

The Company has issued 2,720,000 warrants in connection with the issue of convertible bonds in 2006. Each warrant gives the right to at any time by 11 July 2011 subscribe for one new share at a subscription price of NOK 46 per share.

9.10 Bonus and Share scheme

Interoil has a bonus based compensation program for the management and key personnel. The program is based on personal, department and country performance as well as on the financial results of the Group. The compensation varies from 0 to 1.5 times the individual salary and will be paid out during the first quarter of the subsequent year of the bonus period. The compensation structure and guidelines for executive managers and key employees are subject to annual review and approval by the Board of Directors. No further bonuses to executive Management have been established. There are no share options granted to directors and employees.

9.11 Shareholder agreements

The Company is not aware of any shareholder agreements between shareholders of the Company.

9.12 Transactions with related parties

Identification of related parties

The related parties of the Group are comprised of subsidiaries and members of the Board of Directors and key employees. Other related parties are defined by their ability, directly or indirectly, to control the other party or exercise significant influence over the other party in the decision making process. Furthermore parties under common control or common significant influence are defined as related. All transactions between the related parties are based on the principle of "arm's length" (estimated market value).

Fipenta SA

Interoil has entered into a consultancy agreement with Fipenta SA, an entity owned by board member Gian Angelo Perrucci. Fees paid to Fipenta SA have been charged as an expense with USD 330,000 for 2009 (2008: USD 240,000, 2007: USD 120,000). As of the date of this Prospectus, Mr. Perrucci receives a monthly consultancy fee of USD 10,000 for services equaling 10 working days per month.

Eksportconsult AS

Interoil has entered into an agreement with Eksportconsult AS, controlled by the Chairman of the Board, Mårten Rød, entitling Exportconsult AS to a fee of up to 1% of all funds raised in the nearly completed refinancing of the Company. In addition, Interoil has entered into a consultancy agreement with Eksportconsult AS, entitling Exportconsult to a monthly fee of USD 25,000 (increased from USD 20,000 as of 1 February 2010). The fee is paid for services equaling 10 working days per month.

Fees paid to Eksportconsult AS have been charged as an expense with USD 239,000 in 2009 (2008: USD 247,000, 2007: USD 140,000). Further, Eksportconsult rents office locations from the Company at the Company's registered office address. Net payable to Eksportconsult as at 31 December 2009 was USD 20,000 (2008: net payable USD 20,000, 2007: net receivable USD 30,000). In 2007, 50% of the salary of a part time secretary was charged to Eksportconsult, based on estimated time spent on work associated with Eksportconsult AS in January and February 2007. As from March 2007, this secretary was employed by Eksportconsult.

Force Capital Partners

Interoil has entered into a consultancy agreement with Force Capital Partners (owned by Nils Trulsvik, former Managing Director of the Company). Nils Trulsvik receives NOK 250,000 per month for services equaling 10 working days per month as of the date of this Prospectus.

Former Chief Financial Officer ("CFO")

Until 1 April 2008, Jon Wiggen was engaged by the Company to perform services as functioning CFO of the Company (part time: 50%) through his company Wiggen Consult AS. In 2008 Wiggen Consult AS was paid USD 126,000 (2007; USD 87,000) including a termination compensation of USD 32,000 for these services.

Marine Subsea AS

Marine Subsea AS, indirectly 51% owned by the Chairman of the Board of the Company, Mårten Rød and Board Member, Gian Angelo Perrucci was charged USD 27,000 (2008: USD 48,000, 2007: USD 72,000) for general services throughout the year 2009 based on an agreement entered into between Interoil (Norwegian mother company) and Marine Subsea AS.

Further, Marine Subsea AS, rents office locations from the Company at the Company's registered office address. Marine Subsea AS is charged a rent for the lease based on an agreement entered into between the parties. Net receivable from Marine Subsea as at 31 December 2009 was USD 64,000 (2008: USD 18,000, 2007: USD 10,000).

The tax claim

Interoil has entered into an agreement to compensate a tax claim of approximately NOK 52 million relating to a sale of assets to the Company by Mr. Rød and Mr. Trulsvik (NOK 44.7 million to Mr.Rød plus interest and legal fees). The background for the tax claim is as follows:

In 2005 Eksportconsult AS, Force Capital Partners and Caberian sold certain shares in Interoil Exploration S.A. to Interoil Exploration and Production ASA under a share purchase agreement governed by Swiss law (the "SPA"). Eksportconsult AS, Force Capital Parnters and Caberian are controlled by Mr. Rød, Mr. Trulsvik and Mr. Perrucci respectively. After the sale, Eksportconsult AS and Force Capital Partners received a tax claim from Norwegian Tax Authorities ("NTA") of NOK 57.15 million (the "Tax Claim"). The Tax Claim was divided between approximately NOK 48.8 million against Eksportconsult and approximately NOK 8.35 million against Force.

The Tax Claim has been treated as follows:

(i) Eksportconsult AS and Force Capital Partners have disputed and appealed the Tax Claim. The Tax Claim has been paid to NTA, but will be repaid if the appeal is successful. This is normal procedure under Norwegian tax law.

(ii) Eksportconsult AS and Force Capital Partners have claimed compensation from Interoil for the Tax Claim under the SPA. The parties have sought Swiss legal advice, and have been advised that it is likely that Interoil would be held liable under Swiss law to compensate the Tax Claim. The advice is not disclosed.

(iii) Based on the legal advice, the Settlement Agreement was executed pursuant to which Interoil undertook to indemnify Eksportconsult AS and Force Capital Partners for approximately 90 % of the Tax Claim. Pursuant to the terms of the Settlement Agreement, Interoil would pay up to NOK 44,758,682 to Eksportconsult AS and NOK 7,513,129 to Force Capital Partners, with the addition of interest of 3 months NIBOR + 2 % from 30 May 2008 and with the addition of reasonable legal expenses to defend against the tax claim. If the appeal was successful, the guarantee amount would be reduced NOK for NOK. The guarantee amount was not paid by Interoil when the Settlement Agreement was entered into.

(iv) The Settlement Agreement was approved by the shareholders of Interoil at an extraordinary general meeting held on 21 August 2008, as a related party transaction according to Section 3-8 of the Public Limited Companies Act. A statement from an independent auditor was obtained confirming that the settlement was balanced.

(v) On 18 October 2009 the NTA's appeal instance, Skatteklagenemnda, decided to uphold the Tax Claim. This decision was appealed by Eksportconsult AS and Force Capital Partners to the ordinary courts, and this appeal has not yet been decided.

(vi) Following the decisions from Skatteklagenemnda, Eksportconsult AS and Force Capital Partners claimed payment from Interoil under the Settlement Agreement. Interoil received legal advice that its obligation under the Settlement Agreement to indemnify against the Tax Claim would not fall due before a final court ruling was received. Therefore, the conclusion was that Interoil was not yet obliged to make payment to Eksportconsult AS and Force Capital Partners.

(vii) Based on the legal advice, the initial reaction of the board of Interoil was that the Company should not pay for the Tax Claim before a final court ruling was obtained. However, after negotiations between the parties the Amendment Agreement was entered into on 16 February 2010 whereby Interoil undertook to pay for the Tax Claim immediately.

(viii) On 4 March 2010, Eksportconsult AS and Force Capital Partners signed a subordination undertaking where they accepted that Interoil should not pay the Tax Claim before Interoil's three bond loans had been repaid in full, and that the Tax Indemnity Claim would be subordinated to all other claims against Interoil as of 4 March 2010.

(ix) The amendment agreement was approved by the shareholders of Interoil at an extraordinary general meeting held on 11 March 2010 as a related party transaction according to Section 3-8 of the Public Limited Companies Act. A statement from an independent auditor was obtained confirming that the amendment was balanced.

The amount owed to Ekportconsult, a total of NOK 50,674,690, has been repaid through debt conversion in the Private Placement, as described in section 4.

Other
In relation to the tax case Meyer Lustenberger, a Swiss law firm where the Board member Patricia Guerra is one of the partners, performed legal services for the Company. The Company (Norwegian parent company) has been charged USD 3,000 (2008: USD 68,000) for these services in 2009.

On 30 August 2010, Interoil held an extraordinary general meeting due to a proposed independent investigation of the management and affairs of the Company pursuant to Section 5-25 of the Public Limited Companies Act, as described in Section 11 "Legal Matters". The investigation was proposed by Petrominerales Ltd. Petrominerales Ltd had in particular ppproposed that the Company's related party transactions were investigated.

9.13 General meetings

Under Norwegian law, a company's shareholders exercise supreme authority in the Company through the general meeting.

A shareholder may attend the general meeting either in person or by proxy. Interoil has included a proxy form with summons to general meetings.

In accordance with Norwegian law, the annual general meeting of Interoil's shareholders is required to be held each year on or prior to 30 June. The following business must be transacted and decided at the Company's annual general meeting:

- Approval of the annual accounts and annual report, including the distribution of any dividend.
- Election of the Board of Directors.
- Any other business to be transacted at the general meeting by law or in accordance with Interoil's Articles of Association.

Norwegian law requires that written notice of general meetings are sent to all shareholders whose addresses are known at least three weeks prior to the date of the meeting, unless a company's articles of association stipulate a longer period. The Company's Articles do not include any such provision. The notice must set forth the time and date of the meeting and specify the agenda of the meeting. It must also name the person appointed by the Board of Directors to open the meeting.

A Shareholder is entitled to have an issue discussed at a general meeting if such Shareholder provides the Board of Directors with notice of the issue so that it can be included in the written notice of the general meeting.

In addition to the Company's annual general meeting, extraordinary general meetings of Shareholders may be held if deemed necessary by Interoil's Board of Directors. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of Interoil's auditors or Shareholders representing a total of at least 5 per cent of the share capital.

9.14 Voting rights

Unless a company's articles of association say otherwise, Norwegian law provides that each outstanding share shall represent a right to one vote. All of Interoil's Shares have an equal right to vote at general meetings. No voting rights can be exercised with respect to any treasury Shares held by a company.

In general, decisions that shareholders are entitled to make under Norwegian law or Interoil's Articles of Association may be made by a simple majority of the votes cast. In the case of elections, the persons who obtain the most votes cast are elected. However, certain decisions, including, but not limited to, resolutions to:

- Increase or reduce Interoil's share capital.
- Waive preferential rights in connection with any share issue.
- Approve a merger or demerger.
- Amend Interoil's Articles of Association.

Must receive the approval of at least two-thirds of the aggregate number of votes cast at the general meeting at which any such action is before the Shareholders for approval, as well as at least two-thirds of the share capital represented at the meeting. There are no quorum requirements for general meetings.

In general, in order to be entitled to vote, a Shareholder must be registered as the owner of Shares in the share register kept by the Norwegian Central Securities Depository, VPS, or, alternatively, report and show evidence of the Shareholder's Share acquisition to Interoil prior to the general meeting. Under Norwegian law, a beneficial owner of shares registered through a VPS-registered nominee is probably not able to vote for the beneficial owner's shares unless ownership is re-registered in the name of the beneficial owner prior to the relevant general meeting.

9.15 Amendments to Interoil's Articles of Association

The affirmative vote of two-thirds of the votes cast at a general meeting as well as at least two-thirds of the share capital represented at the meeting is required to amend Interoil's Articles of Association. Certain types of changes in the rights of Interoil's Shareholders require the consent of all Shareholders or 90 per cent of the votes cast at a general meeting.

9.16 Additional issuances and preferential rights

If Interoil issues any new Shares, including bonus share issues (involving the issuance of new Shares by a transfer from Interoil's share premium reserve or distributable equity to the share capital), Interoil's Articles of Association must be amended, which requires a two-thirds majority of the votes cast at a general meeting of shareholders. In connection with an increase in Interoil's share capital by a subscription for Shares against cash contributions, Norwegian law provides Interoil's Shareholders with a preferential right to subscribe for the new Shares on a pro rata basis in accordance with their then current shareholdings in Interoil.

The preferential rights to subscribe to an issue may be waived by a resolution in a general meeting passed by a two-thirds majority of the votes cast at a general meeting.

The general meeting may, with a vote as described above, authorise the Board of Directors to issue new Shares. Such authorisation may be effective for a maximum of two years, and the par value of the Shares to be issued may not exceed 50 per cent of the nominal share capital as at the time the authorisation was granted. The preferential right to subscribe for Shares in consideration against cash may be set aside by the Board of Directors only if the authorisation includes such possibility for the Board of Directors.

During the issue of Shares to Shareholders who are citizens or residents of the United States in a preferential rights issue, Interoil may be required to file a registration statement in the United States under U.S. securities laws. If Interoil decides not to file a registration statement, these holders may not be able to exercise their preferential rights.

Under Norwegian law, bonus shares may be issued, subject to shareholder approval and provided that, amongst other requirements, the Company does not have an uncovered loss from a previous accounting year, by transfer from the Company's distributable equity or from the Company's share premium reserve. Any bonus issues may be affected either by issuing shares or by increasing the par value of the shares outstanding. If the increase in share capital is to take place by new shares being issued, these new shares must be allotted to the shareholders of the Company in proportion to their current shareholdings in the Company.

9.17 Minority rights

Norwegian law contains a number of protections for minority shareholders against oppression by the majority, including but not limited to those described in this and preceding paragraphs. Any shareholder may petition the courts to have a decision of Interoil's Board of Directors or general meeting declared invalid on the grounds that it unreasonably favours certain Shareholders or third parties to the detriment of other Shareholders or Interoil itself. In certain grave circumstances, Shareholders may require the courts to dissolve the Company as a result of such decisions. Shareholders holding in the aggregate 5 per cent or more of Interoil's share capital have a right to demand that Interoil holds an extraordinary general meeting to discuss or resolve specific matters. In addition, any Shareholder may demand that Interoil places an item on the agenda for any general meeting if Interoil is notified in time for such item to be included in the notice of the meeting.

9.18 Change of control

There are no provisions in the Articles of Association which would have an effect of delaying, deferring or preventing a change of control of Interoil, or which require disclosure of ownership above any thresholds. In section 10.9 is a description of the requirements under the Securities Trading Act for the mandatory take-over bids and disclosure of transactions which cause certain thresholds to be passed.

It should be noted that the revolving exploration finance facility, the issued bond and the Share Options contain a change of control provision.

9.19 Public takeover bids

There has been one public takeover bid by a third party during the last financial year and the current financial year. With reference to section 4.1, this section gives a detailed description of the West Face offer to acquire all shares in Interoil and the offering process.

On June 7 2010 it was announced that a binding memorandum of agreement had been entered on the named date between Interoil, West Face, the two largest shareholders of Interoil, Mårten Rød and Gian Angelo Perrucci, and the former Managing Director of Interoil, Nils Trulsvik, pursuant to which West Face would, subject to certain conditions, launch a public voluntary cash tender offer to acquire all outstanding shares of Interoil, other than the shares owned by Rød, Perrucci and Trulsvik. Subject to a successful completion of the offer, West Face would provide new financing to Interoil as part of a refinancing of existing bonds issued by Interoil. Under the terms of the offer, West Face offered to pay NOK 12.50 per share in cash, valuing the total share capital of Interoil at approximately NOK 273 million. The Offer price represented a 19% premium to the closing share price on Friday June 4, 28, 2010, and a 140% premium to the share price on May 6, 2010, the day before Interoil announced the potential new bank financing.

The Offer was made in collaboration with Rød, Perrucci and Trulsvik who, directly and through related parties, controlled in aggregate 51.83% of the outstanding Interoil shares. Rød, Perrucci and Trulsvik had agreed with West Face to cooperate in the acquisition and subsequent de-listing of Interoil. Following successful completion of the Offer, Rød, Perrucci and Trulsvik and West Face would own no less than 90% of the outstanding Interoil shares.

In conjunction with the successful completion of the Offer, West Face and/or a related party would also participate in the refinancing of Interoil, both by purchasing new equity shares and providing a bond loan. Together with new senior bank debt to be obtained by subsidiaries of Interoil and secured by assets in Peru and Colombia, West Face or a related party would contribute up to USD 40 million in a new secured bond loan and up to USD 10 million in new equity. The new financing would be used to repay the Senior Secured Bond Loan amounting to USD 115 million (ISIN No. 001.036356.7), amounts owing to entities related to Mårten Rød and Nils Trulsvik relating to tax liabilities previously incurred by those entities, and for general corporate purposes.

In addition, as a condition of the completion of the equity and debt financing transactions, holders of the Convertible Bond of USD 20 million (ISIN NO 001.032535) and Unsecured Bond of NOK 100 million Bond Loan (ISIN NO 001.036280.9) would have to agree to exchange these bonds into a new bond loan on the same terms as West Face. To the benefit of other holders of Unsecured Bonds, Rød, Perrucci and Trulsvik had also agreed to convert approximately USD 10 million of Convertible Bonds into equity.

The Board of Directors of Interoil, including the independent directors (the "Board"), had unanimously resolved to support and recommend the transaction on the date of the announcement, and was expected to give its formal statement upon conclusion of a fairness opinion to be performed by an independent financial advisor.

The Offer was subject to certain conditions, including

I. The offeror receiving acceptances from shareholders representing in aggregate a number of shares which (a) would constitute at least 40% of the outstanding shares of Interoil, and (b) together with the shares owned, directly or indirectly, by Rød, Perrucci and Trulsvik, after giving effect to all conversion and exercise rights of all securities convertible into shares, would constitute at least 90% of the outstanding shares

II. Agreement with all bondholders on the terms of the refinancing

III. Completion of the new senior bank financing in Peru and Colombia on terms acceptable to West Face

IV. Formal recommendation of the Offer by the Board (and an independent expert as may be required by the Oslo Stock Exchange)

V. The results of West Face's confirmatory due diligence investigations being satisfactory to it in its sole discretion, and other customary conditions for a transaction of this nature. The condition relating to agreement with the bondholders included waiver by the holders of the Senior Secured Bonds of any right to enforce their security in pledged assets and acceptance to receive cash payment at par for their bonds with accrued interest following successful completion of the Offer and refinancing.

The Offer would be financed by West Face from existing cash resources and would not be subject to any financing condition. If the conditions for completion of the Offer were satisfied or waived, West Face would have a legal duty to make a mandatory cash offer for or compulsory acquisition of the remaining shares. As part of the Agreement, Interoil had agreed to reimburse West Face for all of its out-of-pocket expenses (including legal and other professional advisor fees) incurred in connection with its evaluation and pursuit of the Offer and refinancing should the transactions not be completed for any reason, limited upwards to an amount of USD 2 million. Pareto Securities AS was acting as financial advisor to West Face. Davies Ward Phillips & Vineberg LLP and Advokatfirmaet Schjødt DA were acting as, respectively, Canadian and Norwegian legal advisors to West Face. Gram Hambro & Garman were acting as legal advisor to Interoil.

On 3 August 2010 it was announced that the offer period for the cash tender offer made by West Face (Norway) AS to acquire the shares of Interoil had expired without the offer conditions being met. The offer was not extended and the offer had thus lapsed. The acceptance period under the offer ended 2 August 2010, at 17:30 CET. The necessary acceptance level from shareholders as set out in the offer document was not reached. These shareholders were released from their obligations under the offer, as per the offer document.

9.20 Rights of redemption and repurchase of Shares

The Company has not issued redeemable shares (i.e., shares redeemable without the shareholder's consent). The Company's share capital may be reduced by reducing the par value of the Shares. Such a decision requires the approval of two-thirds of the votes cast at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.
A Norwegian company may purchase its own shares if an authorisation for the board of directors of the Company to do so has been given by the shareholders at a general meeting with the approval of at least two-thirds of the aggregate number of votes cast at the meeting. The aggregate par value of treasury shares so acquired and held by the Company is not permitted to exceed 10 per cent of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the shareholders at the general meeting cannot be given for a period exceeding 18 months.

9.21 Distribution of assets on liquidation

Under Norwegian law, a company may be wound-up by a resolution of the Company's shareholders in a general meeting passed by the same vote as required with respect to amendments to the articles of association. The shares rank equally in the event of a return on capital by the Company upon a winding-up or otherwise.

9.22 Articles of Association

The Company's Articles of Association are set out in Appendix 1 to the Prospectus. The following is a summary of provisions of the Articles of Association some of which have not been addressed in the preceding discussions.

The Company's purpose according to its articles is activities such as exploration, development production, purchase and sale of oil and natural gas deposits and production licenses, as well as any activities related thereto, including investments in equal and similar enterprises, cf. article 3. The Company has one class of shares.

The Board of Directors consists of up to seven members. The articles of association do not provide for any rights, preferences and restrictions attaching to the Shares and do not lay down more significant conditions necessary to change the rights of shareholders than required under Norwegian law. The rights, preferences and restrictions attaching to the Shares are set out in the Public Limited Companies Act.

All Shares entitles the holder to one vote at the annual or special shareholders meeting. A may be present in person or by proxy.

The articles of association do not lay down more significant conditions necessary to change the rights of shareholders than required by the Public Limited Companies Act. Under the Public Limited Companies Act, general meetings must be convened by written notice to all shareholders whose address is known. The notice must be sent at the latest two weeks before the date of the general meeting. The notice must set forth the time and date of the meeting and specify the agenda of the meeting. It must also name the person appointed by the Board of Directors to open the meeting. All shareholders who are registered in the register of shareholders maintained by the VPS, or have otherwise reported and proved an acquisition of Shares, are entitled to admission provided pre-registration has been received by the Company four days prior to the general meeting.

The articles of association do not contain any provisions as to the manner in which general meetings of the Company are called or as to the conditions of admission to general meetings.

There are no provisions in the articles of association which would have an effect of delaying, deferring or preventing a change of control of the Company, or which require disclosure of ownership above any thresholds. However, please see Section 10.7 for a description of the requirements under the Securities Trading Act for the disclosure of transactions which cause certain thresholds to be passed.

The articles of association do not impose more stringent conditions for changing the capital of the Company than required by law.

10 Securities trading in Norway

10.1 Introduction

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. As of 31 December 2009, the total capitalization of companies listed on the regulated markets operated by the Oslo Stock Exchange amounted to approximately NOK 1,530 billion. The Oslo Stock Exchange has recently entered into a strategic cooperation with the London Stock Exchange Group with regards to, inter alia, trading systems for equities, fixed income and derivatives.

10.2 Trading of Equities and Settlement

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system TradElect. This trading system is in use by all markets operated by the London Stock Exchange, as well as by the Borsa Italiana and the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 17:30 hours (CET) each trading day, with pre-trade session between 08:15 hours (CET) and 09:00 hours (CET). The settlement period for trading on the Oslo Stock Exchange is three trading days (T+3).

Oslo Clearing ASA, a wholly owned subsidiary of Oslo Børs VPS Holding ASA, has a license from the NFSA to act as a central clearing service, and has from 18 June 2010, offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian brokerage houses holding a license under the Norwegian Securities Trading Act, branches of brokerage houses from an EEA member state or brokerage houses from outside the EEA that have been licensed to operate in Norway. Brokerage houses in an EEA member state may also provide cross-border investment services in Norway.

It is possible for brokerage houses to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of brokerage houses in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the NFSA or the Oslo Stock Exchange except for the general obligation on brokerage houses that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

10.3 Information, Control and Surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The NFSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company which is listed, or has applied for listing, on a Norwegian regulated market, must promptly release any inside information (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

10.4 The VPS and Transfer of Shares

The VPS is the Norwegian paperless centralized securities register. It is a computerized bookkeeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The Company's shareholder register is operated through the VPS. The VPS and the Oslo Stock Exchange are both wholly owned by Oslo Børs VPS Holding ASA.
All transactions relating to securities registered in the VPS are made through computerized book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (i.e. Norway's central bank), authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

The entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the NFSA on an ongoing basis, as well as any information that the NFSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

10.5 Shareholder Register

Under Norwegian law, shares are registered in the name of the owner of the shares. As a general rule, there are no arrangements for nominee registration. However, shares may be registered in the VPS by a fund manager (bank or other nominee) approved by the Norwegian Ministry of Finance, as the nominee of foreign shareholders. Nominee registration for Norwegian shareholders is not permitted. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the Company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions but cannot vote in general meetings on behalf of the beneficial owners.

10.6 Foreign Investment in Norwegian Shares

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

10.7 Disclosure Obligations

If a person's, entity's or consolidated group's proportion of shares and/or rights to shares in a company listed on a regulated market with Norway as its home state (e.g. the Company) reaches, exceeds or falls below the respective thresholds of 5, 10, 15, 20, 25 percent, 1/3, 50 percent, 2/3 or 90 percent of the share capital or the voting rights of the Company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the Company's share capital.

10.8 Insider Trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, see Section 10.3 above. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

10.9 Mandatory Offer Requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group who becomes the owner of shares representing more than 1/3 of the voting rights of a Norwegian company listed on a Norwegian regulated market to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in such company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares which together with the party's own shareholding represent more than 1/3 of the voting rights in The Company and the Oslo Stock Exchange decides that this must be regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation shall immediately notify the Oslo Stock Exchange and the Company accordingly. The notification shall state whether an offer will be made to acquire the remaining shares in the Company or whether a sale will take place. As a main rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock

Exchange before the offer is submitted to the shareholders or made public.
The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. However, if it is clear that the market price was higher when the mandatory offer obligation was triggered, the offer price shall be at least as high as the market price. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the Company, such as voting in a general meeting of shareholders, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise the right to dividend and his/her/its pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duties to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine which runs until the circumstance has been rectified.

A shareholder or consolidated group who has passed the relevant threshold for a mandatory offer obligation without triggering such an obligation, and who consequently has not previously made an offer for the remaining shares in the Company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the Company (subsequent offer obligation).

A shareholder who represents more than 1/3 of the votes in a Norwegian company listed on a Norwegian regulated market is obliged to make an offer to purchase the remaining shares of the Company (repeated offer obligation) where the shareholder through acquisition becomes the owner of shares representing 40 percent or more of the votes in the Company. The same applies correspondingly where the shareholder through acquisition becomes the owner of shares representing 50 percent or more of the votes in the Company. The mandatory offer obligation ceases to apply if the shareholder sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.
Pursuant to the Norwegian Securities Trading Act and the Norwegian Securities Regulation of 29 June 2007 No. 876, the above mentioned rules also apply in part or in whole to acquisitions of shares in certain non-Norwegian companies whose shares are listed on a Norwegian regulated market.

10.10 Compulsory Acquisition

Pursuant to the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing more than 90 percent of the total number of issued shares in a Norwegian public limited company, as well as more than 90 percent of the total voting rights, has a right, and each remaining minority shareholder of the Company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90 percent of the total number of issued shares, as well as more than 90 percent of the total voting rights, through a voluntary offer in accordance with the Norwegian Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer:

I. The compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer
II. The price offered per share is equal to or higher than what the offer price would have been in a mandatory offer
III. The settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90 percent of the voting shares of the offeree company and a corresponding proportion of the votes that can be cast in the general meeting, and the offeror pursuant to Section 4–25 of the Norwegian Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price, absent specific reasons indicating another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.
Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

10.11 Foreign Exchange Controls

There are currently no foreign exchange control restrictions in Norway, other than in certain extreme macroeconomic conditions, that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a Norwegian company who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the NFSA have electronic access to the data in this register.

11 Norwegian taxation of Shareholders

11.1 Introduction

This subsection presents a brief outline of certain tax aspects under Norwegian law related to holding and disposal of shares in the Company. The presentation is based on Norwegian tax regulations in force as of the date of this Prospectus and describes the tax situation for Norwegian shareholders (shareholders with Norwegian tax domicile) and withholding tax for non-Norwegian shareholders (shareholders not having Norwegian tax domicile). The presentation does not concern tax issues for the Company.

The presentation does not include any information with respect to taxation in any other jurisdiction than Norway, and the presentation only focuses on the shareholder categories explicitly mentioned below. Hence, the presentation does i.a. not exhaustively cover the tax situation for non-Norwegian shareholders holding or disposing off shares in the Company through a Norwegian permanent establishment. Further, special rules, which are not mentioned below, may apply to shareholders which are transparent entities for tax purposes and for shareholders that have moved or will move out of Norway.

The presentation is of general nature and is not intended to be an exhaustive analysis of all possible tax aspects relating to shares in or dividends paid from the Company. Accordingly, prospective holders of shares in the Company should consult their tax advisors as to the consequences under the tax regulations of Norway and elsewhere.

The presentation is subject to any amendments to tax laws and regulations that may occur after the date of this Prospectus, including any retroactive enforcement.

Please note that for the purpose of this subsection, a reference to a Norwegian or foreign shareholder refers to the tax residency and not the nationality of the shareholder.

11.2 Norwegian shareholders

11.2.1 Taxation of dividends – Norwegian personal shareholders

Dividends distributed from the Company to Norwegian personal shareholders are taxable as ordinary income at a current rate of 28 per cent. However, this will only apply for dividends exceeding a calculated risk-free return on the investment (tax-free return), which thus is tax exempt.

The tax-free return is calculated annually for each share and pertains to the owner of the share at the end of the year. The tax-free return is calculated on the basis of the shareholder's cost price on the share (subject to adjustments under certain circumstances) multiplied with a statutory risk-free interest. The risk-free interest is determined on the basis of interest on 3-months Treasury bills (Norwegian: "statskasseveksler"), as published by the Central Bank of Norway (Norwegian: Norges Bank), after tax.

If the actual distributed dividends for one year are less than the calculated tax-free return (calculated for each share), the surplus tax-free return can be carried forward to be set-off against dividends or capital gains on the same share for subsequent years (any surplus tax-free return on one share cannot be set-off against dividends or capital gains on other shares). Furthermore, any such surplus tax-free return will be added to the basis for calculating the annual tax-free return on the share for subsequent years.

11.2.2 Taxation of capital gains – Norwegian personal shareholders

Sale, redemption or other disposal of shares is considered as a realization for Norwegian tax purposes.

A capital gain or loss generated by a Norwegian personal shareholder through a realization of shares in the Company is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of realization. Ordinary income is taxable at a rate of 28 per cent. Gains are taxable and losses are deductible irrespective of the duration of the ownership and the number of shares owned and/or disposed of.

The gain or loss is calculated as net consideration for the share less the cost price on the share, transactional expenses and any surplus tax-free return on the share (as a result of non-utilization of the calculated annual tax-free returns at the time of disposal). However, any surplus tax-free return may only be deducted in order to reduce a capital gain, and not to produce or increase a loss. Further, any surplus tax-free return on one share cannot be set-off against gains on another share. Expenses and broker's commission at both the purchase (subscription) and the sale are deductible when calculating the capital gain or loss.

A FIFO (First in First Out) principle applies if shares are not acquired simultaneously.

11.2.3 Taxation of dividends and capital gains – Norwegian corporate shareholders

Capital gains generated by Norwegian corporate shareholders (limited liability companies and certain similar entities) through a realization of shares in the Company, are subject to the Norwegian participation exemption. The participation exemption also applies to dividends distributed from the Company to Norwegian corporate shareholders.

3 per cent of the net income that qualifies for the participation exemption will be included in the tax base and taxable at a rate of 28 per cent, implying a 0.84 per cent effective tax rate for Norwegian corporate shareholders on such net income. Net losses on shares in the Company are not tax deductible for Norwegian corporate shareholders.

11.2.4 Net wealth tax

Norwegian corporations are exempt from net wealth taxation.

Norwegian personal shareholders are subject to net wealth tax. The marginal net wealth tax rate is currently 1.1 per cent. When calculating the net wealth tax base, shares in listed companies are valued to the shares' quoted value as of 1st of January in the assessment year.

11.3 Foreign shareholders – Norwegian taxation

11.3.1 Withholding tax on dividends

Dividends distributed from the Company to non-Norwegian shareholders (personal and corporate shareholders not having Norwegian tax domicile) are generally subject to Norwegian withholding tax. The general withholding tax rate on dividends is 25 per cent, but the rate may be reduced if a tax treaty applies.

Dividends distributed to non-Norwegian shareholders that are regarded as equivalent to Norwegian limited liability companies (and certain other entities) and resident within the EEA for tax purposes, are exempt from Norwegian withholding tax, provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within an EEA member state. Special documentation requirements may apply in this respect.

Personal shareholders resident in an EEA member state may claim that a tax-free return is calculated and applied in the same way as for Norwegian personal shareholders, cf. above. However, the tax-free return does not apply in the event that an applicable tax treaty, leads to a lower witholding tax on the dividends than the withholding tax rate of 25 per cent less the tax-free return. Any tax-free return is only available upon application, and any refund is given after the end of the income year.

