PROSPECTUS

Listing of 200,000,000 Shares on Oslo Børs, each with a nominal value of NOK 0.05, issued in connection with an already completed Private Placementat a subscription price of NOK 1.00 per share, raising gross proceeds of NOK 200,000,000

Subsequent Offering and listing of up to 7,882,500 Offer Shares at a subscription price of NOK 1.00 per Offer Share with Subscription Rights for Eligible Shareholders

This prospectus (the **"Prospectus"**) relates to, and has been prepared in connection with; (i) the listing on Oslo Børs, a stock exchange operated by Oslo Børs ASA (**"Oslo Børs"**), of 200,000,000 new shares (a "**Share**"), each with a nominal value of NOK 0.05, in Interoil Exploration & Production ASA (**"Interoil"** or the **"Company"**, and together with its consolidated subsidiaries, the **"Interoil Group"** or the **"Group"**) (the **"Private Placement Shares"**) issued in connection with a private placement (the **"Private Issue"**) approved by an extraordinary general meeting in the Company on 5 March, 2013 and executed on 13 March 2013 at a subscription price of NOK 1.00 per Share, and (ii) a subsequent offering (the **"Subsequent Offering"**) and listing on Oslo Børs of up to 7,882,500 offer shares, each with a nominal value of NOK 0.05, in the Company (the **"Offer Shares"**) at a subscription price of NOK 1.00 per Offer Share (together with the subscription price in the Private Placement, the **"Subscription Price"**). The listing of the Private Placement Shares together with the Offer Shares, the "**Listing**".

The Subsequent Offering will be executed by way of a issuance of subscription rights towards existing shareholders of the Company holding less than 300,000 Shares as at the end of 13 March 2013, as registered in the Norwegian Central Securities Depository (the **"VPS"**) on 18 March 2013 (the **"Record Date"**), who were not allocated Shares in the Private Placement and who are not resident in a jurisdiction where such offering would be unlawful, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action (the **"Eligible Shareholders"**), Residents of the United States of America will in no event be considered as Eligible Shareholders. Eligible Shareholders are being granted non-transferable subscription rights (the **"Subscription Rights"**), that, subject to applicable law, provide the right to subscribe for and be allocated Offer Shares at the Subscription Price.

Total gross proceeds from the Private Placement amounted to NOK 200 million. Following the completion of the Private Placement, the total number of issued shares in the Company (the **"Shares"**) will be 247,765,000. Total gross proceeds from the Subsequent Offering will be up to NOK 7,882,500. Following the completion of the Subsequent Offering, the total number of issued Shares in the Company will be between 247,765,000 and 255,647,500.

Each Eligible Shareholder will be granted 1.85 Subscription Rights for each Share registered as held by such Eligible Shareholder as of the Record Date rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for and be allocated one Offer Share. Oversubscription is permitted for Eligible Shareholders while subscription without Subscription Rights will not be allowed. The subscription period for the Subsequent Offering commences on 26 March, 2013 and expires at 16:30 hours, Central European Time (**"CET"**), on 9 April, 2013 (the **"Subscription Period"**).

The Subscription Rights are non-transferable. Subscription Rights that are not used to subscribe for Offer Shares before the expiry of the Subscription Period will have no value and will lapse without compensation to the holder.

The Shares are listed on Oslo Børs under the ticker code "IOX". The Private Placement Shares are expected to be delivered to the subscribers in the Private Placement and be listed and tradable on Oslo Børs on 25 March, 2013. The Offer Shares are expected to be delivered to the subscribers in the Subsequent Offering on or about 17 April, 2013 and be listed and tradable on Oslo Børs from the same date. The distribution of this Prospectus and the Subsequent Offering and the sale of the Offer Shares and the issue of Subscription Rights may in certain jurisdictions be restricted by law. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company and the Managers (as defined below) require persons in possession of this Prospectus, in possession of Subscription Rights and/or considering subscribing for Offer Shares to inform themselves about, and to observe, any such restrictions. This Prospectus, the Private Placement and the Subsequent Offering shall be governed by, and construed in accordance with, Norwegian law. The courts of Norway, with Oslo City Court as exclusive legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, the Private Placement, the Subsequent Offering or this Prospectus.

Investing in the Company and the Shares (including but not limited to the Offer Shares) involves material risks and uncertainties. See section 2 "Risk Factors" and section 5.1 "Cautionary Note Regarding Forward-Looking Statements".

Lead Manager and Bookrunner

Co-Manager

25 March 2013

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 200,000,000 Shares issued in the Private Placement and the Offer and subsequent listing of the Offer Shares. This Prospectus has been prepared solely in the English language, with a Norwegian summary.

For definitions of terms used throughout this Prospectus, see Section 14 "Definitions and Glossary of Terms".

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 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 and the offering of the Subsequent Offer Shares. 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 Shares arising after the publication of this Prospectus and before the listing of the Private Placement Shares and/or the offering and/or the listing of the Subsequent Offer 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 Subscription Rights and the Offer Shares are not being offered and may not be offered or sold, directly or indirectly, in the United States of America, Canada, Australia or Japan or to or for the account of any resident of the United States of America, Canada, Australia or Japan.

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.

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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 14 "Definitions and glossary of terms".

1.1 Description of Interoil

1.1.1 Introduction

As an independent oil & gas exploration and production company operating in South America, 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, petro physics 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 a 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.

In 2010, Interoil completed a larger refinancing where the Company raised USD 50 million in new equity and NOK 310 million in a secured bond. In that connection the Company also raised USD 90 million of bank debt in Colombia and Peru to fully refinance the debt.

Later in 2010, Interoil discovered oil in the San Luis field in Block 3 in Peru which added new production. The Company was also awarded two new exploration blocks in Colombia in Cor-6 and LLA-47, both operated with a 100% working interest.

Interoil enters into a service agreement with Ecopetrol to operate the Totare Field located in the Armero license following license expiry December 31, 2011. Interoil is awarded 100 per cent operated Working Interests in exploration licenses COR-6 and LLA-47 in the 2010 Colombia Open Bid Round.

In 2012 the Company won a court case regarding a tax payment of NOK 45 million which was reimbursed to Interoil. Interoil entered into a service agreement with Ecopetrol to still operate the Toqui Toqui and the Puli B licenses following license expiry February 28, 2012

Late 2012 the board of directors called for an EGM to propose a new board with independent directors which was approved. Following the EGM a new management and governance structure was implemented with Mr. Thomas J. Fjell as CEO and Mr. Erik Sandøy as CFO. The new management team and board initiated a strategic re-focusing of Interoil which included a significant cost cutting program.

In February 2013 the Company announced a sale of the Altair and Cor-6 exploration blocks for a consideration of USD 2 million, subject to bondholders and regulatory approvals.

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 Colombia and Peru whereas the Company intends to relinquish its license in Ghana.

1.1.4 Strategy

Interoil's strategy is firstly to develop its existing resource base in Colombia. Interoil is of the opinion that it has a large inventory of drillable prospects with a large upside potential and has 68 low risk development drilling targets within the Puli C license. Secondly, Interoil is focused on obtaining permanent license extension for its operated blocks in Peru.

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

Country	Area (km2)	License	Interest	Operator	Partners	Fielding information
Colombia	72	Puli C	50-70%	Interoil	Ecopetrol	Producing onshore
	447	LLA-47	100%	Interoil	-	Exploration onshore
Peru	358	Block III	100%	Interoil	-	Producing onshore
	307	Block IV	100%	Interoil	-	Producing onshore
Ghana	80	Ebony Discovery Area	58.33%	Interoil	Al Thani	Exploration offshore

1.2 Purpose and background for the Private Placement and the Subsequent Offering

The Private Placement was completed in conjunction with a restructuring of the Company's balance sheet in an effort to enable a large development program in Colombia.

The net proceeds from the Private Placement will be applied towards improvement of working capital and fund the development program as well as fees and expenses. Surplus amounts following the use of proceeds as discussed above, will be applied to general corporate purposes.

The Subsequent Offering is intended to compensate Eligible Shareholders for the fact that the shareholders' pre-emptive rights were waived in respect of the Private Placement, and that the Private Placement was issued with a minimum subscription of EUR 100,000 and/or pursuant to other applicable exemptions from offer prospectus requirements.

1.3 Summary of the Completed Private Placement

1.3.1 The Completed Private Placement and listing of the Private Placement Shares

The Private Placement was completed on 13 March 2013 and raised gross proceeds of NOK 200 million through the issuance of 200,000,000 Private Placement Shares at a subscription price of NOK 1.00 per 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.

The share capital increase associated with the Private Placement was registered with the Norwegian Register of Business Enterprises on 20 March 2013. The Private Placement Shares were registered with the VPS on 21 March 2013 under 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.

1.4 Summary of the Subsequent Offering

The Subsequent Offering comprises an offering of up to 7,882,500 Offer Shares at a Subscription Price of NOK 1.00 per Offer Share, being equal to the subscription price in the Private Placement. Subject to all Offer Shares being issued, the Subsequent Offering will result in NOK 7,882,500 in gross proceeds.

The Eligible Shareholders, being those existing shareholders who held less than 300,000 shares in the Company as of 13 March 2013 (as recorded in the VPS on 18 March 2013) and who were not allocated shares in the Private Placement, and are not resident in a jurisdiction where such offering would be unlawful, or for other jurisdictions than Norway, would require any filing, registration or similar action, will be granted non-tradable Subscription Rights that, subject to applicable laws, provide rights to subscribe for and be allocated Offer Shares in the Subsequent Offering. Funds which are under management by the same company, group of companies, fund manager(s) or similar may be treated as one shareholder when applying these limitations. Oversubscription is permitted for Eligible Shareholders while subscription without Subscription Rights will not be permitted.

Please see below for a brief overview of the Subsequent Offering.

Subsequent Offering	The offering of up to 7,882,500 Offer Shares through a share capital increase of up to NOK 7,882,500 at the Subscription Price to Eligible Shareholders.
Eligible Shareholders	Existing shareholders of the Company holding less than 300,000 Shares as of 13 March 2013 (as registered in the VPS on the Record Date (being 18 March 2013)), who were not allocated New Shares in the Private Placement and who are not resident in a jurisdiction where such offering would be unlawful, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action. Residents of the United States of America will in no event be considered as Eligible Shareholders.
Subscription Price	NOK 1.00 per Offer Share, equal to the subscription price in the Private Placement.
Subscription Rights	Eligible Shareholders will be granted non-transferable Subscription Rights giving the right, subject to applicable law, to subscribe for and be allocated Offer Shares in the Subsequent Offering.
Bookrunner	Pareto Securities AS

Reason for the Subsequent Offering and use of proceeds	The Subsequent Offering is conducted in order to provide the Eligible Shareholders with an opportunity to subscribe for Shares at the same subscription price as in the Private Placement. The proceeds will be used for general corporate purposes.
Shares outstanding before the Subsequent Offering	247,765,000 Shares
Shares outstanding after the Subsequent Offering	Between 247,765,000 and 255,647,500 Shares
Subscription Period	The Subscription Period will commence on 26 March, 2013 and end at 16:30 hours (CET) on 9 April 2013. Subscription Rights which are not exercised before 9 April 2013 at 16:30 hours (CET) will have no value and will lapse without compensation to the holder.
Allocation and oversubscription	Each Eligible Shareholder will be granted 1.85 Subscription Rights for each Share registered as held by such Eligible Shareholder as of the Record Date rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for and be allocated one Offer Share in the Subsequent Offering. Oversubscription is permitted for Eligible Shareholders while subscription without Subscription Rights is not allowed.
Payment and delivery	Payment for the Offer Shares allocated to a subscriber falls due on 15 April 2013 (the "Payment Date") and delivery of the Offer Shares to the subscribers' VPS accounts are expected to take place on or about 17 April 2013.
Listing and trading of the Offer Shares	It is expected that trading in the Offer Shares will commence on Oslo Børs on or about 17 April 2013.
ISIN	The Shares and the Offer Shares will following listing both have ISIN NO 001 0284318.
Ticker code	"IOX".
Dilution	The Private Placement will result in an immediate dilution of approximately 80.7% for shareholders who did not participate in the Private Placement. Assuming full subscription in the Subsequent Offering, shareholders who did not participate in either the Private Placement or the Subsequent Offering will be diluted with approximately 81.3%.
Proceeds and expenses	The total fees and expenses related to the Subsequent Offering will amount to approximately NOK 360,000. Total net proceeds in the Subsequent Offering will amount to NOK 7,522,500 (assuming full subscription in the Subsequent offering deducted for fees and expenses). In the event that Eligible Shareholders subscribe for less than 7,882,500 Offer Shares, proceeds and total fees and expenses will be adjusted accordingly.

1.5 Dilution

The dilutive effect in connection with the Private Placement was approximately 80.7% and the dilution from the Subsequent Offering is maximum 3.2%.

Old shares	Shares	Total	Subsequent Offering	Maximum new total
47,765,000	200,000,000	247,765,000	7,882,500	255,647,500
19.3%	80.7%	100.0%	3.2%	100.0%

1.6 Share capital following the Private Placement and the Subsequent Offering

As of the date of this Prospectus, the Company's share capital is NOK 12,388,250 divided into 247,765,000 shares, each with a nominal value of NOK 0.05. The Company's share capital is fully paid up and issued in accordance with Norwegian Law.