Non-Norwegian shareholders that have been subject to a higher withholding tax than set out in an applicable tax treaty or the Norwegian Tax Act may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Different provisions apply if shares in the Company are held by non-Norwegian shareholders in connection with a business (e.g. a permanent establishment) liable to taxation in Norway.

11.3.2 The Company's responsibility for the withholding of taxes

Non-Norwegian shareholders subject to withholding tax on dividends from the Company are subject to advance tax payment. The Company is responsible for the withholding of all tax that is levied on dividends to foreign shareholders and to report and pay in the withholding tax.

11.3.3 Capital gains

Non-Norwegian personal and corporate shareholders are not subject to Norwegian tax on capital gains generated through realization of shares in the Company, unless either (i) the shares are held in respect of a business (e.g. a permanent establishment) liable to taxation in Norway; or (ii) in the case of personal shareholders, the person has previously been tax domiciled in Norway.

11.3.4 Net Wealth Tax

Non-Norwegian shareholders are, at the outset, not subject to Norwegian net wealth tax. Foreign personal shareholders may, however, be subject to net wealth tax if holding the shares in connection with a business (e.g. a permanen establishment) liable to taxation in Norway.

11.4 Duties on transfer of shares

No stamp duty or similar duties are currently imposed in Norway on the transfer or issuance of shares in the Company, neither on acquisition nor disposal.

11.5 Inheritance tax

When shares are transferred by way of inheritance or gift, such transfer may give rise to inheritance tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway, or if the shares are effectively connected with a business carried out through a permanent establishment in Norway.

However, in the case of inheritance, if the decedent was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax or similar tax is levied by the decedent's country of residence.

In the case of gift, if the donor was a citizen but not a resident in Norway, inheritance tax will be applicable, but a credit will be given in the Norwegian inheritance taxes for taxes paid in the donor's country of residence.

The basis for the computation of inheritance tax is the market value at the time the transfer takes place. The rate is progressive from 0% to 15%. For inheritance and gifts between parents and children, the maximum rate is 10%.

12 Legal matters

12.1 Legal proceedings

In January 2010, Norsk Tillitsmann ASA initiated proceedings by which Norsk Tillitsmann ASA sought enforcement of the share pledge in the Company's subsidiaries, Interoil Exploration and Production Latin America AS, Interoil Exploration and Production Africa AS and Interoil Exploration and Production Ghana AS, in favour of Norsk Tillitsmann ASA as Loan Trustee of the bondholders in the FRN Interoil Exploration and Production ASA Senior Secured Callable and Putable Bond Loan Issue med ISIN no. 001.036356.7 (the "Secured Bond"). The claim amounted to USD 115,000,000 plus interest and costs. The enforcement proceedings were dismissed on 25 February 2010, but the Enforcement Officer (Namsmannen) reversed its previous ruling pursuant to an appeal from Norsk Tilitsmann ASA. The Company appealed the ruling to the Municipal Court of Asker and Bærum (Asker og Bærum Tingrett) 21 April 2010, but the court rejected the appeal 7 June 2010. The enforcement proceedings were terminated late August 2010 as the Company repaid the Secured Bond in full in connection with the Company's refinancing (as described in Section 4.1 and 4.2).

On 30 July 2010, the Company received a request from Petrominerales Ltd. to hold an extraordinary general meeting to put forth a shareholder resolution to approve the filing of a court petition to conduct a public scrutiny with respect to the Company and its business and affairs. The Company acknowledged the request and convened an extraordinary general meeting held 30 August 2010. The Company's general meeting resolved to allow the public inquiry.

On 26 August 2010 Petrominerals Ltd. filed for a temporary injunction in order to stop the Private Placement from being completed. The claim from Petrominerals was primarily based on accusations that the allocation of shares in the Private Placement was in violation of the principle of equal treatment of shareholders. On this basis, the Municipal Court of Asker and Bærum (Asker og Bærum Tingrett) resolved a temporary injunction whereby the Company was temprarily prohibited from completing the Private Placement. After oral hearings before the Municipal Court of Asker and Bærum on 30 August 2010, the injunction from 26 August 2010 was revoked as the court found that Petrominerals claim against the Company was unfounded.

Except for the above, the Group is currently not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), and has not been involved in any such proceedings during the previous twelve months, which may have, or have had in the recent past, significant effects on the Company and / or the Group's financial position or profitability.

12.2 Material contracts

As also described under section 9.12, Interoil has entered into a settlement agreement with Eksportconsult AS and Force Capital Partners, whereby Interoil has undertaken to indemnify Eksportconsult AS and Force Capital Partners for approximately 90% of a tax claim of approximately NOK 52 million relating to a sale of assets to the Company by Mr. Rød and Mr. Trulsvik.

Except for the settlement agreement described above, and the loan agreements discussed in section 8.10.4, the Company has not entered into any material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document.

13 Definitions and glossary of terms

Articles of Association	Interoil Exploration and Production ASA's articles of association
Barrel	159 litres, a measuring unit for volume
Bbl:	Barrels of oil
Bboe	Billion barrels of oil equivalent
Bcf	Billion cubic feet
Board of Directors or Board	Board of Directors in Interoil
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
CHF	Swiss franc
Citibank Senior Secured Term Loan facility	90m USD senior secured term loan facilities from Citibank N.A.
COP	Colombian peso
Company	Interoil Exploration and Production ASA
Convertible Bond Loan	Bond loan issued by the Company under ISIN NO 001032535
EBITDA	Earnings before interest, tax, depreciation and amortisation
E&P	Exploration and production
GDP	Gross domestic product
Group	Interoil Exploration and Production ASA with subsidiaries
HSE	Health, safety and environment
IEA	International Energy Agency
IFRS	International Financial Reporting Standards, issued by the IASB
ISIN	International Securities Identification Number
Managers	SEB Enskilda and Pareto Securities
mmboe	Million barrels of oil equivalent
mmcf	Million cubic feet
New Senior Secured Bond Loan	Bond loan issued by the Company under ISIN NO 0010584683
NOK	Norwegian kroner
NYMEX	New York Mercantile Exchange
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
Oslo Børs	Oslo Børs ASA (Oslo Stock Exchange)
Parent Company	Interoil Exploration and Production ASA
Pareto Securities	Pareto Securities AS
PDO	Plan for development and operations
PEN	Peruvian Nuevo Sol (Peruvian currency)
Prospectus	This Prospectus dated 4 October 2010 prepared in connection with listing of the Private Placement Shares
Private Placement	The Private Placement of 25,920,000 Shares directed towards existing Shareholders, Norwegian investors and international institutional investors that was resolved by the Board of Directors on 26 August 2010
Private Placement Shares	25,920,000 Shares issued in the Private Placement
Probable Reserves:	As approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC) in March 1997, probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should at least be 50% probability that the quantities actually recovered will

	equal or exceed the sum of estimated proved plus probable reserves.
Prospective Reserves	As approved by the Society of Petroleum Engineers (SPE), the World Petroleum Congress "(WPC)" and the American Association of Petroleum Geologists (AAPG), prospective resources are those quantities of petroleum, which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.
Proven Reserves:	As approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC) in March 1997, proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high decree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
PSC	Production sharing contract
Interoil or the Company	Interoil Exploration and Production ASA, registered with the Norwegian Register of Business Enterprises under the organisation number 988 247 006
SEB Enskilda	SEB Enskilda AS
Senior Secured Bond Loan	Bond loan issued by the Company under ISIN NO 0010363567
Senior Unsecured Bond Loan	Bond loan issued by the Company under ISIN NO 0010362809
Shareholder	A shareholder in Interoil
Share Options	Share options which gives the holder a right to buy shares in Interoil
Shares	"Shares" means common shares of Interoil and "Share" means any one of them
Subscription Price	NOK 12.50 per Share
US	United States of America
USD	US dollars
VPS	Verdipapirsentralen (Norwegian Central Securities Depository)
VPS account	An account with VPS for the registration of holdings of securities.
WTI	West Texas Intermediate
2P	Proven and Probable reserves

14 Appendices and Documents on Display

14.1 Appendices

Appendix 1: Articles of Association
Appendix 2: Quarterly report Q2 2010
Appendix 3: Annual Report 2009

14.2 Documents on Display

For the life of the Prospectus, the following documents (or copies thereof where applicable), may be inspected during usual business hours at the offices of the Company at Strandveien 50, 1366 Lysaker, Norway. The documents are also available on the Company's website www.Interoil.no

- Interoil's annual reports for 2009, 2008 and 2007
- Interoil's interim financial reports for the period 2007-2009
- Annual reports for 2009, 2008 and 2007 for major subsidiaries (not available on the website)
- 2009 Annual Statement of Reserves and the Company's Articles of Association

The Prospectus has been made publicly available at the below addresses:

The Company:

Interoil Exploration and Production ASA
Strandveien 50
1366 Lysaker

The Managers:

SEB Enskilda AS
Filipstad Brygge 1
0250 Oslo

Pareto Securities ASA
Dronning Mauds gate 3
0114 Oslo

14.3 Documents incorporated by reference

Reference:	Section in Prospectus:	Incorporated by reference:	Web (url):
2009 reserves	5.4	2009 Annual Statement of Reserves	http://hugin.info/137537/R/1388727/346938.pdf
2008 profit and loss statement, cash flow, balance sheet and notes	8.2, 8.3, 8.4, 8.5, 8.6, 8.7	2008 Annual Report	http://hugin.info/137537/R/1314565/305511.pdf
2008 Consolidated statement of changes in equity	8.5	2008 Annual Report	http://hugin.info/137537/R/1314565/305511.pdf
2008 Audit Report	8.12	2008 Annual Report	http://hugin.info/137537/R/1314565/305511.pdf Page: 84-85
2007 profit and loss statement, cash flow, balance sheet and notes	8.2, 8.3, 8.4, 8.5, 8.6, 8.7	2007 Annual Report	http://hugin.info/137537/R/1204315/247163.pdf
2007 Consolidated statement of changes in equity	8.5	2007 Annual Report	http://hugin.info/137537/R/1204315/247163.pdf
2007 Auditor's Report	8.12	2007 Annual Report	http://hugin.info/137537/R/1204315/247163.pdf Page: 80-81

14.4 Appendix 1 – Articles of association

ARTICLES OF ASSOCIATION FOR INTEROIL EXPLORATION AND PRODUCTION ASA

(as of 29 April 2008)

§ 1
The Company's name is Interoil Exploration and Production ASA. The Company is a public limited company.

§ 2
The Company's business office is in the municipality of Bærum.

§ 3
The Company's business activity shall comprise activities such as exploration, development, production, purchase and sale of oil and natural gas deposits and production licences, as well as any activities related thereto, including investments in equal and similar enterprises.

§ 4
The Company's share capital is NOK 1,092,250 divided into 21,845,000 shares each of a nominal value of NOK 0.05. The shares shall be registered in the Securities Registry ("Verdipapirsentralen").

§ 5
The Company's board shall consist of a minimum of one and a maximum of seven directors. The Chairman of the Board shall have the signing authority of the Company.

§ 6
Shareholders or their representatives wishing to attend and vote at the General Meeting must inform the Company of this four days prior to the General Meeting.

§ 7
The Company shall have a Nomination Committee, elected by the General Meeting. The Nomination Committee shall make recommendations to the General Meeting regarding the election of members to the Board of Directors. The Chairman of the Board of Directors shall without having anv voting right, be summoned to at least one meeting with the Nomination Committee before the Committee gives its final recommendation.

The Nomination Committee shall consist of three members. Minimum two of the members shall be shareholders or representatives of shareholders and independent of the Board of Directors and the operational management. The members of the Nomination Committee shall be elected for periods of two years.

§ 8
The annual general meeting shall discuss and resolve the following matters:
1. Approval of the annual accounts and the annual report, including distribution of dividend.
2. Any other matters which according to law or the Articles of Association fall within the scope of the general meeting.

14.5 Appendix 2 – Interoil Q2 2010 Financial Report

INTEROIL

Report for the second quarter 2010

5 August, 2010

Drilling rig Mana License, Colombia

INTEROIL E&P ASA

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INTEROIL

InterOil Exploration & Production ASA

Q2 2010

InterOil generated operating revenues of USD 23.8 million in Q2 2010. The EBITDA for Q2 was USD 15.2 million and the company's profit before tax was USD 4.2 million.

Important events in the second quarter

- WI production of 511'971 bbls in Q2
- 13.8% lower WI production compared to Q1 2010
- Decreased revenue by 3.2% compared to Q1 2010
- New discovery in Altair license in Colombia

Key Figures

Figures in USD millions	For the three months ended 30 June 2010 ("Q2 2010")	For the three months ended 30 June 2009 ("Q2 2009")*	For the six months ended 30 June 2010	For the six months ended 30 June 2009*
Operating revenue	23.8	24.3	48.3	45.7
Production, before royalties (boe)**	511'971	709'515	1'106'126	1'490'461
Production, net of royalties (boe)**	338'250	461'856	724'217	1'007'231
EBITDA	15.2	18.7	29.4	28.2
EBITDA excl. unrealized derivative gain or loss	14.3	18.7	28.5	28.2
Profit/loss before tax	4.2	5.1	6.7	4.3
Capitalized Expenditures	6.8	0.1	11.4	7.5

*Restated since Q2 2009 reporting
**barrel of oil equivalent

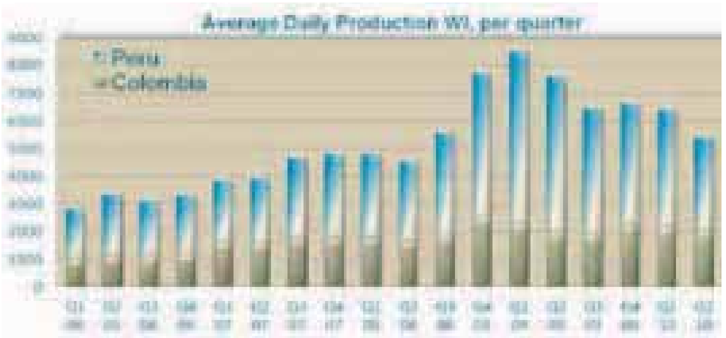
Operations

InterOil's production in Q2 2010 decreased by 13.8% compared to Q1 2010. This was mainly caused by depletion in our South Mirador Field in Peru. The operating revenue of USD 23.8 million decreased by 3.2% since Q1 2010. However, the EBITDA of USD 15.2 million has increased by USD 1.0 million compared to Q1 2010 mainly due to less exploration and evaluation cost expensed and a gain in financial instruments of USD 1.3 million connected to the hedging of oil in Peru in Q2 2010. Profit after tax in Q2 2010 was USD 1.2 million compared to a loss of USD 1.0 million in prior quarter resulting in profit of USD 0.1 million for the first half year of 2010 compared to a loss of USD 1.1 million for the same period in 2009.

InterOil's focus going forward is to further improve its operation and increase the production in Peru and Colombia. InterOil started the 2010 drilling campaign in both Peru and Colombia at the end of Q2. The development of the northern extension of the South Mirador Field in Peru and the Altair Field in Colombia will most likely contribute to increased production in both Peru and Colombia going forward.

Production and sales

The production after royalties for Q2 2010 was 320'279 barrels of oil, down from 369'420 barrels in Q1 2010.



The oil produced was sold to Hocol in Colombia and PetroPeru in Peru. The average oil price received in Q2 in Colombia was USD 74.46 per bbl, which is a 2.9% increase to the price received in Q1 2010. In Peru the average sales price in Q2 was USD 76.71 per bbl, which is 2.4% higher than the price received in Q1 2010.

Q2 2010 sale of oil was 305'818 barrels (Q1 2010; 326'399), while the net production was 320'279 barrels (Q1 2010; 369'420). The difference between sales and production is presented as an increase in inventories and will be sold during the third quarter 2010.

Financial Items and Tax

InterOil had net financial cost of USD 4.9 million in the second quarter of 2010, compared to USD 6.6 million in the same quarter last year. The difference can mainly be traced back to two items. A foreign exchange gain of USD 0.2 million was recorded during Q2 compared to a loss of USD 2.7 million in the same quarter last year. Secondly the interest expenses of USD 4.4 million has increased by USD 1.9 million due to the default interest on the borrowings.

Net profit for the second quarter of 2010 was USD 1.2 million, after income tax expense of USD 3.1 million.

Investments

Investments/Capitalized expenditures in Q2 2010 were USD 6.8 million, whereof USD 3.3 million is related to the drilling of wells in the Mirador area in Peru. The remaining USD 3.5 million is related to the new drilling campaign on Mana and Rio Opia and the completion of wells on the Altair license in Colombia.

Balance Sheet and Liquidity

InterOil's total assets as of 30 June 2010 amount to USD 189.5 million and total cash and cash equivalents were USD 11.7 million. The equity ratio of the group was -24.7%.

The Board of Directors of InterOil has noted that the voluntary offer from West Face has lapsed and will not be completed. The offer was to provide USD 50 million in new cash to InterOil through a combination of equity and bond subscription from West Face and was an important part of the ongoing refinancing process. The USD 50 million would, together with the USD 90 million secured debt financing from Citibank (Peru and Colombia), enable InterOil to complete the refinancing and provide necessary working capital. The Citibank financing is conditional upon a refinancing completed within August 2010.

The Board is therefore pleased that EksportConsult AS and Rakila Properties Ltd. have agreed to underwrite USD 50 million of a proposed equity issue of USD 50-70 million. The Board has called for an extraordinary general meeting to be held 26 August 2010 to resolve the equity issue.

The Board is proposing an equity issue of USD 50-70 million by way of an undocumented private placement directed towards existing shareholders and other qualified Norwegian and International investors to be completed before end of August, 2010. The issue price will be set through a book-building process, however the underwriting agreement secures a minimum subscription price of NOK 5.00 per share. The completion of the proposed equity issue will enable InterOil to refinance the senior secured bond loan, improve the equity and provide necessary working capital.

Cash flow

Operating activities for the quarter ended 30 June 2010 generated sales of USD 23.8 million and a net cash flow of USD 8.8 million.

Hedging

In relation to the refinancing process of the Group, did InterOil enter into a hedging agreement effective from 1 April 2010 for a 30 months period with Citibank Peru. The hedging agreement is a commodity swap transaction for a total volume of 1,95 million barrels (65'000 barrels per month) at a fixed price of WTI of USD 80 per barrel. The calculation and settlement is performed on a monthly basis. InterOil accounted a realized gain of USD 0.4 million and an unrealized gain of USD 0.9 million on the hedging agreement for the second quarter.

Operational Highlights

InterOil acquired the Peruvian and Colombian assets at the end of September 2005. After reviewing the operations and securing the required approvals, InterOil began an investment program in both countries and has now successfully doubled the production since the acquisition. In total more than 70 wells have been drilled since takeover with a success rate of approximately 94%. In November 2006 InterOil signed blocks 5 and 6 in Angola. InterOil signed in March 2007 a farm-in agreement with Tullow Oil regarding the "Tano Shallow Water Block" in Ghana.

In January 2008 InterOil was awarded 21% working interest by Sonangol P&P in the Cabinda North license onshore Angola. InterOil sold in 2009 17.5% of this license.

In March 2008 InterOil was awarded the onshore Altair license in Colombia. In February 2010 InterOil signed an agreement with the local drilling contractor Erazo Valencia S.A. (EV) whereby EV is committed to drill two firm and two conditional exploration wells in the Altair license against a 10% interest in the block.

The following summary gives an update of the latest achievements:

Peru

InterOil started end of March 2010 the drilling of two new wells in the Mirador area in Block III. Both wells encountered oil and were completed during Q2. The production from the first infill well is now producing approximately 80 bopd, which is below expectation. The second well, drilled as an exploration well to the North of the Mirador South Field, intercepted a new and separate structure with oil. The well hit the oil water contact down on the structure and produce today approximately 100 bopd. Logging and pressure tests support the conclusion of a separate structure north of the existing Mirador South Field. InterOil will develop this area further by drilling 9 more wells in 2010.

The drilling of another new potential structure in North was started in Q2. The first well was completed in July with a test production of 220 bopd. The second well is drilled, testing and final completion will be finalized mid August. The preliminary indications are encouraging. Further wells will be drilled back to back going forward.

No new wells have been drilled in Block IV in 2010.

The average oil production in Q2 2010 was 3'399 bopd, whilst the average in Q1 2010 was 4'248 bopd, a decrease of 20%, which can mainly be traced back to the depletion in the South Mirador Field. InterOil Peru is working actively to reduce the high depletion experienced in the South Mirador. Gas lift systems have been installed in 4 wells as a first step to reduce the decline.

Colombia

Two wells have been drilled in the Altair block during the second quarter. The first exploration well (Altair-1) encountered oil in several intervals. A 14 days production test of the prospective Carbonera C7 reservoir was performed and the initial results were encouraging. The well was set in a Long Term Testing (LTT) in the beginning of July with 750 bopd. The relative thin oil column (21 ft), together with very good reservoir parameters (permeability of up to 20 Darcy) makes the prediction of the water cut from the test uncertain. The result from the LTT will give us a better understanding of the reserves we can expect from the Altair-1 structure.
The second exploration well in the Altair Block, Purrita-1, drilled during May/June, was targeting a stratigraphic trap at the Gacheta level. The well reached the final depth at 7020 ft in economic basement. Poor oilshows was

recorded at the target level. Electrical Logs were run, confirming the precense of a 40 ft net sand associated with the stratigraphic trap, but the petrophysical analysis showed a water wet sand. The well is being considered as a water injector for the Altair-1 well.
Based on the result from Altair-1 and Purrita-1, InterOil will use the next 6 months to re-evaluate the remaining potential of the Block and subject to result, drill another exploration well in Altair by the end of 2010.

InterOil started the 2010 drilling campaign in the Mana and Rio Opia license at the end of Q2. In total 6 new wells will be drilled back to back during the next 4 months. The first well in the Mana license was completed in July and produce today approximately 150 bopd.

The average oil production in Q2 2010 was 1'993 bopd, whilst the average in Q1 2010 was 2'136 bopd, a decrease of 7%, which can mainly be traced back to normal depletion.

Angola

No operating activities were carried out during Q2 2010.

Ghana

No significant operating activities were carried out during Q2 2010. Detailed technical G&G work is carried out on the Ebony discovery by our technical department in Zurich in order to optimize the appraisal of the discovery.

Outlook

InterOil is working on refinancing all outstanding debt. The BoD is fully focused on this process and expects to conclude this process shortly.

The BoD has called for an extraordinary general meeting to be held 26 August 2010 to resolve the equity issue. The Board propose an equity issue of USD 50-70 million by way of an undocumented private placement directed towards existing shareholders and other qualified Norwegian and International investors to be completed before end of August, 2010. The completion of such an equity issue will enable InterOil to refinance the senior secured bond loan, improve the equity and provide necessary working capital.

InterOil's focus going forward is to further improve its operation and increase the production in Peru and Colombia. InterOil plans to continue the 2010 drilling campaign in both countries.

The drilling plan for Peru has been revised since the Q1 2010 reporting. The plan is now to drill in total nine wells in the new structures discovered north to the Mirador South field in Peru. The wells will be drilled back to back during the next four months.

In Colombia we will drill two appraisal wells and two infill production wells in the Mana Field and two production wells in the Rio Opia Field. The wells will be drilled back to back during the next four months. In addition we plan to drill one additional exploration well in the Altair license at the end of 2010.

Statement by the Board of Directors

The Board of Directors and the Managing Director have today considered and approved the condensed consolidated interim report of InterOil E&P ASA as at 30 June 2010 and for the first half-year 2010 including condensed consolidated comparative figures as at 30 June 2009 and for the first half-year 2009 (“the interim report”).

The interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by EU and additional Norwegian disclosure requirements for interim financial reports of listed public limited companies.

We consider the accounting policies applied to be appropriate. Accordingly, the interim report give a true and fair view of the Group’s assets, liabilities and financial position as at 30 June 2010 and as 30 June 2009 and of the results of the Group’s operation and cash flow for the first half-year 2010 and the first half year 2009.

Lysaker, 5 August 2010

The Board of Directors of InterOil Exploration and Production ASA

Condensed Consolidated Interim Financial Information

5 August, 2010

Drilling rig Mana License, Colombia

INTEROIL E&P ASA

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Consolidated Interim statement of comprehensive income

Amounts in USD 1 000	Note	For the 3 months period ended 30 June 2010	For the 3 months period ended 30 June 2009	For the 6 months period ended 30 June 2010	For the 6 months period ended 30 June 2009	For the 12 months period ended 31 December 2009
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Sales	4	23 765	24 281	48 304	45 705	100 430
Cost of goods sold	5	-13 013	-14 363	-25 206	-27 394	-56 117
Gross profit		**10 752**	**9 918**	**23 098**	**18 311**	**44 313**
Exploration cost expensed		-3 508	-5 578	-8 365	-11 183	-37 435
Administrative expense		-331	-357	-873	-1 540	-9 066
Other income / (expense)		921	7 670	1 550	7 699	11 433
Impairment oil and gas assets		-	-	-	-	-34 919
Gain / (loss) on financial instruments at FVtPL	7	1 306	22	1 309	9	54
Result from operating activities		**9 140**	**11 675**	**16 719**	**13 296**	**-25 620**
Finance costs – net		-4 892	-6 552	-10 065	-8 957	-20 540
Profit / (loss) before income tax		**4 248**	**5 123**	**6 654**	**4 339**	**-46 160**
Income tax expense		-3 069	-2 676	-6 521	-5 476	-8 424
Profit / (loss) for the period		**1 179**	**2 447**	**133**	**-1 137**	**-54 584**
Other comprehensive income		-	-	-	-	-
Other comprehensive income for the period, net of tax		**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period, net of tax		**1 179**	**2 447**	**133**	**-1 137**	**-54 584**
Attributable to:						
Equity holders of the parent		1 179	2 447	133	-1 137	-54 584
		1 179	**2 447**	**133**	**-1 137**	**-54 584**
Earnings per (expressed in USD per share)						
– basic		0.05	0.11	0.01	-0.05	-2.50
– diluted		0.05	0.10	0.01	-0.05	-2.50

The notes on pages 13 to 19 are an integral part of this condensed consolidated financial information

Consolidated interim statement of financial positions

Amounts in USD 1 000	Note	As of 30 June 2010	As of 31 December 2009
		(Unaudited)	
ASSETS			
Non-current assets			
Property, plant and equipment		143 897	145 213
Intangible assets		14 950	14 950
Financial assets at FVtPL	7	947	-
Trade and other receivables		4 044	3 358
Total non-current assets		**163 838**	**163 521**
Current assets			
Inventories		1 454	376
Trade and other receivables		12 454	33 552
Financial assets at FVtPL	7	190	211
Cash and cash equivalents		11 745	13 388
Total current assets		**25 843**	**47 527**
TOTAL ASSETS		**189 681**	**211 048**
EQUITY			
Share capital and share premium		43 580	43 580
Other paid-in equity		1 742	1 742
Retained earnings		-92 165	-92 298
Total equity		**-46 843**	**-46 976**
LIABILITIES			
Non-current liabilities			
Borrowings		18 186	16 736
Deferred income tax liabilities		22 080	22 875
Retirement benefit obligation		13	13
Financial liabilities at FVtPL	7	145	145
Provisions for other liabilities and charges		1 604	1 550
Total non-current liabilities		**42 028**	**41 319**
Current liabilities			
Trade and other payables		39 675	61 707
Income tax liabilities		1 614	3 321
Current interest-bearing liabilities		136 925	136 179
Provisions for other liabilities and charges		16 282	15 498
Total current liabilities		**194 496**	**216 705**
TOTAL LIABILITIES		**236 524**	**258 024**
TOTAL EQUITY AND LIABILITIES		**189 681**	**211 048**

The notes on pages 13 to 19 are an integral part of this condensed consolidated financial information

Consolidated interim statement of changes in equity

For the period from 1 January 2009 to 30 June 2010 Amounts in USD 1 000	Share capital and share premium	Other paid-in equity	Retained earnings	Total equity
Balance at 31 December 2008	**43 580**	**1 742**	**-37 714**	**7 608**
Total comprehensive income for the period	-	-	-3 584	-3 584
Balance at 31 March 2009	**43 580**	**1 742**	**-41 298**	**4 024**
Total comprehensive income for the period	-	-	2 447	2 447
Balance at 30 June 2009	**43 580**	**1 742**	**-38 851**	**6 471**
Total comprehensive income for the period	-	-	-3 663	-3 663
Balance at 30 September 2009	**43 580**	**1 742**	**-42 514**	**2 808**
Total comprehensive income for the period	-	-	-49 784	-49 784
Balance at 31 December 2009	**43 580**	**1 742**	**-92 298**	**-46 976**
Total comprehensive income for the period	-	-	-1 046	-1 046
Balance at 31 March 2010	**43 580**	**1 742**	**-93 344**	**-48 022**
Total comprehensive income for the period	-	-	1 179	1 179
Balance at 30 June 2010	**43 580**	**1 742**	**-92 165**	**-46 843**

The notes on pages 13 to 19 are an integral part of this condensed consolidated financial information

Consolidated interim cash flow statement

Amounts in USD 1 000	Note	For the 6 months period ended 30 June 2010	For the 6 months period ended 30 June 2009
		(Unaudited)	**(Unaudited)**
Cash generated from operations			
Total comprehensive income of the period		**133**	**-1 137**
Income tax expense		6 521	5 476
Depreciation, amortization and impairment		12 678	14 918
Change in value from financial assets at FVtPL		21	-9
Amortization of debt issuance cost		1 238	1 234
Interest expense		8 786	6 310
Unrealized exchange gain / (loss) from revaluation of long term borrowings		95	1 241
Gain from sale PP&E		-6	-7 000
Changes in assets & liabilities			
Inventories		-1 078	-133
Financial assets and liabilities at FVtPL		-947	-489
Trade and other receivables		20 412	-2 195
Trade and other payables and provision and other liabilities		-21 596	-7 370
Interest paid		-8 389	-6 596
Taxes paid		-9 022	-10 070
Net cash generated from operating activities		**8 846**	**-5 820**
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-11 361	-7 531
Net cash used in investing activities		**-11 361**	**-7 531**
Cash flows from financing activities			
Changes in borrowings		872	4 977
Net cash used in financing activities		**872**	**4 977**
Net increase in cash and cash equivalents		-1 643	-8 374
Cash and cash equivalents at beginning of the period		13 388	14 805
Cash and cash equivalents at end of the period		**11 745**	**6 431**

The notes on pages 13 to 19 are an integral part of this condensed consolidated financial information

Note 1. Corporate information

InterOil Exploration and Production ASA ("the Company") and its subsidiaries (together 'the Group' or InterOil) is an upstream oil exploration and production company focused on South America and West Africa. The company is an operator of several production and exploration assets in Peru and Colombia, and is a license partner in Angola and Ghana.

The Company is a Norwegian Public limited liability company incorporated and domiciled in Norway. The Company is listed on the Oslo Stock Exchange. The Company is registered in the Register of Business Enterprises with organisation number 988 247 006. The Company's registered office is Strandveien 50, 1366 Lysaker, Norway.

The condensed consolidated interim financial information for the period ended 30 June 2010 included the company and its subsidiaries. This condensed consolidated interim financial information has been authorised for issue by the Board of Directors on 6 August 2010.

Note 2. Accounting policies

InterOil's condensed consolidated interim financial information is prepared in accordance with IAS 34, Interim Financial Reporting in the context of the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The same accounting policies and methods of computation, except from those disclosed below, are followed as compared with the financial statements for the year ending December 31, 2009, and this condensed consolidated interim financial information should therefore be read together with the consolidated financial statements for the year ended December 31, 2009 prepared in accordance with IFRS as adopted by the European Union. IAS 14 and IAS 33 have been applied as the Company is listed on the Oslo Stock Exchange.

With effect from 1 January 2010 InterOil adopted certain revised and amended accounting standards and improvements to IFRSs as further outlined in the Significant accounting principles note disclosure to InterOil's financial statements for 2009. None of these revised standards or amendments have significantly impacted the condensed interim financial information for the first half of 2010, nor have there been any other significant changes in accounting policies compared to the annual financial statements.

The condensed interim financial information provide, in the opinion of management, a fair presentation of the financial position, results of operations and cash flows for the dates and periods covered. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period.

The condensed interim financial information are unaudited.