The final number of Subsequent Offer Shares to be issued in connection with the Subsequent Offering will depend on the number of Subsequent Offer Shares subscribed. The maximum number of Subsequent Offer Shares to be issued is 7,882,500, all with a nominal value of NOK 0.05 per Share which will give a further increase in the Company's total number of issued Shares from NOK 12,388,250 to a maximum of 12,782,375. The Subsequent Offer Shares will be issued in accordance with the resolution passed at the extraordinary general meeting held on 5 March 2013.

1.7 VPS registration

The Company's Shares are registered in VPS, the Norwegian Central Securities Depository. The Shares' securities number is NO 001 0284318. The Company's VPS registrar is DNB Bank ASA, Registrar Department, NO-0021 Oslo, Norway.

Like the existing Shares of the Company, the Shares issued in the Private Placement and the Subsequent Offer Shares issued in the Subsequent Offering will be listed on Oslo Stock Exchange under the ticker code IOX.

1.8 Jurisdiction and governing law

This Prospectus, the Subscription Form and the terms and conditions of the Offering shall be governed by and construed in accordance with, and the Offer Shares will be issued pursuant to, Norwegian law. Any dispute arising out of, or in connection with, this Prospectus or the Offering shall be subject to the exclusive jurisdiction of Oslo District Court. The Shares are issued pursuant to the Public Limited Companies Act (allmennaksjeloven) no. 1997-06-13-45.

1.9 Selling and transfer restrictions

The distribution of this Prospectus and the offering and sale of the Offer Shares and the Subscription Rights offered hereby may in certain jurisdictions be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. This Prospectus may not beused for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares or Subscription Rights offered hereby in any jurisdiction in which such offer or invitation would be unlawful. No one has taken any action that would permit a public offering of the Offer Shares to occur outside of Norway. Furthermore, the restrictions and limitations listed and described herein are not exhaustive, and other restrictions and limitations in relation to the Prospectus and/or the Offering that are not known or identified by the Company and the Manager at the date of this Prospectus may apply in various jurisdictions as they relate to the Prospectus and the Offering.

The Offer Shares and the Subscription Rights have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act) or any state securities laws, and may not be offered or sold within the United States. Furthermore, the Offer Shares and the Subscription Rights may not be offered or sold in or into Canada, Japan or Australia, or such other jurisdictions where the offering and sale of the Offer Shares and the Subscription Rights is restricted by law.

1.10 Proceeds and costs

The transaction costs of the Company related to the Private Placement and the Subsequent Offering are estimated at approximately NOK 10 million, and accordingly the net proceeds of the Private Placement and the Subsequent Offering will be from approximately NOK 189 million to approximately NOK 198 million, depending on the number of Subsequent Offer Shares to be issued in the Subsequent Offering.

No expnses or taxes are charged to the subscribers in the Private Placement or the Subsequent Offering by the Company or the Managers. After deductions of costs associated with the Private Placement and the Subsequent Offering, the premium shall be allocated to the Company's share premium reserve.

1.11 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".

1.11.1 Market risks

Market-related risks which may affect the Group's activities are; i) strong competition, ii) availability of drilling equipment and access restrictions, iii) commodity price volatility and iv) whether the Company will be awarded new license participation interests.

1.11.2 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's reliance on third parties to operate some of its assets, iii) the Company's production being concentrated in a small number of onshore fields, iv) the Company's ability to successfully co-ordinate its exploration projects, v) operating hazards, vi) the nature of the business, vii) licenses and authorizations, viii) conflicts of interest, ix) retention of key personnel, x) legal proceedings or investigations, and xi) the Company's ability to find, acquire and develop new resources and reserves and xii) increases to the cost of future abandonment and cessation.

1.11.3 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) Interoil's 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.

1.11.4 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 and iv) currency, interest rate, credit and liquidity risk.

1.11.5 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 (it should be especially noted that the discharge of hydrocarbons or other pollutants may give rise to significant liabilities).

1.12 Directors, senior management and employees

1.12.1 Board of Directors

The Company's Board of Directors consists of the following members: Anne-Grete Ellingsen (chairman), Thor Haugnaess (board member), and Nils Trulsvik (board member).

1.12.2 Management

The Group's executive management comprises: Thomas J. Fjell (Managing Director), Erik Sandøy (Chief Financial Officer).

1.12.3 Employees

As at 31 December 2012 the Group had 269 employees of which 4 were employed in Norway, 178 in Peru and 87 in Colombia. Interoil has its headquarters and management in Oslo, Norway and operating offices in Bogota, Colombia and Lima and Talara, Peru.

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

1.13 Advisors and auditors

1.13.1 Managers

The Private Placement was managed by Pareto Securities AS as Lead Manager and Book-Runner with RS Platou Markets AS as Co-Manager.

Pareto Securities AS
Dronning Mauds gate 3
P.O. Box 1411 Vika
0115 Oslo, Norway
Fax: +47 22 83 43 09
Tel: +47 22 87 87 00
www.paretosec.com

RS Platou Markets AS
Haakon VII's gate 10
P.O. Box 1474 Vika
0116 Oslo, Norway
Fax: +47 22 01 63 54
Tel: +47 22 01 63 00
www.platoumarkets.com

1.13.2 Legal advisor

Advokatfirmaet BA-HR DA has acted as Interoil's legal counsel in connection with the Private Placement and the Subsequent Offering.

1.13.3 Independent auditor

The Company's independent auditor is Ernst & Young AS.

1.14 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 2 to 3 in addition to section 8 in this Prospectus.

1.14.1 Consolidated income statements

Amounts in USD 1000	For the 3 months period ended 31 Dec 2012	For the 3 months period ended 31 Dec 2011	For the 12 months period ended 31 Dec 2012	2011	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Sales	26 758	39 036	118 266	147 623	104 787	100 430
Cost of goods sold ex depreciation	-5 625	-8 844	-34 298	-32 739	-61 630	-56 117
Depreciation	-9 072	-19 713	-40 610	-41 529	-	-
Gross profit	**12 061**	**10 479**	**43 358**	**73 354**	104 787	100 430
Exploration cost expensed	-5 763	-4 426	-12 209	-11 264	-12 871	-20 757
Administrative expense	-15 473	-2 572	-13 382	-5 931	-3 491	-9 030
Other income / (expense)	9 940	746	10 638	953	1 400	1 527
Impairment oil and gas assets	-45 256	0	-45 256	-2 342	-9 331	-
Result from operating activities	**-44 491**	**4 227**	**-16 851**	**54 770**	**18 864**	**16 053**
Finance income	2 457	4 483	27 178	23 624	311	1 062
Finance cost	-7 222	-31 040	-42 153	-48 269	-67 187	-21 548
Finance income/ (expense)- net	**-4 765**	**- 26 557**	**-14 975**	**- 24 645**	**-66 876**	**-20 486**
Profit / (loss) before income tax	**-49 256**	**-22 330**	**-31 826**	**30 125**	**-48 012**	**-4 433**
Income tax expense	14 009	-4 086	7 869	-20 497	-7 948	-8 424
Profit / (loss) from continuing operation	**-35 247**	**-26 416**	**-23 957**	**9 628**	**-55 960**	**-12 857**
Profit / (loss) from discontinued operations (net of tax)	0	-279	0	-564	7 082	-41 727
Profit / (loss)	**-35 247**	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
	-					
Other comprehensive income	0	0	0	0	0	0
Other comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income for the period, net of tax	**-35 247**	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
Attributable to:						
Equity holders of the parent	**-35 247**	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
	-35 247	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
Earnings per share (expressed in USD)						
– basic	**-0.74**	**-0,56**	**-0.50**	**0,19**	**-1.60**	**2,50**
– diluted	**-0.74**	**-0,56**	**-0.50**	**0,19**	**-1.60**	**2,50**

1.14.2 Consolidated statements of financial position

Amounts in USD 1 000	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
	(Unaudited)	(Audited)	(Audited)	(Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	39 548	117 367	142 943	145 213
Intangible assets	0	2 609	4 950	14 950
Trade and other receiveables	0	0	0	3 358
Deferred income tax assets	2 105	0	0	0
Retirement benefit asset	67	52	0	0
Total non-current assets	**41 720**	**120 028**	**147 893**	**163 521**
Current assets				
Inventories	1 041	533	1 274	376
Trade and other receivables	12 489	16 636	12 439	33 763
Cash and cash equivalents	10 203	23 703	21 239	13 388
Total current assets	**23 733**	**40 872**	**34 952**	**47 527**
TOTAL ASSETS	**65 453**	**160 900**	**182 845**	**211 048**
EQUITY				
Share capital and share premium	90 985	90 985	90 985	43 580
Other paid-in equity	1 742	1 742	1 742	1 742
Retained earnings	-156 069	-132 112	-141 176	-92 298
Total equity	**-63 342**	**-39 385**	**-48 449**	**-46 976**
LIABILITIES				
Non-current liabilities				
Borrowings	16	731	1 731	16 736
Deferred income tax liabilities	0	19 049	18 517	22 875
Financial liabilities at FVtPL	0	5 336	19 801	145
Retirement benefit obligation	0	0	16	13
Provisions for other liabilities and charges	2 760	4 141	2 530	1 550
Total non-current liabilities	**2 776**	**29 257**	**42 595**	**41 319**
Current liabilities				
Trade and other payables	37 744	38 559	35 258	61 707
Income tax liabilities	4 059	7 132	1 501	3 321
Current interest-bearing liabilities	74 617	98 760	130 148	136 179
Financial liabilities at FVtPL	4 392	20 320	16 469	0
Provisions for other liabilities and charges	5 207	6 257	5 323	15 498
Total current liabilities	**126 019**	**171 028**	**188 699**	**216 705**
TOTAL LIABILITIES	**128 795**	**200 285**	**231 294**	**258 024**
TOTAL EQUITY AND LIABILITIES	**65 453**	**160 900**	**182 845**	**211 048**

1.14.3 Consolidated cash flow statements

Amounts in USD 1 000	2012	2011	2010	2009
	(Unaudited)	**(Audited)**	**(Audited)**	**(Audited)**
Cash generated from operations				
Total comprehensive income of the period	**-23 957**	**9 064**	**-48 878**	**-54 584**
Income tax expense	-7 869	20 497	7 948	8 424
Depreciation, amortization and impairment	91 684	43 911	39 221	63 689
Amortization of debt issuance cost	2 310	2 232	3 316	2 508
Fee regarding taxclaim bondloan	-1 441			
Change in retirement benefit obligation	-14	-68	3	58
Interest income	-105	-12	-194	-24
Interest expense	11 654	14 107	18 228	14 672
Unrealized exchange gain / (loss) from revaluation of long term borrowings	4 378	- 1 014	1 783	2 955
Gain from sale PP&E	0	-31	-85	-10 005
Changes in assets & liabilities				
Inventories	-508	741	-898	53
Financial assets and liabilities at FVtPL	-21 263	-10 615	36 126	-1 033
Trade and other receivables	4 147	-4 196	24 471	18 743
Trade and other payables and provision and other liabilities	-3 211	5 792	-25 439	890
Taxes paid	-16 357	-14 337	-14 123	-19 428
Net cash generated from operating activities	**39 448**	**66 071**	**41 479**	**26 918**
Cash flows from investing activities				
Investments in exploration, production and other assets	-11 256	-15 994	-28 746	-22 251
Proceeds from sale of PP&E			80	3 000
Other financial assets at fair value through profit or loss			211	-
Net cash used in investing activities	**-11 256**	**-15 994**	**-28 455**	**-19 251**
Cash flows from financing activities				
Interest received	105	12	194	24
Interest paid	-11 689	-13 983	-17 832	-14 276
Repayment of borrowings	-50 827	-44 742	-160 849	5 168
Proceeds from new loans	20 720		87 335	-
Proceeds from new bank financing/increase in credit line	0	11 100	47 381	-
Proceeds from issuance of ordinary shares			38 598	-
Net cash used in financing activities	**-41 691**	**-47 613**	**-5 173**	**9 084**
Net change in cash and cash equivalents	**-13 499**	**2 464**	7 851	-1 417
Cash and cash equivalents at beginning of the period	23 702	21 239	13 388	14 805
Cash and cash equivalents at end of the period	**10 203**	**23 703**	**21 239**	**13 388**
Whereof cash and cash equivalents, non-restricted	4 641	9 996	8 374	13 144
Whereof cash and cash equivalents, restricted	5 562	13 707	12 865	244

1.14.4 Trend information

In 4Q 2012, Interoil's oil production declined by 30% year on year. Production has declined by 42% in two years. This has had a substantial negative effect on revenues, profitability and cash flows.

Besides the above, the Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Company since 31 December 2012. 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 6.2.

1.14.5 Management discussion and analysis

Q4 2012 and full year 2012 (unaudited)

Interoil's oil production continued to decline in Q4 and fell 30% year on year. Since Q4 2010, production has fallen by 42%, while capex has fallen by 60%. The company needs to raise capital to reverse this trend to create shareholder values and ensure that financial obligations can be met.

Interoil recorded an EBITDA of USD 10 million in Q4 on operating revenues of USD 27 million. Adjusting for the USD 5 million write-down of the Altair exploration well in Colombia, EBITDA came in at USD 15 million. This compares to revenues and EBITDA of USD 26 million and USD 14 million in prior quarter.