Note 3. Segment information

For the 3 months period ended 30 June 2010

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other businesses and Corporate	Total reportable segments	Unall. / Elimin.	Group
Total Revenue	11 012	12 369	-	-	1 225	24 606	-	24 606
Inter-segment sales	-	-	-	-	-	-	-841	-841
Cost of goods sold	-5 489	-7 407	-	-	-117	-13 013	-	-13 013
Gross profit	**5 523**	**4 962**	**-**	**-**	**1 108**	**11 593**	**-841**	**10 752**
Exploration cost expensed	-788	-698	-179	-448	-25	-2 138	-1 370	-3 508
Administrative expense	-	-	-	-10	-321	-331	-	-331
Other income / (expenses)	714	193	-	-	14	921	-	921
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	1 306	1 306	-	1 306
Result from operating activities	**5 449**	**4 457**	**-179**	**-458**	**2 082**	**11 351**	**-2 211**	**9 140**
Finance costs – net	-62	6	-	-	-4 836	-4 892	-	-4 892
Profit / (loss) before income tax	**5 387**	**4 463**	**-179**	**-458**	**-2 754**	**6 459**	**-2 211**	**4 248**
Income tax expense	-1 777	-1 292	-	-	-	-3 069	-	-3 069
Profit / (loss) for the period	**3 610**	**3 171**	**-179**	**-458**	**-2 754**	**3 390**	**-2 211**	**1 179**

For the 3 months period ended 30 June 2009

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other businesses and Corporate	Total reportable segments	Unall. / Elimin.	Group
Total Revenue	7 095	16 640	-	-	1 817	25 552	-	25 552
Inter-segment sales	-	-	-	-	-	-	-1 271	-1 271
Cost of goods sold	-5 875	-7 937	-	-	-551	-14 363	-	-14 363
Gross profit	**1 220**	**8 703**	**-**	**-**	**1 266**	**11 189**	**-1 271**	**9 918**
Exploration cost expensed	-510	-407	-141	-3 672	-848	-5 578	-	-5 578
Administrative expense	-	-	-	-13	-344	-357	-	-357
Other income / (expenses)	694	-38	-	7 000	14	7 670	-	7 670
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	22	22	-	22
Result from operating activities	**1 404**	**8 258**	**-141**	**3 315**	**110**	**12 946**	**-1 271**	**11 675**
Finance costs – net	-2 343	223	-	-	-4 432	-6 552	-	-6 552
Profit / (loss) before income tax	**-939**	**8 481**	**-141**	**3 315**	**-4 322**	**6 394**	**-1 271**	**5 123**
Income tax expense	310	-2 997	-	-	11	-2 676	-	-2 676
Profit / (loss) for the period	**-629**	**5 484**	**-141**	**3 315**	**-4 311**	**3 718**	**-1 271**	**2 447**

For the 6 months period ended 30 June 2010

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other businesses and Corporate	Total reportable segments	Unall. / Elimin.	Group
Total Revenue	20 360	27 320	-	-	2 498	50 178	-	50 178
Inter-segment sales	-	-	-	-	-	-	-1 874	-1 874
Cost of goods sold	-9 565	-15 417	-	-	-224	-25 206	-	-25 206
Gross profit	**10 795**	**11 903**	**-**	**-**	**2 274**	**24 972**	**-1 874**	**23 098**
Exploration cost expensed	-1 771	-1 473	-425	-2 779	756	-5 692	-2 673	-8 365
Administrative expense	-	-	-	-10	-863	-873	-	-873
Other income / (expenses)	1 297	223	-	-	30	1 550	-	1 550
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	1 309	1 309	-	1 309
Result from operating activities	**10 321**	**10 653**	**-425**	**-2 789**	**3 506**	**21 266**	**-4 547**	**16 719**
Finance costs – net	-666	326	-	-	-9 725	-10 065	-	-10 065
Profit / (loss) before income tax	**9 655**	**10 979**	**-425**	**-2 789**	**-6 219**	**11 201**	**-4 547**	**6 654**
Income tax expense	-3 185	-3 336	-	-	-	-6 521	-	-6 521
Profit / (loss) for the period	**6 470**	**7 643**	**-425**	**-2 789**	**-6 219**	**4 680**	**-4 547**	**133**

For the 6 months period ended 30 June 2009

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other businesses and Corporate	Total reportable segments	Unall. / Elimin.	Group
Total Revenue	13 095	31 847	-	-	3 271	48 213	-	48 213
Inter-segment sales			-	-	-	-	-2 508	-2 508
Cost of goods sold	-10 313	-16 277	-	-	-804	-27 394	-	-27 394
Gross profit	**2 782**	**15 570**	**-**	**-**	**2 467**	**20 819**	**-2 508**	**18 311**
Exploration cost expensed	-1 033	-801	-793	-6 724	-1 832	-11 183	-	-11 183
Administrative expense	-	-	-	-25	-1 515	-1 540	-	-1 540
Other income / (expenses)	840	-169	-	7 000	28	7 699	-	7 699
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	9	9	-	9
Result from operating activities	**2 589**	**14 600**	**-793**	**251**	**-843**	**15 804**	**-2 508**	**13 296**
Finance costs – net	-1 038	222	-	-	-8 141	-8 957	-	-8 957
Profit / (loss) before income tax	**1 551**	**14 822**	**-793**	**251**	**-8 984**	**6 847**	**-2 508**	**4 339**
Income tax expense	-512	-4 986	-	-	22	-5 476	-	-5 476
Profit / (loss) for the period	**1 039**	**9 836**	**-793**	**251**	**-8 962**	**1 371**	**-2 508**	**-1 137**

For the 12 months period ended 31 December 2009

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other businesses and Corporate	Total reportable segments	Unall. / Elimin.	Group
Total Revenue	36 085	62 404	-	-	6 557	105 046	-	105 046
Inter-segment sales	-	-	-	-	-	-	-4 616	-4 616
Cost of goods sold	-22 634	-31 455	-	-	-2 028	-56 117	-	-56 117
Gross profit	**13 451**	**30 949**	**-**	**-**	**4 529**	**48 929**	**-4 616**	**44 313**
Exploration cost expensed	-11 514	-3 137	-1 589	-16 678	1 805	-31 113	-6 322	-37 435
Administrative expense	-	-	-	-36	-9 030	-9 066	-	-9 066
Other income / (expenses)	2 859	-1 381	-	9 906	49	11 433	-	11 433
Impairment oil and gas assets	-	-	-	-34 919	-	-34 919	-	-34 919
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	54	54	-	54
Result from operating activities	**4 796**	**26 431**	**-1 589**	**-41 727**	**-2 593**	**-14 682**	**-10 938**	**-25 620**
Finance costs – net	-1 988	207	-	-	-18 759	-20 540	-	-20 540
Profit / (loss) before income tax	**2 808**	**26 638**	**-1 589**	**-41 727**	**-21 352**	**-35 222**	**-10 938**	**-46 160**
Income tax expense	-160	-8 294	-	-	30	-8 424	-	-8 424
Profit / (loss) for the period	**2 648**	**18 344**	**-1 589**	**-41 727**	**-21 322**	**-43 646**	**-10 938**	**-54 584**

Note 4. Sales and royalty

Amounts in USD 1 000	For the 3 months period ended 30 June 2010	For the 3 months period ended 30 June 2009	For the 6 months period ended 30 June 2010	For the 6 months period ended 30 June 2009	For the 12 months period ended 31 December 2009
Sale of oil					
Sale of oil – before royalty	36 164	37 580	75 587	68 552	151 562
Royalty	-13 032	-13 924	-28 336	-23 803	-53 782
Sale of oil – net	**23 132**	**23 656**	**47 251**	**44 749**	**97 780**
Sale of gas	186	176	362	289	713
Sale of services	447	449	691	667	1 937
Total sales	**23 765**	**24 281**	**48 304**	**45 705**	**100 430**

Note 5. Cost of goods sold

	For the 3 months period ended 30 June 2010	For the 3 months period ended 30 June 2009	For the 6 months period ended 30 June 2010	For the 6 months period ended 30 June 2009	For the 12 months period ended 31 December 2009
Cost of goods sold					
Lifting costs	6 553	7 155	13 060	12 496	22 713
Depreciation, depletion and amortisation	6 001	6 913	12 634	14 754	28 508
Changes in inventory	-318	-197	-1 591	-526	-352
Other cost of goods sold	777	492	1 103	670	5 248
Total cost of goods sold	**13 013**	**14 363**	**25 206**	**27 394**	**56 117**
Lifting costs, specifications:					
Field production costs	2 051	1 994	4 197	3 623	6 732
Tariffs and transportation	541	525	1 066	937	2 009
Insurance	133	105	215	177	389
Production costs external consultants	593	392	1 092	893	2 404
Well services and workovers	201	1 823	786	2 333	2 674
Repairs and maintenance of installations/equipment	288	329	660	644	510
Other production (lifting) costs	2 746	1 987	5 044	3 889	7 995
Total lifting costs	**6 553**	**7 155**	**13 060**	**12 496**	**22 713**

Note 6. Production and sales of oil in barrels

Production and sales for the 3 months ending	30 June 2010			30 June 2009		
	Colombia	Peru	Total	Colombia	Peru	Total
Sale of oil in barrels – net						
Sale of oil, barrels	145 387	160 431	305 818	132 130	287 095	419 225
Total sale in barrels – net	**145 387**	**160 431**	**305 818**	**132 130**	**287 095**	**419 225**
Sale of gas in barrels – net						
Sale of gas, barrels	17 970	-	17 970	17 570	-	17 570
Total sale in barrels – net	**17 970**	**-**	**17 970**	**17 570**	**-**	**17 570**
Production in barrels – net						
Working interest, barrels	181 380	309 295	490 675	178 521	510 390	688 911
Working interest, gas (boe)	21 296	-	21 296	20 604	-	20 604
Royalty	-24 857	-148 864	-173 721	-24 634	-223 025	-247 659
Total production in barrels – net of royalty	**177 819**	**160 431**	**338 250**	**174 491**	**287 365**	**461 856**

Production and sales for the 6 months ending	30 June 2010			30 June 2009		
	Colombia	Peru	Total	Colombia	Peru	Total
Sale of oil in barrels – net						
Sale of oil, barrels	272 183	360 034	632 217	294 876	639 843	934 719
Total sale in barrels – net	**272 183**	**360 034**	**632 217**	**294 876**	**639 843**	**934 719**
Sale of gas in barrels – net						
Sale of gas, barrels	34 517	-	34 517	31 020	-	31 020
Total sale in barrels – net	**34 517**	**-**	**34 517**	**31 020**	**-**	**31 020**
Production in barrels – net						
Working interest, barrels	373 637	691 619	1 065 256	382 119	1 071 732	1 453 851
Working interest, gas (boe)	40 870	-	40 870	36 610	-	36 610
Royalty	-50 324	-331 585	-381 909	-51 341	-431 889	-483 230
Total production in barrels – net of royalty	**364 183**	**360 034**	**724 217**	**367 388**	**639 843**	**1 007 231**

Production and sales for the 12 months ending 31 December 2009	Colombia	Peru	Total
Sale of oil in barrels – net			
Sale of oil, barrels	630 346	1 073 916	1 704 262
Total sale in barrels – net	**630 346**	**1 073 916**	**1 704 262**
Sale of gas in barrels – net			
Sale of gas, barrels	68 809	-	68 809
Total sale in barrels – net	**68 809**	**-**	**68 809**
Production in barrels – net			
Working interest, barrels	759 809	1 888 829	2 648 638
Working interest, gas (boe)	81 053	-	81 053
Royalty	-103 094	-814 913	-918 007
Total production in barrels – net of royalty	**737 768**	**1 073 916**	**1 811 684**

Note 7. Financial assets and liabilities at FVtPL….

Statement of financial positions

Amounts in USD 1 000	As of 30 June 2010	As of 31 December 2009
Commodity-based derivative contracts	947	-
Money Market fund	190	211
Total financial assets at FVtPL	**1 137**	**211**
Conversion rights bond loan	145	145
Total financial liabilities at FVtPL	**145**	**145**

Statement of comprehensive income

	For the 3 months period ended 30 June 2010	For the 3 months period ended 30 June 2009	For the 6 months period ended 30 June 2010	For the 6 months period ended 30 June 2009	For the 12 months period ended 31 December 2009
Money market fund	-25	22	-22	9	54
Commodity-based derivative contracts - realized	384	-	384	-	-
Commodity-based derivative contracts - unrealized	947	-	947	-	-
Gain / (loss) on financial instruments at FVtPL	**1 306**	**2**	**1 309**	**9**	**54**

Note 8. Subsequent events

On 13 July 2010 Bondholder meetings were held for the "Unsecured Bond Issues" ISIN NO001032535.0 and ISIN NO001036280.9, to consider a restructuring proposal set out in the summons. The proposed resolution obtained 91.33% of the votes in the ISIN NO 001 036280.9 Bond Issue and 88.86% in the ISIN NO 001 032535.0 Bond Issue. The proposal was therefore adopted according to the voting requirements of the Loan Agreements.

On 5 August 2010, the Shareholders of InterOil Exploration & Production ASA have been given notice of an Extraordinary General Meeting to be held on 26 August 2010 to resolve an equity issue. The Board propose an equity issue of USD 50-70 million by way of an undocumented private placement directed towards existing shareholders and other qualified Norwegian and International investors to be completed before end of August,

INTEROIL

INTEROIL E&P ASA

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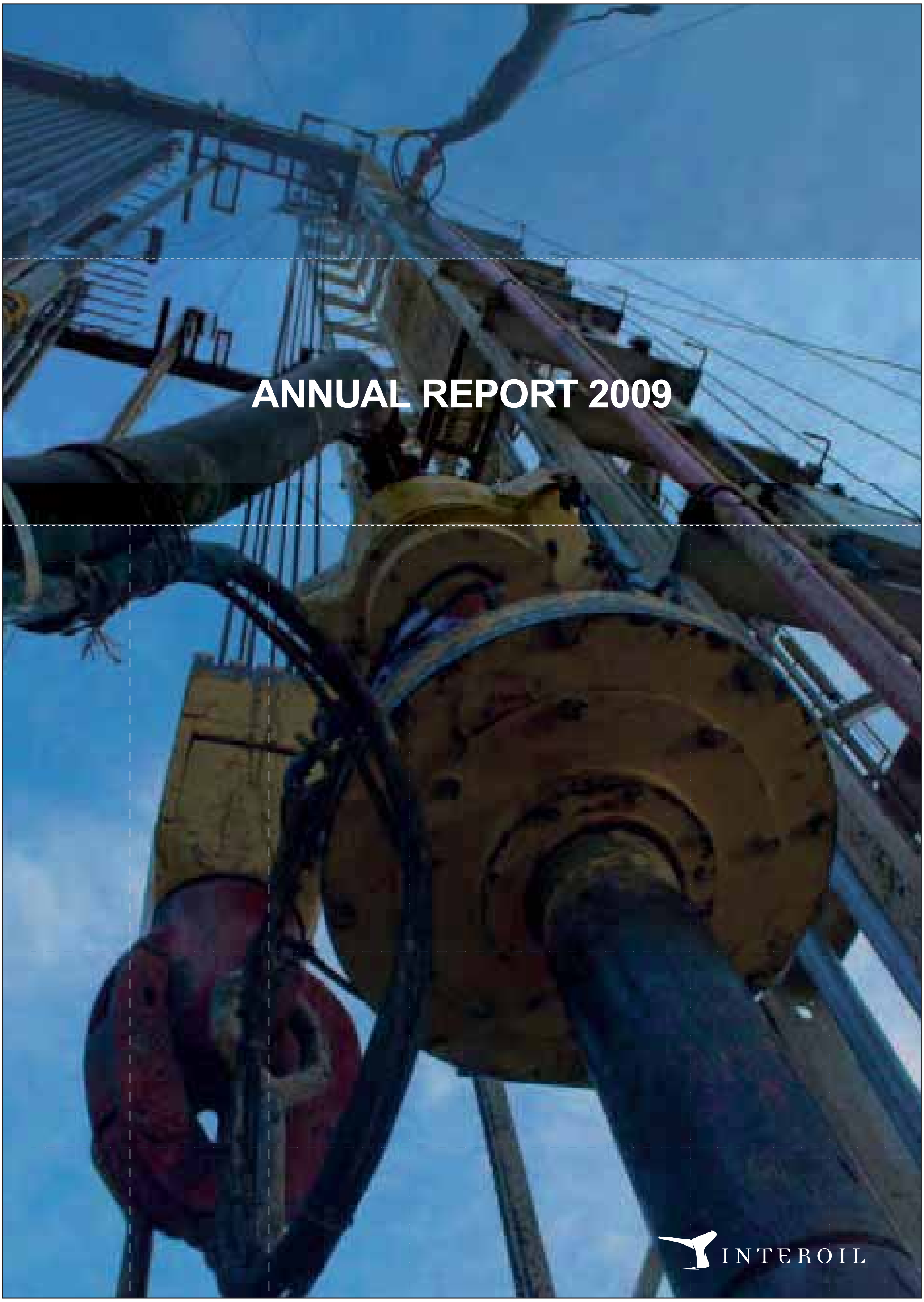
14.6 Appendix 3 – Interoil Annual Report 2009



WE BELIEVE THAT OIL AND GAS WILL CONTINUE TO PLAY A VITAL ROLE IN MEETING THE GLOBAL ENERGY DEMANDS OF ECONOMIC DEVELOPMENT FOR MANY DECADES TO COME. OUR ROLE IS TO ENSURE THAT WE EXTRACT AND DELIVER THESE RESOURCES PROFITABLY AND IN ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE WAYS.

THE OBJECTIVES OF INTEROIL ARE TO ENGAGE EFFICIENTLY, RESPONSIBLY AND PROFITABLY IN OIL AND GAS EXPLORATION AND PRODUCTION AND TO PARTICIPATE IN THE SEARCH FOR AND DEVELOPMENT OF THE RESOURCES REQUIRED TO MEET THE WORLD'S GROWING DEMAND FOR ENERGY.

WE ENDEAVOUR TO MAINTAIN HIGH PERFORMANCE STANDARDS, WHILE CONSOLIDATING A STRONG, GROWING, LONG-TERM POSITION IN THE COMPETITIVE ENVIRONMENTS IN WHICH WE CHOOSE TO OPERATE.

Content

Average daily production in 2009 was 7'250 barrels per day compared to 5'600 in 2008, representing an increase of 30%. However, 2009 proved to be a challenging year. InterOil managed to pull through, and thereby prepare our company for future operational success and production increase.

CHAIRMAN'S REMARKS

We have managed to sustain operations in spite of a very turbulent year for the industry. The price of oil fluctuated between USD 140 per barrel and as low as USD 35 per barrel. Despite experiencing the effects of severely critical financial markets, InterOil achieved its year end peak production target of 8.500 barrels per day.

This target clearly demonstrates the ability of InterOil to discover and produce oil in Peru and Colombia. The average yearly daily production reached 7'250 bopd compared to 5'600 bopd in 2008.

More than 220 new drilling locations have been defined in Peru (112 proven and 109 unrisked upside), of which 17 wells will be drilled during 2010.

In Colombia 3D seismic is fully analyzed in the Altair license, and drilling of a minimum of two wells will start in 2010. This new license together with the prospect of totally 38 drilling locations in the old Mana and Rio Opia licenses (21 proven and 17 unrisked upside), where 6 new wells will be drilled during 2010, should add significant volumes to current production.

The shift in the oil price together with the general current investment delays in the industry means that InterOil shall need to redefine our previous strategy for West-Africa.

InterOil's blocks in Angola and Ghana, however, have good potential, and the focus will be on attracting industrial partners to enable further exploration and exploitation.

Thank you team!

Best regards

Mårten Rød
Chairman

Mårten Rød
Chairman

COMPANY INTRODUCTION

InterOil Exploration & Production ASA is an international, independent petroleum company and is engaged in the acquisition, exploration, development and operation of oil and natural gas properties.

It was founded as a private company in 2005 and went public in 2006. During the first five years, InterOil has spent approximately $80 million acquiring and advancing its West African assets. Its production from Latin America went from 2'400 bopd in 2005 to a peak production of over 8'500 bopd in 2009. InterOil's oil and gas assets are located in Colombia, Peru, Angola and Ghana. In addition, Headquarters and Management is based in Oslo, Norway and the Technical Department in Zürich, Switzerland.

InterOil employs more than 280 professionals worldwide. The in-house expertise spans the entire spectrum, from geosciences to drilling and from project development to exploration. InterOil's accomplishment builds on the enthusiasm and skills of its people, constantly adapting themselves to new situations and challenges

The company's shares are registered on the Oslo Stock Exchange and are traded under the ticker-code "IOX".

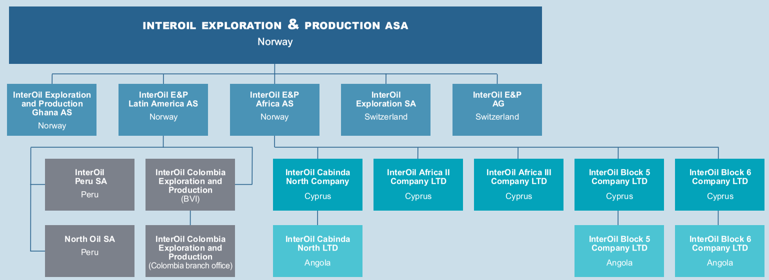
Highlights

- Record high yearly production in 2009
- More than doubled the production in Peru and Colombia since 2005
- Developed prolific production area Mirador in Peru and Mana in Colombia
- Farm-out of 17.5% of the Cabinda North license in Angola
- Successful farm-out of 10% of the Altair license in Colombia
- Development of Altair exploration license on track
- 3 wells in Peru and 5 wells in Colombia drilled during 2009
- Drilling success ratio more than 95%

Key Facts

- Listed on the Oslo Stock Exchange, ticker: IOX
- Market capitalization USD 20 million
- Total shares 21.8 million
- Sales USD 100.4 million
- Capital Investments USD 22.3 million
- Net debt USD 139.5 million
- More than 280 professionals worldwide

CORPORATE STRUCTURE:



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NORWAY

Number of employees: 13

InterOil E&P ASA, based in Oslo, Norway, is the Holding company and headquarters of the whole group. All strategic decisions like: global budgeting, global controlling, business process management or corporate and economic modelling are made by the Board, the management or by key personnel based in Oslo. As a listed Company on the Oslo Stock Exchange, our Investor relations department, which is in close contact with investors, brokers, analysts and the press, is also located in Oslo.

InterOil E&P ASA strives to create value for its shareholders and simultaneously contribute to the future of its host countries, through successful exploration, development and production of oil and gas resources. Throughout the financial difficulties InterOil has continuously kept shareholders, and the market informed about its financial situation.

In 2010, InterOil E&P ASA appointed former Chief Operating Officer Tom Wolden as new Managing Director and Thomas J. Fjell as new Director Strategic and Legal Affairs for the Company.

SWITZERLAND

Number of employees: 12

InterOil E&P Switzerland AG is the centre of technical excellence within the group. The company consists of a team of highly qualified geologists, geophysicists, petrophysicists and reservoir engineers with considerable international experience in Europe, Africa, South America, the Middle East and the Far East.

Their main task is to support the holding company and the local subsidiaries in finding optimal solutions to subsurface exploration challenges using state of the art hardware and software. Their core expertise includes oil and gas industry studies relating to exploration and production and covers all aspects of:

- Acreage evaluation
- Play evaluation
- Prospect evaluation
- Field evaluation

Peru

Following the 2008 South Mirador drilling campaign InterOil Switzerland carried out an integrated well review, completing the detailed well log correlation and complementing it with an extensive pressure evaluation. Unexplored reservoir zones for perforation were identified. As a result, InterOil Switzerland proposed a number of wells for dual completion, enabling production from two oil bearing reservoirs at the same time. These dual completions were implemented in Q4 of 2009.

To obtain a 3D consistent structural picture of the South Mirador area, a detailed static 3D model was built. Based on the model, InterOil Switzerland helped to optimize the drilling of 3 South Mirador wells in Q3/4. Extensive support was then given in the evaluation of these wells (petrophysics, well correlations, updating of 3D model, advising on which intervals to test).

In Block IV, the dynamic modeling work of the Bronco Field continued and a study on the Chimenea Field was carried out, resulting in the identification of further drilling possibilities in that area.

InterOil Switzerland supported Tristone/Macquarie in their independent evaluation and economic assessment of InterOil's Peru and Colombia assets, by providing all requested technical data.

Colombia

InterOil Switzerland assisted in planning the five deep "Monserrate" exploration wells, monitored the drilling and evaluated the well log data to define the perforation intervals for production. Of these wells drilled, MN-25 with a peak production of >600 b/d turned out to be the best with the highest initial production in the Mana license area. Drilling data were continuously analyzed and integrated into the 3D model for the Mana-Toqui Toqui fields.

Extensive consulting was also given in the planning of the deep wells for the 2010 drilling campaign, which will focus on optimizing the development of the Mana South and Rio Opia area. The Puli-B seismic data were reevaluated in order to improve the existing 3D model and substantiate the potential reserves for this license area.

Technical assistance and consultancy services were provided for 3D seismic acquisition and defining drilling locations in the Altair exploration block.

Angola

In Block 6 the seismic interpretation of the 3D survey acquired in 2007 continued, concentrating on the Falcao and Papagaio leads. Due to the special financial situation of the Block 6 joint venture, the planned first well in Block 6 (Ibis-1 in the Cegonha area) had to be shifted to 2010, and InterOil Switzerland's activities have been reduced.

For Block 5, InterOil Switzerland has carried out a full seismic interpretation/mapping of the data from the 2008 3D shot over the eastern part. A lead inventory for that area was established and shared with Vaalco. For Vaalco's prime drilling candidate Buengo, InterOil has carried out an extensive velocity and depth conversion study to assess the sensitivity of the pre-salt structure to the depth conversion model. 3D models for the prospects Airosa, Muamba and Jamba were made for a more accurate calculation of volumetrics. The joint venture partners have agreed to drill the 2 commitment wells Loengo-1 (ex-Buengo) and Kindele (ex-Akwa) back-to-back in Q3/4 2010.

In an effort to farm-out parts of InterOil's interests, we organized and hosted a number of dataroom meetings set up for interested companies to review all relevant technical and non-technical data, covering Blocks 5, 6 and Cabinda North. We also assisted in a road show to Calgary and Houston to present various companies InterOil's African assets for farm-in and sales opportunities.

Ghana

Based on the previous activities by the contractor group it was decided in late 2008 to relinquish the Tano Shallow water block except the "Ebony Discovery Area" with a size of 80 km2. The Ebony-1 well discovered two hydrocarbon bearing reservoirs and the well was declared a hydrocarbon discovery in December 2008.

Additional technical G&G work is carried out in order to refine the possible discovered volumes and to decide further work to be done at the Ebony prospect.

New Ventures

A number of new opportunities were again analyzed in 2009 in Argentina, Kenya, Congo Brazzaville and Ghana.

PERU

Peru is a constitutional republic with a stable and market-oriented government. The country has a long history of petroleum exploration dating back to the late 1800s. The Peruvian government expects total petroleum investments in 2009 to be $1.3 billion, illustrating the importance of our industry in Peru.

OFFICIAL NAME:	Republica of Peru
POPULATION:	29.5 mill
AREA:	1'285'216 km^2
POLITICAL:	Constitutional republic
CAPITAL:	Lima
LANGUAGE:	Spanish (official), Quechua (official), Aymara, and a large number of minor Amazonian languages
RELIGION:	Roman Catholic
CURRENCY:	Nuevo sol
GDP (PPP):	$ 253.4 billion (2009 est.)
GDP PER CAPITA:	$ 8'600 (2009 est.)
MAJOR EXPORTS:	Copper, gold, zinc, crude petroleum and petroleum products, coffee, potatoes, asparagus, textiles and fishmeal
OIL PRODUCTION:	120'200 b/d (2008 est.)
OIL CONSUMPTION:	160'000 b/d (2008 est.)
OIL PROVED RES:	415.8 million bbl (2009 est.)
SOURCES:	CIA World Factbook

The Peruvian economy grew by more than 9% per year in 2007 and 2008, driven by higher world prices for minerals and metals and the government's aggressive trade liberalization strategies, but then fell by 1% in 2009 in the face of the world recession and lower commodity export prices.

InterOil is operator and holds 100% working interest in Block III and IV in Peru. Both licenses are located in the Talara Basin, north-west of Peru, where most of the Peruvian oil is produced. The desert landscape of Block III and IV is close to the Pacific Ocean and a number of other oil companies, e.g. Petrobras, Pluspetrol, Occidental Petroleum, Petro-Tech Peruana and the state owned Petroperu, are located in this region.

InterOil takes its responsibilities in Peru seriously and closely monitors the political and social situation. InterOil has a good relationship with the local communities and the farmers and contributed once more in several social projects in 2009. InterOil Peru awarded in 2009, the ISO 9001 and 14001 certification, and the OHSAS 18001 was re-certified.

Although InterOil suffered from low oil prices in 2009, we managed to further improve our operation in Peru. We drilled three wells during 2009 of which all encountered hydrocarbons and are set in production. In order to optimize the production further, five wells were dual completed in Mirador South in Q4 2009 (production from two reservoir zones by two production strings). We have also upgraded the facilities to manage higher production in Mirador South in Block III. No new wells were drilled in Block IV during 2009.

InterOil is still negotiating with the Peruvian government to extend the licenses on Block III and IV by 10 years from 2013. The negotiation is ongoing and will most likely be settled in 2010. A license extension in Peru will contribute to additional approximately 18 MMboe of 2P reserves, which as per today is classified as contingent resources.

InterOil will develop the South Mirador area further and plan to drill eleven new wells in Block III in 2010. We have also planned to drill 6 wells in Block IV during the year.

InterOil's reserves in Peru have been audited and approved by Gaffney, Cline and Associates as of 31st December 2009. InterOil's proven reserves (P1) were 8.2 MMstb Crude Oil. Proven + probable reserves (P2) were 8.7 MMstb Crude oil. All numbers represent InterOil's working interest before royalties.

InterOil in Peru

NUMBER OF EMPLOYEES:
161

TOTAL NUMBER OF WELLS:
approx. 800

AREA:
164,000 acres (663 km^2)

ANNUAL PRODUCTION:
1'889'000 bbl

AVERAGE DAILY PRODUCTION:
5'175 bbl

CAPEX:
USD 14.4 million

COLOMBIA

The petroleum industry plays an import role to the Colombian economy and is a fundamental pillar of the State's finances. Colombia's Royalties/Tax contract models are among the most attractive in the world, delivering flexibility and profitability for foreign investors in the oil and gas sectors.

OFFICIAL NAME:	Republica of Colombia
POPULATION:	43.7 mill
AREA:	1,138,914 km²
POLITICAL:	Republic; executive branch dominates government structure
CAPITAL:	Bogotá
LANGUAGE:	Spanish
RELIGION:	Roman Catholic
CURRENCY:	Colombian Pesos (COP)
GDP (PPP):	$ 407.2 billion
GDP PER CAPITA:	$ 9'200 (2009 est.)
MAJOR EXPORTS:	Petroleum, coffee, coal, nickel, emeralds, apparel, bananas and cut flowers
OIL PRODUCTION:	600,600 b/d (2008 est.)
OIL CONSUMPTION:	291,000 b/d (2008 est.)
OIL PROVED RES:	1.355 billion bbl (2009 est.)
SOURCES:	CIA World Factbook

Colombia is considered one of the most politically stable countries in Latin America. There is growing confidence in the economy and a climate of greater security within the country, both of which are opening the door to foreign investment and new economic ties.

The turning point for Colombia came in 2002 when the government took a hard-line stance against pockets of narco-terrorists by pressuring the groups to lay down arms or disband. Since then, security has improved greatly and foreign investment continues to grow, particularly in the country's petroleum industry. Colombia is now the fourth largest oil producer in South America, however, of the country's 18 sedimentary basins, only nine currently have commercial production. A growing number of international companies are pursuing hydrocarbon exploration in Colombia.

InterOil's main office is in Bogota and the license areas are located in the Magdalena Valley and in the Llanos Basin. The produced oil from its main operations in the upper Magdalena Valley is piped locally into storage tanks and transported by truck about 200 km south to Hocol's storage facility.

Social responsibilities is of high priority and InterOil Colombia holds certification of ISO 9001, 14001 and OHSAS 18001.

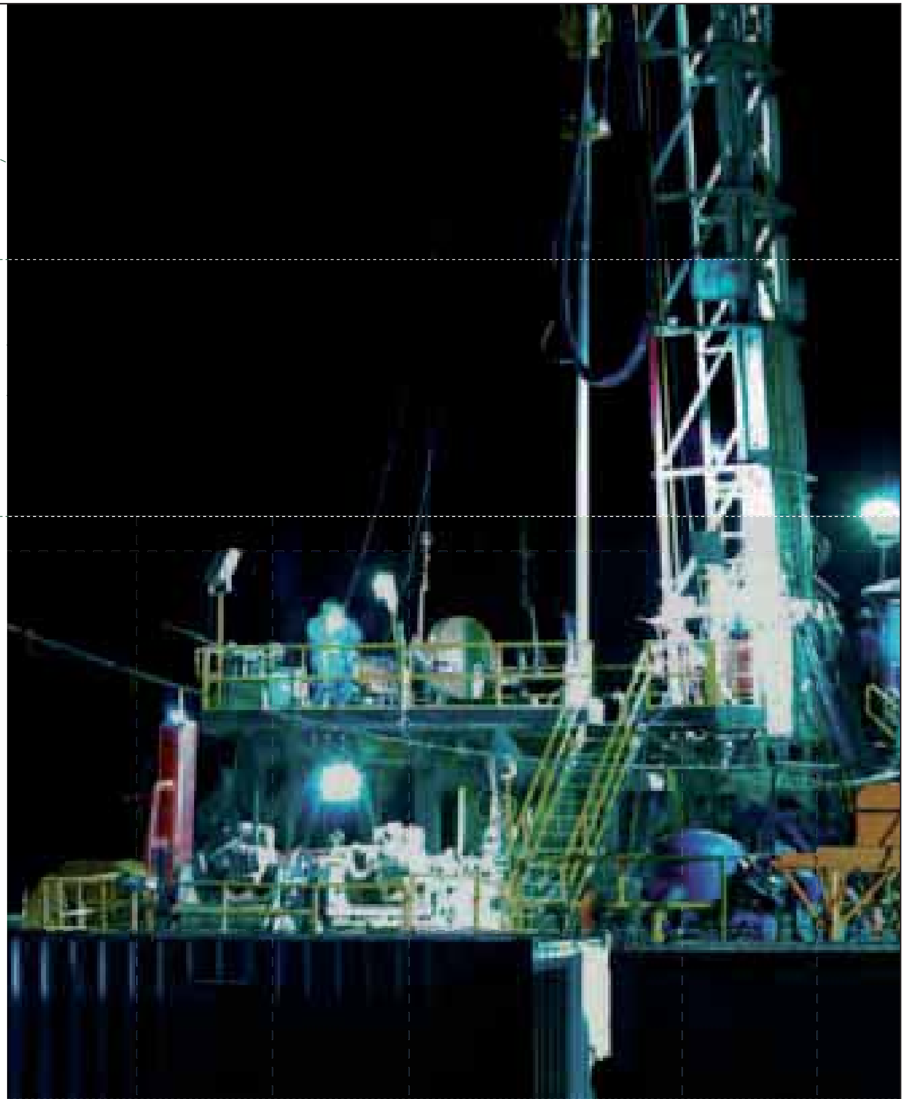
In 2009, InterOil improved the operations further by drilling 5 new wells in the Mana license. All wells encountered oil and by fraccing these new wells, InterOil managed to release maximum potential and to increase the production.

InterOil will develop the Mana and Rio Opia license going forward and plan to drill six production/appraisal wells during 2010 starting the drilling campaign midyear.

In the Altair exploration license in the Llanos Basin, InterOil has in 2009 acquired the 3D seismic and will drill two exploration wells in the second quarter of 2010. The drilling of the two firm wells in 2010 and two conditional wells in 2011, depending upon the 2010 drilling results, have been traded against 10% of the Altair license. The new partner is a major Colombian drilling company. The drilling cost in this new area is budgeted by InterOil at USD 4.5 mill for each well.

A potential commercial discovery can be set immediately in production with a possible production of more than 1'000 boed.

InterOil's reserves in Colombia have been audited and approved by Gaffney, Cline and Associates as of 31st December 2009. InterOil's proven reserves (P1) were 4.1 MMstb Crude Oil and 6.8 Bscf Natural Gas. Proven + probable reserves (P2) were 5.4 MMstb Crude oil and 8.1 Bscf Natural Gas. All numbers represent InterOil's working interest before royalties.



InterOil in Colombia

NUMBER OF EMPLOYEES: 108

WELLS IN PRODUCTION: approx. 70

AREA: 84,510 acres (342 km²)

ANNUAL PRODUCTION: 760'000 bbl

AVERAGE DAILY PRODUCTION: 2'080 bbl

CAPEX: 7.9 mill USD

ANGOLA

Angola's high growth rate in recent years was driven by its oil sector and high international oil prices. Oil production and its supporting activities contribute about 85% of Angola´s GDP.

OFFICIAL NAME:	Republic of Angola
POPULATION:	12.8 million
AREA:	1'246'700 km²
POLITICAL:	Republic; multi-party presidential regime
CAPITAL:	Luanda
LANGUAGE:	Portuguese
RELIGION:	Roman Catholic, Protestant, other
CURRENCY:	Kwanza
GDP (PPP):	$ 113.9 billion (2009 est.)
GDP PER CAPITA:	$ 8,800 (2009 est.)
MAJOR EXPORTS:	Crude oil, diamonds, refined petroleum products, coffee, sisal, fish and fish products, timber and cotton
OIL PRODUCTION:	2.02 million bbl/day (2008 est.)
OIL CONSUMPTION:	64,000 bbl/day (2008 est.)
OIL PROVED RES:	9.04 billion bbl (2009 est.)
SOURCES:	CIA World Factbook

Increased oil production supported growth averaging more than 15% per year from 2004 to 2007. A postwar reconstruction boom and resettlement of displaced persons has led to high rates of growth in construction and agriculture as well. Angola became a member of OPEC in late 2006.

InterOil is partner in Blocks 5 & 6 which are located in shallow water areas of offshore Angola and in the onshore Cabinda North license, which lies north in Angola, on the border to Congo Brazzaville.

Block 5 is located in the Kwanza basin in the northern waters of offshore Angola. 95% of the block has a water depth of less than 200 meters. The acreage is equivalent to approximately 10 offshore blocks in the North Sea. Twelve wells have been drilled in Block 5 by the previous operators Conoco and Sonangol, which resulted in 3 discoveries. These oil accumulations were, at the time, deemed non-commercial.

Block 6 is located immediately south of Block 5, in the northern area of the Kwanza Basin, offshore Angola. 8 wells have been drilled by the previous operators Conoco and Sonangol, which resulted in 2 heavy oil discoveries.

The working program for the partners in Blocks 5 & 6 over the first 4 years ending in late 2010 includes the drilling of 2 exploration wells in each block and shooting or otherwise acquiring a total of 2'200 km2 of 3D seismic. The seismic commitment is completed and the drilling of wells is the next step.

Due to financial difficulties has InterOil not been able to meet all cash call requirements in 2009 in Angola. InterOil has therefore impaired capitalized assets in amount of USD 34.9 million related to Angola in the 2009 financial statements.

InterOil is in the process of finding a strategic partner and/or to farm-out/sell parts of the offshore Blocks 5 and 6 to reduce our exposure. The upcoming committed exploration wells, planned during the second half of 2010, are dependent of finding a strategic Partner, a sale of assets or a farm out agreement. InterOil is working diligently to find a solution.

InterOil is also partner in the highly prospective onshore Cabinda North license which lies north in Angola on the border to Congo (Brazzaville). Several discoveries have been made on the license, which is on trend and not far from major production in Congo. Acquisition of seismic 2D data has started. Drilling in Cabinda North is dependent upon completion of acquisition and processing of the 2D survey, and will most likely take place in 2011.

InterOil sold 17.5% of the Cabinda North license in 2009, resulting in a net profit after tax of USD 9.8 Million.

InterOil in Angola

AREA
Block 5 (5,708 km²)
PARTNERS
Vaalco Energy (Operator, 40%)
InterOil E&P (40%)
Sonangol (20%)

AREA
Block 6 (4,930 km²)
PARTNERS
Petrobras (Operator, 40%)
InterOil E&P (20%)
Sonangol (20%)
Initial Oil & Gas SA (10%)
Falcon Oil (10%)

AREA
Cabinda North (2,400 km²)
PARTNERS
Sonangol (Operator, 20%)
InterOil E&P (3.5%)
Teikoku (17%)
Soco (17%)
ACR (15%)
ENI (10%)
Petropars (10%)
Destin (7.5%)

GHANA

Ghana is at the beginning of an oil boom. Major offshore oil discoveries will change the oil industry significantly in the years to come and have made exploration in Ghana very attractive.

OFFICIAL NAME:	Republic of Ghana
POPULATION:	23.9. mill
AREA:	238,533 km²
POLITICAL:	Constitutional democracy
CAPITAL:	Accra
LANGUAGE:	English (official), Asante, Ewe, others
RELIGION:	Christian
CURRENCY:	Ghana cedis (GHC)
GDP (PPP):	$ 36.58 billion (2009 est.)
GDP PER CAPITA:	$ 1,500 (2009 est.)
MAJOR EXPORTS:	Gold, cocoa, timber, tuna, bauxite, aluminum, manganese ore, diamonds and horticulture
OIL PRODUCTION:	7,399 b/d (2008 est.)
OIL CONSUMPTION:	56,000 b/d (2008 est.)
OIL PROVED RES:	15 million bbl (2009 est.)
SOURCES:	CIA World Factbook

During 2009 several new discoveries have been made, making Ghana one of the most prospective areas in West Africa. The recent offshore Jubilee and Tweneboa discovery is among the largest discoveries in West Africa and first offshore oil and gas production in Ghana is planned to come from the Jubilee field late 2010.

InterOil entered in 2007 a farm-out agreement with Tullow Ghana Limited to acquire a 31.5% working interest in the Tano Shallow Water Contract in Ghana.

The Tano Shallow Water Contract is an offshore area with water depth of less than 300 m, lying in the Ivorian Basin, close to Ghana`s western border. Three sub-economic, undeveloped oil and gas fields and two small, sub-economic oil discoveries were discovered during previous exploration and appraisal phases.

The second and final commitment well (Ebony-1) was drilled on the Ebony prospect November 2008. The well confirmed a four metre oil bearing interval at 2'053 metres and a two metre high-pressure gas-condensate interval at 2'570 metres. Log and sample data from the high-pressure gas-condensate sands and regional seismic interpretation shows that the sand belongs to a Turonian Fan system and there may be a large hydrocarbon column present, extending down-flank to the south within that fan system. Ebony-1 was in December 2008 declared as a hydrocarbon discovery by the Joint Management Committee (JMC). The Ebony prospect is limited to 80 km2. The remaining part of the Tano Shallow license area has been relinquished.

The operator Tullow Oil and Sabre Oil decided in April 2009 to withdraw from the license and transfer their interests to the remaining partners, InterOil and Thani Petroleum. The partners agreed that InterOil will take over the operatorship of the license. The formal consent for transferring the operatorship is being processed by GNPC and the Ministry of Energy in Ghana.

Additional technical G&G work is carried out in order to refine the possible discovered volumes and to decide further work to be done at the Ebony prospect. Commercialization of the discoveries is being considered in connection with the landing of the Jubilee field associated gas.

In November 2009, InterOil submitted an application for a license in the Accra-Keta area offshore Ghana.

InterOil in Ghana

AREA

Ebony discovery area (80 km²)

PARTNERS

Al Thani

BOARD OF DIRECTORS' REPORT

InterOil Exploration and Production ASA ("InterOil") has experienced a challenging year during 2009. The global economic downturn and the dramatic drop in oil prices during the second half of 2008 and part of 2009, resulted in the default situation on the senior secured bond loan in May 2009. The Board of Directors is fully focused on the refinancing process and expects to conclude this process during the second quarter of 2010. The completion of this process combined with the increase in oil price will improve InterOil's cash position going forward. The Company has improved its operations in South America further. It increased its total production by 29%, upgraded the facilities, traded 10% of the high potential Altair exploration license against drilling of two firm and two conditional exploration wells in Colombia and successfully sold 17.5% of the Cabinda North license in Angola.

InterOil's focus going forward is to improve its operation, increase the production in Peru and Colombia and build up a further portfolio of exploration, appraisal, developing and producing assets in South America. InterOil will in 2010 improve the balance sheet. Cash flow from our operation in South America, cost reductions and asset portfolio optimization will contribute to conserve cash and improve our equity.

KEY ACHIEVEMENTS

- Record high yearly production
- Developed the prolific production area Mirador in Peru and Mana in Colombia
- Sale of 17.5% of the Cabinda North license in Angola
- Successful farm-out of 10% of the Altair license in Colombia
- Development of Altair license on track
- 3 wells in Peru and 5 wells in Colombia drilled during 2009
- All new wells encountered oil and are set in production

INTEROIL'S BUSINESS

InterOil acquired the Peruvian and Colombian assets in 2005. This acquisition has developed its potential significantly during the last couple of years, but may still mature to prove its full capacity.

The average total production in South America was 7 260 barrels per day ("bopd") in 2009 and has increased by 29% compared to last year. InterOil has managed to more than double the production since the acquisition in 2005. The production is sold to Hocol (Colombia) and PetroPeru and the average oil price received in 2009 was USD 57.8 per bbl. The sales are made at market price.

InterOil has during the last year worked to reduce the exposure and capital expenditures (capex) commitments in West Africa and managed in 2009 to sell 17.5% of the Cabinda North license in Angola resulting in a net profit of USD 9.8 million. The potential of the West African licenses is material and InterOil is working diligently to find a strategic partner and/or to farm-out/sell parts of its West African assets. Further investments in West Africa are depending on having a partner in place.

FINANCIAL OVERVIEW
(Consolidated Financial Statements)

Although the total production increased the operating revenue of USD 100.4 million in 2009 is down by USD 14.7 million (13%) compared to 2008 due to lower oil price. Cost of goods sold of USD 56.1 million increased by USD 7.0 million compared to 2008, resulting in a gross profit of USD 44.3 million compared to USD 66.0 million in 2008. Other expenses related to the operations, exploration and administration expenses, increased by USD 46.7 million to USD 69.9 million in 2009. This can mainly be traced back to the impairment made of USD 34.9 million of the Angolan assets as InterOil was not able to meet all cash call requirements in 2009. Further acquisition of new seismic data on the Altair license in Colombia and a tax claim provision pertaining to related parties have increased the expenses. Hence, the result from operating activities went down by USD 68.3 million to a loss of USD 25.6 million in 2009. Financial cost for the year was USD 20.5 million. Consequently, InterOil incurred a loss amounting to USD 54.6 million after a tax charge of USD 8.4 million in 2009, compared to a profit of USD 17.0 million in the prior year.

Total capitalized expenditures for the period were USD 22.3 million. The capitalized expenditures were USD 14.4 million in Peru and USD 7.9 million in Colombia during 2009 and can mainly be traced back to the drilling activity and upgrade of production facilities in Peru and Colombia.

Operating activities for the year ended 31 December 2009 generated a net cash flow of USD 12.7 million.

InterOil's total assets as of 31 December 2009 amount to USD 211.0 million, and total cash and cash equivalents to USD 13.4 million. The equity ratio of the group was -22.3%. The Company's assets of any substantial value are the Company's shares in InterOil E&P Latin America AS, which own and operate the oil licenses in Peru and Colombia respectively. The value of these shares will to a very large extent be dependent on the value of the respective companies' oil licenses which in turn will be dependent on the amount of oil reserves that they contain and the cash flow that will be generated from the production of these reserves. Therefore in order to evaluate the real equity of InterOil one must look at the fair market value of the assets in Peru and Colombia. Both Gaffney & Cline and Macquarie/Tristone have evaluated InterOils proven and probable reserves and have calculated, based on this, the net present market value of the Company's assets in Peru and Colombia. The result of these calculations shows that the fair market value of the Company's assets is substantial and exceeds the book value.

InterOil has since June 2009 worked towards a complete refinancing of all outstanding debt. A range of strategic alternatives that included financial restructuring, asset divestments, joint venture opportunities and mergers were evaluated. The Company received conditional offers for the acquisition of the assets in Peru and Colombia. The Company also received conditional offers from local and international banks to refinance the outstanding debt. Both a sale and a refinancing would secure the full repayment of all outstanding debt. The BoD has continuously considered which course of action would best safeguard the interests of all the creditors and the shareholders of the Company and is convinced that a refinancing of existing debt is in the best interest of all parts.

Throughout the financial difficulties, InterOil has continuously kept shareholders, and the market informed about its financial situation.

In the ordinary shareholders meeting of 27 May 2009, the BoD was authorized to increase the share capital by up to 10.9 million shares with validity until the ordinary annual general meeting of 2011, at the latest however by 27 May 2011.

For InterOil the deep decline in oil price in the second half of 2008 into 2009 combined with budgeted material investments caused liquidity problems in 2009 resulting in the default situation and a challenging year. As to the present operations, this is largely balanced by the rebound of the oil price, the increased production level, and the fact that production costs for our onshore operations are relatively low.

In accordance with Norwegian Accounting Law, InterOil confirms that its accounts have been prepared on a going concern basis, as the operations and investment program for 2010 will be funded trough cash flow from our existing operations in Latin-America, refinancing of existing loans and/or issuing of new shares. There are, however, substantial uncertainties about the ability to continue as a going concern. The refinancing of existing debt is one of the main criteria's to be able to continue as a going concern throughout 2010.

PARENT COMPANY ACCOUNTS AND COVERING OF LOSS

The profit and loss account for the period for the parent company, InterOil Exploration and Production ASA, showed a net loss of USD 105.9 million compared to a profit of USD 15.1 million in previous year. The main reasons for the significant difference are higher financial costs due to a significant impairment of subsidiaries, a tax claim provision pertaining to related parties and that a group contribution of USD 26.5 million was received in 2008. The parent company's equity totalled USD -82.9 million as of 31 December 2009. The parent company has therefore no distributable reserves as of year-end 2009.

FINANCIAL RISK

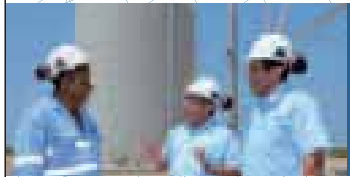
InterOil's revenues are invoiced to the customers in USD, while operating expenses are incurred in USD, NOK, CHF, PEN and COP. InterOil uses no derivative financial instruments to hedge the currency risk exposure.

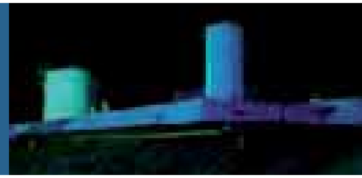
The profitability and cash flow of InterOil's operations will be dependent upon the market price of crude oil, which fluctuates. If the price of oil and gas products should drop significantly, the economics of our projects will be reduced.

A substantial or extended decline in oil price would have a material adverse effect for our Company. Historically, the price of oil has fluctuated greatly in response to changes in many factors. InterOil does not and will not have control over these factors, which among others include:

- Global and regional economic and political developments in producing regions
- Global and regional supply and demand
- The ability of the Organization of the Petroleum Exporting Countries (OPEC) and other producing nations to influence global production levels and prices
- Governmental regulations and actions, and
- Global economic conditions

It is impossible to predict future movements for oil prices with certainty. An extended decline in oil prices will adversely affect






our business, the results of our operations and financial condition. Rapid material and/or sustained reductions in oil prices can impact the validity of the assumptions on which strategic decisions are based and can impact the economic viability of projects planned or in development.

Further information regarding financial risk factors is described in note 3, 4 and 32 to the consolidated financial statement.

ORGANISATION
InterOil has its main office at Lysaker, Norway. There are a total of 294 employees in the Group (13 in Norway, 12 in Switzerland, 161 in Peru and 108 in Colombia). We also engage consultants to supplement peak workloads.

Our core area of expertise reflects an upstream oil and gas company. This includes geology, geophysics, reservoir, production and development engineers. Since we are operators in both Peru and Colombia, we also have drilling and completion engineers, as well as field workers that maintain and service our production equipment. HSE managers are employed in Norway, Peru and Colombia.

HEALTH, SAFETY AND ENVIRONMENT
In order for InterOil to meet its goals, the Company maintains high standards in its work environment, whether in the office or in the field. The safety of our employees is of the highest priority, thus our focus is continuing to maintain and improve our work environment and to be flexible with initiating new procedures to ensure consistency in safety results as conditions change. The Company observes excellent industry practices in line with all regulatory required standards for health, safety and the environment.

InterOil's primary goal is to conduct its operations in such a way that it does not harm people or the environment. During 2009, to the best of the Company's knowledge, it was in compliance with all federal, state and local regulations regarding workers' health, safety and the environment. Nevertheless, there is always a risk of polluting the environment in Peru and Colombia. Still, there were no major accidents or any environmental claims during the year.

Company time lost due to employee illness or accident was less than one percent during 2009.

In 2008 InterOil received the ISO certifications 9001, 14001 and the OHSAS certification 18001 in Colombia. These certifications will be re-certified in 2011. In Peru InterOil has in 2009 received ISO certification 9001 and OHSAS 18001, and the ISO 14001 was re-certified.

There is a policy of equal pay for equal work. This means that men and women in equal jobs shall receive equal pay. The Board is currently of the opinion that there is no need for further equal opportunity measures. As per today 17% of all employees are female.

The group has recruitment and personnel policies to ensure equal opportunities and rights, and prevent discrimination based on ethnicity, national origin, ancestry, colour, language, religion or belief.

CORPORATE GOVERNANCE
InterOil`s corporate governance principles aim to contribute to value creation over time, benefiting shareholders as well as other stakeholders. As an international exploration and production company, InterOil aims to conduct our business in an economically efficient, socially responsible and environmentally acceptable way.

The corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance, dated 21 October 2009. The following presentation is structured after the 15 guidelines in the Code of Practice, and is also available on the Company's web pages.

Implementation and reporting on Corporate Governance:
InterOil`s Board of Directors strongly believes sound principles for corporate governance are an important prerequisite for building trust between the Company and its stakeholders and securing shareholder value. Owners, investors, customers, employees and other stakeholders should always be confident that InterOil`s business activities are characterized by reliability, control, transparency and high ethical standards. InterOil will in all material aspects follow the Norwegian Code of Practice for Corporate Governance and report the company's Corporate Governance in the annual report. Any deviations from the Code of Practice will be explained in the report.

Business:
InterOil`s business is clearly stated in the Company's articles of association. InterOil's mission statement is: "InterOil is an international independent petroleum company engaged in the acquisition, development and operation of oil and natural gas properties. InterOil operates and is active license partner in several production and exploration assets in Colombia, Peru, Ghana and Angola".

Equity and dividends:
As of December 31 2009, InterOil had 21 845 000 shares outstanding. InterOil`s book equity as of December 31 2009 was USD -47.0 million, which represents minus 22,3 % of the total capital. However, the administration and external advisors have prepared valuations, in accordance with acknowledged guidelines, of the Company for the BoD, concluding that the real value of the Company's oil assets is substantially higher than the book value.

Due to the equity situation and the financial result of 2009 InterOil will not pay any dividend for 2009.

The 2009 General Meeting authorized the BoD to increase the share capital by up to NOK 546'100. As recommended by the Code, the mandate was not restricted to defined purposes and is valid until the 2011 Annual General Meeting. The 2009 General Meeting also authorized the BoD to purchase shares in the Company up to an aggregate nominal value of NOK 92250. When purchasing shares in the company, the purchase price per share may not be lower than NOK 15, nor exceed NOK 40, and the authorization is valid 18 months as from the date of the General Meeting. None of the mentioned authorizations were used during 2009.

Equal treatment of shareholders and transactions with close associates:
InterOil has one class of shares representing one vote at the Annual General Meeting (AGM). The Articles of Association contains no restriction regarding the rights to vote. Equal treatment is of high importance for the Company and the BoD must justify any waiver of these rights in capital increases.

All transactions with closely-related parties are firmly regulated in accordance with the Norwegian Code of Practice and the rules of the Oslo Stock Exchange.

Any transactions with closely related parties, primary insiders or employees wishing to trade in InterOil shares must be cleared prior to the purchase of shares in the Company, and are firmly regulated in InterOil's own Directives for Insider Trading. As a young company enjoying major and active shareholders serving as board members, InterOil is focusing on transparency and independent verification of any transactions with related parties.

In 2008, InterOil received a claim from the related parties Eksportconsult AS, controlled by chairman Mårten Rød, and Force Capital Partners AS, controlled by former CEO Nils Trulsvik (hereby known as the "EF-Shareholders"). The EF-Shareholders demanded compensation for incurred and future costs related to a tax claim received by the EF-Shareholders in connection with the purchase of Interoil SA shares that was necessary for InterOil's acquisition of today's oil operations in Peru and Colombia. The Norwegian Tax Authorities (the "NTA") suggested that a taxable income for the EF-Shareholders to some NOK 137.7 million might have been triggered as a result of the acquisition of the shares in Interoil SA to a price below market price. At an Extraordinary General Meeting of 21 August 2008 the shareholders unanimously approved to enter into a settlement agreement with the EF-Shareholders in accordance with the proposal of the Board of Directors and in accordance with the Act on Public Limited Companies § 3-8. The proposal of the Board of Directors was based on detailed clarifications and advice of external legal counsel.

The Norwegian Tax Authorities issued on 18 October 2009 a decision that the tax claim of NOK 57.6 million against the EF-Shareholders should be upheld. On an Extraordinary General Meeting of 11 March 2010 the shareholders approved an amendment to the settlement agreement with the EF-Shareholders. The amendment clarifies that the payment of InterOil's payment obligation under the settlement agreement became due at the time when The Norwegian Tax Authorities made its final decision. The amendment further states that the Company will enter into a down payment agreement with the EF-Shareholders. The Company has received a written confirmation from the EF-Shareholders stating that their claims against InterOil under the settlement agreement shall be subordinated to the existing indebtedness of InterOil, and that no amounts shall be paid by under the settlement agreement until InterOil's entire existing bond loans are repaid in full. Further, it was also approved at the Extraordinary General Meeting of 11 March 2010 that the Company enter into a mandate agreement with Eksportconsult AS, controlled by Chairman Mårten Rød, regarding the refinancing/restructuring of the Company. Further details to the settlement agreement and the mandate agreement are described in note 33 to the consolidated financial statement.

In addition InterOil has consultancy agreements with Eksportconsult AS and Fipenta SA, relating to the board members Mårten Rød and Gian Angelo Perrucci, which are engaged in the business development of the Company. Further the former CEO

of the Group, Nils N Trulsvik, has been engaged as advisor to the BoD. Mr. Trulsvik was replaced as Managing Director by Tom Wolden on 29 January 2010. The remuneration to the Board of Directors and the consultancy schemes are described in note 6 and 7 in the consolidated financial statement.

Freely negotiable shares:
InterOil's shares are listed on the Oslo Stock Exchange. There are no restrictions on trade in the Company's articles of association. Hence InterOil shares are freely tradable, and therefore there are no restrictions on buying or selling the shares in Norway, others than those required by Norwegian legislation.

General Meeting:
InterOil holds its General Meetings in accordance with the Norwegian Code of Practice for Corporate Governance and is distributing the notice of the General Meeting and supporting information no later than 21 days prior to the date of the General Meeting. The invitation is also distributed as a stock exchange notification and posted on the Company's web site prior to the meeting. Shareholders who are unable to attend are encouraged to vote by proxy. Information on the procedure for representation at the meeting through a proxy is included in the notice and the proxy allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election. Both the Nomination Committee, members of the Board of Directors and the auditor attend the General Meeting. InterOil encourages as many shareholders as possible to exercise their rights by participating in the annual General Meeting of the Company. After the meeting the Minutes are released as a stock exchange notification and on our website www.interoil.no.

Nomination Committee:
Pursuant to the Articles of Association, InterOil has a Nomination Committee that is elected by the General Meeting. The nomination committee was elected in 2008 for a two-year term, and stand for re-election or replacement at the AGM 2010 The Nomination Committee shall have at least two members and consists of

- Aage Thoen
- Rolf Johan Ringdal
- Berit Kjøll

Except for Berit Kjøll, the Nomination Committee is independent from the Company's Board of Directors. The purpose of the committee is to recommend candidates for election to the Board of Directors and to review the compensation and performance of the Board of Directors. The recommendations from the Nomination Committee shall include relevant information on the candidates and an evaluation of their independence.

Board of Directors; composition and independence:
InterOil intends to meet the requirements of the Norwegian Code of Practice for Corporate Governance with respect to members' independence from the executive personnel and to important business relationships.

The Board of Directors (BoD) consists of chairman, Mårten Rød and the Board members Gian Angelo Perrucci, Patricia Guerra, Berit Kjøll and Thor Håkstad, thus satisfying the legal requirements established for listed companies in Norway. Thor Håkstad was elected as new board member for a period of two years at the Annual General Meeting in May 2009.

Berit Kjøll and Patricia Guerra will have completed the two-year terms for which they were elected in 2008, and stand for re-election or replacement at the AGM 2010.

The composition of the Board of Directors as a whole represents sufficient diversity of background and expertise to help ensure that the Board carries out its work in a satisfactory manner. The company's website and annual report provides detailed information about the Board members expertise and capacities. The BoD is aware of the need for diversification of its members, in order to add value and to best serve the common interest of InterOil and its shareholders (particularly with respect to expertise, experience, social skills, and independence, flexibility and time capacity).

InterOil had seven Board meetings in 2009. Patricia Guerra attended five meetings and Gian Angelo Perrucci attended one. The rest of the Board members attended all meetings.

The work of the Board of Directors:
The Board of Directors has produced an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board of Directors has issued instructions for its own work as well as for the executive personnel with particular emphasis on clear internal allocation of responsibilities and duties. The Board of Directors has the overall responsibility for the executive personnel and the supervision of the activities in general.

The Board has ensured that the activities in InterOil are soundly organized. This includes drawing up plans and budgets for the activities of the Company, keeping itself informed of the Company's financial position and ensuring that its activities, accounts and asset management are subject to adequate control.

The Board of Directors leads the Company's strategic planning, and makes decisions that form the basis for the executive personnel to prepare for and implement investments and structural measures. The Company's strategy is reviewed as and when the Board deems necessary. The Board is also engaged in the financing of the Company. The Board has at least six meetings per year.

The Board has in 2009 established an Audit Committee, comprising Mr. Thor Håkstad and Ms. Berit Kjøll. The members of the Audit Committee are independent of the executive personnel in InterOil.

Risk Management and Internal Control:
The Board of Directors focuses on risk management and internal control to support the business development and the quality of the financial reporting. At the same time, the Company has adopted an extensive set of systems and procedures in the production units in Peru and Colombia. The Company receives daily, weekly and monthly production reports and reports the production on a monthly basis to the market.

The Board of Directors provides in Note 3 in the annual report the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

Remuneration of the Board of Directors:
The remuneration to the Board of Directors and the consultancy schemes are described in note 6 and 7 in the consolidated financial statement. None of the board members have pension schemes, share options or agreements regarding pay after termination of their duties or other benefits in the Company, and the remuneration is not linked to the Company's performance.

Remuneration of the Executive Personnel:
The Board of Directors of InterOil submits its statement on remunerations to management in accordance with the Public Limited Companies Act §6-16 a.

Our guidelines for future stipulation of management remuneration is to follow the general salary adjustments in our local society and, at the same time, consider the measures necessary to avoid losing our key personnel and maintain a level of remuneration enabling us to recruit the kind of professionals needed for us to develop the Company according to plans.

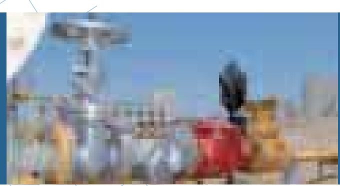
The compensation structure and guidelines for executive personnel and key employees are subject to annual review and approval by the Board of Directors. InterOil has a bonus based compensation program for the management and key personnel. The program is based on personnel, department and country performance as well as on the financial results of the Group. The compensation varies from 0 to 1.5 times the annual salary and will be paid out during the first quarter of the subsequent year of the bonus period. No further bonus to executive personnel has been established.

InterOil negotiates all terms and conditions on an arm's length basis at market conditions, enabling InterOil to recruit the professionals the Company seeks.

The remuneration to the executive management is described in note 6 in the consolidated financial statements.

Information and Communications:
InterOil's information policy is based on transparency and on providing the shareholders, investors and financial market with correct and timely information, in a way that safeguards the principle of equal treatment of all shareholders, and satisfies the regulations and practice applicable to listed companies. InterOil's key communication objectives are visibility, transparency and openness, and the Company will achieve these objectives through precise, relevant, timely and consistent information. InterOil co-ordinates its external and internal communication activities to ensure that the company is presented in a clear and consistent manner, and that the company's brand and reputation is managed properly. All sensitive information will be controlled and disclosed in compliance with statutory laws and the relevant stock exchange rules and regulations.