Interoil Peru was awarded an injunction to continue operating the licenses in Peru due to force majeure until 2014 and 2016 for blocks IV and III respectively. Nonetheless, the company cannot book the corresponding reserves for this period, until a final resolution is granted by the courts. As a consequence, Interoil Peru wrote down all oil assets to zero as of year-end 2012. This resulted in a depreciation and impairment charge in Q4 of USD 54 million.

For the full year, Interoil generated revenues of USD 118 million and an EBITDA of USD 69 million. This is a considerable reduction compared to the 2011 EBITDA of USD 99 million. The difference reflects the fall in production. A depreciation and impairment charge of USD 86 million and the USD 5 million write-down of the exploration well drilled in Colombia, resulted in an operating loss of USD 17 million.

Interoil had net financial expenses of USD 5 million in the fourth quarter of 2012. The main expenses were interest costs (USD 3 million); realized losses on the oil hedge contracts (USD 3 million) and realized/unrealized exchange rate losses (USD 2 million). In addition, there was an unrealized gain on the oil hedge contracts of USD 2 million.

For the full year, the company recorded net financial expenses of USD 15 million, of which USD 15 million were realized losses on the oil hedge contracts, interest expenses were USD 12 million and realized/unrealized exchange rate losses amounted to USD 5 million. There was an unrealized gain on the oil hedge contracts of USD 20 million.

Interoil recorded a realized loss of USD 3 million on the hedge contracts in the fourth quarter of 2012 and USD 15 million for the full year. Based on the mark to market valuation of the open WTI oil contract, Interoil carries a liability of USD 4 million per December 31 2012.
Interoil recorded a positive income tax of USD 14 million in the fourth quarter of 2012, due to extraordinary depreciation charge in Peru. Net loss for the quarter was USD 35 million. For the full year, the company recorded a net loss of USD 24 million, after a positive income tax of USD 8 million.

Interoil's total assets as of December 31, 2012, amount to USD 40 million, after a depreciation and impairment charge in 2012 of USD 86 million. The oil assets in Peru are valued at zero. Cash and cash equivalents were USD 10 million and total liabilities were USD 129 million. Total book equity was USD -63 million.

As of end of the year 2012, Interoil had USD 75 million of interest-bearing debt, down from USD 99 million one year prior. The interesbearing debt is classified as current. See chaper 8.9.4 Colpatria loan USD 13,5 million, regarding breach of covenants. The Group had a USD 4 million liability connected to the oil price hedge contracts, down from USD 26 million in 2011.

The company generated operating cash flows of USD 39 million in 2012, a significant decline year on year, reflecting the fall in production. Investing cash flows amounted to USD -11 million, while financing cash flows, including interest payments, were USD -42 million. Net change in cash was negative USD 14 million.

On the 20th December 2012, an EGM elected a new board of Interoil. The new board has since put in place a new management, implemented the overhead cost reduction program targeting savings of USD 10 mill per year, and established a new governance model, whereby the subsidiaries in Colombia and Peru will operate as independent entities with strong, functional boards. This new governance structure will increase the accountability and transparency of Interoil's local operations.

As at 31 December 2012 the Group's liquidity situation is stressed, and the production is declining due to under -investing in production assets. In addition, the Group is in breach of the current ratio covenant under the loan agreement with Colpatria Bank, and the Company has unsecured debt in Colombia of more than 5 million. To improve the situation several actions have been taken. See chapter 8.7 for significant changes after the balance sheet date.

Full year 2011
Despite a flat production in 2011 compared to 2010, revenues increased by 41% to USD 148 million due to a higher realized oil price.

EBITDA for the year reached USD 99 million against USD 58 million in 2010, a 71% increase.

Depreciation & Amortization increased by USD 12 million, to USD 42 million for the year, which is a direct result of the changes in proven reserves as per year end 2011. The reduction in proven reserves is attributable to the lower than anticipated investments during the year. The Group also made a full impairment charge for the assets in Ghana, in the amount of USD 2 million. As a result, operating profit grew from USD 19 million in 2010 to USD 55 million in 2011.

Interoil recorded net financial expenses of USD 25 million, mainly caused by interest expenses of USD 14 million and net expenses related to the oil price hedge contracts of USD 7 million.

The Group reported a net profit for the year of USD 9 million, against a net loss of USD 49 million in 2010.

Total assets amounted to USD 161 million, compared to USD 183 million in 2010. The decline is a result of PP&E falling from USD 143 million in 2010 to USD 117 million in 2011, on the back of lower capex spending and higher depreciation charges. Cash at end of the year was USD 24 million, of which USD 14 million was restricted under our loan agreements with bondholders and Citibank in Peru and Colombia.

As of end of the year 2011, Interoil had USD 99 million of interest-bearing debt, down from USD 130 million one year prior. The Group had a USD 26 million liability connected to the oil price hedge contracts, down from USD 36 million in 2010.

Operating cash flows for the year reached USD 66 million against USD 41 million in 2010. Total capex for the year was USD 16 million, down from USD 29 million in 2010. As a result, the Group generated free cash flows of USD 50 million for the year, against USD 13 million in 2010.
Cash flows from financing activities included interest expenses of USD 14 million and net repayments of debt of USD 34 million.
Total change in cash for the year was USD 3 million, against USD 8 million in 2010.

Full year 2010
Although the production decreased by 17% in 2010 compared to 2009 the revenue increased by USD 4.3 million to USD 104.8 million in 2010, mainly due to higher oil price achieved. Cost of goods sold increased by USD 5.5 million since prior year mainly due to the high activity in the new Altair license and San Luis discovery. As a result, the gross profit of USD 43.2 million in 2010 decreased by USD 1.1 million compared to 2009.

Other expenses related to the operations, exploration and administration expenses, decreased from USD 28.3 million to USD 24.3 million. This is mainly traced back to the following; Firstly, acquisition of seismic data in Altair of USD 5.3 million and a tax claim provision pertaining to

related parties of USD 9.9 million which was settled in full and recorded in 2009. Secondly, the exploration asset in Ghana totaling USD 9.3 million was impaired in 2010. Result from continuing operational activities increased from USD 16.1 million in 2009 to USD 18.9 million in 2010.

The net financial cost for the financial year 2010 is USD 66.9 million compared to USD 20.5 million in prior year. The difference can mainly be traced back to the unrealized loss of USD 35.1 million related to the hedging contracts (described above) and the expenses (USD 9.5 million) directly related to the refinancing process of the Group.

Consequently the net loss for the financial year of 2010 was USD 48.9 million, after income tax expense of USD 7.1 million compared to a net loss of USD 54.8 million after an income tax expense of USD 8.4 million in prior year.

Operating activities for the financial year of 2010 generated sales of USD 104.8 million and net cash flow were USD 32.8 million. Net increase in cash and cash equivalents was USD 7.9 million for the financial year of 2010.

InterOil entered into a hedging agreement effective from April 1, 2010 for a 30-month 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. Additionally InterOil entered into a similar agreement with Citibank Colombia effective from September 1, 2010, for a 36-month period with a total volume of 1.02 million barrels (28'400 barrels per month) at a fixed rate of WTI of USD 75.40 per barrel. InterOil recorded a realized loss of USD 0.8 million on the hedging for the financial year 2010. The mark to market valuation of the future open WTI oil contracts was calculated at USD 35.1 million (liability) as of December 31, 2010, which has been charged in full as an unrealized loss to the statement of comprehensive income for the financial year 2010.

InterOil entered in 2010 two new bank loan facilities with Citibank N.A. in total amount of USD 90 million. Interoil Peru S.A. borrowed USD 60 million, while Interoil Colombia E&P Inc. (BVI) borrowed USD 30 million. 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.
Following the unsuccessful offer by West Face from June 2010, the Board of InterOil announced its intention to raise NOK 317-444 million (USD 50-70 million) through a Private Placement. On August 5, 2010, the Board of InterOil called for an extraordinary shareholders meeting to resolve an equity issue. On August 23, 2010, the Company launched the Private Placement as well as issued a new Secured Bond Loan.

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 Placement Share through a book building process. Gross proceeds amounted to NOK 324 million (~USD 51 million).
The Private Placement was resolved partly through a board resolution of August 26, 2010, and partly by shareholders resolutions in the extraordinary shareholders meeting held August 26, 2010. The Board resolved to issue 4'815'711 shares to Eksportconsult AS and Kristen Jacobsen by way of debt conversion of NOK 50.7 million and USD 1.5 million respectively. The extraordinary shareholders meeting resolved to issue 21'104'289 Shares for cash contribution. The capital increase was registered with the Norwegian Register of Business Enterprises on August 31, 2010, and the company's share capital was consequently increased by NOK 1'296'000 from NOK 2'388'250. All issued shares are paid in full.

The proceeds from the Private Placement together with the proceeds from the new loans, was used to repay the former interest bearing liabilities, pay fees and other expenses incurred during the process and applied to working capital requirements and general corporate purposes.

Interoil's total assets as of 31 December 2010 amount to USD 182.8 million, and total cash and cash equivalents to USD 21.2 million. The equity ratio of the group was -26.5%.

As of December 31, 2010, the Group's liquidity situation is stressed. Compared to the expected useful life of the Group's oil & gas assets, the maturity of the interest-bearing debt are relatively short. In addition, significant amounts of cash has to be placed as collateral for the interest-bearing borrowings and on margin accounts related to the oil hedge agreements (described above), and thus restricted for the Group. As at December 31, 2010, USD 12.9 million of the Group's cash is restricted. In relation to the oil hedge agreements the Group is required to place collateral equal to

the difference between a collateral margin and the mark-to-market value of future pending hedge contracts. The collateral margin in Colombia and Peru is USD 15.0 million and USD 40.0 million respectively. No funds are tied up on margin accounts in Peru or Colombia as of year-end 2010. After year-end, as of approval of the annual report, USD 11.5 million is placed on the margin account as collateral related to the Colombian agreement.. From May 1, 2011, the collateral margin in Peru will be reduced from USD 40.0 million to USD 20.0 million which, depending on the development in the oil price (the mark-to-market value of the hedge contracts are measured towards the WTI), might result in increased funds being tied up on margin accounts.

Due to the stressed liquidity situation the Group will need to negotiate with banks to reduce cash tied up in restricted accounts or complete refinancing alternatives in combination with improving its operational performance to generate sufficient cash-flow for working capital needs and debt service in 2011.

As at 31 December 2010 the Group is in breach with the minimum daily average production covenant in the USD 60 million loan agreement with Citibank Peru. Today's production is above the minimum daily average production covenant and the Group is in an ongoing dialog with Citibank. As a consequence of the breach, the loan has been classified as current in accordance with IFRS. Further, due to existence of cross default clauses, the USD 30 million loan agreement with Citibank Colombia and the NOK 310 million bond loan has in accordance with IFRS been classified as current

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.

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 8.8), 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.

1.15 Significant changes after 31 December 2012

Other than as set out below, there have been no significant changes in the financial or trading position of the Group following 31 December 2012:

January 2013 :
Anne Grethe Ellingsen was elected to chair the Board.
Mr Erik Sandøy was reinstated as CFO and Thomas J. Fjell was appointed as CEO.
The company relocated to new offices in Klingenberggaten 7b, Oslo, in connection with the overhead cost reduction program.

The service agreement between Interoil and Eksportconsult AS/Mårten Rød was terminated with immediate effect.

A new governance structure was implemented and a cost reduction program of USD 10 million per annum was initiated.

A review of all related party transactions for the last three years is being conducted by Ernst & Young.

The Minister of Energy and Mines in Peru has announced in the business newspaper Gestion, that he will implement regulations to promote the continuity of, among others, Interoil Peru's concession in Blocks III and IV in Peru.

Further the Agency of the Environmental Supervision and Control in Peru has informed Interoil Peru that it will start an administrative investigation procedure against IOX due to the drilling of 4 wells outside the locations approved by the Agency. The wells were drilled within Interoil Peru's license area and have had no detrimental effects on the surrounding environment or third parties. The Agency may impose a fine or suspension of production from the relevant wells. Interoil Peru is of the opinion that the Agency has no grounds to impose a fine or to suspend production from the wells and are working closely with the Agency to resolve the issue.

February 2013:
Interoil Colombia signed a binding agreement with Trayectoria Oil & Gas, to divest the Altair and Cor-6 exploration licenses in Colombia. The transaction is subject to approval from local banks, bondholders and ANH. The process to farm-out/divest the LLA-47 exploration asset is on-going. The divestment process of the Colombian production assets was terminated.

Interoil completed the restructuring described in section 4.1-4.2.

1.16 Capitalization and indebtedness

The tables below set 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.

Amounts in USD 1 000 Indebtedness	As of 31 December 2012	Adjustments	Adjusted 31 December 2012
Total current financial debt	**79 009**		**79 009**
Guaranteed			
Secured	67 899		67 899
Unguaranteed/unsecured	21 252		21 252
Total non-current financial debt	**16**		**16**
Guaranteed			
Secured			
Unguaranteed/unsecured	16		16
Total indebtedness	**79 025**		**79 025**
Invested equity attributable to shareholders of the company	90 985	33 000	123 985
Minority interests	-		-
Total equity	**90 985**	**33 000**	**123 985**
TOTAL capitalization	**170 010**	**33 000**	**203 010**

*The Secured current debt consist of an oil hedge contract between Interoil Exploration & Production Colombia BVI and Citibank, which has first lien on all assets in Colombia; the Colpatria loan USD 13,5 million, which has a second pledge on all assets in Colombia; and the Senior Secured Bond Loan, which has a first pledge on the shares of Interoil E&P Latin America AS, the owner of the shares in the subsidiaries in Colombia and Peru.