InterOil gives four Quarterly presentations a year to shareholders, potential investors and analysts, in addition to presentations at conferences in and outside Norway. Our quarterly presentations and investor presentations are made available for downloading and are broadcasted live through InterOil's web

site. The Company also reports its monthly average production the first trading day at Oslo Børs after the 10th of each month.

- InterOil's website, www.interoil.no contains comprehensive information regarding the company, its activity and contact information, and is updated on a regular basis. In addition all presentation material and financial reports are available on the website.
- InterOil distributes all sensitive press releases as well as all reports through Hugin and Oslo Stock Exchange.
- InterOil publishes an annual financial calendar which can be consulted on the Oslo Stock Exchange website, through news agencies and on the company's website.

Takeovers:
The Board of Directors aims to comply with the Norwegian Code of Practice for Corporate Governance in the event of a takeover situation.

Auditor:
The auditor shall be independent of the Company. The remuneration of the auditors is presented in note 31 in the consolidated financial statement.

Ernst&Young was appointed as auditors at the General Meeting of 27 May 2009.

InterOil has established an Audit Committee, which will meet with the auditor regularly. The objective of the committee is to focus on internal control, independence of the auditor, risk management and the Company's financial standing, including the quarterly and annual financial statements.

The Auditor will if applicable send a complete Management Letter/Report to the Board – which is a summary report with comments from the auditors including suggestions of any improvements if needed. This is an important tool for the Board in order to get a better overview and fulfil the control duties. The Auditor is also present in at least one Board meeting each year.

REMUNERATION OF SENIOR EXECUTIVES
The Board of Directors of InterOil Exploration and Production ASA hereby submits its statement on remunerations to management in accordance with the Public Limited Company Act §6-16 A.

InterOil management:
Tom Wolden, Managing Director
Wilhelm Matheson, CFO
Rene Graf, CTO
Thomas Fjell, Director of Strategic and Legal Affairs
Pedro Timana, Gen. Manager Peru
Mauricio de la Mora, Gen. Manager Colombia

General:
Our guidelines for future stipulation of management remuneration is to follow the general salary adjustments in our local society and, at the same time, consider the measures necessary to avoid losing our key personnel and maintain a level of remuneration enabling us to recruit the kind of professionals needed for us to develop the Company according to plans.

Bonus Program:
InterOil has a bonus based compensation program for the management and key personnel. The program is based on personal, department and country performance as well as on the financial results of the Group. The compensation varies from 0 to 1.5 times the individual salary and will be paid out during the first quarter of the subsequent year of the bonus period. The compensation structure and guidelines for executive managers and key employees are subject to annual review and approval by the Board of Directors. No further bonuses to executive Management have been established.

Pension Scheme:
In 2006, a defined benefit plan was entered into for the Norwegian employees. The pension includes retirement pension, disability pension and widows' pension.

Salary Payments after Termination of Employment:
No such agreements are established.

Other:
We are of the opinion that all terms and conditions have been negotiated on an arm's length basis at market conditions, enabling InterOil to recruit the kind of professionals it needs to succeed with its strategy, to the benefit of its shareholders.

OUTLOOK
InterOil's focus going forward is to improve its operation, increase the production in Peru and Colombia and build up a further portfolio of exploration, appraisal, developing and producing properties in South America. InterOil will in 2010 improve the balance sheet. Cash flow from our operation in South America, cost reductions and asset portfolio optimization will contribute to conserve cash and improve our equity.

InterOil Peru will during the next quarters develop the Mirador area in the south of Block III further and plan to drill eleven new wells in Block III during 2010. It will also start to drill wells in Block IV and plan to drill six new wells in 2010. Capital expenditures for 2010 in Peru are estimated to be around USD 20 million. InterOil as operator is fully flexible to increase or reduce the investments during the year.

InterOil Peru has since a time now been negotiating with the Peruvian government to extend its licenses on Block III and IV by 10 years from 2013. The negotiation is progressing and will most likely be settled in 2010. A license extension in Peru will contribute to additional approximately 18 mmboe as 2P reserves, which as per today is classified as contingent resources.

In Colombia, InterOil will focus on increasing the production of its producing licenses and developing the Altair exploration License in the Llanos Basin. Several drilling locations in the Mana and Rio Opia licenses are defined and we plan to drill at least five production/appraisal wells during 2010. Additionally the Colombian drilling contractor which owns 10% of the Altair license will drill two exploration wells during the second quarter of 2010. A commercial discovery in Altair can be set in production immediately. Capital expenditures for 2009 in Colombia are estimated to be around USD 13 million. InterOil as operator is fully flexible to increase or reduce the investments during the year.

Our main focus in the future is to develop Latin America, where many opportunities exist and our new discovery in Altair posed a very attractive investment. In West Africa we will still work diligently to find a strategic partner to successfully develop the assets.

InterOil has a management and technical team capable of covering all aspect of oil exploration and production worldwide. By having a strong operational cash flow from our operations in Latin America sufficient to cover all commitments, and having the opportunities in Latin America, InterOil stands strong for the future.

This report contains forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including InterOil examination of historical operating trends. Although InterOil believes that these assumptions are reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control.

RESPONSIBILITY STATEMENT
We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2009 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group taken as whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 30 April 2010
The Board of InterOil Exploration & Production ASA

Mårten Rød
Mårten Rød
Chairman of Board

Gian Angelo Perrucci
Member of the Board

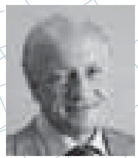
P Guerra
Patricia Guerra
Member of the Board

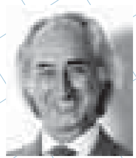
Berit Kjøll
Berit Kjøll
Member of the Board

Thor Håkstad
Member of the Board

T Wl
Tom Wolden
Managing Director

BOARD MANAGEMENT


Mårten Rød


Gian Angelo Perrucci


Berit Kjøll


Patricia Guerra


Thor Håkstad


Tom Wolden

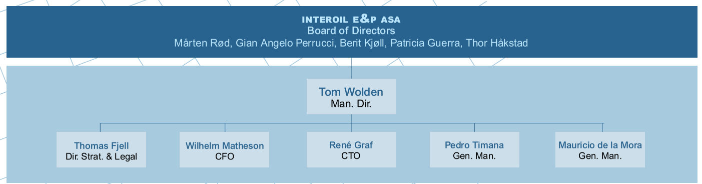

René Graf


Wilhelm Matheson


Mauricio De La Mora


Pedro B. Timaná


Thomas J. Fjell



MÅRTEN RØD, CHAIRMAN OF BOARD, born 1948, has long experience as entrepreneur and from the oil and gas industry, both from upstream and downstream business. He worked 11 years for Arco in the North Sea, founded Northern Energy UK in 1998, an oil company with production in Texas and Oklahoma. From 1995 he was President of Interoil Norway, which participated in various oil and mineral projects in West-Africa.

GIAN ANGELO PERRUCCI, BOARD MEMBER, born 1943, is an Italian entrepreneur. He previously built up a major shipping company in USA and Europe. During the last 15 years, he has developed a substantial major logistics operation in West Africa including supply bases, engineering and production yards, as well as offshore support vessels.

BERIT KJØLL, BOARD MEMBER, born 1955, has broad experience from managing businesses in Norway. She has previously held positions as COO in Telenor ASA, CEO Steen&Strøm ASA, CEO Flytoget AS, CEO Tusenfryd ASA and CEO Kilroy Travels AS. Mrs. Kjøll has extensive directorial board experience and has served on the Board of directors of, among others, SAS AB, DnBNOR ASA, Telenor Mobil AS, AVINOR and Aker Holding AS. She is currently on the Board of Directors of Hurtigruten ASA, the Student Board of BI Norwegian school of Management, the C. Ludens Ringnes Stiftelse, Den Norske Turistforening and Norges Rytterforbund.

PATRICIA GUERRA, BOARD MEMBER, born 1959, is partner in the Swiss law firm meyerlustenberger and was born in Ecuador. Ms Guerra is admitted to bar in Switzerland and New York and is member of the International Bar Association. Her main areas of practice are corporate law, international estate planning and charitable organizations. Mrs. Guerra has previously been working as an attorney with the law firms Mayer Brown, Chicago, USA and with König and Meyer, Zurich, Switzerland. She is member of the board of directors of several Swiss companies, including subsidiaries of large international groups active in the areas of shipping and the glass industry. Mrs Guerra is also a member of the Legal & Tax Chapter of the Latin American Chamber of Commerce in Switzerland and Honorary Consul of Ecuador in Zurich.

THOR HÅKSTAD, BOARD MEMBER, born 1946, is a Mechanical Engineer of the Norwegian University of Technology in Trondheim. He started his career at Norsk Hydro in Oslo in 1974 and gained broad experiences from different Positions. Between 1982 and 1989 he was in charge of oil and gas operations. From 1989 – 1991 he was President of Hydro Energy (gas and power), from 1991–2004 Executive Vice President and Member of the Corporate Management Board. Between 2002 and 2009 he was member of the Board of Directors of Sulzer Ltd, Winterthur Switzerland (Vice Chairman from 2004). He is currently member of the Board of Standards Norway (Chairman), Flexiteek International and Statnett (Vice Chairman).

TOM WOLDEN, MANAGING DIRECTOR, born 1955, is a petroleum geologist with 28 years of experience in the oil business focused on offshore in NW Europe, Africa, Russia, SE Asia, Middle East and Norway. Mr. Wolden has been working for Saga Petroleum, Nopec and PGS and he was business area manager in the Middle East and Mediterranean for PGS Exploration AS until 2006. Mr. Wolden was the Chief Operating Officer in InterOil before he became Managing Director in January 2010.

RENÉ GRAF, CHIEF TECHNICAL OFFICER, born 1947, has long international experience, covering all aspects of exploration with focus on geophysical field operations, processing and interpretation, both 2-D and 3-D, land and marine seismic. This experience has been acquired during a period of almost 20 years working for Shell International in The Netherlands, France, Malaysia and Colombia.

WILHELM MATHESON, CHIEF FINANCIAL OFFICER, born 1971, is a graduate of BI in Oslo. Following 6 years with PricewaterhouseCoopers in Zurich, as a manager within investment management audit services, he took up the position of InterOil Group Controller in 2006 and Chief Financial Officer in 2008.

MAURICIO DE LA MORA, GENERAL MANAGER COLOMBIA, born 1964, is a Petroleum engineer with 23 years of experience in drilling, oil production, operations and reservoir. Mr. De La Mora has major studies in administration and finance and has worked for oil companies like, BP Exploration, Hocol, Seven Seas Petroleum in Venezuela, USA and Ecuador. For the last 5 years, Mr. De La Mora was Operations & Production Manager for MCOG before he became General Manager Colombia in December 2005.

PEDRO B. TIMANÁ, GENERAL MANAGER PERU, born 1949, is a petroleum engineer with 30 years of experience in the Petroleum Industry. Mr. Timana has worked on various oil and gas projects at the coast and in the jungle of Peru for several oil companies as Petroperu, GMP and Mercantile. For the last 5 years, Mr. Timana was Operations & Production manager of MPOG before he became General Manager Peru in December 2005.

THOMAS J. FJELL, DIRECTOR STRATEGIC AND LEGAL AFFAIRS, born 1973, has a law degree from the University of Oslo. Prior to joining InterOil, Thomas worked as an attorney for 10 years advising a variety of global and domestic business clients on legal and strategic issues related to corporate restructurings, mergers, acquisitions and joint ventures.

INTEROIL EXPLORATION AND PRODUCTION GROUP
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000 unless otherwise stated

For the year ended 31 December	Notes	2009	2008 (Restated*)
Sales	9	100 430	115 149
Cost of goods sold	10	-56 117	-49 156
Gross profit		**44 313**	**65 993**
Exploration cost expensed	13	-37 435	-22 405
Administrative expense	11	-9 066	-4 866
Other income / (expense)	12	11 433	2 046
Impairment oil and gas assets	34	-34 919	-
Gain / (loss) on financial instruments at FVtPL	20	54	1 970
Result from operating activities		**-25 620**	**42 738**
Finance costs – net	14	-20 540	-8 264
Profit / (loss) before income tax		**-46 160**	**34 474**
Income tax expense	15	-8 424	-17 465
Profit / (loss) for the year		**-54 584**	**17 009**
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year, net of tax		**-54 584**	**17 009**
Attributable to:			
Equity holders of the parent		-54 584	17 009
		-54 584	**17 009**
Earnings per share			
(expressed in USD per share)			
– basic	29	-2.50	0.78
– diluted	29	-2.50	0.74

* Certain amounts shown here do not correspond to the 2008 financial statements, see note 5 for further description.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD 1 000

As of 31 December	Notes	2009	2008 (Restated*)	As of 1 Jan 2008 (Restated*)
ASSETS				
Non-current assets				
Property, plant and equipment	16	145 213	152 328	133 404
Intangible assets	18	14 950	77 678	33 645
Trade and other receivables	17	3 358	-	-
Retirement benefit asset	26	-	45	12
Total non-current assets		**163 521**	**230 051**	**167 106**
Current assets				
Inventories	19	376	429	790
Trade and other receivables	17	33 552	20 250	21 324
Financial assets at FVtPL	20	211	157	3 058
Cash and cash equivalents	21	13 388	14 805	12 328
Total current assets		**47 527**	**35 641**	**37 500**
TOTAL ASSETS		**211 048**	**265 692**	**204 561**
EQUITY				
Share capital and share premium	22	43 580	43 580	43 580
Other paid-in equity	23	1 742	1 742	1 742
Retained earnings		-92 298	-37 714	-54 723
Total equity		**-46 976**	**7 608**	**-9 401**
LIABILITIES				
Non-current liabilities				
Borrowings	5 / 24	16 736	132 222	136 373
Deferred income tax liabilities	15	22 875	26 974	24 389
Financial liabilities at FVtPL	20	145	1 124	15 047
Retirement benefit obligation	26	13	-	-
Provisions for other liabilities and charges	25	1 550	2 319	2 239
Total non-current liabilities		**41 319**	**162 639**	**178 048**
Current liabilities				
Trade and other payables	28	61 707	71 555	22 440
Income tax liabilities	15	3 321	10 228	1 783
Current interest-bearing liabilities	24	136 179	10 064	10 074
Provisions for other liabilities and charges	25	15 498	3 598	1 617
Total current liabilities		**216 705**	**95 445**	**35 914**
TOTAL LIABILITIES		**258 024**	**258 084**	**213 962**
TOTAL EQUITY AND LIABILITIES		**211 048**	**265 692**	**204 561**

* Certain amounts shown here do not correspond to the 2008 financial statements, see note 5 for further description.

Oslo, 30 April 2010

The Board of InterOil Exploration & Production ASA

Mårten Rød Chairman of Board	**Gian Angelo Perrucci** Member of the Board	**Patricia Guerra** Member of the Board
Berit Kjøll Member of the Board	**Thor Håkstad** Member of the Board	**Tom Wolden** Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000

	Share capital and share premium	Other paid-in equity	Retained earnings	Total equity
Balance at 1 January 2008 (Restated)	**43 580**	**1 742**	**-54 723**	**-9 401**
Total comprehensive income for the period	-	-	17 009	17 009
Balance at 31 December 2008 (Restated)	**43 580**	**1 742**	**-37 714**	**7 608**
Total comprehensive income for the period	-	-	-54 584	-54 584
Balance at 31 December 2009	**43 580**	**1 742**	**-92 298**	**-46 976**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in USD 1 000

For the year ended 31 December	Notes	2009	2008 (Restated*)
Cash generated from operations			
Total comprehensive income for the year		**-54 584**	**17 009**
Income tax expense	15	8 424	17 465
Depreciation, amortization and impairment	10, 11, 34	63 689	24 546
Change in fair value from financial assets at FVtPL	20	-54	1 014
Amortization of debt issuance cost	14	2 508	2 480
Change in retirement benefit obligation	26	58	-33
Interest expense	14	14 672	13 219
Unrealized exchange gain / (loss) from revaluation of borrowings	24	2 955	-4 658
Gain from sale of PP&E	12	-10 005	-
Changes in assets & liabilities			
Inventories		53	361
Financial liabilities at FVtPL		-979	-13 923
Trade and other receivables		18 743	1 075
Trade and other payables and provision for other liabilities		890	18 634
Interest paid		-14 276	-13 743
Taxes paid		-19 428	-6 434
Net cash generated from operating activities		**12 666**	**57 012**
Cash flows from investing activities			
Investment in property, plant and equipment (PPE)	16	-22 251	-54 440
Proceeds from sale of PP&E	12	3 000	-
Other financial assets at fair value through profit or loss	20	-	1 888
Net cash used in investing activities		**-19 251**	**-52 552**
Cash flows from financing activities			
Proceeds from borrowings	22	5 168	8 017
Repayment of interest bearing debt	24	-	-10 000
Net cash used in financing activities		**5 168**	**-1 983**
Net increase in cash and cash equivalents		**-1 417**	**2 477**
Cash and cash equivalents at beginning of the period		14 805	12 328
Cash and cash equivalents at end of the year	**21**	**13 388**	**14 805**

* Certain amounts shown here do not correspond to the 2008 financial statements, see note 5 for further description.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

InterOil Exploration and Production ASA ("the Company") and its subsidiaries (together 'the Group' or InterOil) is an upstream oil exploration and production company focused on South America and West Africa. The company is operator of several production and exploration assets in Peru and Colombia, and is an active license partner in Angola and Ghana.

The Company is a Norwegian Public limited liability company incorporated and domiciled in Norway. The Company is listed on the Oslo Stock Exchange. The Company is registered in the Register of Business Enterprises with organization number 988 247 006. The Company's registered office is Strandveien 50, 1366 Lysaker, Norway.

The principal activities of the Group are described in note 8.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and correspond with the interpretation of the International Accounting Standards Board. The consolidated financial statement is presented in USD and is rounded up to thousands (1 000). The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Changes in accounting policies and disclosures

New and amended standards effective in 2009 with effect on the financial statements

The Group has adopted the following new and amended IFRS standards deemed to be relevant for the financial statements or performance of the Group, as of January 1, 2009:

IAS 1 (Revised), 'Presentation of financial statements'

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated income statement and in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 8 'Operating segments'

This standard replaced IAS 14 'Segment reporting' upon its effective date. The Group has concluded that the operating segments determined in accordance with IFRS 8 are in all material aspects the same as the business segments previously identified under IAS 14.

IFRS 7 (Revised), 'Financial Instruments – Disclosures'

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recognized at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Standard and amendments not yet effective
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2010 or later periods, but the Group has not early adopted them:

IFRS 3 (Revised), 'Business Combinations'
Compared to the existing IFRS 3, the revised IFRS 3 incorporates certain amendments and clarifications related to the use of the purchase method. This includes issues such as goodwill in business combinations achieved in stages, minority interests and contingent considerations. Transactions costs other than share and debt issuance costs will be expensed as incurred. IFRS 3 (R) is effective for annual periods beginning on or after 1 July 2009. The Group expects to implement IFRS 3 (R) as of 1 January 2010.

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements'
The revised IAS 27 provides more guidance on accounting for changes in ownership interest in a subsidiary and the disposal of a subsidiary, compared to the current IAS 27. According to the revised standard the entity measures the interest retained in a former subsidiary at fair value upon loss of control of the subsidiary, and the corresponding gain or loss is recognized through profit and loss. The revised standard also includes a change in the requirements relating to the allocation of losses in a loss-making subsidiary. IAS 27 (R) requires total comprehensive income to be allocated between the controlling and the non-controlling party, even if this results in the non-controlling interest having a deficit balance.

Amendments to IFRS 2 'Share-based Payments – Group Cash-settled Share-based payment Transactions'
The amendment to IFRS 2 provides more guidance on the accounting for group cash-settled share-based payment transactions. In addition, the definition of share based payment is somewhat modified. This amendment supersedes IFRIC 8 and IFRIC 11.

Amendments to IAS 39 'Financial instruments – Recognition and measurement - Eligible Hedged Items'
The amended IAS 39 clarifies the principles for determining whether a hedged risk or portion of cash flows is eligible for designation for certain risks or components of the cash flow. The approved changes gives primarily additional guidance for hedging a one-sided risk (hedging with options) and hedging of inflation risk, but also clarifies that designated risks and cash flows must be identifiable and can be reliable measured.

The Group does not expect that implementation of the amendments listed above will have a material effect on the financial statement of the Group on the date of implementation.

2.2 Consolidation
Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill if applicable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Consolidated subsidiaries
Consolidated subsidiaries are specified in note 30.

2.3 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the functional currency for the parent company and all significant companies in the Group.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Exploration and production rights assets
Oil exploration expenditures are accounted for using the successful efforts method of accounting. Some exploration and evaluation assets should be classified as intangible, for example license acquisition costs and capitalized exploration assets. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred, except for costs connected to areas with proven reserves which are capitalised. Costs directly associated with an exploration well are capitalised until the determination of reserves is evaluated. Each individual exploration well is considered being a unit when considering impairment of the evaluation and exploration asset. If the commercial discovery has not been achieved, these costs are charged to expense.

Once commercial reserves are found, exploration and production rights assets are tested for impairment and transferred to development assets. No depreciation and/or amortisation are charged during the exploration phase.

2.6 Development assets
Expenditure on the construction, installation or completion of infrastructure facilities such as production equipment, pipelines and the drilling of commercially proven development wells is capitalised within tangible assets. When development is completed on a specific field, it is transferred to production assets. No depreciation and/or amortisation are charged during the development phase.

2.7 Oil production assets
Oil production assets are aggregated exploration, production rights assets and development expenditures associated with the production of proved reserves. Furthermore, the oil production assets include property leasehold acquisition costs directly attributable to production assets.

2.8 Depreciation and amortisation
Oil assets that are purchased are depreciated and amortised using the unit-of-production method based on proved reserves. Exploration and development assets transferred to production assets are depreciated and amortised using the unit-of-production method based on proved developed reserves, which are oil mineral reserves estimated to be recovered from existing facilities using current operating methods.

2.9 Impairment – production rights, exploration and development assets
Production rights, exploration and development assets are tested for impairment whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the assets subject to testing are tested for impairment on a production field (CGU) by production field basis.

2.10 Impairment – oil production assets
Oil production assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, the proved oil and gas properties subject to testing are tested for impairment on a production field (CGU) by production field basis.

2.11 Other property, plant and equipment
All other property, plant and equipment are stated at historical cost less depreciation and impairment. Historical costs include expenditures that are directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method to allocate their cost to their values over their estimated useful lives (3 – 10 years). The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.12 Intangible assets
(a) Other intangible assets
Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives (three to five years). The other intangible assets are fully amortised as of December 31, 2009.

(b) Exploration and evaluation assets
Some exploration and evaluation assets are classified as intangible assets according to IFRS 6, for example license acquisition costs and capitalized exploration assets. When technical feasibility and commercial viability of the assets are demonstrable, the assets are reclassified to tangible assets and depreciated. The exploration and evaluation assets which are classified as intangible are assessed for impairment before reclassification.

2.13 Financial assets and liabilities at FVtPL
Financial assets at fair value through profit or loss (FVtPL) includes financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships. Financial instruments included in the financial assets at FVtPL category for the Group comprise commodity-based derivative contracts (energy derivative transactions) to reduce the risks in overall earnings and cash flows and money market funds. The Group has not designated any financial assets upon initial recognition as at FVtPL. Financial assets at FVtPL are carried in the statement of financial position at fair value with changes in fair value recognized the statement of comprehensive income, presented as gain / (loss) on financial instruments at FVtPL.

In addition to the financial instruments described above, the Group has a USD convertible bond loan. As USD is the functional currency and the conversion rights are in NOK, the conversion rights are treated as derivative financial instruments at FVtPL. Fair value of the conversion rights are carried in the statement of financial position with changes in fair value recognized in the statement of comprehensive income, presented as financial income or financial expense..

2.14 Trade receivables
Trade receivables are recognised at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

2.15 Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Inventory cost includes raw material, freight, and direct production expenses together with a portion of indirect expenses.

2.16 Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. All cash and cash equivalents not available to the Group at the end of the reporting period is classified as restricted as specified in note 21.

2.17 Share capital
Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Please refer to point 2.13 for description of conversion rights attached to bond loan

2.19 Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20 Employee benefits
Defined benefit plan:
The Group operates one defined benefit plan for the employees in the holding company, InterOil Exploration and Production ASA. The scheme is funded through payments to insurance companies, determined by periodic actuarial calculations. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the Currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plans:
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.21 Provisions
General:
A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Abandonment and decommissioning liabilities:
In accordance with the terms of the license concessions for licenses where the Group has ownership interest, the local authorities may instruct the license holders to partly or completely remove the facilities at the end of production or when the concession period expires. Upon initial recognition of a liability when the company has a constructive obligation, the company calculates and records the net present value related to future abandonment and decommissioning. The same amount is capitalised as part of the cost price of the asset and depreciated using the unit of production method. The change in the time value of the liability related to the abandonment and decommissioning is charged to expense as other expenses and increases the future liability related to the abandonment and decommissioning. Any change in the estimate related to expenditures associated with abandonment and decommissioning liabilities are accounted for prospectively (remaining production) based on the unit of production method.

2.22 Revenue recognition
Sales revenue related to sale of oil and gas is recognised when the ownership rights are transferred to the customer at the time of delivery based on contractual terms in the sales agreements, i.e. when deliveries are made at a sales transfer point. Sales are presented net of royalty payments. Revenues connected to test production for new wells in association contract are recognised as other provision and charges until participation by the association party is determined. If the association party declares participation in accordance with the agreement, deferred revenue is transferred to the association contract account. If the association party declares no participation, the deferred revenue is recognised as revenue.

2.23 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.24 Earnings per share
Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares from exercise of stock options. Stock options are deemed to have been converted into ordinary shares on the date when the options were granted. When net profit is negative, the dilutive instruments described above will have an anti dilutive effect when calculating dilutive earnings per share. This anti dilutive effect will not be considered when calculating dilutive earnings per share.

2.25 Accounting for association contract with Ecopetrol (Colombia)
Revenues connected to test production for new wells in association contract with Ecopetrol are recognised as deferred revenue until 30% participation by Ecopetrol is determined. Deferred revenue is transferred to the

association contract account when Ecopetrol declares participation in accordance with the association contract.

Capital expenditures and operating expenses connected to such test productions are expensed as incurred. At the time Ecopetrol declares participation in accordance with the association contract, 30% of capital expenditures and operating expenses that will be refunded to Ecopetrol are credited to property, plant and equipment and other income respectively.

2.26 Acquisitions, Sales And License Exchanges
Proceeds from the sale of oil and gas licenses in the exploration stage are offset against the related capitalized costs of each cost centre with any excess of net proceeds over all costs capitalized included in Other income/ (expense) in the statement of comprehensive income.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors
The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management plan focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the administration and finance department supervised by Chief Financial Officer. The Board of Directors reviews and agrees policies for managing each of these risks summarised below. The Group is continuously updating and reviewing its financial manual to ensure proper and uniform entries and reporting of all transactions, in accordance with IFRS and group policy. The board provides management with guidelines for overall risk management.

(a) Market risk
Foreign exchange risk;
The Group operates internationally and is, to some extent, exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the following currencies; NOK, CHF, PEN and COP. Revenues are invoiced to the customers in USD, CHF and EUR while operating expenses are mostly denominated in USD, NOK, CHF, PEN and COP. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and the investment of excess liquidity. Currently, the Company uses no derivative financial instruments to hedge the above mentioned risk exposures.

At 31 December 2009, if the USD had weakened / strengthened by 10% against NOK with all other variables held constant, post-tax profit for the year would have been USD 1 711 (2008: USD 1 327) higher / lower, mainly as a result of foreign exchange gains / losses on translation of NOK denominated cash and NOK denominated borrowings. The borrowings denominated in NOK have remained unchanged throughout the year and the cash positions denominated in NOK have not changed material compared to prior year. Therefore the sensitivity related to movements in USD / NOK is more or less unchanged in 2009 compared to 2008. The impact on the Group equity would have been the same as for the post tax profit.

Price risk;
The Group is exposed to changes in oil prices. The Group has not entered into any financial hedging contracts.

The results of InterOil's operations largely depend on a number of factors, most significantly those that affect the price InterOil receive for the sold products. Specifically, such factors include the level of crude oil and some extent natural gas prices, our oil and some extent natural gas production volumes. InterOil's results will also be affected by trends in the international oil industry, including possible actions by governments and other regulatory authorities in the jurisdictions in which we operate, or possible or continued actions by members of the Organization of Petroleum Exporting Countries (OPEC) that affect price levels and volumes; increasing cost of oilfield services, supplies and equipment; increasing competition for exploration opportunities and operatorship's, and deregulation of the markets, which may cause substantial changes to the existing market structures and to the overall level and volatility of prices.

If the net oil price of the oil sold had been USD 10 per barrel higher/lower than the net realized price received, the net operating income effect would be USD 17.0 million (2008: USD 13.3 million), while the net income effect would have been USD 11.6 million (2008: USD 9.1 million) .The estimated sensitivity of each of the factors on the financial results has been estimated based on the assumption that all other factors would remain unchanged. The estimated effects on the financial results would differ from those that would actually appear in the Group's consolidated financial statements because the consolidated financial statements would also reflect the effect on depreciation, trading margins, exploration expenses, inflation and potential tax system changes.

Interest rate risk;
As the Group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2009 and 2008, the group's borrowings at variable rate were denominated in USD while the borrowings at fixed rates were denominated in USD and NOK.

The group analyses its interest rate exposure on a dynamic basis. The group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax profit of a 1.0% shift in interest rates on borrowings issued at variable rates would be a maximum increase / decrease in interest expense of USD 1 150 (2008: USD 1 150) at 31 December 2009.

The Group has not entered into any interest rate swaps to reduce the interest rate risk on borrowings issued at variable rates.

(b) Credit risk
Credit risk is the risk that InterOil's customers or counterparties will cause financial loss by failing to honour their obligations. Currently the Group is selling all of its oil to the local state owned company PetroPeru S.A. in Peru, while in Colombia the oil is sold to Hocol S.A, a private company. The credit risk for these customers is considered to be low due to the credit worthiness of these customers.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and develop operations according to budget. Liquidity risk is the risk that we will not be able to meet our obligations when due. The purpose of liquidity and short term liability management is to make certain that the group at all times has sufficient funds available to cover financial and operational obligations. As a principle, investment decisions are separated from financial decisions. Funding needs arises as a result of the Group's general business activity. The main rule is to establish financing at corporate level, while project financing may be applied in cases involving joint ventures with other companies. Liquidity forecasts serve as tools for financial planning. Management monitors rolling forecasts of the Group's expected cash flow from operations. In order to maintain necessary financial flexibility, InterOil have requirements for maximum (forecasted) current debt and minimum (forecasted) liquidity reserve. New non-current funding will be initiated if liquidity forecasts reveal non-compliance with given limits, unless further detailed considerations indicate that the non-compliance is likely to be very temporary. In this case, the situation will be further monitored.

Monthly and quarterly reports are reviewed and analyzed by management, and all cost categories are matched with budgets and historical figures. All important accounts are reconciled on a continuous basis. All reports are available for the Board of Directors on the intranet of the company. InterOil has in 2008 and 2009 implemented a new Enterprise Resource Planning system (ERP) in the operational subsidiaries to further improve and make the internal procedures more efficient and ensure even more accurate reporting.

The table below sum up the maturity profile of the Group's financial liabilities at 31 December 2009 based on contractual undiscounted payments.

Year ended 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	147 237	21 400	-	168 637
Trade and other payables	61 707	-	-	61 707
Other interest bearing liabilities	-	382	7	389

Year ended 31 December 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	21 092	27 867	126 350	175 309
Trade and other payables	71 555	-	-	71 555
Other interest bearing liabilities	64	351	41	456

As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the statement of financial position for borrowings which is recorded at amortised cost. The specific time buckets presented are not mandated by the standard, but are based on choice by management. See note 24 and note 28 for the carrying amounts.

The Group believes that it will be able to raise additional funds if the liquidity status requires additional funding. Cash positions are monitored regularly to ensure that cash positions are kept an acceptable level to ensure reasonable coverage for the Groups' commitments and other planned investments.

Please see note 32 for more detailed information regarding management considerations regarding the liquidity situation of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) going concern assumptions
The consolidated financial statements have been prepared based on the going concern assumption. For further details we refer to the Board of Director's report and notes 32 and 33.