All the secured debt is classified as current, due to covenant breaches.

The adjustments are the USD 35 million equity issue, less fees to financial and legal advisors of an estimated USD 2 million.

Amounts in USD 1 000	As of 31 December 2012	Adjustments	Adjusted 31 December 2012
A. Cash	10 203	33 000	43 203
B. Cash equivalent	0		0
C. trading securities	0		0
D. Liquidity (A) +(B) + (C)	**10 203**	**33 000**	**43 203**
E. Current Financial Receivable	**0**	**0**	**0**
F. Current Bank debt	17 860		17 860
G. Current portion of non current debt- Bond	8 061		8 061
H. Other current financial debt	4 392		4 392
I. Current Financial Debts (F) + (G) + (H)	**30 313**		**30 313**
J. Net Current Financial Indebtness (I)– (E) –(D)	**20 110**	-33 000	**-12 890**
K. Non current Bank loans	3 391		3 391
L. Bonds Issued	45 321		45 321
M. Other non current loans	16		16
N. Non current Financial Indebtness (K) + (L) + (M)	**48 712**	0	**48 712**
O. Non current financial assets			**0**
Net financial Indebtness (J) + (N)– (O)	**68 822**	**-33 000**	**35 822**

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 31 December 2012.

Amounts in 1000	**NOK**	**USD**
Sources	200 550	35 000
Private Placement - cash	**200 550**	**35 000**
Total sources		
Uses:		
Funding of drilling program Colombia	114 600	20 000
Refinancing fees	11 460	2 000
Increased working capital	74 490	13 000
Total uses	**200 550**	**35 000**

NOK/USD figures based on exchange rate of 5,73 (14 March 2013)

After 31 December 2012 based on the equity issue, 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	**2013**	**2014**	**2015**	**2016**
Colpatria Loan USD 13,5 million	6 750	3 375		
Unsecured Loans Colombia*	11 109	16		
Senior Secured bond loan				53 382
Final installment Proseis				5 600
TOTAL	17 859	3 391		58 892

Exchange rate of 6.3478 applied

* USD 10,3 million of the Unsecured loans in Colombia are short term loans that are extended as they mature. Interoil expects to keep USD 10 million of unsecured debt until 2016. The remaining USD 854 000 relates to leasing that matures in 2013.

As of 31.12.12 the group has bank deposits of USD 10.2 million, whereof USD 5.6 million is classified as restricted and placed as collateral for the interest-bearing borrowings. Bank deposits are mainly denominated in USD, NOK and COP.
The company has no unused credit facilities.

The interest coverage ratio as of 31.12.12 is 0.3, and the equity ratio is -96.8% which is below the Group's objectives for managing capital. The equity issue and the cost reduction progamme together with the new corporate model is initiated to improve the capital structure.

As of the date of the prosepectus, the group has restricted cash of USD 5.6 million. In addition, the group has approximately USD 34 million of cash on hand. The equity issue has strengthened the capital structure of the company and substantially improved liquidity. The company is now fully financed.

1.17 Major Shareholders and related party transactions

1.17.1 Major Shareholders

The table below shows the 20 largest shareholders in Interoil at the date of the prospectus. The table does not include the 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 10.7).

Following the Private Placement the following investors have disclosed more than 5% of the share capital based on the new number of shares outstanding after the Private Placement:

- Warwick Capital Partners LLP held 19,994,200 shares equal to 8.07% of the share capital.
- Storebrand Fondene AS held 18,246,900 shares equal to 7.36% of the share capital.
- Coltrane Master Fund LP held 17,170,000 shares equal to 6.95% of the share capital.

Rank	Investor	Shares	% of total
1	EKSPORTCONSULT AS	11,782,816	24.7%
2	RAKILA PROPERTIES LIMITED	11,007,816	23.0%
3	TRAFALGAR AS	4,400,000	9.2%
4	MORGAN STANLEY & CO LLC	3,838,771	8.0%
5	JPMORGAN CHASE BANK	3,000,000	6.3%
6	JP MORGAN CLEARING CORP.	2,795,168	5.9%
7	GOLDMAN SACHS INT. - EQUITY -	2,111,460	4.4%
8	AVANZA BANK AB	1,639,114	3.4%
9	PERRUCCI	775,000	1.6%
10	BETCO SA	706,900	1.5%
11	CITIBANK NA NEW YORK BRANCH	510,301	1.1%
12	LAGOSTENA	389,750	0.8%
13	WILLUMSEN	264,000	0.6%
14	BNYMTD (UK)LTD TRUSTEE HOLLY FUND	200,000	0.4%
15	HFA CONSULT AS	200,000	0.4%
16	AULIE	161,200	0.3%
17	MP PENSJON PK	160,000	0.3%
18	SIX SIS AG	127,200	0.3%
19	JUSTNES REDERI AS	113,965	0.2%
20	NORDNET PENSJONSFORSIKRING	110,368	0.2%
	Total 20 largest	**44,293,829**	**92.7%**
	Others	3,471,171	7.3%
	Total	**47,765,000**	**100.0%**

1.17.2 Transactions with related parties

All agreements with shareholders were cancelled as part of the re-focusing of the Company but the following is an overview of fees paid out to related parties over the last years.

All numbers below are rounded to nearest thousand.

Fipenta SA
As of the date of this Prospectus, all consultancy agreements with Fipenta SA have been cancelled.

Interoil has had a consultancy agreement with Fipenta SA, an entity owned by board member Gian Angelo Perrucci. The consultancy is related to business development including seeking production and exploration opportunities, acquisitions and joint venture negotiations. Fees paid to Fipenta SA have been charged as an expense with USD 234 000 for 2012 (2011: USD 240 000, 2010: USD 280 000, 2009: USD 330 000).

Eksportconsult AS
As of the date of this Prospectus, all consultancy agreements with Eksportconsult AS have been cancelled.

Interoil has had an agreement with Eksportconsult AS, controlled by the former Chairman of the Board, Mårten Rød, entitling Eksportconsult to a monthly fee of USD 20 000. The agreement was amended in March 2010 to a monthly fee of USD 25 000. The fee was paid for services equaling 10 working days per month. In April 2012 Eksportconsult agreed with the Board for a monthly fee of NOK 375 000 (Approximately USD 67 000) for 2011 and 2012. The fee was paid for services

equaling 25 working days per month. In total fees to Eksportconsult, have been charged as an expense of USD 1 412 000 for 2012 (2011: USD 301 000, 2010 : USD 295 000, 2009 : USD 239 000). The fee was related to business development and advice in finance and corporate matters. Travel has been charged as an expense of USD 183 000 for 2012, (2011: USD 277 000).

Further, Eksportconsult currently sublets office locations from the Company at the Company's registered office address. Net office rent from Eksportconsult for 2012 was USD 34 000 (2011: USD 34 000, 2010: 35 000). This agreement has been terminated by Interoil, however the termination has been disputed by Eksportconsult AS.

The tax claim pertaining to related parties, the amount owed to Eksportconsult with a total of NOK 50.7 million including interest, was repaid in full through debt conversion in the private placement on 26 August 2010 based on an authorization granted to the Board of Directors by a shareholders meeting on 27 May 2009. In December 2011 the court ruled in favour of Eksportconsult and Force Capital Partners in the tax claim from 2008. In accordance with the settlement agreement between Interoil and Eksportconsult the Group received a net amount of NOK 45.2 million. See tax claim explanation below.

Force Capital Partners

As of the date of this Prospectus, all consultancy agreements with Force Capital Partners have been cancelled.

The consultancy agreement with Force Capital Partners (owned by Nils Trulsvik, former Managing Director of the Company until 28th January 2010, and current member of the board) expired 1 March 2012. Nils Trulsvik received NOK 250,000 per month for services equaling 10 working days per month. Total fees paid to Force Capital Partners, have been charged as an expense of USD 26 000 for 2012 (2011: USD 170 000, 2010: USD 369 000). The fee is related to advice in business development and advice relating to finance and corporate finance matters.

The tax claim pertaining to related parties, the amount owed to Force Capital Partners, with a total of NOK 8.6 million including interest, was settled in full after the refinancing of the Company during the second half of 2010. In December 2011 the court ruled in favour of Eksportconsult and Force Capital Partners in a tax claim from 2008. In accordance with the settlement agreement between Interoil and Force Capital Partners the Group received a net amount of NOK 7.5 million. See tax claim explanation below.

JL & Partners AS

As of the date of this Prospectus, all consultancy agreements with JL & Partners AS have been cancelled.

Fees paid to JL&Partners, 50% owned by shareholder and financial advisor Kristen S. Jakobsen, have been charged as an expense of USD 171 000 for 2012 (2011: USD 178 000, 2010: USD 169 000, 2009: 163 000). The fee is related to advice in business development, financing, capital structure, strategic investments and ownership issues.

For 2010, a success fee of USD 1.7 million has been paid and charged as an expense in accordance with the consultancy agreement regarding the refinancing of Interoil's debt and equity issue performed during second half of 2010.

Trafalgar AS

For 2010 a fee of USD 1.6 million was paid to Trafalgar, owned by shareholder and financial advisor Kristen S. Jakobsen, in relation to services performed in connection with the financial restructuring of Interoil performed during second half of 2010.

Kristen S. Jakobsen

In relation to the refinancing of the Group in 2010 Mr. Jakobsen extended a loan of USD 1.5 million. The loan agreement of the USD 1.5 million was entered into on 27 July 2010 at interest of 15% per annum. The total loan was converted into equity in a private placement on 26 August 2010 based on an authorization granted to the Board of Directors by a shareholders meeting on 27 May 2009.

Meyer Lustenberger

Fees paid to Meyer Lustenberger, the company where former board member Patricia Guerra is one of the partners, have been charged as an expense of USD 42 000 for 2012 (2011: USD 0, 2010:

USD 8 000, 2009: USD 3 000. The charged fees relates to legal services performed on behalf of the Group in connection with the tax claim pertaining to related parties.

Marine Subsea AS
Fees paid to Marine Subsea AS, indirectly 47% owned by former chairman of the board, Mårten Rød and former board member, Gian Angelo Perrucci have been charged as an expense of USD 0 for the year 2012 (see AOS below), (2011: USD 578 000, 2010: USD 144 000, 2009: USD 0). The fees are related to consultancy work within strategy, finance, legal and secretary services performed by Marine Subsea personell.

Interoil charged Marine Subsea USD 0 for 2012 (2011: USD 477 000, 2010: USD 135 000, 2009: USD 27 000) in fees for consultancy work performed by Interoil personell and USD 0 for 2012 (2011: USD 136 000, 2010: USD 135 000) for rent of office space.

Marine Subsea AS filed for bankruptcy in December 2011. The administrator has claimed Interoil to refund the rent deposit. Total amount is USD 85 000. The amount was set off against another receivable.

AOS Norway AS
Following the bankruptcy of Marine Subsea AS, in December 2011, three employees were transferred to a newly incorporated company called African Offshore Services AS. This was a management company for the Cyprus-based AOS Group, owned by former chairman of the board Mårten Rød, and former board members Gian Angelo Perrucci and Kristen S. Jakobsen. Current CEO Thomas J. Fjell was owner of the management company African Offshore Services AS until the company was sold to the Cyprus-based AOS Group in June 2012.

The management company provided services to Interoil through work performed by Mr. Fjell, relating to strategic and legal services. African Offshore Services charged Interoil USD 320 000 for these services for the year 2012.

Interoil also provided services to African Offshore Services through work performed by Interoil personnel, including current CFO Erik Sandøy. Interoil charged African Offshore Services USD 190 000 for these services for the year 2012. In addition, Interoil charged African Offshore Services for rent of office space, of USD 208 000 for the year 2012.

All services and rent for office space were provided at cost.

Delia Revoredo Marsano De Mur
Fees paid to Delia Revoredo Marsano De Mur, an advisor to the company and the wife of board member of Interoil Peru and General Manager for Interoil Peru, Jaime Mur, have been charged as an expense of USD 193 000 for 2012 (2011: USD 63 000). The fees relates to legal services performed on behalf of the Group in Peru.

Jaime Mur Campoverde
A success fee agreement regarding the license extension in Peru for Jaime Mur Campoverde, the General Manager and a board member of Interoil Peru, is signed for USD 3.5 million. Monthly payments of USD 40 000 reduce the total fee. Fees charged as an expense for 2012 is USD 320 000. Interoil and Mr. Campoverde have entered into discussion to replace the cash success fee with an alternative incentive agreement which is in line with the company's new corporate governance practice.

The tax claim
Interoil 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. 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 44.8 million to Eksportconsult AS and NOK 7.5 million 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.

(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.

(x) The amount owed to Eksportconsult, a total of NOK 50.7 million, has been repaid through debt conversion in the Private Placement in 2010. The amount owed to Force Capital Partners, a total of NOK 8.6 million was paid in October 2010.

(xi) On October 14th, 2011, Borgarting court of appeal concluded that the previous tax assessment conducted by the Norwegian Tax Administration in 2008 was too high and that a new tax must be calculated.

(xii) Eksportconsult and Force Capital Partners repaid NOK 45.7 million and NOK 7.5 million respectively. This reflects 90% of the sums rewarded by NTA.