(b) Impairment of exploration and other oil related assets
The Group tests whether exploration assets and oil related assets have been subject to any impairment, in accordance with the accounting policy stated in note 2.9 and 2.10. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Current oil price does not indicate impairment of any of the oil producing assets at 31 December 2009. The Group has recognized an impairment charge of USD 34.9 million in relation to its non producing assets, see note 34 for further information.

(c) Reserves and resources
All estimates of oil and gas reserves and resources involve uncertainty. In the estimation, InterOil has applied deterministic or scenario based methods. The figures represent a most likely quantity of oil and gas that will be recovered given the information available at the end of the year.

Important factors that could cause actual results to differ from the estimates include among others: technical, geological and geotechnical conditions, economic and market conditions, oil prices and changes in governmental regulations, interest rates and fluctuations in currency exchange rates. Specific parameters of uncertainty related to the field/reservoir include, but are not limited to; reservoir pressure and porosity, recovery factors, water cut development and production decline rates, gas/oil ratios and oil properties.

Analogy to similar fields and reservoirs has been applied when production history and information is limited and/or the field/ reservoir has a complex structure. It is important to stress that the uncertainty span is larger for fields/ reservoirs with limited field information and production history, compared to fields/reservoirs with longer production history.

The estimates for reserves and resources are made in accordance with the guidelines advised by the Society of Petroleum Engineers (SPE) and are in conformity with procedures from the Oslo Stock Exchange for reporting of reserves. Reserves are audited by GCA on an annual basis.

(d) Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes.

Judgement is required in determining the Group's provision for deferred tax assets and liabilities. The Group recognises deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management has considered future taxable income in assessing whether deferred income tax assets should be recognised. The carrying amount of deferred income tax liabilities is USD 22.9 million, at 31 December 2009. See note 15.

(e) Abandonment and decommissioning liabilities
The Groups future cost for environmental cleanup depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised. The carrying amount of provisions for environmental issues at 31 December 2009 is USD 0.7 million. See note 25.

5. RESTATEMENT AND RECLASSIFICATION OF PRIOR YEAR FIGURES

(a) Reclassification
In order to improve the presentation of the statement of comprehensive income, the company has reclassified certain items. Operating expenses including salaries and social expenses directly related to the operations have been reclassified from Administration expenses to Cost of goods sold and Exploration expenses to better demonstrate the correct allocation of the expenses and resources used for the operating activities of the Group.

Amounts in USD 1 000	2008 Before	2008 After
Sales	115 149	115 149
Cost of goods sold (note 10)	-41 678	-49 156
Gross profit	**73 471**	**65 993**
Exploration cost expensed (note 13)	-10 685	-22 405
Administrative expenses (note 11)	-24 064	-4 866

To improve the presentation of financial instruments from operating activities, gain / (loss) from change in fair value or interest of the financial assets at FVtPL, has been reclassified from other income / (expenses) to gain / (loss) on financial instruments at FVtPL.

Amounts in USD 1 000	2008 Before	2008 After
Other income / (expenses) (note 12)	923	2 046
Gain / (loss) on financial instruments at FVtPL (note 20)	3 093	1 970

Exploration and evaluation assets
IFRS 6 Exploration for and Evaluation of Mineral Resources requires exploration and evaluation assets to be classified as tangible or intangible according to the nature of the assets. Some exploration and evaluation assets, license acquisition costs and capitalized exploration assets, have therefore been reclassified as intangible assets.

(b) Restatement
Restatement of USD 10.0 million installment of the Senior secured bond loan
In the annual report 2008 the USD 10.0 million installment which was due 2 May 2009 was presented as non-current liabilities in the consolidated statement of financial positions. The balance has been restated from non-current liabilities to current liabilities.

Restatement of USD 20.0 million Convertible bond loan
Reference is made to note 24 for further description of the Convertible bond. At initial recognition InterOil separated the loan into a liability component and an equity component, in which the fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond and the equity component calculated as the residual. As InterOil's functional currency is USD and the convertible element is in NOK, the conversion rights should have been recognized in accordance with IAS 39 as a derivative financial instrument and not as an equity element in accordance with IAS 32 upon initial recognition. The recognition in accordance with IAS 39 implies treating the conversion rights as a derivative financial instrument at fair value through profit and loss, subsequent changes in fair value from issuance is recorded as a financial income/expense in the statement of comprehensive income. The fair value of the conversion has been determined using the Black &-Scholes valuation model. The following assumptions and parameters are used in the valuation of the conversion rights at initial recognition;

Risk free rate	4.07%
Volatility	64.10%
Maturity	1 July 2011
Dividends	-
Spot rate for equity	NOK 34.00
Conversion price	NOK 46.00
Date of pricing	11 July 2006

The value of the liability component, USD 11.8 million, and the conversion rights, USD 7.4 million, were determined at issuance of the bond. Subsequent changes in fair value of the conversion rights are recorded in financial items in the statement of comprehensive income.

For the subsequent valuations, have the following assumptions and parameters been used;

Risk free rate	2.44 - 4.65%
Volatility	52.44 – 83.18%
Maturity	1 July 2011
Dividends	-
Spot rate for equity	NOK 7.79 - 31.00
Conversion price	NOK 46.00
Date of pricing	Year ended at 31 December

The following restatements have been performed in relation to the Convertible bond loan and the USD 10.0 million installment of the Senior secured bond loan;

The gain on the change in fair value of the conversion rights in combination with increased amortization of the debt issuance cost, resulted in a reduction of the financial costs, the impact in the statement of comprehensive income is as follow;

Amounts in USD 1 000	2008 Before	2008 After
Financial costs – net (note 14)	-10 991	-8 264

The restatement of the USD 10.0 million installment in combination with the recognition of the conversion rights in accordance with IAS 39, resulted in restatement of the following positions included in the statement of financial positions;

	As of 31 December 2008		As of 1 January 2008	
Amounts in USD 1 000	**Before**	**After**	**Before**	**After**
LIABILITIES				
Non-current liabilities				
Borrowings (note 24)	145 851	132 222	150 761	136 373
Financial liabilities at FvtPL (note 15)	-	1 124	10 282	15 047
Current liabilities				
Trade and other payables (note 28)	71 577	71 555	22 616	22 440
Current interest.bearing liabilities (note 24)	64	10 064	74	10 074

6. RELATED-PARTY DISCLOSURE

The company's directors and management team are considered related parties.

Shareholders
Shares in InterOil Exploration and Production ASA directly and indirectly owned by related parties at 31 December 2009 (note 22):

Name	Position	Shares in %
Tom Wolden	Managing Director	Less than 0.1%
Nils Trulsvik	Advisor to the Board	2.1%
Rene Graf	CTO	Less than 0.1%
Thomas Almer	Financial Manager	0.2%
Fredrik von Zernichow	IR Manager	Less than 0.1%
Berit Kjøll	Member of the board	Less than 0.1%
Gian Angelo Perrucci	Member of the board	24.9%
Mårten Rød	Chairman of the board of directors	24.9%

Mårten Rød owns his shares through Eksportconsult AS, owned by him and his family.

Gian Angelo Perrucci owns 3.6% directly and 20.4% through his fully controlled company Rakila Properties Limited. Further, Perucci controls 200 000 shares registered under Eksportconsult AS, representing 0.9% of the total shares in the Company.

Nils Trulsvik owns his shares through the company Force Capital Partners.

Amounts in USD 1 000

Management contracts
InterOil (Norwegian parent company) has entered into management contracts with separate companies owned by the two main shareholders, Gian Angelo Perrucci and Mårten Rød, who performs all their management services etc. through these companies.

Fipenta SA
Fees paid to Fipenta SA, owned by board member Gian Angelo Perrucci, have been charged as an expense with USD 330 (2008: USD 240) for year.

Eksportconsult AS
Fees paid to Eksportconsult, owned by the Chairman of the Board, Mårten Rød, have been charged as an expense with USD 239 (2008: USD 247) for the year.

Further, Eksportconsult rents office locations in the office at the Company's registered office address.

Net payable to Eksportconsult at 31 December 2009 is USD 20 (2008: net payable USD 20).

Remuneration to the Board of Directors
The board members are entitled to remuneration in accordance with the following rates for the period 01.07.2008 until 30.06.2009: Board chair: USD 75, Deputy chair: USD 60, Board member: USD 50 (totally USD 285). Altogether the Board of Directors received a remuneration of USD 235 (2008: 235) during the calendar year 2009, in addition was USD 146 (2008: USD 131) paid by the producing subsidiaries for the same period.

Marine Subsea AS
Marine Subsea AS, indirectly 51% owned by chairman of the board, Mårten Rød and Board Member, Gian Angelo Perrucci was charged USD 27 (2008: 48) for general services throughout the year 2009 based on an agreement entered into between InterOil (Norwegian mother company) and Marine Subsea AS.

Further, Marine Subsea AS, rents office locations in the office at the Company's registered office address. Marine Subsea AS pays for the rental based on an agreement that has been entered into between the parties.

Net receivable from Marine Subsea at 31 December 2009 is USD 64 (2008: USD 18).

Other
In relation to the tax case pertaining to related parties (see note 33 for further information) Meyer Lustenberger, the company where the Board member Patricia Guerra is one of the partners, performed legal services for the Company. The Company (Norwegian parent company) has been charged USD 3 (2008: USD 68) for these services in 2009.

7. REMUNERATION OF SENIOR EXECUTIVES

Management remuneration 2009

Amounts in USD 1 000	N. Trulsvik *, CEO	T. Wolden *, COO	W. Matheson, CFO	R. Graf, CTO
Period	01.01 – 31.12	01.01 – 31.12	01.01 – 31.12	01.01 – 31.12
Salary	531	352	222	396
Bonus	65	86	96	115
Fee from subsidiary	73	-	-	-
Pension scheme	25	24	17	-
Other (company car)	30	34	-	-

*) As from 29 January 2010 Tom Wolden was appointed as new Managing Director, Nils Trulsvik will continue as advisor to the Board.

Management remuneration in 2008

Amounts in USD 1 000	N. Trulsvik, CEO	W. Matheson, CFO*	T. Wolden, COO	R. Graf, CTO	J. Wiggen, former CFO*
Period	01.01 – 31.12	01.04 – 31.12	01.01 – 31.12	01.01 – 31.12	01.01 – 31.03
Salary	565	167	364	369	-
Fee from subsidiary	65	-	-	-	-
Consultancy fee	-	-	-	-	126
Pension scheme	25	13	24	-	-
Other (company car)	36	-	38	-	-

*) As from April 2008 Wilhelm Matheson has replaced Jon Wiggen as CFO.

Board member remuneration 2009

Amounts in USD 1 000	M. Rød, Chairman	G. A. Perrucci, Dep. Chairman	Thor Håkstad,** Member	B. Kjøll Member	P. Guerra, Member
Period	01.01 – 31.12	01.01 – 31.12	27.05 – 31.12	01.01 – 31.12	01.01 – 31.12
Board member fee	75	60	-	50	50
Fee from subsidiary	73	73	-	-	-
Consultancy fee	239	330	-	-	3*
Nomination committee fee	-	-	-	3	-

*) The fee is paid to Meyer Lustenberger, the company where Patricia Guerra is one of the partners, in relation to the legal services performed on behalf of the Company in relation to the tax claim pertaining to related parties.

**) As from May 27 2009 Mr. Thor Håkstad replaced former board member Mr. Robert Blair Thomas.

Board member remuneration 2008

Amounts in USD 1 000	M. Rød, Chairman	G. A. Perrucci, Dep. Chairman	B.Thomas, Member	B. Kjøll Member	P. Guerra, Member
Period	01.01 – 31.12	01.01 – 31.12	01.01 – 31.12	01.01 – 31.12	01.01 – 31.12
Board member fee	75	60	no compensation	50	50
Fee from subsidiary	65	65	has been paid	-	-
Consultancy fee	247	240		-	68*

*) The fee is paid to Meyer Lustenberger, the company where Patricia Guerra is one of the partners, related to the legal services performed on behalf of the Company in connection with the tax claim pertaining to related parties.

8. SEGMENT INFORMATION

The group's organizational structure reflects the different activities in which InterOil is engaged. Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions. The Group has five reportable segments, as described below, which are the Group's strategic business units. The business is considered both from a geographic and development phase perspective. Geographically, management consider the performance of the activities in Colombia, Peru, Ghana, Angola and Corporate. For each of the strategic business units, the management and other decision makers review internal management reports on a day to day basis. The following summary describes the operations in each of the Group's reportable segments:

- Colombia, consists of upstream activities including oil and natural gas exploration, field development and production from the Group's licenses in Colombia
- Peru, consists of upstream activities including oil and natural gas exploration, field development and production from the Group's licenses in Peru
- Ghana, consists of exploration activities performed by the operator or internally in relation to the Group's license in Ghana
- Angola, consists of exploration activities performed by the operator or internally in relation to the Group's license in Angola
- Other businesses and Corporate consist of activities performed by the Technological centre and corporate activities world wide

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on production, operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Segment revenues and segment results include transactions between business segments. These transactions and any unrealized profits and losses are eliminated. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

For the year ended 31 December 2009

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other busin. and Corpor.	Total report. segm.	Elimin.	Group
Sales	36 085	62 404	-	-	6 557	105 046	-	105 046
Inter-segment sales	-	-	-		-	-	-4 616	-4 616
Cost of goods sold	-22 634	-31 455	-	-	-2 028	-56 117	-	-56 117
Gross profit	**13 451**	**30 949**	**-**	**-**	**4 529**	**48 929**	**-4 616**	**44 313**
Exploration cost expensed	-11 514	-3 137	-1 589	-16 678	1 805	-31 113	-6 322	-37 435
Administrative expense	-	-	-	-36	-9 030	-9 066	-	-9 066
Other Income / (expenses)	2 859	-1 381	-	9 906	49	11 433	-	11 433
Impairment of oil and gas assets	-	-	-	-34 919	-	-34 919	-	-34 919
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	54	54	-	54
Result from operating activities	**4 796**	**26 431**	**-1 589**	**-41 727**	**-2 593**	**-14 682**	**-10 938**	**-25 620**
Finance costs – net	-1 988	207	-	-	-18 759	-20 540	-	-20 540
Result before income tax	**2 808**	**26 638**	**-1 589**	**-41 727**	**-21 352**	**-35 222**	**-10 938**	**-46 160**
Income tax expense	-160	-8 294	-	-	30	-8 424	-	-8 424
Result for the year	**2 648**	**18 344**	**-1 589**	**-41 727**	**-21 322**	**-43 646**	**-10 938**	**-54 584**

For the year ended 31 December 2008

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other busin. and Corpor.	Total report. segm.	Elimin.	Group
Sales	50 694	62 431	-	-	7 321	120 446	-	120 446
Inter-segment sales	-	-	-	-	-	-	-5 297	-5 297
Cost of goods sold	-24 487	-22 672	-	-	-1 997	-49 156	-	-49 156
Gross profit	**26 207**	**39 759**	**-**	**-**	**5 324**	**71 290**	**-5 297**	**65 993**
Exploration cost expensed	-4 142	-1 429	-2 276	-10 460	-1 591	-19 898	-2 507	-22 405
Administrative expense	-	-	-	-42	-4 824	-4 866	-	-4 866
Other operating Income / (expenses)	1 899	71	-	-	76	2 046	-	2 046
Gain / (loss) on financial instruments at FVtPL	-	-	-	-	1 970	1 970	-	1 970
Result from operating activities	**23 964**	**38 401**	**-2 276**	**-10 502**	**955**	**50 542**	**-7 804**	**42 738**
Finance costs – net	-307	-189	-	-	-7 768	-8 264	-	8 264
Result before income tax	**23 657**	**38 212**	**-2 276**	**-10 502**	**-6 813**	**42 278**	**-7 804**	**34 474**
Income tax expense	-7 304	-10 194	-	-	33	-17 465	-	-17 465
Result for the year	**16 353**	**28 018**	**-2 276**	**-10 502**	**-6 780**	**24 813**	**-7 804**	**17 009**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position information

As of 31 December 2009

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other busin. and Corpor.	Total report. segm.	Unalloc./ Elimin.	Group
Property, plant and equipment	37 555	106 657	-	-	1 001	145 213	-	145 213
Intangible assets	2 607	-	11 676	667	-	14 950	-	14 950
Other assets	10 424	17 531	184	19 757	2 989	50 885	-	50 885
Total Segment assets	**50 586**	**124 188**	**11 860**	**20 424**	**3 990**	**211 048**	**-**	**211 048**
Total Segment liabilities	**18 390**	**41 281**	**473**	**29 134**	**168 746**	**258 024**	**-**	**258 024**
Capital expenditure	**6 776**	**15 350**	**-**	**73**	**52**	**22 251**	**-**	**22 251**
Other Segment information								
Lifting cost	12 771	9 943	-	-	-	22 714	-	22 714
Amortisation and depreciation	10 248	17 945	-	36	540	28 769	-	28 769

As of 31 December 2008

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other busin. and Corpor.	Total report. segm.	Unalloc./ Elimin.	Group
Property, plant and equipment	41 861	109 153	-	-	1 314	152 328	-	152 328
Intangible assets	2 607	-	11 673	63 256	142	77 678	-	77 678
Other assets	13 544	14 582	-	2 712	4 848	35 686	-	35 686
Total Segment assets	**58 012**	**123 735**	**11 673**	**65 968**	**6 304**	**265 692**	**-**	**265 692**
Total Segment liabilities	**19 765**	**44 604**	**3 356**	**38 748**	**151 611**	**258 084**	**-**	**258 084**
Capital expenditure	**13 404**	**29 624**	**9 331**	**36 844**	**556**	**89 758**	**-**	**89 758**
Other Segment information								
Lifting cost	11 552	9 165	-	-	-	20 717	-	20 717
Amortisation and depreciation	11 981	11 869	-	42	654		-	24 546

9. SALES AND ROYALTY AGREEMENTS

For the year ended 31 December

Amounts in USD 1 000	**2009**	**2008**
Sale of oil – before royalty	151 562	177 217
Royalty	-53 782	-64 702
Sale of oil – net, barrels	97 780	112 515
Sale of gas	713	295
Sale of services	1 937	2 339
Total sales	**100 430**	**115 149**

Sale in barrels – see note 35.

Royalty:
The royalty payments have been deducted from total sales reported by the Group.

Royalty agreements in Peru:
The royalty payment for 2009 in percentage of gross oil price in accordance with royalty agreement with PeruPetro in Peru was dependent on oil price according to a sliding scale below:

Royalty for Total Production
Value of Crude Basket

Oil Price	<=$27.0	$30.0	$35.0	$45.0	$55.0	$65.0	$75.0	$85.0
Royalty	13.0%	23,1%	34.1%	38.7%	43.3%	45.7%	47.8%	49.5%

Royalty agreements in Colombia:
The royalty payment in percentage of gross oil price in accordance with royalty agreement with Ecopetrol in Colombia varies between 8 – 20%, depending on contract.

10. COST OF GOODS SOLD

For the year ended 31 December

Amounts in USD 1 000	**2009**	**2008**
Cost of goods sold		
Lifting costs	22 714	20 717
Depreciation and amortisation	28 508	24 228
Changes in inventory	-352	1 478
Other cost of goods sold	5 248	2 733
Total cost of goods sold	**56 117**	**49 156**
Lifting costs, specifications:		
Field production costs	6 732	5 338
Tariffs and transportation	2 009	1 802
Insurance	389	386
Production costs external consultants	2 404	1 749
Well services and workover	2 674	1 963
Repairs and maintenance of installations/equipment	510	921
Other production costs	7 995	8 558
Total lifting costs	**22 714**	**20 717**

11. ADMINISTRATIVE EXPENSES

For the year ended 31 December

Amounts in USD 1 000	**2009**	**2008**
Administrative expenses		
Employee benefit expense	1 740	1 728
General and administration expenses	7 064	2 820
Depreciation non oil assets	262	318
Total administrative expenses	**9 066**	**4 866**

Employee benefit expense directly related to the operation are reclassified to lifting cost, exploration expenses and capital expenditure in the statement of comprehensive income

Employee benefit expense, specifications:	**2009**	**2008**
Salaries and wages employees	10 497	10 141
Social expenses	1 112	1 243
Share options granted to directors and employees	-	-131
Other payroll related expenses	3 017	3 051
Pension cost – defined contribution plan	648	580
Pension cost – defined benefit plan (note 26)	225	128
Total employee benefit expense	**15 499**	**15 012**
Reclassified to lifting cost	-8 446	-7 706
Reclassified to Exploration cost expensed	-4 932	-4 724
Reclassified to capital expenditure	-381	-854
Employee benefit expense – Administrative expenses	**1 740**	**1 728**
Number of employees	297	296

12. OTHER INCOME / (EXPENSE)

For the year ended 31 December

Amounts in USD 1 000	**2009**	**2008**
Other Income		
Refund of operating expenses (see principle note 2.25)	2 962	2 415
Gain on sale of PP&E	10 005	-
Other income	307	63
Total other income	**13 274**	**2 478**
Other expense		
Abandonment provisions, impairments	121	342
Other expenses	1 720	90
Total other expense	**1 841**	**432**
Total other income / (expense)	**11 433**	**2 046**

The gain on sale of PP&E could mainly be traced back to the sale of 17.5% of the Groups 21.0% working interest in the Cabinda North licence in Angola resulting in a gain of USD 9.8 million.

13. EXPLORATION COST EXPENSED

For the year ended 31 December

Amounts in USD 1 000	**2009**	**2008**
Seismic acquisitions, analysis and general G&G	29 988	19 448
Other exploration cost expensed	7 447	2 957
Total exploration cost expensed	**37 435**	**22 405**

The seismic acquisition, analysis and general G&G could mainly be divided into two different expenses; one part of the expenses is related to the acquisition of seismic data of USD 5.3 million (2008: USD 3.4 million) which was acquired during the year and the remaining part of USD 24.7 million (2008: USD 16.0) is related to administration & services and geophysical & geological work performed internally in relation to the ongoing operational activities of the Group or by or on behalf of the contractor group in relation to the projects in Ghana and Angola.

14. FINANCE COSTS – NET

For the year ended 31 December

Amounts in USD 1 000	**2009**	**2008**
Interest income	24	279
Change in fair value of conversion rights (see note 5)	979	3 642
Exchange rate gain, realized items	455	-
Exchange rate gain, unrealized items	-	4 045
Other financial income	5	8
Total financial income	**1 463**	**7 974**
Interest expenses	14 673	13 219
Amortisation of debt issue cost	2 508	2 481
Exchange rate loss, realized items	-	295
Exchange rate loss, unrealized items	4 448	-
Other financial expenses	374	244
Total financial expenses	**22 003**	**16 238**
Finance costs – net	**-20 540**	**-8 264**

15. TAXES

For the year ended 31 December

Amounts in USD 1 000	**2009**	**2008**
Income tax expense		
Current tax	12 523	15 796
Deferred tax	-4 099	2 585
Previous year adjustment	-	-916
Income tax expense	**8 424**	**17 465**

Income taxes

Profit / (loss) before income tax	**-46 160**	**34 472**
Expected income tax according to nominal tax rate (28%/30%/33%22.1%)	12 247	-11 610
Adjustment of previous years	-	916
Adjustment of deferred tax assets not recorded	-20 442	-8 438
Expenses not deductible for tax purposes	-625	-335
Other items	396	2 002
Total income taxes	**-8 424**	**-17 465**
Effective income tax rate	-18%	51%

Nominal tax rate in Norway, Switzerland, Peru and Colombia is respectively 28%, 22.1%, 30% and 33%.

Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

As at 31 December	**2009**	**2008**
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	-	45
	-	**45**
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	-22 875	-25 021
– Deferred tax liability to be recovered within 12 months	-	-1 998
	-22 875	**-27 019**
Net deferred income tax liability	**-22 875**	**-26 974**

The gross movement on the deferred income tax account for the year ended 31 December is as follows:	**2009**	**2008**
At inception / Opening balance	**-26 974**	**-24 389**
Statement of comprehensive income charge	4 099	-2 585
As at 31 December	**-22 875**	**-26 974**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:	Accelerated tax depreciation	Borrowings	Total
Opening balance	**-26 635**	**-384**	**-27 019**
Acquisition of subsidiaries	-	-	-
Charged/(Credited) to the statement of comprehensive income	4 144	-	4 144
Charged to equity	-	-	-
At 31 December	**-22 491**	**-384**	**-22 875**

Deferred tax assets:	Provisions of assets	Tax losses	Total
Opening balance	**45**	**-**	**45**
Acquisition of subsidiaries	-	-	-
(Credited)/charged to the statement of comprehensive income	-45	-	-45
Charged to equity	-	-	-
At 31 December	**-**	**-**	**-**
Net deferred income tax liability at 31 December 2009			**-22 875**

Deferred tax asset of USD 21 105 (2008; USD 7 654), related to tax loss carried forward has not been recognized as the recognition criteria in IAS 12 have not been met. InterOil Exploration and Production Africa AS, InterOil Exploration and Production Ghana AS, InterOil Exploration and Production Latin America AS and InterOil Exploration and Production ASA (mother company) has a history of recent losses. As of 31 December 2009 there is not convincing evidence that sufficient taxable profit will be available against which the unused tax losses could be utilized.

16. PROPERTY, PLANT AND EQUIPMENT

Period ended 31 December 2008	Develop. Assets	Oil production assets	Other	Total
Opening net book amount	**1 829**	**126 238**	**5 337**	**133 404**
Additions	22 088	-	8 746	30 834
Transfers	-	14 716	-	14 716
Disposal net	-	-1 206	-1 086	-2 292
Depreciation charge	-	-23 351	-983	-24 334
Closing net book amount	**23 917**	**116 397**	**12 014**	**152 328**
Period ended 31 December 2009				
Opening net book amount	**23 917**	**116 397**	**12 014**	**152 328**
Exchange difference	-	-	223	223
Additions	15 745	6 384	122	22 251
Transfers	-	-	-	-
Disposal, net	-	-919	-43	-962
Depreciation charge	-	-27 519	-1 108	-28 627
Closing net book amount	**39 662**	**94 343**	**11 209**	**145 213**
Cost or valuation	39 662	174 799	14 159	228 620
Accumulated depreciation	-	-80 456	-2 951	-83 407
Net book amount	**39 662**	**94 343**	**11 208**	**145 213**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following assets have been pledged as security for the interest-bearing borrowings (see note 24)
Assets owned by InterOil Exploration and Production ASA:
Shares in InterOil Exploration and Production Latin America AS, shares in InterOil Exploration and Production Ghana AS, and shares in InterOil Exploration and Production Africa AS.

Assets owned by InterOil Exploration and Production Latin America AS:
Shares in the operating companies in Colombia and Peru.

17. TRADE AND OTHER RECEIVABLES

Period ended 31 December

Amounts in USD 1 000	2009	2008
Non-current		
Other long-term receivables	6 716	-
Less: provision for impairment of receivables	-3 358	-
Other long-term receivables - net	3 358	-
Total non-current trade and other receivables	**3 358**	**-**
Current		
Trade receivables	12 151	8 347
Less: provision for impairment of receivables	-	-
Trade receivables – net	12 151	8 347
Joint operations accounts	-842	-55
Prepayments	1 659	4 595
VAT receivable	767	72
Other short-term receivables	19 817	7 291
Total current trade and other receivables	**33 552**	**20 250**
Total trade and other receivables	**36 910**	**20 250**

The carrying amount of trade and other receivables approximate their fair value. The main reason for the increase in short-term receivables could be traced back to the sale of 17.5% of the 21.0% working interest in the Cabinda North license. As at date for approval of the consolidated financial statements the outstanding amount related to the sale has been settled.

Trade and other receivables are non-interest bearing and are generally on 15 – 90 days-terms. Trade receivables that are less than 3 months past due are not considered impaired. As of 31 December 2009, trade receivables of USD 60 (2008; USD 40) were past due, but not impaired. These relate to an independent customer from whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Amounts in USD 1 000	2009	2008
Not due	12 091	8 307
Up to 3 months	11	31
Over 3 moths	49	9
Total	**12 151**	**8 347**

As of 31 December 2009, other long-term receivables of USD 6 716 were tested for impairment. The amount of provision was USD 3 358. The individually impaired receivables relates to one of the partners in the licences in Colombia and could be traced back to different interpretation of the association contract. It was assessed that a portion of the receivables is expected to be recovered.

The creation of provision for impaired receivables have been included in "Other exploration cost expensed" (note 13) in the consolidated statement of comprehensive income.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of the receivables mentioned above. The group does not hold any collateral as security.

18. INTANGIBLE ASSETS

Period ended 31 December 2008	Production rights assets	Exploration assets	Other intangible assets	Total
Opening balance	**31 360**	**1 931**	**354**	**33 645**
Additions	36 844	22 117	-	58 961
Transfers	-	-14 716	-	-14 716
Less: Accumulated depreciationamortization	-	-	-212	-212
Closing net book amount	**68 204**	**9 332**	**142**	**77 678**
Period ended 31 December 2009				
Opening balance	**68 204**	**9 332**	**142**	**77 678**
Additions		-	-	-
Disposals	-27 667	-	-	-27 667
Impairment	-34 919	-	-	-34 919
Less: Accumulated amortization	-	--	-142	-142
Closing net book amount	**10 283**	**9 332**	**-**	**14 950**
Cost	41 358	9 332	638	51 328
Accumulated impairment	-35 740	-	-	35 740
Accumulated amortization	-	-	-638	-638
Closing net book amount	**10 283**	**9 332**	**-**	**14 950**

The disposal of USD 27.7 million of production rights assets is related to the sale of 17.5% of the 21.0% working interest in the Cabinda North license.

See note 34 for further information related to the impairment.

The other intangible assets are related to special computer software licences for geology, geophysics, petrophysics and reservoir engineering that was a part of the acquisition of InterOil Switzerland E&P AG.

19. INVENTORIES

Period ended 31 December

Amounts in USD 1 000	2009	2008
Crude oil	376	429
Total inventories	**376**	**429**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AND LIABILITIES AT FVtPL

Statement of financial positions

Period ended 31 December

Amounts in USD 1 000	2009	2008	As of 1 January 2008
Money Market Fund	211	157	3 058
Total financial assets at FVtPL	**211**	**157**	**3 058**
Commodity-based derivative contracts	-	-	10 282
Conversion rights bond loan	145	1 124	4 765
Total financial liabilities at FVtPL	**145**	**1 124**	**15 047**

On 4 December 2008 InterOil closed out of all existing hedging contracts with effect as of 30 November 2008. Hence, as of 31 December 2008 and 2009, the Company does not have any outstanding hedging contracts. Subsequent changes in fair value of the conversion rights are recognised in through profit or loss and presented as part of financial items in the statement of comprehensive income, see note 5 and 14.

Statement of comprehensive income

For the year ended 31 December

Amounts in USD 1 000	2009	2008
Money Market Fund	54	-1 123
Commodity-based derivative contracts	-	3 093
Gain / (loss) on financial instruments at FVtPL	**54**	**1 970**

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2009 the Group's investment in Money Market Fund are within level 1, while commodity-based derivative contracts and conversion rights related to the bond loan are considered to be within level 2 of the fair value hierarchy. During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers in and out of Level 3 fair value measurements.

21. CASH AND CASH EQUIVALENTS

Period ended 31 December

Amounts in USD 1 000	2009	2008
Bank deposits denominated in USD	10 709	13 359
Bank deposits denominated in NOK	714	405
Bank deposits denominated in EUR	183	188
Bank deposits denominated in Colombian Pesos	1 220	14
Bank deposits denominated in CHF	212	245
Bank deposits denominated in Peruvian Soles	106	401
Cash and cash equivalents, restricted	244	193
Total cash and cash equivalents	**13 388**	**14 805**

22. PAID IN CAPITAL

Amounts in USD 1 000	Number of shares (1 000)	Share capital	Share premium	Total
At 31 December 2007	**21 845**	**162**	**43 418**	**43 580**
Changes 2008	-	-	-	-
At 31 December 2008	**21 845**	**162**	**43 418**	**43 580**
Changes 2009	-	-	-	-
At 31 December 2009	**21 845**	**162**	**43 418**	**43 580**

The total number of issued shares is 21 845 thousands shares with a par value of NOK 0.05 per share. All issued shares are fully paid. The total number of authorised shares as of December 31, 2009 consists of the following; 1) the 21 845 thousands issued shares mentioned above; 2) the 2 720 thousands conversion rights regarding the convertible loan; 3) the Board of Directors have been authorised to increase the share capital by up to the 10 922 thousands shares. The authorisation was given by the Ordinary General Meeting held on 27 may 2009 and is valid until the ordinary General Meeting 2011, however no longer than 27 May 2011.

Based on this, total authorised share capital as of 31 December 2009 amounts to 35 487 thousands shares.

Top 20 shareholders & consolidated nominee accounts
As of 31 December 2009

Company	Shares held	% of total shares
Eksportconsult AS 1)	5 635 000	25.80 %
Rakila Properties Limited 2)	4 460 000	20.42 %
JP Morgan Clearing	1 386 200	6.35 %
Cheyne Global Catalyst	1 112 754	5.09 %
Euroclear Bank S.A	824 914	3.78 %
Gian Angelo Perrucci 3)	775 000	3.55 %
TCW Global Project Fund	499 980	2.29 %
JP Morgan Chase Bank Nordea Treaty Account	475 000	2.17 %
Force Capital Partners AS 4)	450 000	2.06 %
Wiggen Consult AS	450 000	2.06 %
Aweco Invest AS	393 300	1.80 %
Raimondo Lagostena	389 750	1.78 %
Citibank	289 600	1.33 %
Awilco Invest AS	285 400	1.31 %
Avanza Bank AB	252 853	1.16 %
Skeie Technology AS	249 000	1.14 %
Awilhelmsen Capital	220 800	1.01 %
Bank Of New York Treaty Account	200 000	0.92 %
Six Sis AG	158 950	0.73 %
Nordnet Bank AB	136 374	0.62 %
Total 20 largest shareholders	**18 644 875**	**85.37 %**
Other	**3 200 125**	**14.63 %**
Total	**21 845 000**	**100.0 %**

1) Owned by Mårten Rød and his family. Gian Angelo Perrucci controls 200 000 shares owned by Eksportconsult AS
2 and 3) Owned by Gian Angelo Perrucci
4) Owned by Nils Trulsvik

23. OTHER PAID-IN EQUITY

Period ended 31 December

Amounts in USD 1 000	Subscription rights	Total
At 1 January 2008	**1 742**	**1 742**
Changes 2008	-	-
At 31 December 2008	**1 742**	**1 742**
Changes 2009	-	-
At 31 December 2009	**1 742**	**1 742**

24. BORROWINGS

Period ended 31 December

Amounts in USD 1 000	2009	2008	As of 1 January 2008
Non-current			
Other non-current interest bearing liabilities	389	392	65
Convertible bond denominated in USD	16 347	14 795	13 551
Bond loan denominated NOK	-	13 856	17 901
Bond loan denominated USD	-	103 179	104 856
Total non-current borrowings	**16 736**	**132 222**	**136 373**
Current			
Liabilities to financial institutions	5 234	64	74
Bond loan denominated NOK	17 111	-	-
Bond loan denominated USD	113 834	10 000	10 000
Total current interest-bearing liabilities	**136 179**	**10 064**	**10 074**
Total borrowings	**152 915**	**142 286**	**146 447**

The maturity of the Group's borrowings is as follows:

Period ended 31 December

Amounts in USD 1 000	2009	2008	As of 1 January 2008
0-12 months	**136 179**	**10 064**	**10 074**
Between 1 and 2 years	16 715	44 207	10 047
Between 2 and 5 years	21	88 015	126 326
Over 5 years	-	-	-
Total borrowings	**152 915**	**142 286**	**146 447**

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
Amounts in USD 1 000	**2009**	**2008**	**2009**	**2008**
Bond loans	-	127 035	-	122 033
Other non-current interest bearing liabilities	389	392	389	392
Convertible bond	16 347	14 795	20 436	19 107
Total non-current borrowings	**16 736**	**142 222**	**20 825**	**141 532**

The fair value of the other non-current interest bearing liabilities equals their carrying amount.. The fair value of the bond loans and convertible bond have been calculated using the prevailing interest rates.

The carrying amount of the current interest bearing liabilities approximates the fair value.

Bond loan NOK 100 mio.

The Group closed a 3 year Senior Unsecured Bond Loan with a total loan amount of NOK 100 million on 29 March 2007. The Bond Loan has a term of 3 years, and matured on 29 March 2010. The bonds have a nominal value of NOK 500 000. The term of the Bond loan is a fixed interest of 12.5% payable semi-annually in arrears.
The net proceeds of the loan has been used in connection with the farm-out agreement with Tullow Ghana Limited to acquire a 35% (31.5 % net) interest in Tano Shallow Water Contract in Ghana and the Groups activities in that license. Effective interest rate on the loan for 2009 is 14.66%.

The loan recognised in the statement of financial position is calculated as follows:

Amounts in USD 1 000	
Balance at 1 January 2008	**17 901**
Revaluation gain as at end of the reporting period	-4 264
Amortisation of debt issue cost	219
Balance at 31 December 2008	**13 856**
Revaluation loss as at end of the reporting period	3 040
Amortisation of debt issue cost	215
Balance at 31 December 2009	**17 111**

Bond Loan USD 125 mio.

The Group closed a 5 year Senior Secured Bond Loan with a total loan amount of USD 125 million on 2 May 2007. The Bond Loan has a term of 5 years, and will mature on 2 May 2012. The loan shall be repaid in the following instalments; on the interest payment date in May 2008 and May 2009, USD 10 million each year and on the interest payment date in May 2010 and May 2011, USD 15 million each year, the remaining USD 75 million is on the maturity date. The bonds have a nominal value of USD 100 000. The term of the Bond loan is LIBOR + 4.5% payable quarterly.

The net proceeds of the loan was used to refinancing the existing bank facility with Standard Bank Plc and BNP Paribas and the mezzanine loan with the same banks in amount of USD 75.0 million and for development of the Group's current fields interest. Effective interest rate on the loan for 2009 is 10.58%.

The bond loan recognised in the statement of financial position is calculated as follows:

Amounts in USD 1 000	
Balance at 1 January 2008	**114 856**
Amortisation of debt issue cost	623
Repayment of first instalment	-10 000
Sale of repurchased bond	7 700
Balance at 31 December 2008	**113 179**
Amortisation of debt issue cost	655
Balance at 31 December 2009	**113 834**

Convertible bond

The Group issued 20 000 9% convertible bonds at a par value of USD 20 million on 11 July 2006. The bonds mature five years from the issue date at their nominal value of USD 20 million or can be converted into shares at the holders' option at the rate of NOK 46 per share. The nominal interest rate is 9% and interest payments will be made semi-annual, starting 11 January 2007.

Each Bondholder will be allocated 136 conversion rights for each allotted Bond, so that the total number of conversion rights is 2 720 000. For each conversion right, the bond holder is entitled to exercise the Conversion Right and with that the right to purchase 1 share.

The fair values of the liability component and the conversion rights were determined at issuance of the bond. The fair value of the liability component, included in long term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The fair value of the conversion rights has been determined using the Black & Scholes valuation model at issuance of the loan at the rate of NOK 46 per share for the equity. The following assumptions and parameters were used in the valuation of the conversion rights as initial recognition.

Risk free rate	4.07%
Volatility	64.10%
Maturity	1 July 2011
Dividends	-
Spot rate for equity	NOK 34.00
Conversion price	NOK 46.00
Date of pricing	11 July 2006

The value of the liability component, USD 11.8 million, and the fair value of the conversion rights, USD 7.4 million, was determined at issuance of the bond. Subsequent changes in fair value of the conversion rights are recognised in through profit or loss and presented as part of financial items in the statement of comprehensive income.

For the subsequent valuations, have the following assumptions and parameters been used;

Risk free rate	2.44 - 4.65%
Volatility	52.44 – 83.18%
Maturity	1 July 2011
Dividends	-
Spot rate for equity	NOK 7.79 - 31.00
Conversion price	NOK 46.00
Date of pricing	Year ended at 31 December

Effective interest rate on the convertible bond for 2009 is 24.64%.

Amounts in USD 1 000	
Balance at 1 January 2008	**13 551**
Interest expenses accrued	-394
Amortisation of debt issue cost and liability component	1 638
Liability component at 31 December 2008	**14 795**
Interest expenses accrued	-86
Amortisation of debt issue cost and liability component	1 638
Liability component at 31 December 2009	**16 347**

Covenants

In a bondholders meeting 15 May 2009, InterOil did not retain acceptance to postpone the second USD 10.0 million installment of the Senior Secured Bond Loan which was due 2 May 2009 until 2 June 2009. As a consequence was the Company therefore notified by the loan trustee (Norsk Tillitsmann) that it is in breach of the loan agreement with the effect that the entire loan with accrued interest is due. InterOil has settled all interest obligations of all loans as at date for approval of the consolidated financial statements.

25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

For the year ended 31 December

Amounts in USD 1 000	2009	2008
Non-current		
Asset retirement obligations	738	1 640
Other long term obligations	812	679
Total non-current provisions for other liabilities and charges	**1 550**	**2 319**
Current		
Other provisions and charges	15 499	3 598
Total current provisions for other liabilities and charges	**15 499**	**3 598**
Total provisions for other liabilities and charges	**17 049**	**5 917**

Asset retirement obligation is a liability for decommissioning costs that are recognized since the Company has an obligation in Colombia to dismantle and remove facilities and restore the site on which it is located. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.
The discount rate used as of year 2009 and 2008 was 10% both years. In Peru the Company has no obligation for site restoration or abandoned wells. According to the license contracts PeruPetro is responsible for the site restoration.

Other long term obligation is provision in connection with employees in Colombia based on local statutory requirements and other provisions and charges is related to the accounting of the association contract as outlined in note 2.21 and 2.25.

Other provision and charges is mainly related to provision for a tax claim pertaining to related parties of USD 9.9 million, see note 33.

26. RETIREMENT BENEFIT OBLIGATION

Pensions;
InterOil Exploration & Production ASA (Norway) has a defined benefit plan for employees in the Norwegian mother company. The Norwegian company meets the Norwegian requirements for mandatory occupational pension ('obligatorisk tjenestepensjon').

The following tables summarise the components of the defined benefit plan:

Amounts in USD 1 000	2009	2008
Defined benefit obligation at the end of the year	419	385
Fair value of plan assets	361	203
Unrecognised net actuarial loss	45	227
Retirement benefit obligation liability / (asset)	**13**	**-45**
The movement in the defined benefit obligation over the year is as follows:		
Beginning of the year	-45	-12
Current service cost	218	128
Interest cost	15	7
Expected return on plan assets	-8	-5
Contribution by plan participants	-167	-163
Retirement benefit obligation liability / (asset)	**13**	**-45**

Amounts in USD 1 000	2009	2008
The amounts recognised in profit or loss are as follows:		
Current service cost	218	126
Interest cost	15	7
Expected return on plan assets	-8	-5
Total defined benefit plan, expense	**225**	**128**
The principal actuarial assumptions use were as follows		
Discount rate	4.40%	4.30%
Expected return on plan assets	5.60%	6.30%
Future salary increases	4.25%	4.50%
Future pension increases	1.30%	3.10%
Increase of social security base amount (G)	4.00%	4.25%

27. COMMITMENTS AND CONTINGENCIES

The Group has the following commitments and contingencies subsequent to the period after 31 December 2009.

Commitments in Colombia

As of 31 December 2008: Amounts in USD 1 000	2010	After	Total
Colombia			
- Well drilling	4 500	-	4 500
Total Colombia	**4 500**	**-**	**4 500**
Total	**4 500**	**-**	**4 500**

The Group is obligated, through its contract on the Altair exploration license in Colombia, to drill one well before 1 May 2010. The well will be drilled by InterOil's partner in the Altair license. The seismic obligation has been fulfilled. See note 33 for further information related to Altair.

The Group has no commitments in relation to its producing fields in Colombia.

Commitments in Angola

As of 31 December 2008: Amounts in USD 1 000	2010	After	Total
Angola			
– Seismic	1 364	-	1 364
– Well drilling	57 000	2 200	59 200
Total Angola	**58 364**	**2 200**	**60 564**
Total	**58 364**	**2 200**	**60 564**

In Block 5 the contractor group is committed to drill 2 exploration wells and perform a seismic program of 1 000 km² within the initial exploration phase of 4 years, end 2010. The contractor group has fulfilled its requirements related to the seismic program. The first well is planned for in the first half of 2010 and the second well in the second half of 2010. The estimated expense related to the drilling of the wells is USD 71 million on a 100% basis. The Group has a 50% paying interest in the license.

In Block 6 the contractor group is committed to drill 2 exploration wells and perform a seismic program of 1 200km² within the initial exploration phase of four years, end 2010. The contractor group has fulfilled its requirements related to the seismic program. The first well is planned for in the first half of 2010 and the second well in the second half of 2010. The estimated expense related to the drilling of the wells is USD 86 million on a 100% basis. The Group has a 25% paying interest in the license.

In Cabinda North the contractor group is committed to drill 5 exploration wells and perform a seismic program of 1 000km² within the initial exploration phase of 5 years. In Cabinda North acquisition of seismic 2D data has started, the estimated expense is USD 31 million on 100% basis. Drilling is dependent upon completion of acquisition and processing of the 2D survey and will most likely take place in 2011, the estimated expenses for the wells is USD 10.0 million per well on 100% basis. The Group has a 4.4% paying interest in the license.

Other

The Group has fulfilled all its obligations in relation to the licences in Peru and Ghana

The group leases offices and machinery under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are USD 651.

Lawsuits

There is a lawsuit filed by Mr. Enrique Davila Heredia, former General Manager, against the Colombia Branch office for USD 220. This labour claim was originated by the Branch's decision to terminate Mr. Davila Heredia's contract in August 2002. A judgement was issued in August, 2006 by the Ninth Labour Court absolving the Branch from the plaintiff's claim. In October, 2008 a second level decision issued by the Superior Court of Bogota confirmed the verdict in favour of InterOil. However, plaintiff filed an appeal in the Higher Court (Corte Suprema de Justicia), which is currently pending resolution.

The Branch's legal advisors and management consider that the Supreme Court will issue a verdict favourable for the Branch, and therefore no provision has been recorded for such purposes.

29. TRADE AND OTHER PAYABLES

For the year ended 31 December Amounts in USD 1 000	2009	2008
Trade creditors	19 582	20 002
Public duties payable	3 486	1 484
Prepayment from customers	-	991
Debt to employees and shareholders	2 771	2 940
Other accrued expenses	35 868	46 138
Total trade and other payables	**61 707**	**71 555**

The carrying amount of trade and other payable is considered to approximate their fair value.

29. EARNINGS PER SHARE

Basic
Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in outstanding during the year.

For the year ended 31 December Amounts in USD 1 000	2009	2008
Profit / (loss) attributable to owners of the Company	-54 584	17 009
Weighted average number of ordinary shares in issue (thousands)	21 845	21 845
Basic earnings per share (USD per share)	**-2.50**	**0.78**

Diluted
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: debt issued with warrants/convertible debt. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense and amortisation of debt issue cost less the tax effect. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

For the year ended 31 December Amounts in USD 1 000	2009	2008
Profit / (loss) attributable to owners of the Company	-54 584	17 009
Interest expense on convertible debt (net of tax)	1 296	1 296
Profit used to determine diluted earnings per share	-53 288	18 305
Weighted average number of ordinary shares in issue (thousands)	21 845	21 845
Adjustment for share options	-	142
Adjustment for assumed conversion of convertible debt	2 720	2 720
Weighted average number of ordinary shares for diluted earnings per share (thousands)	24 565	24 707
Diluted earnings per share (USD per share)	**-2.50**	**0.74**

The dilutive instruments describes above will have an anti dilutive effect in 2009 when calculating dilutive earnings per share. Based on this basic and dilutive earnings per share is the same in 2009.

30. LIST OF CONSOLIDATED SUBSIDIARIES

InterOil Exploration and Production ASA has 100% (direct and indirect) shareholding and voting rights in the following subsidiaries:

Company	Registered business address	Direct and indirect shareholding and voting rights
InterOil SA	Switzerland	100%
InterOil E&P Switzerland AG	Switzerland	100%
InterOil Exploration and Production Latin America AS	Norway	100%
InterOil Latinamerica AS	Norway	100%
InterOil Exploration and Production Africa AS	Norway	100%
InterOil Exploration and Production Ghana AS	Norway	100%
InterOil Cabinda North Company Limited	Cyprus	100%
InterOil Africa II Company Limited	Cyprus	100%
InterOil Block 5 Company Limited	Cyprus	100%
InterOil Block 6 Company Limited	Cyprus	100%
InterOil Africa I Company Limited (Branch office)	Angola	100%
InterOil Peru SA	Peru	100%
North Oil Services S.A	Peru	100%
InterOil Colombia Exploration and Production Inc. (Branch office)	Colombia	100%
InterOil Colombia Exploration and Production Inc.	BVI	100%

31. EXTERNAL AUDIT REMUNERATION

PricewaterhouseCoopers AS (“PwC”) was the Group’s principal auditor until May 2009. As from June 2009 Ernst & Young (“E&Y”) was elected as the principal auditor. The following table shows total audit and non-audit fees excluding VAT.

Amounts in USD 1 000	Audit fee	Other assurance services	Tax services	Other non-assurance services	Total
2009					
PwC Norway	88	-	-	15	103
PwC Abroad	104	-	82	27	213
E&Y Norway	78	-	-	10	88
E&Y Abroad	191	-	26	-	217
Total	**461**	**-**	**108**	**52**	**621**
2008					
PwC Norway	195	-	-	-	195
PwC Abroad	190	-	149	-	339
Total PwC	**385**	**-**	**149**	**-**	**534**

32. LIQUIDITY

The global economic downturn and the dramatic drop in oil prices during the second half of 2008 and part of 2009, resulted in the default situation on the senior secured bond loan in May 2009. The Board of Directors is fully focused on the refinancing process and expects to conclude this process during the second quarter of 2010

A substantial or prolonged decline in oil price would have a material adverse effect for our company. Historically, the price of oil has fluctuated greatly in response to changes in many factors. InterOil do not and will not have control over the factors affecting the prices of oil, which among others include:

•Global and regional economic and political developments in producing regions
- Global and regional supply and demand
- The ability of the Organization of the Petroleum Exporting Countries (OPEC) and other producing nations to influence global production levels and prices
- War or other international conflict
- Governmental regulations and actions, and
- Global economic conditions

It is impossible to predict future movements for oil prices with certainty. A prolonged decline in oil prices will adversely affect our business, the results of our operations and financial condition, our liquidity and ability to finance planned capital expenditure. In addition to the adverse effect on revenues, margins and profitability from any fall in oil prices, a prolonged period of low prices or other indicators could lead to reviews for impairment of the group’s oil properties. Such reviews would reflect management’s view of long-term oil prices and could result in a charge for impairment that could have a significant effect on our results of operations in the period in which it occurs. Rapid material and/or sustained reductions in oil prices can impact the validity of the assumptions on which strategic decisions are based and can impact the economic viability of projects planned or in development.

The global financial and credit crisis may have material impact on our liquidity and financial condition that we currently cannot predict. The credit crisis and related turmoil in the global financial systems may have a material impact on our liquidity and our financial condition. We may ultimately face major challenges if conditions in the financial markets do not improve. If the capital and credit markets continue to experience volatility and the availability of funds remains limited, we may incur increased costs associated with debt financings. Our ability to access the capital markets may become restricted at a time when we would like, or need, to raise capital. This could have an adverse impact on our flexibility to react to changing economic and business conditions, on our ability to fund our operations and capital expenditures in the future and on our growth rate. In this context, changes in our debt rating could have a material adverse effect on our interest costs and financing sources. The current economic situation could lead to reduced demand for oil, or further reductions in the prices, or both, which would have a negative impact on our financial position, results of operations and cash flows. Governments will be facing greater pressure on public finances, leading to risk of increased taxation. The financial and economic situation may have a negative impact on third parties with whom we do, or may do, business. While the ultimate outcome and impact of the current financial crisis cannot be predicted, it may have a material adverse effect on our future liquidity, results of operations and financial condition.

We might face challenges in executing our strategic objective of successfully exploiting growth. An important element of our strategy is to continue to pursue attractive opportunities available to us, repositioning our asset portfolio and the possibility of expanding into new markets. Our ability to implement this strategy successfully will depend on a variety of factors, including our ability to:

- identify acceptable opportunities
- negotiate favorable terms
- arrange financing, if necessary, and
- comply with legal regulations.

As we pursue our strategy in new and existing markets, we anticipate significant investments and costs in connection with the development of such opportunities. We may incur or assume unanticipated liabilities, losses or costs associated with the current asset portfolio or businesses acquired. Any failure by us to pursue and exploit new business opportunities successfully could result in financial losses and could inhibit our ability to grow.

If we are successful in the pursuit of our strategy, and no assurances can be given that we will be, our ability to achieve our financial, capital expenditure and production forecasts may be materially affected. Any such new projects we acquire will require additional capital expenditure and will increase the cost of our discoveries and development. These projects may also have different risk profiles than our existing portfolio. These and other effects of such acquisitions could result in us having to revise either or both of our forecasts with respect to unit production costs and production.

Our future production is highly dependent on our success in finding or acquiring and developing additional reserves. If we are unsuccessful, we may not meet our long-term ambitions for growth in production, and our future total proven reserves and production will decline and adversely affect the results of our operations and financial condition.

The Board of Directors foresees that the planned investments in West Africa will require external funding in the years to come as InterOil has not been able to meet all cash call requirements in 2009 or been able to secure funding of the estimated 2010 cash call requirements for the operations in Angola. Additional debt or equity financing is required to undertake future acquisitions or ongoing and future projects, and such financing may not be available on terms satisfactory to us, if at all available.

The need for additional liquidity is depending on how expansive the Company choose to be. Our present production activities in Latin-America give InterOil a satisfactory cash flow, and enable us to fund the activities for which we are committed in Latin America, although it may not be sufficient to meet all our ambitions. The company has a large degree of flexibility with regards to activities in Latin America and is in a position to increase or decrease the activity level through active capital allocation.

Our exploration and development projects involve many uncertainties and operating risks that can prevent us from realizing profits and cause substantial losses. These projects may be delayed or unsuccessful for many reasons, including cost overruns, lower oil and gas prices, equipment shortages, mechanical and technical difficulties and industrial action. The projects will also often require the use of new and advanced technologies, which may be expensive to develop, purchase and implement, and may not function as expected. In addition, some of our projects will be located in deepwater, or produced from challenging reservoirs, which can exacerbate such problems. There is a risk that the projects that we undertake may suffer from such problems.

As all the Company's West-African licenses are in the exploration phase, it is important to understand that all activities, until a commercial discovery has been made and development has been decided, will have to be expensed in accordance with IFRS. Consequently, our reported results for the next few years awaiting the development of a commercial discovery and production in West-Africa are bound to be on the loss side, as long as we are pursuing our targeted activities.

InterOil's total assets as of 31 December 2009 amount to USD 211.0 million, and total cash and cash equivalents were USD 13.4 million. The equity ratio of the group was -19.6%. However the fair value of the company is substantial, based on both external and internal evaluations in accordance with acknowledged guidelines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash positions are monitored regularly to ensure that cash positions are kept at an acceptable level to ensure reasonable coverage for the Groups commitments and other planned investments.

The table below summaries the maturity profile of the Group's financial liabilities at 31 December 2009 based on contractual undiscounted payments.

Year ended 31 December 2009 Amounts in USD 1 000	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Borrowings	147 237	21 400	-	168 637
Trade and other payables	61 707	-	-	61 707
Other interest bearing liabilities	-	382	7	389

Year ended 31 December 2008 Amounts in USD 1 000	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Borrowings	21 092	27 867	126 350	175 309
Trade and other payables	71 555	-	-	71 555
Other interest bearing liabilities	64	351	41	456

As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the statement of financial position for borrowings which is recorded at amortised cost. The specific time buckets presented are not mandated by the standard, but are based on choice by management.

33. Subsequent events

On 28 January 2010 Bondholder meetings were held for the "Unsecured Bond Issues" ISIN NO001032535.0 and ISIN NO001036280.9. Separate voting procedures were carried out for the two bond issues. Prior to the voting procedures, InterOil presented an offer to the Bondholders of the Unsecured Bond Issues whereby InterOil will pay default interest from and including 28 January 2010 until the Bonds are repaid in full, provided that the Unsecured Bond Issues support InterOil ongoing efforts to sell assets and / or refinance its debt, by not declaring the Bonds in default and accelerated as per the Summons. For both bonds an event of default was not declared. The Unsecured Bonds will therefore bear default interest rate from and including 28 January 2010.

On 15 February the proposal from Norsk Tillitsmann ASA (NT) to authorize reimbursement of bondholder funding and the filing of a petition for bankruptcy, if so instructed by the "Instructing Bondholders", was adopted according to the voting requirements of the Bond Agreement. On 2 March was the Company informed that the enforcement proceedings initiated by NT have been dismissed, however NT will appeal. On 25 March the proposal from NT to authorize consents to certain of the bondholders separate petition for the enforcement of the loan security in the Senior Secured Bond Loan was adopted according to the voting requirements of the Bond Agreement. On 6 April the Bondholders meeting of the NOK 100 million Senior Unsecured Bond Issue adopted the proposal to postpone the Maturity Date from 29 March until 31 May 2010 according to the voting requirements of the Bond Agreement.

On 22 February 2010 InterOil traded 10% of the Altair license in the Llanos Basin, Colombia against the drilling of two firm wells in 2010 and two conditional wells in 2011, depending upon the 2010 drilling results. The drilling cost in this new area is budgeted by IOX at USD 4.5 mill for each well. The new partner in Altair is a major Colombian drilling company. The agreement opens up for additional future cooperation in licenses belonging to the drilling contractor.

On 11 March 2010 was an extraordinary general meeting of the Company held. The following main issues were resolved;

– The BoD was granted the authority to sell / dispose of the Company's assets in connection with the refinancing / restructuring of the Company up to a value of USD 300.0 million
– A mandate agreement with related party, Eksportconsult AS (EC), was approved in accordance with the Act on Public Limited Companies § 3-8. In connection with InterOil's restructuring process has been engaged as consultant with the purpose to assist InterOil in refinancing of the Company's debt or divesture of any of the its material assets, as the case may be, and thereby secure future funding of InterOil. EC is entitled to (i) a fee of 1.0% of the gross refinancing amount in case of one or more events of refinancing of the whole or parts of the Company's debt, (ii) a fee of 0.75% of the gross proceeds in one or more events of divesture of any of the Company's material assets and (iii) in case

of combination of refinancing and divesture, a fee of 1.0% of the gross refinancing amount and 0.75% of the gross proceeds from the divesture. The agreement expires at 31 December 2010, but may be prolonged if the engagement is not completed prior to this date.

– An amendment to the settlement agreement dated 25 July 2008 with the related parties Eksportconsult AS (EC), Force Capital Partners AS (FCP) and Caberian Investment Inc. was approved in accordance with the Act on Public Limited Companies § 3-8. The amendment states that the payment of InterOil's payment obligation under the settlement agreement fell due at the time when "Skatteklagenemden" made its final decision, i.e. 18 October 2009. The amendment further states that the Company will enter into a down payment agreement with EC and FCP. The Company has received a written confirmation from EC and FCP confirming that their claims against InterO pursuant to the settlement agreement, shall be subordinated the existing indebtedness of InterOil, and that no amount shall be paid by under the settlement agreement until all of InterOil's existing bond loans are repaid in full

For further information, see the Company's web site; www.interoil.no

34. IMPAIRMENT OF OIL AND GAS ASSETS

For the year ended 31 December Amounts in USD 1 000	2009	2008
Impairment of production rights assets	34 919	-
Total impairment of oil and gas assets	**34 919**	**-**

Total impairment charges of USD 34.9 million were recognized in respect of the licenses of the non-producing oil and gas properties in Angola. The triggers for the impairment test was primarily the fact that the Group has not been able to meet all cash call requirements in 2009 or been able to secure funding of the estimated 2010 cash call requirements. However the licences have a good potential and the Group is working to find an industrial partner to enable further development of the potential in these licences

35. OIL AND GAS RESERVES (UNAUDITED)

The reserves have been estimated and classified according to the "Petroleum Resources Management System", developed and approved in March 2007 jointly by the Society of Petroleum Engineers, World Petroleum Council, American Society of Petroleum Geologists and Society of Petroleum Evaluations Engineers, here after referred to as the "2007 PRMS" and have been audited by the independent petroleum engineering firm of Gaffney, Cline & Associates Inc.

Oil Reserves by geographical region

Developed Producing reserves as of 31 December 2009

	1P					2P				
	Gross		Interest		Equity	Gross		Interest		Equity
	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)
Colombia	4.6	3.0	5.2	59%	3.0	4.7	3.0	5.3	59%	3.1
Peru	4.4	-	4.4	100%	4.4	4.4	-	4.4	100%	4.4
Total	**9.0**	**3.0**	**9.6**	**-**	**7.4**	**9.1**	**3.0**	**9.6**	**-**	**7.5**

Developed Non-Producing reserves as of 31 December 2009

	1P					2P				
	Gross		Interest		Equity	Gross		Interest		Equity
	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)
Colombia	0.4	0.5	0.5	65%	0.3	0.5	0.9	0.7	65%	0.5
Peru	0.8	-	0.8	100%	0.8	0.8	-	0.8	100%	0.8
Total	**1.2**	**0.5**	**1.3**	**-**	**1.1**	**1.4**	**0.9**	**1.5**	**-**	**1.3**

Non-Developed reserves as of 31 December 2009

	1P					2P				
	Gross		Interest		Equity	Gross		Interest		Equity
	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)
Colombia	1.1	6.4	2.3	65%	1.5	2.7	8.0	4.2	65%	2.7
Peru	3.0	-	3.0	100%	3.0	3.5	-	3.5	100%	3.5
Total	**4.1**	**6.4**	**5.3**	**-**	**4.5**	**6.2**	**8.0**	**7.7**	**-**	**6.2**

Total reserves as of 31 December 2009

	1P					2P				
	Gross		Interest		Equity	Gross		Interest		Equity
	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)	Oil (mmbbl)	Gas (BCF)	(mmboe)	%	(mmboe)
Colombia	6.1	9.9	7.9	61%	4.8	8.0	11.8	10.2	62%	6.3
Peru	8.2	-	8.2	100%	8.2	8.7	-	8.7	100%	8.7
Total	**14.3**	**9.9**	**16.2**	**-**	**13.1**	**16.7**	**11.8**	**18.9**	**-**	**15.0**

Notes
mmboe = million stock tank barrels of oil equivalent
Gross Reserves are Operated Reserves
Equity Reserves: Working Interest varies per concession; reported percentages are averages
Gas converted to oil equivalent based on 5.30 Mscf equals 1 boe

For a full description of the "2007 PRMS", please refer to the Society of Petroleum Engineers website: www.spe.org

Aggregated equity oil and gas Reserves, Production, Developments and Adjustments

(mmboe)	1P Developed Producing	1P Developed Non-Producing	1P Non-Developed	1P Total	2P Developed Producing	2P Developed Non-Producing	2P Non-Developed	2P Total
Reserves at 31.12.08	**8.9**	**1.0**	**7.9**	**17.9**	**9.0**	**1.0**	**9.9**	**19.9**
Production	-2.6	-	-	-2.6	-2.6	-	-	-2.6
Aquisition / Disposals	-	-	-	-	-	-	-	-
Extensions & Discoveries	-	-	-	-	-	-	-	-
New Developments	2.0	0.6	-1.4	1.2	2.0	0.8	-1.2	1.5
Transfer to/from Contingent Resources	-	-0.5	-2.4	-2.9	-	-0.5	-2.6	-3.2
Revisions	-0.9	-	0.4	-0.5	-0.8	-	0.2	-0.6
Total Changes	**-1.5**	**0.1**	**-3.4**	**4.8**	**-1.5**	**0.3**	**-3.7**	**-4.9**
Reserves at 31.12.09	**7.4**	**1.1**	**4.5**	**13.1**	**7.5**	**1.3**	**6.2**	**15.0**

Notes
mmboe = million stock tank barrels of oil equivalent
Gross Reserves are Operated Reserves
Equity reserves: Colombia - Net after Royalty Peru - Net before Royalty
Working Interest varies per concession; reported percentages are averages
Gas converted to oil equivalent based on 5300 scf equals 1 boe
Numbers may not add up due to rounding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Production and sales for the period from 1 January to 31 December 2009	Colombia	Peru	Total
Sale of oil in barrels – net			
Sale of oil, barrels	630 346	1 073 916	1 704 262
Total sale in barrels – net	**630 346**	**1 073 916**	**1 704 262**
Sale of gas in barrels – net			
Sale of gas, barrels	68 809	-	68 809
Total sale in barrels – net	**68 809**	**-**	**68 809**
Production in barrels – net			
Working interest, barrels	759 809	1 888 829	2 648 638
Working interest, gas (boe)	81 053	-	81 053
Royalty	103 094	814 913	918 007
Total production in barrels – net of royalty	**737 768**	**1 073 916**	**1 811 684**

Production and sales for the period from 1 January to 31 December 2008*	Colombia	Peru	Total
Sale of oil in barrels – net			
Sale of oil, barrels	622 261	709 069	1 331 330
Total sale in barrels – net	**622 261**	**709 069**	**1 331 330**
Sale of gas in barrels – net			
Sale of gas, barrels	45 943	-	45 943
Total sale in barrels – net	**45 943**	**-**	**45 943**
Production in barrels – net			
Working interest, barrels	701 290	1 352 488	2 053 778
Working interest, gas (boe)	55 787	-	55 797
Royalty	101 716	643 419	745 135
Total production in barrels – net of royalty	**655 361**	**709 069**	**1 364 430**

* Certain amounts do not correspond to the 2008 financial statements as working interest production of gas (boe) and the corresponding royalty has been included

INTEROIL EXPLORATION AND PRODUCTION ASA
FINANCIAL STATEMENTS

31 DECEMBER 2009

STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000

For the year ended 31 December	Notes	2009	2008 (Restated*)
Exploration cost expensed	4	-4 579	-2 853
Administrative expense	3	-8 789	-6 254
Gain / (loss) on financial instruments at FVtPL	17	-	2 076
Loss from operating activities		**-13 368**	**-7 031**
Finance costs – net	5	-92 492	22 158
Profit / (loss) before income tax		**-105 860**	**15 127**
Income tax	6	-	-
Net profit / (loss)		**-105 860**	**15 127**
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total other comprehensive income for the year, net of tax		**-105 860**	**15 127**

* Certain amounts shown here do not correspond to the 2008 financial statements, see note 2 for further description

STATEMENT OF FINANCIAL POSITION

Amounts in USD 1 000

As of 31 December	Notes	2009	2008 (Restated*)	As of 1 Jan 2008 (Restated*)
ASSETS				
Non-current assets				
Property, plant and equipment	7	201	269	223
Investments in subsidiaries	14	92 028	107 436	107 419
Retirement benefit asset	3	-	45	12
Intercompany receivables	15	2 475	75 452	58 437
Total non-current assets		**94 704**	**183 202**	**166 091**
Current assets				
Trade and other receivables	8	256	952	2 506
Financial assets at FVtPL	17	-	-	2 794
Cash and cash equivalents	9	1 079	2 017	7 568
Total current assets		**1 335**	**2 969**	**12 868**
TOTAL ASSETS		**96 039**	**186 171**	**178 959**
EQUITY				
Share capital and share premium	10	43 580	43 580	43 580
Other paid-in equity	11	2 880	2 880	2 880
Retained earnings		-129 317	-23 457	-38 584
Total equity		**-82 857**	**23 003**	**7 876**
LIABILITIES				
Non-current liabilities				
Borrowings	12	16 347	131 830	136 308
Intercompany payables	15	11 955	13 297	3 923
Retirement benefit obligation	3	13	-	-
Financial liabilities at FVtPL	17	145	1 124	15 047
Total non-current liabilities		**28 460**	**146 251**	**155 278**
Current liabilities				
Trade and other payables	13	9 589	6 917	5 805
Current interest bearing liabilities	12	130 945	10 000	10 0000
Provision and other liabilities and charges	16	9 902	-	-
Total current liabilities		**150 436**	**16 917**	**15 805**
Total liabilities		**178 896**	**163 168**	**171 083**
TOTAL EQUITY AND LIABILITIES		**96 039**	**186 171**	**178 959**

* Certain amounts shown here do not correspond to the 2008 financial statements, see note 2 for further description.