1.18 Additional information

1.18.1 Share capital and shareholder matters

The Company's registered share capital is NOK 12,388,250 consisting of 247,765,000 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, Dronning Eufemias gate 30, 0191 Oslo, Norway.

1.18.2 Articles of Association

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

1.18.3 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 Klingenberggaten 7b, 0161 Oslo, Norway. The documents are also available on the Company's website www.Interoil.no

- the Articles and Memorandum of Association of the Company
- Interoil's annual reports for 2011, 2010 and 2009
- Interoil's interim financial reports for the period 2009-2012
- 2012 Annual Statement of Reserves and the Company's Articles of Association

1.18.4 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. 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.

Prospective investors should therefore carefully consider the relevant risk factors relating to the Group and its business, and the suitability of an investment in the securities of the Company. Prospective investors should consult their own expert advisors.

An 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.

The list and descriptions of certain material risk factors below is not, and is not intended to be, exhaustive. 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.

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 guidelines of the SPE/WPG/AAPG/SPEE Petroleum Resources Management System. The use of this system is approved by Oslo Børs as stated in the Circular 9/2009 "Listing requirements and disclosure requirements for oil and natural gas companies". 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. In this respect, it should be especially noted that the discharge of hydrocarbons or other pollutants may give rise to significant liabilities.

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 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 but the Company expects to continue production under a Force Majeure ruling by a court in Peru in 2012 until January 2016 for Block III and October 2014 for Block IV. 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. The expiries of the Colombian licenses vary from license to license, but the main producing Puli C license expires in 2028. See also section 5. Loss of profitable licenses 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, including environmental and tax regulation, which result in additional cost and risk for industry participants. Environmental concerns relating to the oil and gas 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 environmental regulation in the countries in which it operates in the future. No assurance can be given that new legislation – including but in no way limited to tax legislation -, or new interpretation of existing legislation, will not result in a curtailment of production or a material increase in the costs of the activities of the Company and the Group or otherwise adversely affect the Company's financial condition, results of operations or prospects.

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.

The former Chairman of the Company, Mårten Rød, has been charged with misappropriation of funds by The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). The charges are unrelated to the Company, and relates to Marine Subsea AS. The Company has initiated an independent review of related party transactions, see section 9.12 for further details.

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. However, such estimates may vary significantly from the actual costs of such cessation activities.

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 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 under its outstanding Interoil Exploration ASA 10/14 15,00% C NOK 310,000,000 bond loan, 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.

2.3.4 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 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.

The general meeting of the Company may also from time to time decide to waive the pre-emptive right to subscribe for new Shares in a specific offering.

2.3.5 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.

2.3.6 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. 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.

2.3.7 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 exploration and development of hydrocarbon reserves are highly capital intensive, and are associated with considerable uncertainty in terms of the relationship between budgeted costs and actual costs. The Company may therefore, from time to time, experience that the actual costs of one or more of its developments and/or undertakings are materially higher than the projected costs. The Company will also be required to make substantial capital expenditure for the acquisition of oil and gas reserves in the future.

The Company may hence 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 a bank facility is secured in the Colombian 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 the 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.

All material subsidiaries of the Company serve as collateral under the current Interoil Exploration ASA 10/14 15,00% C NOK 310,000,000 bond loan, and should the Company default on its obligations under this bond loan, the lenders may choose to accede their collateral in these companies.

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 and CII, 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.

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 British Virgin Islands. 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 licenses 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 licenses 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 Board of Directors of Interoil accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors 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 of this prospectus.

Oslo, 25 March 2013

Anne-Grete Ellingsen	Thor Kristian Haugnaess	Nils Trulsvik
Chairman	Board member	Board member

The Board of Directors of Interoil Exploration & Production ASA

3.2 Third-party information

Throughout this Prospectus, we have used industry and market data obtained from independent industry publications, market research, internal surveys and other publicly available information. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data. Similarly, while we believe that our internal surveys are reliable, they have not been verified by independent sources and we cannot assure you of their accuracy. Thus, we do not guarantee or assume any responsibility for the accuracy of the data, estimates, forecasts or other information taken from sources in the public domain. 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 Private Placement

This Section provides information on the Private Placement that was completed in 20 March 2013 for the purposes of the listing of the Private Placement Shares on Oslo Børs.

4.1 Background

Following the unsuccessful sales process of the Colombian assets, the Board of Interoil announced its intention to raise up to NOK 200 million through the Private Placement. The capital is deemed necessary by the Company in order to strengthen liquidity and develop the oil resources in primarily Colombia and secondarily Peru (provided a license extension).

4.2 Overview of the Private Placement

On 12 February, the Board of Interoil called for an extraordinary shareholders meeting to resolve an equity issue of up to NOK 275 million. The Private Placement was resolved by shareholders resolutions in the extraordinary general meeting held 5 March 2013. On 6 March 2013 the Company launched the Private Placement.

Private Placement Shares were offered to certain existing Shareholders and other qualified Norwegian and international investors. The Subscription Price was set at NOK 1.0 per Share through a book building process. Gross proceeds amounted to NOK 200 million. 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.

Based on the resolution by the extraordinary shareholders meeting and the book building process, the board decided to issue 200,000,000 Shares for cash. The pre-emptive rights for subscription of shares for the existing shareholders pursuant to the Norwegian Public Limited Companies Act Section 10-4 were set aside in order to achive the intention of compensation shareholders who had not been able to participate in the Private Placement.

4.3 Use of proceeds

The Private Placement was completed in conjunction with a restructuring of the Company's balance sheet and to enable a large development program in Colombia. The proceeds from the Private Placement will be applied towards improvement of working capital and fund the development program as well as fees and expenses. Surplus amounts following the use of proceeds as discussed above, will be applied to general corporate purposes. For further details see Section 8.9.1.

4.4 Private Placement - corporate resolutions

4.4.1 Board resolution

The Board of Directors resolved to issue 200,000,000 Shares at NOK 1 per share with par value NOK 0.05 per share in the Private Placement on 13 March 2013 based on the existing authorities granted by the shareholders' meetings (see below).

4.4.2 Shareholder resolutions

On 5 March 2013, the extraordinary shareholders meeting of the Company passed the following resolution (unofficial translation from Norwegian):

a) *The Company´s share capital is increased with a minimum of NOK 920,000 and a maximum of NOK 9,200,000 by issuance of up to 184,000,000 new shares, each share with a par value of NOK 0.05.*

b) *The shares shall be subscribed on a separate subscription form at the latest by the end of 13 March 2013 cf section 10-7 of the Public Limited Liability Companies Act by the individual investor, where each investor is allocated a number of shares determined by a unanimous board of directors in consultation with the Company's financial advisor within the frame of item (a) above against a subscription price per share as per item (d) below. The total size of the offering shall not exceed the NOK equivalent of USD 32,000,000, and will be finally determined by the board of directors in connection with the determination of the subscription price and allocation of shares. The board of directors may also use its authority to increase the share capital, so that the total offering will be a NOK amount not exceeding USD 35,000,000.*

c) The offering shall be made in individual sizes of at least EUR 100,000 cf section 7-4 of the Securities Trading Act, provided that members of the Company's board of directors and executive management may subscribe for a smaller subscription amounts.
d) The issue is directed to the public and existing shareholders preferential right to subscribe for new shares in pursuant to section 10-4 of the Public Limited Liability Companies Act is derogated from. Notwithstanding, the above, the board shall have the right to favor existing shareholders in the allocation of shares.
e) The board of directors is authorized to determine, following consultation with the Company's financial advisor, the subscription price per share within a lower limit of NOK 1 per share and an upper limit of NOK 10 per share.
f) Payment for subscribed shares shall be made within 19 March 2013. Payment shall be made to a separate account in the Company's name.
g) The private placement shall not be effectuated, or effectuated by a limit of USD 10,000,000, if, by the end of 13 March 2013 an offer for the acquisition of the Company or its subsidiaries is presented, that in the opinion of the board of directors will solve the Company's capital needs and enable the Company to pay the instalment and coupon on the Bond due on 14 March 2013.
h) Article 4 of the articles of association shall be amended to state the share capital, number of shares and par value following the private placement.

In addition the Company utilized the existing authority granted by the ordinary annual general assembly on 28 June 2011 whereby:

Proxy to the board of directors to increase the share capital:

i) In accordance with the Public Companies Act Section 10-14, the Board of Directors is granted authority to increase the Company's share capital by up to NOK 1,194,125. Within the limit the authority can be used more than one time.
j) The authority is valud until the ordinary general meeting 2013, however no longer than 28 June 2013.
k) 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.
l) The shareholders' pre-emption right under the Public Companies Act Section 10-4 can be waived.
m) 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.
n) The authority shall replace the authority resolved at the general meeting of 27 May 2009.

4.5 Share capital after the completion of the Private Placement

A total of 200,000,000 Shares were issued in the Private Placement based on the shareholders resolution described above.

The Company's share capital after the completion of the Private Placement is NOK 1,238,825 divided into 247,765,000 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 80.7%, as shown in the table below.

Old shares	Shares	Total
47,765,000	200,000,000	247,765,000
19.3%	80.7%	100.0%

4.7 Subscription Price

Following the close of the book-building process of the Private Placement, the Board of Directors, after consultation with the Lead Manager and Bookrunner, resolved to set the subscription price in the Private Placement to NOK 1.0 per Private Placement Share.

4.8 Allocation of Shares in the Private Placement

Allocation of Shares in the Private Placement was made by the Board of Directors on 13 March 2013, after consultation with the Lead Manager. Notice of allocation was sent to the investors 14 March 2013.

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 Shares. The share capital increase associated with the Private Placement, and the Private Placements Shares, were registered with the Norwegian Registry of Business Enterprises on 20 March 2013.

4.10 Proceeds and costs from the Private Placement

The gross proceeds from the Private Placement were NOK 200 million. The costs and expenses in associated with the Private Placement, to be borne by the Company, were approximately NOK 10 million. Net proceeds from the Private Placement were approximately NOK 190 million. 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 20 March 2013 under 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 PlacementShares were issued pursuant to the Norwegian Public Limited Companies Act. The Company's account manager is DnB NOR Bank ASA, Verdipapirservice, Dronning Eufemias gate 30, 0191 Oslo, Norway.

4.12 Managers

The Private Placement was managed by Pareto Securities as Lead Manager and Book-Runner with RS Platou Markets AS as Co-Manager. As of the date of the Prospectus, the Managers and its employees own 0 shares in Interoil.

4.13 Legal advisor

BA-HR has acted as Interoil's legal counsel in connection with the Private Placement.

5 Presentation of Interoil

5.1 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements that reflect our current views with respect to future events and financial and operational performance, including, but not limited to, statements relating to the risks arising from the current economic downturn, other risks specific to our business and the implementation of strategic initiatives, as well as other statements relating to our future business development and economic performance. The forward-looking statements are contained principally in Section 1 "Summary", Section 2 "Risk Factors", Section 5 "Presentation of Interoil", Section, 6 "Principal Markets. 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, forward-looking statements can be identified by the use of forward-looking terminology, including the terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" and similar expressions or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear in a number of places throughout this Prospectus and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, goals, objectives, financial condition and results of operations, liquidity, outlook and prospects, growth, strategies, impact of regulatory initiatives, capital resources and capital expenditure, return on capital, cost savings and dividend targets, and the industry trends and developments in the markets in which the Company operates.

Prospective investors in the shares are cautioned that forward-looking statements are not guarantees of future performance and that our actual financial position, operating results and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. We cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve and are subject to known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements as a result of:

- the impact of the global economic downturn;
- changes in general economic and industry conditions;
- the competitive pressure and changes to the competitive environment in general;
- the growth of our operations through continued investments or otherwise;
- our ability to maintain our current market positions;
- our ability to comply with the financial covenants in our financing agreements;
- political, governmental and regulatory changes or changes in political or social conditions;
- dependence on and changes in Management and key-employees;
- deterioration in our relationship with employees and work interruptions through employee actions or otherwise;
- changes in legal and regulatory environment;
- changes and fluctuations in interest rates and exchange rates;
- changes in industry;
- access to financing; and
- legal proceedings.

Should one or more of these risks and uncertainties materialise, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

The information contained in this Prospectus, including the information set out under Section 2 "Risk Factors", identifies additional factors that could affect our financial position, operating results, liquidity and performance. Prospective investors in the shares are urged to read all sections of this Prospectus for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

Except as required by law, the Company undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

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

5.2 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 3 production licenses and one exploration license in Peru and Colombia, and an exploration license in Ghana which Interoil intends to relinquish. The licenses in Peru and Colombia have been acquired through company acquisitions and bid-round for licenses (in Colombia).

The Company has a strong position as an oil producer in Peru and Colombia and will use this position to extract value from its operations in Peru and Colombia. Primarily the Company will focus on developing discovered reserves and resources by drilling production wells within its existing fields in Colombia, and secondly in Peru provided that a license extension is provided.

Interoil's current producing wells bear low maintenance costs and as such, the company will continue to produce even if the oil price were to decrease substantially. The Company's investment activity however, will be dependent on the oil price as well as other factors, including Government regulations and other operating expenses.

Interoil has offices in Oslo, Norway, Bogota, Colombia, Lima and Talara and in Peru. In addition Interoil has technical consultants on hire in Zürich, Switzerland.

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

5.3 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, petro-physics and reservoir engineering.
Q4 2006	• Signing of Blocks 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.