Oslo, 30 April 2010

The Board of InterOil Exploration & Production ASA

Mårten Rød Chairman of Board	**Gian Angelo Perrucci** Member of the Board	**Patricia Guerra** Member of the Board
Berit Kjøll Member of the Board	**Thor Håkstad** Member of the Board	**Tom Wolden** Managing Director

STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000

	Share capital and share premium	Other paid-in equity	Retained earnings	Total equity
Balance at 1 January 2008 (Restated)	**43 580**	**2 880**	**-38 584**	**7 876**
Total comprehensive income for the period	-		15 127	15 127
Balance at 31 December 2008 (Restated)	**43 580**	**2 880**	**-23 457**	**23 003**
Total comprehensive income for the period	-		-105 860	-105 860
Balance at 31 December 2009	**43 580**	**2 880**	**-129 317**	**-82 857**

CASH FLOW STATEMENT

Amounts in USD 1 000

For the year ended 31 December	Notes	2009	2008 (Restated*)
Cash generated from operations			
Total comprehensive income for the year		**-105 860**	**15 127**
Income tax	6	-	-
Depreciation and amortization	7	84	63
Impairment of non-current assets	5	76 673	-
Change in fair value from financial assets at FVtPL	17	-	1 017
Change in retirement benefit obligation	3	58	-33
Amortization of debt issuance cost	5	2 508	2 481
Interest expense	5	14 136	13 021
Unrealized exchange gain / (loss) from revaluation of borrowings	12	2 955	-4 658
Changes in assets & liabilities			
Financial liabilities at FVtPL		-979	-13 923
Trade and other receivables		696	1 553
Trade and other payables		3 375	4 055
Other provision for other liabilities		9 902	-
Interest paid		-14 840	-15 965
Net cash generated from operating activities		**-11 292**	**2 738**
Cash flows from investing activities			
Purchases of property, plant and equipment	7	-16	-109
Other financial assets at FVtPL	17	-	1 777
Group contribution received from subsidiaries		-	26 500
Net cash used in investing activities		**-16**	**28 168**
Cash flows from financing activities			
Proceeds from borrowings (repurchased bonds)	12	-	7 700
Repayment of borrowings	12	-	-10 000
Movement in intercompany accounts	15	10 370	-34 157
Net cash used in financing activities		**10 370**	**-36 457**
Net increase in cash and cash equivalents		-938	-5 551
Cash and cash equivalents at beginning of the period		2 017	7 568
Cash and cash equivalents at end of the year	**9**	**1 079**	**2 017**

* Certain amounts shown here do not correspond to the 2008 financial statements, see note 2 for further description.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for InterOil Exploration and Production ASA are prepared in accordance with simplified IFRS according to the Norwegian accounting act § 3-9. This mainly implies that recognition and measurements in the financial statements are in accordance with IFRS, while the notes disclosures are presented in accordance with the Norwegian Accounting Act. The company's accounting policies are specified in note 2 (Consolidated financial statements). These financial statements are presented in USD, which is the company's functional currency, and rounded up to thousands (1 000).

Shares in subsidiaries are recorded in accordance with the cost method in the parent company accounts. The investments are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2. RESTATEMENT AND RECLASSIFICATION OF PRIOR YEAR FIGURES

(a) Reclassification

In order to improve the presentation of the statement of comprehensive income, the company has reclassified certain items. Operating expenses including salaries and social expenses directly related to the operations have been reclassified from Administration expenses to Cost of goods sold and Exploration expenses to better demonstrate the correct allocation of the expenses and resources used for the operating activities of the Company.

Amounts in USD 1 000	2008 Before	2008 After
Exploration expenses (note 4)	-	-2 853
Administrative expenses (note 3)	-9 107	-6 254

To improve the presentation of financial instruments from operating activities, has gain / (loss) from change in fair value or interest of the financial assets at FVtPL been reclassified from other income / (expenses) to gain / (loss) on financial instruments at FVtPL.

Amounts in USD 1 000	2008 Before	2008 After
Other income / (expenses)	-1 017	-
Gain / (loss) on financial instruments at FVtPL (note 17)	3 093	2 076

(b) Restatement

In the annual report 2008 was the USD 10.0 million installment which was due 2 May 2009 presented as non-current liabilities in the consolidated statement of financial positions. The balance has been restated from non-current liabilities to current liabilities.

Restatement of USD 20.0 million Convertible bond loan

Reference is made to Group note 24 for further description of the Convertible bond. At initial recognition InterOil separated the loan into a liability component and an equity component, in which the fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond and the equity component calculated as the residual. As InterOil's functional currency is USD and the convertible element is in NOK, should the conversion rights have been recognized in accordance with IAS 39 as a derivative financial instrument and not as an equity element in accordance with IAS 32 upon initial recognition. The recognition in accordance with IAS 39 implies treating the conversion rights as a derivative financial instrument at fair value through profit and loss, subsequent changes in fair value from issuance is recorded as a financial income/expense in the statement of comprehensive income. The fair value of the conversion has been determined using the Black &-Scholes valuation model. The following assumptions and parameters are used in the valuation of the conversion rights at initial recognition;

Risk free rate	4.07%
Volatility	64.10%
Maturity	1 July 2011
Dividends	-
Spot rate for equity	NOK 34.00
Conversion price	NOK 46.00
Date of pricing	11 July 2006

The value of the liability component, USD 11.8 million, and the conversion rights, USD 7.4 million, were determined at issuance of the bond. Subsequent changes in fair value of the conversion rights are recorded in financial items in the statement of comprehensive income.

For the subsequent valuations, have the following assumptions and parameters been used;

Risk free rate	2.44 - 4.65%
Volatility	52.44 – 83.18%
Maturity	1 July 2011
Dividends	-
Spot rate for equity	NOK 7.79 - 31.00
Conversion price	NOK 46.00
Date of pricing	Year ended at 31 December

The following restatements have been performed in relation to the Convertible bond loan and the USD 10.0 million installment of the Senior secured bond loan;

The gain on the change in fair value of the conversion rights in combination with increased amortization of the debt issuance cost, resulted in a reduction of the financial costs, the impact in the statement of comprehensive income is as follow;

Amounts in USD 1 000	2008 Before	2008 After
Financial costs – net (note 5)	19 431	22 158

The restatement of the USD 10.0 million installment in combination with the recognition of the conversion rights in accordance with IAS 39, resulted in restatement of the following positions included in the statement of financial positions;

	As of 31 December 2008		As of 1 January 2008	
Amounts in USD 1 000	**Before**	**After**	**Before**	**After**
LIABILITIES				
Non-current liabilities				
Borrowings (note 12)	145 459	131 830	150 695	136 308
Financial liabilities at FVtPL (note 17)	-	1 124	10 280	15 047
Current liabilities				
Trade and other payables (note 13)	6 939	6 917	5 983	5 805
Current interest.bearing liabilities (note 12)	-	10 000	-	10 000

3. ADMINISTRATIVE EXPENSES

For the year ended 31 December

Amounts in USD 1 000	2009	2008
Employee benefit expenses *	1 559	3 288
Depreciation	84	63
Recharges of management expenses to subsidiaries	-2 066	-2 507
Other employee expenses	180	169
Professional fees	3 220	2 696
General administration expenses	5 812	2 545
Total administrative expense	**8 789**	**6 254**

Employee benefit expenses directly related to the operation are reclassified to exploration expenses in the statement of comprehensive income.

Employee benefit expenses, specification:		
Salaries and wages employees	2 562	2 857
Social expenses	512	434
Share options granted to directors and employees	0	-131
Pension cost – defined benefit plan (Group note 26)	225	128
Reclassification to exploration expenses	-1740	-
Total employee benefit expenses	**1 559**	**3 288**
The average number of employees during the period	14	10

Pensions

InterOil has a defined benefit plan for employees in the Company. InterOil meets the Norwegian requirements for mandatory occupational pension ('obligatorisk tjenestepensjon').

Management remuneration 2009

Amounts in USD 1 000	N. Trulsvik *, CEO	W. Matheson, CFO	T. Wolden *, COO
Period	01.01 – 31.12	01.01 – 31.12	01.01 – 31.12
Salary	531	222	352
Bonus	65	96	86
Fee from subsidiary	73	-	-
Pension scheme	25	17	24
Other (company car)	30	-	34

*) As from 29 January 2010 Tom Wolden was appointed as new Managing Director, Nils Trulsvik will continue as advisor to the Board.

Management remuneration 2008

Amounts in USD 1 000	N. Trulsvik, CEO	W. Matheson, CFO *	T. Wolden, COO	J. Wiggen, former CFO *
Period	01.01 – 31.12	01.04 – 31.12	01.01 – 31.12	01.01 – 31.03
Salary	565	167	364	-
Fee from subsidiary	65	-	-	-
Consultancy fee	-	-	-	126
Pension scheme	25	13	24	-
Other (company car)	36	-	38	-

*) As from April 2008 Wilhelm Matheson has replaced Jon Wiggen as CFO

Remuneration to Board of Directors and related party disclosure, see Group note 6 and 7.

Auditor remuneration

PricewaterhouseCoopers (PwC) was the principal auditor until May 2009, PwC was paid USD 88 for its services in 2009 (2008: 195). As from June 2009 was Ernst & Young (E&Y) elected as the principal auditor, E&Y was paid USD 78 for audit service for the parent company in 2009. See Group note 31.

4. EXPLORATION COST EXPENSED

For the year ended 31 December

Amounts in USD 1 000	2009	2008
Analysis and general G&G	2 696	740
Other exploration expenses	1 883	2 113
Total exploration cost expensed	**4 579**	**2 853**

5. FINANCE COSTS – NET

For the year ended 31 December

Amounts in USD 1 000	2009	2008
Financial income		
Interest income	7	126
Exchange rate gain - unrealized	131	6 400
Change in fair value of conversion rights (see note 2)	979	3 641
Interest income, inter-company loan	2 888	3 183
Group contribution	-	26 500
Financial income	**4 005**	**39 850**
Financial expenses		
Interest expenses	14 136	13 021
Amortisation of debt issue cost	2 508	2 481
Exchange rate loss – unrealized	3 100	2 129
Impairment of investment in subsidiaries	55 407	-
Impairment of intercompany receivables	21 266	-
Other financial expenses	80	61
Financial expenses	**96 497**	**17 692**
Finance costs – net	**-92 492**	**22 158**

Total impairment charges of USD 76.7 million were recognized in respect of the subsidiaries holding exploration licences in Ghana and Angola. The impairment charge constitutes of two mail elements; (1) impairment investment in subsidiaries of USD 55.4 million and (2) impairment of intercompany receivables of USD 21.3 million. The triggers for the impairment of the subsidiaries was primarily the fact that the subsidiaries has not been able to meet all cash call requirements in 2009 or been able to secure funding of the estimated 2010 cash call requirements. As a consequence the intercompany receivables have been impaired as well. However the licences have a good potential and InterOil is working to find an industrial partner to enable further development of the potential in these licences.

6. TAXES

For the year ended 31 December

Amounts in USD 1 000	2009	2008
Income tax		
Taxes payable	-	-
Deferred tax	-	-
Income tax	**-**	**-**
Income taxes		
Profit / (loss) before income tax	**-105 860**	**15 127**
Expected income tax according to nominal tax rate (28%)	-29 641	4 236
Tax losses for which no deferred income tax asset was recognised	29 641	-
Adjustment of group contribution without tax effect	-	-4 236
Total income taxes	**-**	**-**
Effective income tax rate	-	-

The Company did not recognize deferred income tax asset of USD 29 641 (2008; USD 3 184). The unrecorded net deferred income tax asset consist of deferred tax assets of USD 8 172 (2008; USD 3 184). Tax loss carried forward in Norway can be utilised in an indefinite future.

7. PROPERTY, PLANT AND EQUIPMENT

Period ended 31 December 2008 Amounts in USD 1 000	Office machines and furniture
Opening net book amount	**223**
Additions	109
Depreciation charge	-63
Closing net book amount	**269**
Period ended 31 December 2009	
Opening net book amount	**269**
Additions	16
Depreciation charge	-84
Closing net book amount	**201**
Cost	425
Accumulated depreciation	-224
Net book amount	**201**

Office equipment and furniture's are depreciated over the estimated life of the asset which is estimated to be in the range from 3 to 6 years.

8. TRADE AND OTHER RECEIVABLES

Period ended 31 December

Amounts in USD 1 000	2009	2008
Trade receivables	66	-
VAT receivable	-	59
Prepaid expenses	190	893
Total trade and other receivables	**256**	**952**

The carrying amount of trade and other receivables approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of trade receivables and intercompany receivables, see note 15.

9. CASH AND CASH EQUIVALENTS

Period ended 31 December

Amounts in USD 1 000	2009	2008
Bank deposits denominated in USD	136	1 434
Bank deposits denominated in NOK	699	390
Bank deposits denominated in NOK (restricted)	244	193
Total cash and cash equivalents	**1 079**	**2 017**

10. PAID IN CAPITAL

Amounts in USD 1 000	Number of Shares (1 000)	Ordinary shares	Share premium	Total
At 31 December 2007	**21 845**	**162**	**43 418**	**43 580**
Changes 2008	-	-	-	-
At 31 December 2008	**21 845**	**162**	**43 418**	**43 580**
Changes 2009	-	-	-	-
At 31 December 2009	**21 845**	**162**	**43 418**	**43 580**

The total number of issued shares is 21 845 thousands shares with a par value of NOK 0.05 per share. All issued shares are fully paid. The total number of authorised shares as of December 31, 2009 consists of the following; 1) the 21 845 thousands issued shares mentioned above; 2) the 2 720 thousands conversion rights regarding the convertible loan; 3) the Board of Directors have been authorised to increase the share capital by up to the 10 922 thousands shares. The authorisation was given by the Extraordinary Meeting held on 27 May 2009 and is valid until the ordinary General Meeting 2011, however no longer than 27 May 2011.

Based on this, total authorised share capital as of 31 December 2009 amounts to 35 487 thousands shares.

Shareholders as of 31 December 2009 – see Group note 22.

11. OTHER PAID-IN EQUITY

Period ended 31 December

Amounts in USD 1 000	Subscription rights	Total
At 1 January 2008	**2 880**	**2 880**
Changes 2008	-	-
At 31 December 2008	**2 880**	**2 880**
Changes 2009	-	-
At 31 December 2009	**2 880**	**2 8805**

12. BORROWINGS

Period ended 31 December

Amounts in USD 1 000	2009	2008	At 1 January 2008
Non-current			
Convertible bond denominated in USD	16 347	14 795	13 551
Bond loan denominated in NOK	-	13 856	17 901
Bond loan denominated in USD	-	103 179	104 856
Total non-current interest-bearing liabilities	**16 347**	**131 830**	**136 308**
Current			
Bond loan denominated in NOK	17 111	-	-
Bond loan denominated in USD	113 834	10 000	10 000
Total current interest-bearing liabilities	**130 945**	**10 000**	**10 000**
Total interest-bearing liabilities	**147 292**	**141 830**	**146 308**

Further information in relation to the interest bearing liability is disclosed in the Group note 24.

The maturity of interest-bearing liabilities for the period ended 31 December is as follows:

Amounts in USD 1 000	2009	2008	At 1 January 2008
0-12 months	130 945	10 000	10 000
Between 1 and 2 years	16 347	28 856	10 000
Between 2 and 5 years	-	102 974	126 308
Over 5 years	-	-	-
Total interest-bearing liabilities	**147 292**	**141 830**	**146 308**

13. TRADE AND OTHER PAYABLES

Period ended 31 December

Amounts in USD 1 000	2009	2008
Trade creditors	252	272
Public duties payable	1 131	338
Other accrued expenses	8 206	6 307
Total trade and other payables	**9 589**	**6 917**

The carrying amount of trade and other payable is considered to approximate their fair value.

14. SUBSIDIARIES

Period ended 31 December 2007

Amounts in USD 1 000	Registered business address	Interest and voting rights held	Company's share capital in 1 000	Company's equity in USD 1 000	Company's profit / (loss) in USD 1 000	Book value
InterOil SA	Switzerland	100%	CHF 100	197	9	78
InterOil Switzerland E&P AG	Switzerland	100%	CHF 100	271	54	2 430
InterOil Latinamerica AS	Norway	100%	NOK 100	14	-	17
InterOil Exploration and Production Latin-America AS	Norway	100%	NOK 1 000	76 583	-493	77 162
InterOil Exploration and Production Africa AS	Norway	100%	NOK 2 000	-25 639	-43 493	667
InterOil Exploration and Production Ghana AS	Norway	100%	NOK 2 000	5 188	-2 201	11 673
Total book value				**56 614**	**-46 124**	**92 028**

The investments in InterOil Exploration and Production Africa AS (USD 46 045) and InterOil Exploration and Production Ghana AS (USD 9 362) has been impaired by USD 55 407 in total as of 31 December 2009, see note 5 for further information

The following assets have been pledged as security for the interest-bearing borrowings (see note 12 and Group note 24).

15. INTERCOMPANY

Non-current intercompany receivables

Period ended 31 December

Amounts in USD 1 000	2009	2008
InterOil Switzerland E&P AG	590	1 529
InterOil Exploration and Production Latin-America AS	-	23 681
InterOil Exploration and Production Africa AS	16 952	39 313
InterOil Exploration and Production Ghana AS	6 199	10 929
Less; impairment of intercompany receivables	-21 266	-
Total non-current intercompany receivables	**2 475**	**75 452**

Non-current intercompany payables

Period ended 31 December

Amounts in USD 1 000	2009	2008
InterOil SA	106	90
InterOil Colombia Exploration and Production Inc.	-	4 666
InterOil Peru SA	-	8 541
InterOil Exploration and Production Latin-America AS	11 849	-
Total non-current intercompany payables	**11 955**	**13 297**

As of 31 December 2009, intercompany receivables of USD 23 151 were tested for impairment. The amount of provision was related to InterOil Exploration and Production Africa AS (USD 15 067) and InterOil Exploration and Production Ghana AS (USD 6 199), in total USD 21 266 were provided for as of 31 December 2009. See note 5 for further information. It was assessed that a portion of the receivables is expected to be recovered.

16. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Period ended 31 December

Amounts in USD 1 000	2009	2008
Provisions	9 902	-
Total provisions for other liabilities and charges	**9 902**	**-**

The provisions is related to a tax claim pertaining to related parties of USD 9.9 million, see group note 33 for further information

17. FINANCIAL ASSETS AND LIABILITIES AT FVtPL

Statement of financial positions

Amounts in USD 1 000	2009	2008	At 1 January 2008
Money Market Fund	-	-	2 794
Total financial assets at FVtPL	**-**	**-**	**2 794**
Commodity-based derivative contracts	-	-	10 282
Conversion rights bond loan	145	1 124	4 765
Total financial liabilities at FVtPL	**145**	**1 124**	**15 047**

On 4 December 2008 InterOil closed out of all existing hedging contracts with effect as of 30 November 2008. Hence, as of 31 December 2008 and 2009, the Company does not have any outstanding hedging contracts. Subsequent changes in fair value of the conversion rights are recognised in through profit or loss and presented as part of financial items in the statement of comprehensive income, see note 2 and 5.

Statement of comprehensive income

For the year ended 31 December

Amounts in USD 1 000	2009	2008
Money Market Fund	-	-1 017
Commodity-based derivative contracts	-	3 093
Gain / (loss) on financial instruments at FVtPL	**-**	**2 076**

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2009 the Group's investment in Money Market Fund are within level 1, while commodity-based derivative contracts and conversion rights related to the bond loan are considered to be within level 2 of the fair value hierarchy. During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers in and out of Level 3 fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT

The table below sum up the maturity profile of the Company's financial liabilities at 31 December 2009 based on contractual undiscounted payments.

Year ended 31 December 2009

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	141 531	21 400	-	162 931
Trade and other payables	9 589	-	-	9 589
Intercompany	-	-	11 955	11 955

Year ended 31 December 2008

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	21 092	27 867	126 350	175 309
Trade and other payables	6 917	-	-	6 917
Intercompany	-	-	13 297	13 297

As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the statement of financial position for borrowings which is recorded at amortised cost. The specific time buckets presented are not mandated by the standard, but are based on choice by management. See note 12 and note 13 for the carrying amounts.

See Group note 3 for further information on financial risk management.

19. GOING CONCERN

The financial statements have been prepared based on the going concern assumption. For further details we refer to the Board of Director's report and Group notes 32 and 33.

20. SUBSEQUENT EVENTS

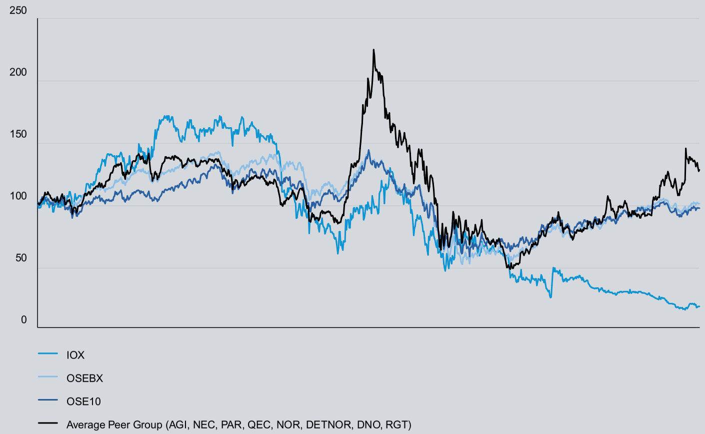
See Group note 33 for further information on subsequent events.

AUDITOR´S REPORT FOR 2009

SHARE INFORMATION

All information as per 22 of March 2010

MARKET TREND



THE FINANCIAL CALENDAR FOR INTEROIL EXPLORATION & PRODUCTION ASA IN 2010 IS AS FOLLOW:

Interim Reports	Dato
4th Quarter report 2009	26-02-10
1st Quarter report 2010	07-05-10
Annual General Meeting 2009	27-05-10
2nd Quarter report 2010	06-08-10
3rd Quarter report 2010	12-11-10

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Terra Markets	Irmantas Vaskela	+370 52461961
First	Are Martin Berntzen	+47 23238266

20 LARGEST SHAREHOLDERS

Shares held	% of total shares	Name	Acc.type
5 635 000	25.80 %	SIX SIS AG S/A EKSPORTCONSULT A	
4 460 000	20.42 %	RAKILA PROPERTIES LI	
1 112 754	5.09 %	CHEYNE GLOBAL CATALY	
1 006 000	4.61 %	GOLDMAN SACHS INT. - SECURITY CLIENT SEGR	NOM
807 953	3.70 %	AVANZA BANK AB MEGLERKONTO	MEG
775 000	3.55 %	PERRUCCI GIAN ANGELO	
726 000	3.32 %	JPMORGAN CHASE BANK NORDEA TREATY ACCOUN	NOM
532 000	2.44 %	WIGGEN CONSULT AS	
499 980	2.29 %	TCW GLOBAL PROJECT F ATT.: KEVIN CORRIGAN	
450 000	2.06 %	FORCE CAPITAL PARTNE	
389 750	1.78 %	LAGOSTENA RAIMONDO	
343 300	1.57 %	AWECO INVEST AS	
285 300	1.31 %	CITIBANK. N.A. (LOND FULL TAX RATE DEPOT	NOM
279 600	1.28 %	JP MORGAN CLEARING C A/C CUSTOMER SAFE KE	NOM
249 000	1.14 %	SKEIE TECHNOLOGY AS	
227 591	1.04 %	NORDNET BANK AB	NOM
200 000	0.92 %	BANK OF NEW YORK MEL TREATY ACCOUNT UNITE	NOM
170 800	0.78 %	AWILHELMSEN CAPITAL OMLØP	
160 750	0.74 %	SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	NOM
122 000	0.56 %	TRAFALGAR AS	
18 432 778	**84.38 %**		
21 845 000	**100 %**		

COUNTRY OVERVIEW OF SHAREHOLDERS

CITIZEN	% OF TOTAL SHARES	SHARES HELD	NR. SHAREHOLDERS
NORGE	44.04 %	9 620 025	367
KYPROS	20.42 %	4 460 000	1
STORBRITANNIA	10.16 %	2 219 749	10
SVERIGE	6.63 %	1 447 464	13
ITALIA	5.64 %	1 232 500	8
CAYMANØYENE	5.09 %	1 112 754	1
U.S.A.	4.80 %	1 048 281	11
SVEITS	1.00 %	218 850	5
DANMARK	0.66 %	143 812	6
BELGIA	0.54 %	117 564	4
LUXEMBOURG	0.44 %	96 400	2
MONACO	0.22 %	47 000	1
FRANKRIKE	0.13 %	27 777	2
NEDERLAND	0.05 %	10 200	2
ANDORRA	0.05 %	10 000	1
FINLAND	0.04 %	9 224	3
SPANIA	0.03 %	7 000	1
ESTLAND	0.03 %	7 000	1
TYSKLAND	0.02 %	5 000	1
CANADA	0.01 %	3 200	1
ØSTERRIKE	0.01 %	1 200	1
	100 %	**21 845 000**	**442**

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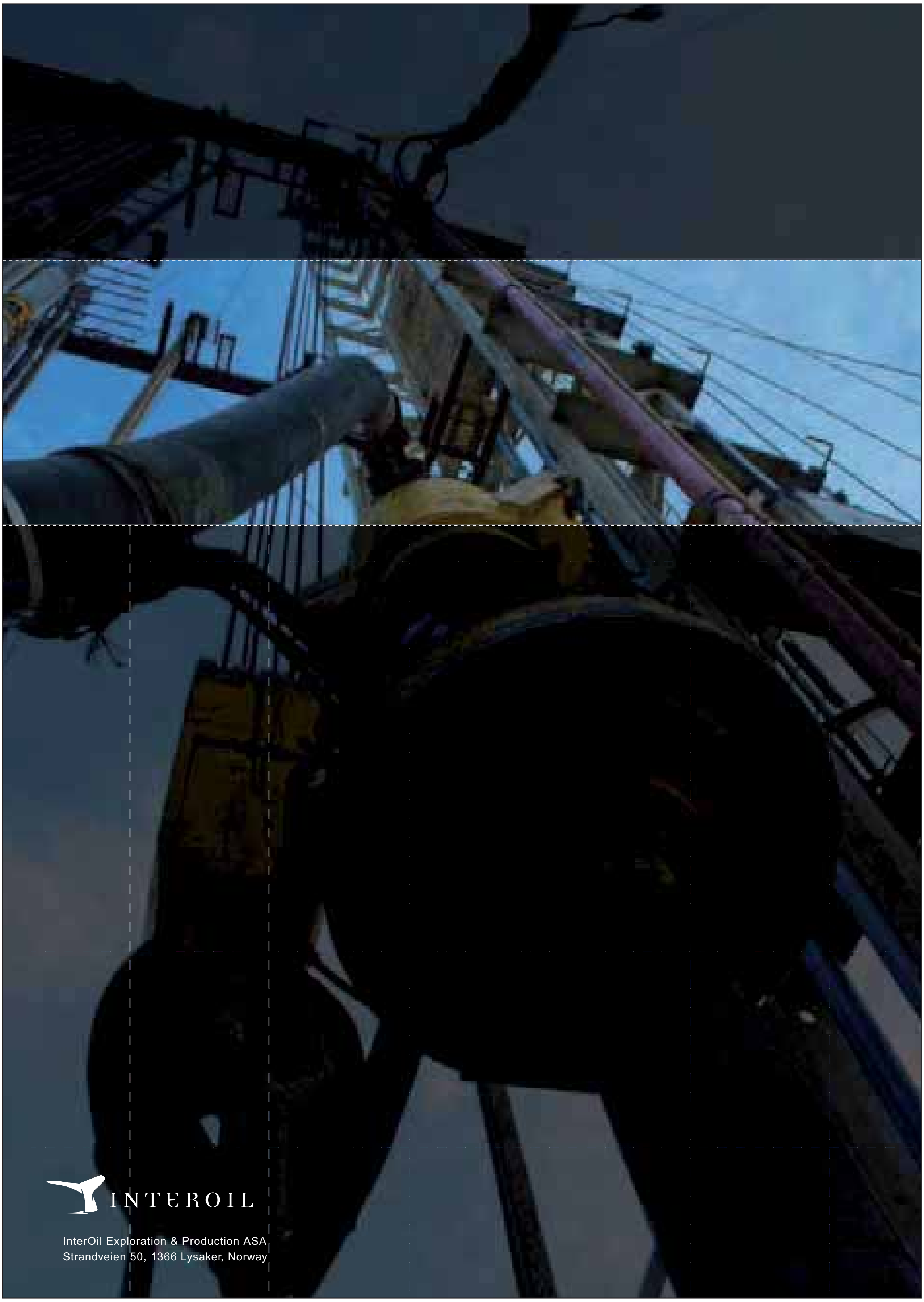
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