Date	Main Events
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 impaired all assets in Angola in the financial statement 2009 due to default notice from the operator.

Date	Main Events
Q2 2010	• The first commitment exploration well, Altair-1, discovered oil. • The second well on the Altair license was proven dry. • Altair-1 was set on Long Term Testing (LTT)
3Q 2010	• Interoil completed a larger refinancing where the Company raised USD 50 million in new equity and NOK 310 million in a secured bond. In that connection the Company also raised USD 90 million of bank debt in Colombia and Peru to fully refinance the debt.
4Q 2010	• During 2010, Interoil discovered oil in the San Luis field in Block 3 in Peru which added new production.
1Q 2011	• Interoil enters into a service agreement with Ecopetrol to operate the Totare Field located in the Armero license following license expiry December 31, 2011
2Q 2011	• Interoil is awarded 100 per cent operated WIs in exploration licenses COR-6 and LLA-47 in the 2010 Colombia Open Bid Round
1Q 2012	• Interoil won a court case regarding a tax payment of NOK 45 million which was reimbursed to Interoil.
1Q 2012	• Interoil entered into a service agreement with Ecopetrol to still operate the Toqui Toqui and the Puli B licenses following license expiry February 28, 2012
4Q 2012	• The board of directors called for an EGM to propose a new board with independent directors which was approved. Following the EGM a new management and governance structure was implemented with Mr. Thomas J. Fjell as CEO and Mr. Erik Sandøy as CFO. The new management team and board initiated a strategic re-focusing of Interoil which included a significant cost cutting program.
1Q 2013	• Interoil announced a sale of the Altair and Cor-6 exploration blocks for a consideration of USD 2 million, subject to bondholders and regulatory approvals.

5.4 Business idea and strategy

5.4.1 Business Idea

The Company is engaged in the acquisition, exploration, development and operation of oil and natural gas properties.

5.4.2 Strategy

Interoil's strategy is firstly to develop its existing resource base in Colombia. Interoil is of the opinion that it has a large inventory of drillable prospects with a large upside potential and has 68 low risk development drilling targets within the Puli C license. Secondly, Interoil is focused on obtaining permanent license extension for its operated blocks in Peru. 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-venturers. The Company applies the same standards to activities in all regions in which it operates to satisfy both commercial and ethical requirements and continuously strives to improve performance and to act in accordance with good oilfield practice and high standards of corporate citizenship.

5.5 Assets and resource overview

5.5.1 Asset overview

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

Country	Area (km2)	License	Interest	Operator	Partners	Fielding information
Colombia	72	Puli C	60-70%	Interoil	Ecopetrol	Producing onshore
	447	LLA-47	100%	Interoil	-	Exploration onshore
Peru	358	Block III	100%	Interoil	-	Producing onshore
	307	Block IV	100%	Interoil	-	Producing onshore
Ghana	80	Ebony Discovery Area	58.33%	Interoil	Al Thani	Exploration offshore

5.5.2 Reserves

The reserves of the Group are located in Peru and Colombia. As of 31 December 2012, Interoil's proven reserves ("1P") are 4.4 million barrels of oil equivalent ("mmboe") and the proven plus probable ("2P") reserves are 5.2 mmboe. This represents a decrease of 1.8 mmboe of the 1P reserves and a decrease of 2.2 mmboe in 2P reserves compared to 31 December 2011. As of 31.12.2010 the 1P reserves net to Interoil were 10.9 mmboe whereas the 2P reserves were 12.7 mmboe.

The equity production in 2012 amounted to 1.7 mmboe compared to 2.4 mmboe in 2011. The proved developed reserves decreased by only 0.7 mmboe to 3.4 mmboe due to development drilling in Peru and upwards reserve revisions.

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"[1] and have been audited by the independent petroleum engineering firm of Gaffney, Cline & Associates Inc. (with address 1300 Post Oak Boulevard, Suite 1000 Houston, Texas 77056). The reserve statements prepared by Gaffney, Cline & Associates Inc. in this respect have been prepared at the request of Interoil and have been incorporated by reference in this Prospectus, with the consent of Gaffney, Cline & Associates Inc.

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. The latest Annual Statement of Reserves was published on 11th February 2013. The reserve report was carried out by Gaffney, Cline & Associates Inc. See section 15.3.

Quantitative Information

A summary of the 1P and 2P reserves per country as per 31 December 2012 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 net equity 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.

[1] 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 31.12.2012

	1P reserves					2P reserves				
	Gross					Gross				
	Oil	Gas		Interest	**Equity**	Oil	Gas		Interest	**Equity**
	mmbbl	Bcf	mmboe	%	**mmboe**	mmbbl	Bcf	mmboe	%	**mmboe**
Colombia	2.6	10.5	4.5	65%	2.9	2.7	10.5	4.6	65%	3.0
Peru	0.2	0.0	0.2	100%	0.2	0.2	0.0	0.2	100%	0.2
Total	**2.7**	**10.5**	**4.7**		**3.1**	**2.8**	**10.5**	**4.8**		**3.2**

Developed Non-Producing Reserves as of 31.12.2012

	1P reserves					2P reserves				
	Gross					Gross				
	Oil	Gas		Interest	**Equity**	Oil	Gas		Interest	**Equity**
	mmbbl	Bcf	mmboe	%	**mmboe**	mmbbl	Bcf	mmboe	%	**mmboe**
Colombia	0.6	3.4	1.2	65%	0.8	0.7	3.8	1.5	65%	0.9
Peru	0.0	0.0	0.0	100%	0.0	0.0	0.0	0.0	100%	0.0
Total	**0.6**	**3.4**	**1.2**		**0.8**	**0.7**	**3.8**	**1.5**		**0.9**

Non-Developed Reserves as of 31.12.2012

	1P reserves					2P reserves				
	Gross					Gross				
	Oil	Gas		Interest	**Equity**	Oil	Gas		Interest	**Equity**
	mmbbl	Bcf	mmboe	%	**mmboe**	mmbbl	Bcf	mmboe	%	**mmboe**
Colombia	0.6	0.7	0.8	65%	0.5	1.4	1.7	1.7	65%	1.1
Peru	0.0	0.0	0.0	100%	0.0	0.0	0.0	0.0	100%	0.0
Total	**0.6**	**0.7**	**0.8**		**0.5**	**1.4**	**1.7**	**1.7**		**1.1**

Total Reserves as of 31.12.2012

	1P reserves					2P reserves				
	Gross					Gross				
	Oil	Gas		Interest	**Equity**	Oil	Gas		Interest	**Equity**
	mmbbl	Bcf	mmboe	%	**mmboe**	mmbbl	Bcf	mmboe	%	**mmboe**
Colombia	3.8	14.6	6.5	65%	4.2	4.8	15.9	7.8	65%	5.0
Peru	0.2	0.0	0.2	100%	0.2	0.2	0.0	0.2	100%	0.2
Total	**3.9**	**14.6**	**6.7**		**4.4**	**4.9**	**15.9**	**8.0**		**5.2**

Notes: mmboe = million stock tank barrels of oil equivalent
Gross reserves are Operated Reserves
Equity reserves: Colombia — Net after Royalty — Royalty is taken in kind
Peru — Net before Royalty — Royalty is paid in cash
Working interest per license reported are averages
Gas converted to barrel oil equivalent is based on 5300 standard cubic feet of gas equals 1 boe

Aggregate Reserves, Production, Developments and Adjustments

(mmboe)	1P reserves				2P reserves			
	Developed Producing	Developed Non-Producing	Non-Developed	Total	Developed Producing	Developed Non-Producing	Non-Developed	Total
Reserves at 31.12.2011	**4.1**	**1.0**	**1.1**	**6.2**	**4.2**	**1.2**	**2.1**	**7.4**
Production	-1.7			-1.7	-1.7			-1.7
Acquisition/disposals				0.0				0.0
Extension & Discoveries				0.0				0.0
New developments	0.1		-0.1	0.0	0.1		-0.1	0.0
Transfer to/from Contingent Resources		-0.3	-0.6	-0.9		-0.3	-0.7	-1.0
Revisions	0.6	0.1	0.0	0.7	0.6	0.0	-0.2	0.5
Total Changes	-1.0	-0.2	-0.7	-1.9	-1.0	-0.3	-1.0	-2.2
Reserves at 31.12.2012	**3.1**	**0.8**	**0.5**	**4.4**	**3.2**	**0.9**	**1.1**	**5.2**

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

5.5.3 Contingent resources

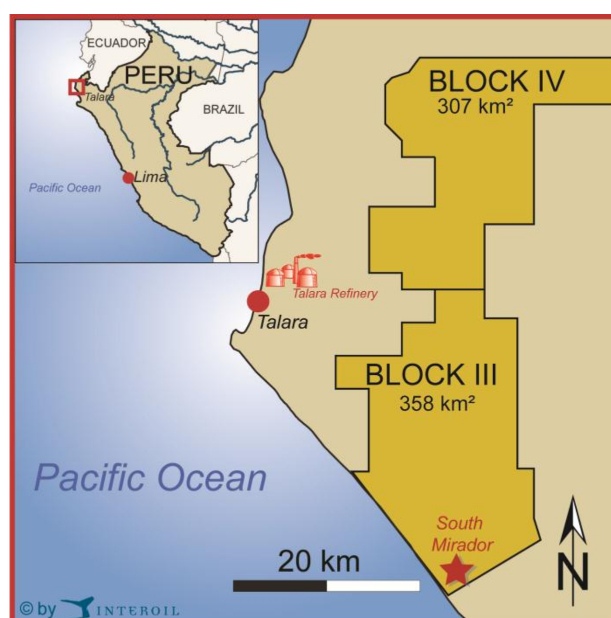
Interoil has made its own estimates on contingent resources. In Colombia, the company estimates that there are 7.3 million barrels of oil. Of this, 1.8 million barrels of oil are expected to be only contingent on funding, while the remaining 5.5 million barrels of oil are contingent on drilling commercial wells.

In Peru, the company estimates that 2 million barrels are contingent on the company carrying on producing according to the force majeure injunction, until October 2014 and March 2016. The company believes there are 18.3 million barrels of oil that would be converted to 2P reserves following a 10 year license extension on blocks III and IV.

5.6 Peru

5.6.1 Introduction to Interoil Peru

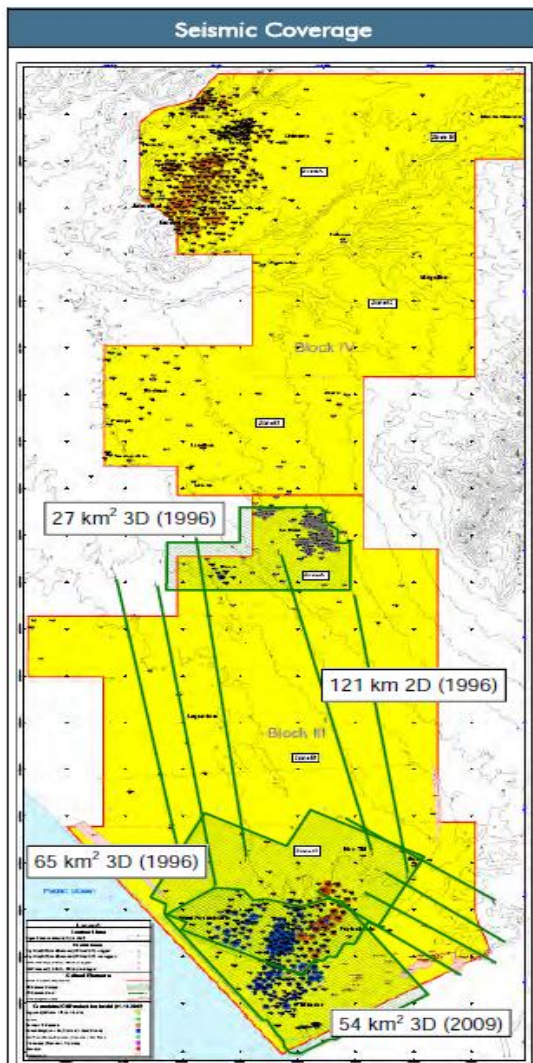
In Peru Interoil's activities and assets are held by Interoil Peru SA and North Oil SAC. Interoil Peru SA operates and is sole interest owner of Blocks III and IV which are located in the Talara Basin North-west in Peru. The desert landscape of Block III and IV is close to the Pacific Ocean and a number 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 178 as of 31.12.2012, and are located in Lima and Talara.

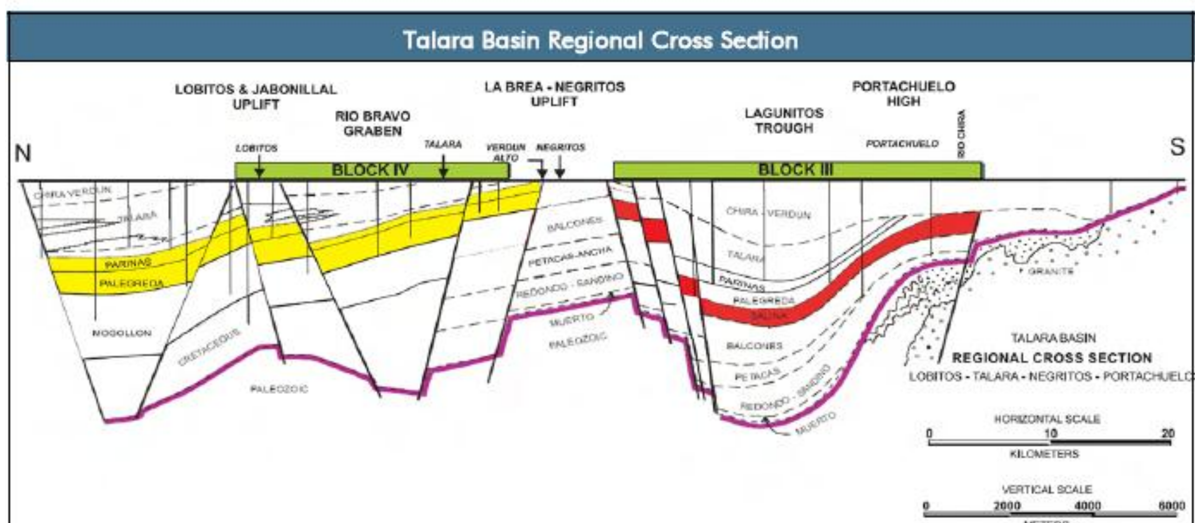


Interoil's average net production before royalties in January 2013, was 2'757 bopd, which is an decrease of approximately 300 bopd compared to the average production in 2012. Production in Peru is on natural decline since Interoil is not spending capital on new production capacity until the Company is granted a permanent license extension. 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.

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. Currently there are approx. 430 wells in production on Interoil's two blocks in Peru. Royalty rate is on a sliding scale which at prevailing oil price is 49% for produced oil whereas corporate tax rate is 30%.

The oil from both blocks are transported to the nearby Talara refinery by pipelines, which ensures marginal transportation costs.





5.6.2 Legal and environmental conditions

Peru operates under an Organic Hydrocarbon Law which aims to regulate the hydrocarbons exploration and exploitation activities at the national level, in order to get the maximum efficiency recovery of hydrocarbon reservoirs, within the conditions for safe operation and environmental protection.

The Ministry of Energy and Mines (MINEM) is the governing body of energy and mining sector, and is responsible for planning, approval, propose and implement the policy of the Sector as well as dictate other relevant rules.

Perupetro is the state company of private law of the energy and mining sector responsible for promoting, negotiate, conclude and monitor in its quality of contracting party, the exploration and exploitation activities in the framework of contracts signed under the Law Nº 26221 or Law Decrees Nº 22774 and Nº 22775.

Every oil company must be duly qualified by Perupetro S.A., to start negotiating a contract. In the case of oil companies interested in signing evaluation agreements, they must submit to the general management of Perupetro S.A. the documentation which proves their technical, legal, economic and financial capacity for the compliance with the obligations to be assumed upon signing such agreement.

License contracts and services contracts are entered by Perupetro S.A. with the contractor and for which the contractor obtains authorization to explore and exploit or exploit hydrocarbons in the contract area or such related activities, in which merit Perupetro S.A. transferred to the contractor the right to ownership of hydrocarbons extracted, who in turn must pay a cash royalty to the state.

Before starting any hydrocarbons activity likely to cause environmental impacts, such as seismic exploration, drilling of exploratory and development wells, construction of production facilities, etc., it is necessary that the operating company elaborates an environmental assessment that evaluates and determines the prevention, minimization, mitigation and remediation of possible negative environmental impacts. Likewise, it specifies the management of waste and effluent that may arise during the project. For more information, see website of Perupetro SA, www.preupetro.com.pe

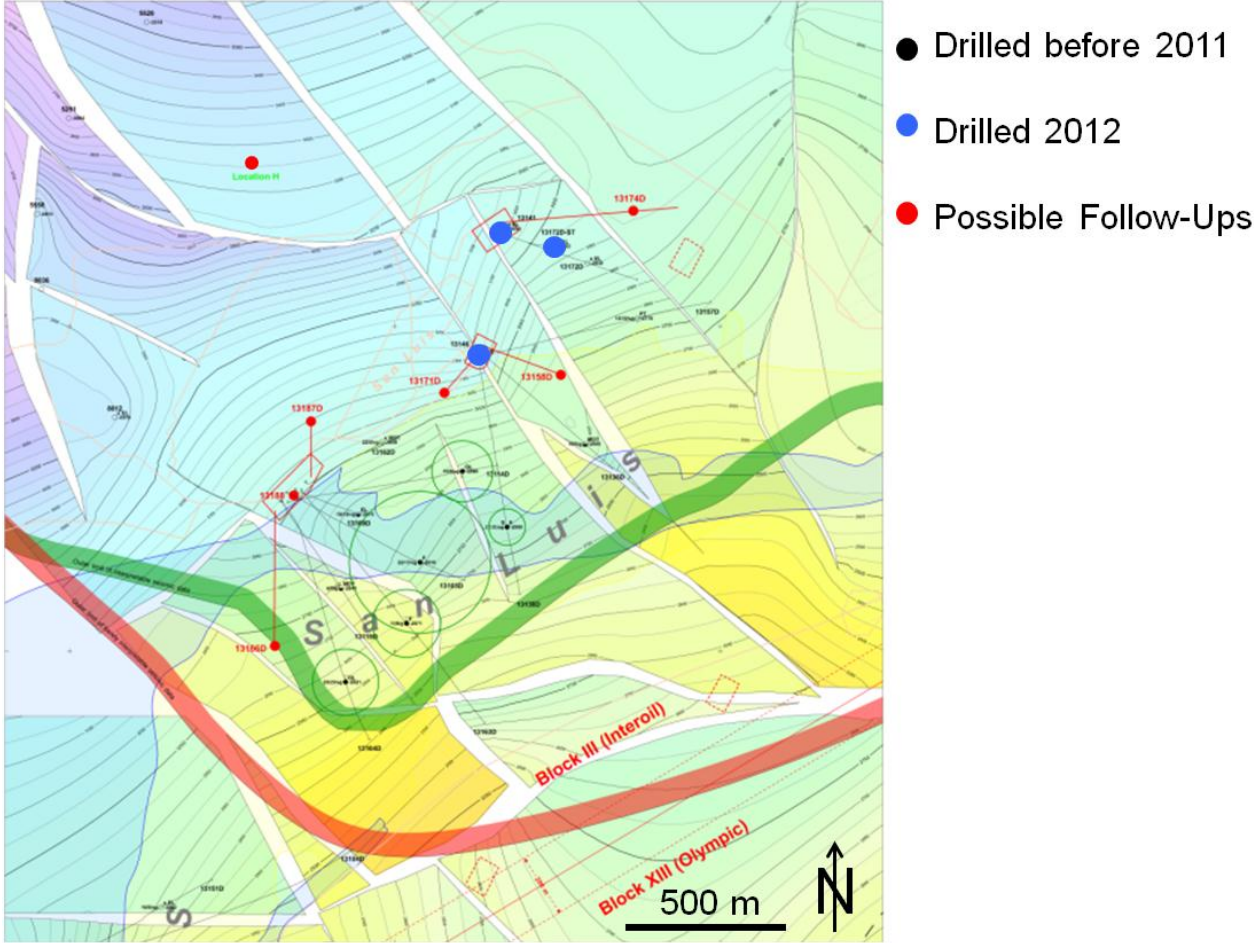
Interoil E&P Peru's licenses for blocks III and IV officially expired on 4th March 2013. Today the company operates under a "Froce Majeure" injunction granted by a court in Talara (Peru) in 2012, due to flooding of the blocks in 1998 as a result of the El Nino natural disaster. The injunction gives Interoil the right to negotiate an extension of Block III to January 2016 and Block IV to October 2014 through an arbitration court ruling (see Section 12.1.1 for further details). Otherwise, the company holds all permits and licenses required to operate the licenses, including all ISO certifications, environemental license from the Minister of Energy and Mines, and all land permits from land owners to drill additional wells in the existing fields.

5.6.3 Block III

Interoil has a working interest in Block III of 100%. Block III covers an area of 356 km2 and production from the block started as early as 1916. As of today approximately 490 wells have been drilled on the block, of which 42 have been drilled after Interoil acquired the block in 2005. Current production is from approximately 195 wells. There are three main production areas in Block III, all located in the southern part of the block: the Portachuelo Field, the Mirador Field and the San Luis Field, of which the highest production comes from the San Luis Field in the Southeast. In all of these fields, the sandstones of the Salina Mogollon are the main objectives. Interoil discovered the South Mirador Field mid 2008 and has developed it by drilling 18 wells and by establishing production facilities during the last four 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 years the field has depleted and current production in Block III is approximately 2'100 bopd.

In 2009, Interoil acquired a new 40 km2 3D seismic over the Southern part of Block III. The San Luis Field was identified by the 3D seismic in an area 1 km northeast of the South Mirador Field. At the end of July 2010 Interoil spudded an exploration well (13103D) which encountered the top of the main Salina Mogollon 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 an equivalent of 1'250 bopd. The gravity of the oil is 36° API, which represents good quality oil. This was an important new discovery for Interoil which led to an increased production during 2010-11. Since the discovery Interoil has drilled 13 wells on the San Luis Field. Several drilling locations have been defined and Interoil plans to further develop this field going forward, given license extension as discussed above. Interoil still has a large inventory of undrilled well locations in Block III due to the lack of capital to drill wells in the last years. Further investment to

drill new wells in Block III is contingent on obtaining a license extension. Below is a map of the San Luis drilling locations in Block III:

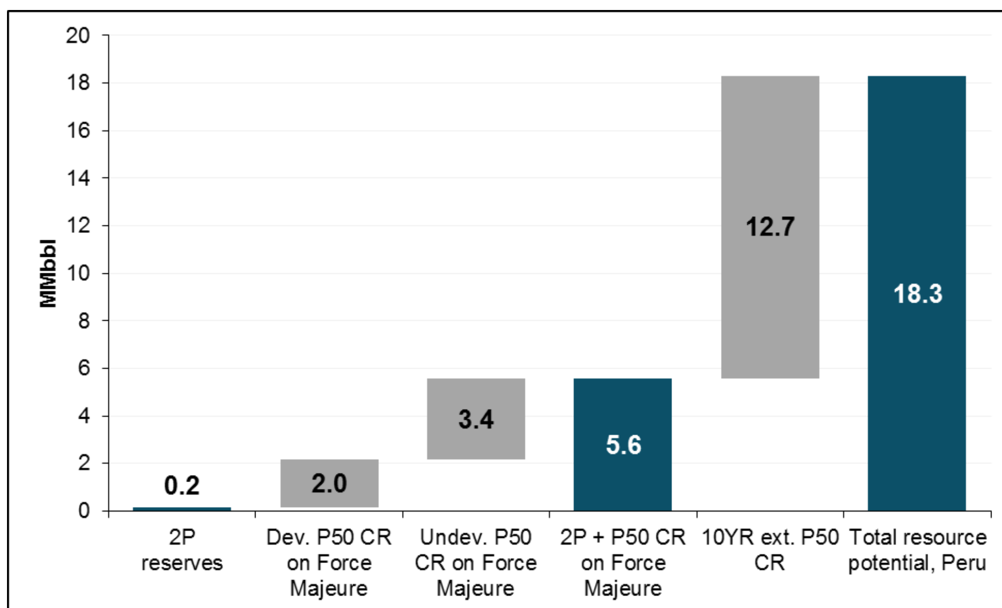


5.6.4 Block IV

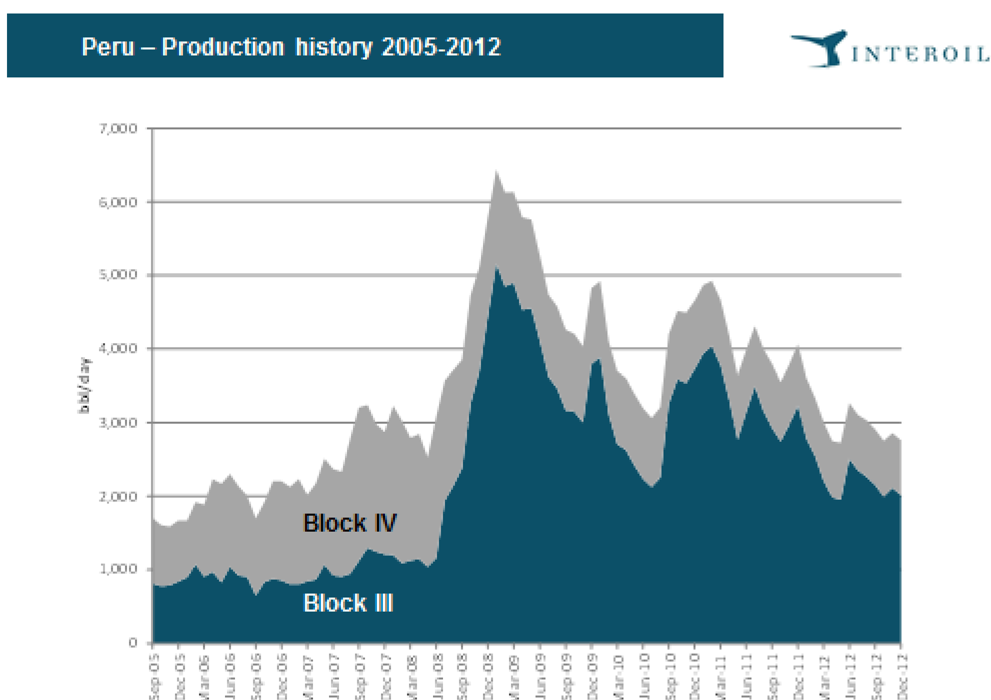
Interoil's working interest in Block IV is 100%. Block IV covers an area of 307 km^2 and production from the block started in 1951. The gross daily production today is approx. 750 bopd, while the peak production of approximately 4'000 bopd was obtained in 1962. As of today approx. 400 wells have been drilled on the block, of which 43 wells have been drilled after Interoil acquired the asset in September 2005. Current production is from approx. 235 wells. Most of the production in Block IV comes from the Parinas and Palegreda formations in the Alvarez and Bronco Fields Northwest in the block. Interoil intends to develop the Northern area where several well locations are defined and the plan is to drill these wells pending license extension.

5.6.5 Peru - Reserves and resources

Interoil has only 0.2 mmboe of certified 2P reserves in Peru due to the upcoming license expiry in March 2013. In 2012, a local court in Talara granted Interoil a "force majeure" injunction due to flooding of the blocks in 1998 as a result of El Nino. The injunction gives Interoil the right to negotiate an extension of Block III to January 2016 and Block IV to October 2014. Provided that Interoil can continue production during the force majeure period, the Company expects it will add 2 mmbbl of developed contingent resources plus 3.4 mmbbl of undeveloped P50 contingent resources. 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 18 MMboe of 2P reserves, according to the Company's estimates, which as per today is classified as contingent resources.



5.6.6 Peru – Historical production 2005-12



5.7 Colombia

5.7.1 Introduction to Interoil Colombia

Interoil Colombia is an active operator in the Colombia upstream oil and gas industry with a diversified portfolio of operated production, development and exploration assets. The Company is a limited liability corporation registered on the British Virgin Islands ("BVI") operating through the Colombian Branch. The Company is a 100 per cent ultimately owned subsidiary of Interoil Exploration & Production ASA.

Interoil Colombia has its main office in Bogotà with operations in the Middle Magdalena Valley and in the Llanos basin. Interoil Colombia is a fully integrated company and has a management, staff

and technical team covering all aspects of operating oil and gas exploration and production. As of 31.12.2012, Interoil Colombia employs 87 staff of which 73 personnel are operative within the Production and Operations department, handling the production and conducting field operations and maintenance. The exploration department consists of four employees, in addition a total of 30 personnel are involved in administration and back office positions. As is customary in the industry, Interoil Colombia engages temporary personnel to supplement during peak workloads.

The producing licenses cover a total area of 72 km^2 and are located in the Rio Magdalena basin. The producing licenses are all part of the Puli C Block and include three active association contracts: Ambrosia, Mana and Rio Opia. Corporate tax rate in Colombia is 33%.

Interoil expects to continue producing on its licenses until they expire in 2027 and 2028 (production licenses).

Status	Block	Association contract	Operator	Gross acres	Interoil WI	Expiration date	Oil royalty
Production							
	Puli C	Mana	Interoil	13,000	70%	Nov. 2028	8%
		Rio Opia	Interoil	998	70%	Jun. 2028	8%
		Ambrosia	Interoil	3,800	60%/70%[1)]	Dec. 2027	8%
Exploration							
	LLA-47	N/A	Interoil	110,500	100%	Feb. 2015 [3)]	8%[4)]

Notes: 1) Sismopetrol S.A. owns 14 per cent in the AMB-1 well, and 7 per cent in remaining existing wells in Ambrosia. For future wells in Ambrosia, Interoil Colombia holds a 70 per cent WI, however Sismopetrol have an option to participate with a 7 per cent WI. 2) Represents end of fourth exploration phase. 3) Represents end of first exploration phase. 4) In addition, LLA-47 carries an X Factor royalty of 15%, calculated net of royalty.

5.7.2 Environmental and legal conditions

In general, exploration licenses in Colombia are awarded through open bid rounds, where interested parties bid based on a combination of investment commitments and royalty rates. To be awarded a license, government (ANH) approval is required. Such approvals are dependent on amongst other things, current production in Colombia and bank guarantees for parts of the investment commitments. The ANH approval is in turn dependent on the company in question obtaining land permits for seismic from the land owners and environenmental licenses from the Minister of Mines to start drilling. For more information, see website of Agencia Nacional de Hidrocarburos (ANH): www.anh.gov.co

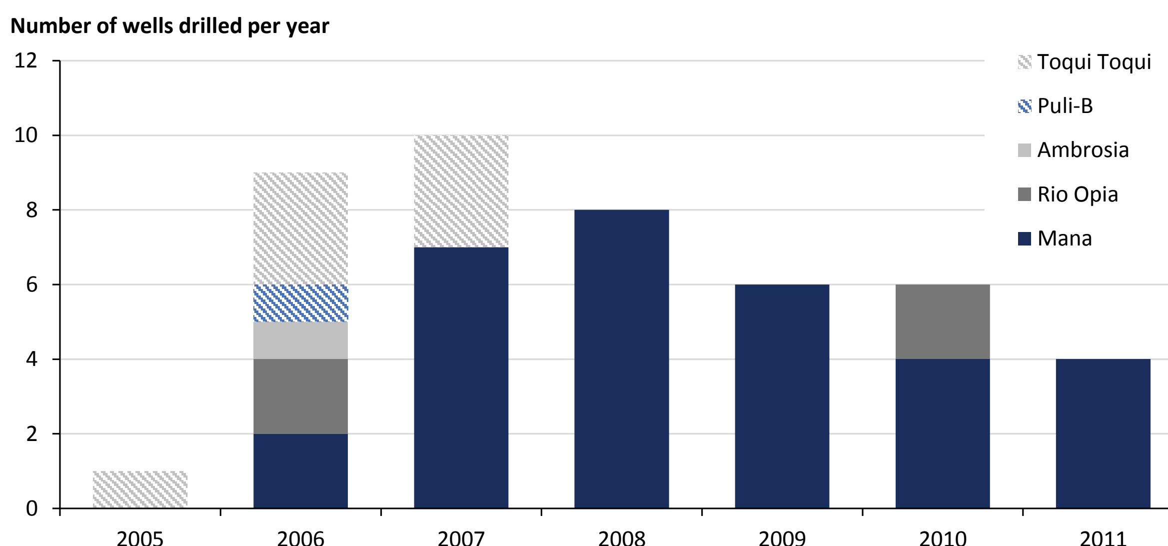
Interoil E&P Colombia holds all the necessary permits and licenses to operate the licenses. It has the license from the Minister of Mines to develop its licenses in Colombia, environmental license for the Puli C block, environmental license for exploration on the Altair and LLA-47 blocks, and land permits from land owners on the same blocks.

5.7.3 Operational track-record in Colombia

During the term of Interoil Colombia's operations, four to ten production wells have been drilled per year on the various licenses held by the Company. Targets have been selected based on 3D seismic and 46 of the 49 wells drilled to date have been successful in producing hydrocarbons. During 2006, Interoil Colombia successfully extended the Mana Field towards the west with two exploration wells, thereby increasing recoverable volumes in the field by 9 MMboe. In 2010 the first exploration well in the Altair block in the Llanos resulted in the discovery of the Altair field, which has since produced 0.2 MMbbl oil net to Interoil. Interoil has since drilled 2 wells on the Altair field, one of which was dry, and the other, drilled in 2012, was not commercial and has been suspended.

On the Mercantile Assets, Interoil Colombia has increased production and reserves through drilling new appraisal/development wells, carrying out successful exploration in addition to successful workovers of existing wells. In addition, Interoil Colombia has also been successful in mapping future upside potential, particularly in the Puli C block, where a large scale drilling and development plan has been defined for 2013 and onwards. The program is expected to materially increase production as further described.

At the time of the Group's acquisition of the Mercantile Assets, gross production from the Mercantile Assets was approximately 1,400 bbl/day (approximately 700 bbl/day net to Interoil Colombia). Through investments in drilling, and well workovers and stimulation jobs (including hydraulic fracturing) mainly focused on the Mana contract area, production was increased to more than 4,000 bbl/day in late 2008 (approximately 2,500 bbl/day net to Interoil Colombia). Following relinquishment of the Armero license in 2011 and the Puli-B and Toqui Toqui licenses upon license expiry in March 2012, the January 2013 gross production is approx. 1,300 boe/day (968 boe/day net), a level which for the non-relinquished fields has been falling due to lack of investments in new production wells. Below is an overview of production wells drilled by Interoil Colombia since the Mercantile acquisition:



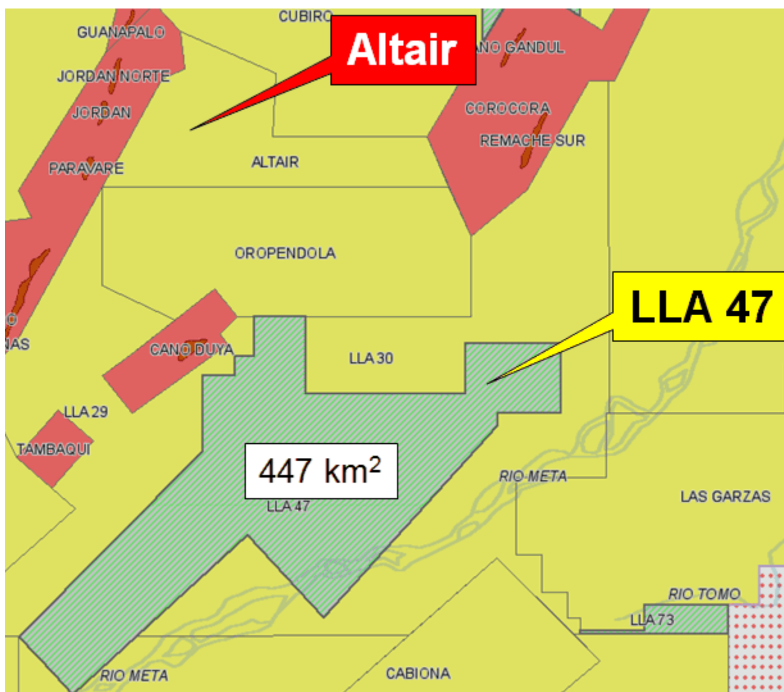
5.7.4 Puli C production block

The Puli C block is located in the Middle Magdalena Valley basin in Colombia along the central Magdalena River, with several existing fields within and surrounding the block. Within the block, Interoil Colombia holds an operated interest in three association contracts; Mana (70 per cent WI), Rio Opia (70 per cent WI) and Ambrosia (59.9 per cent WI), in addition to a 100 per cent WI in the exploration acreage outside the association contracts. Ecopetrol holds a 30 per cent WI in the three active association contracts. The Puli C block was originally part of the larger Puli Block which was awarded in March 1984, and Interoil Colombia acquired the block through its acquisition of Mercantile's Colombian subsidiary in September 2005. Puli C contains the majority of Interoil Colombia's production, reserves and contingent resources. During 2013, Interoil Colombia schedules to initiate a large scale development program to unlock the large contingent resource base identified in the block, in addition to drilling two exploration prospects on the block.

5.7.5 LLA-47 exploration block overview

Furthermore, the Company is operator of the LLA-47 exploration block with a 100% working interest. The block was awarded in the 2010 Open Bid Round. The block contains an existing discovery with uncertain commerciality. The block bears total commitments of USD 38 million and during 2013, Interoil Colombia needs to conduct a large scale 3D seismic acquisition campaign, for a total cost of up to USD 14 million. The Company has identified more than 14 MMboe in net unrisked prospective resources, representing a potentially material new resource base for the Company. However, given the new strategy of the Company, it is the intention to farm-out or sell a large part or the entire license in order to reduce spending on exploration. Interoil already announced the sale of the entire interest in the Altair and Cor-6 licenses in February 2013, relieving the Company of USD 26 million in commitments, which is only conditional on government approval (ANH).

In addition, Interoil Colombia operates two service contracts on behalf of Ecopetrol for the Toqui Toqui/Puli-B and Totare fields in the Middle Magdalena Basin. Interoil Colombia is responsible for the operations and development of the fields in return for a fixed fee per barrel produced.



5.7.6 Building a Material Production and Resource Base

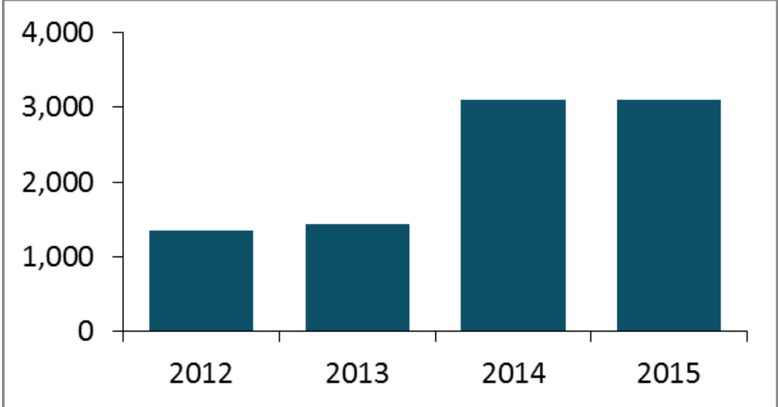
Since acquiring Mercantile's Colombian Assets in late 2005, Interoil Colombia has been successful in increasing production and the resource base through enhanced recovery from existing wells, successful drilling of new production wells, extension of existing fields as well as discovery of new accumulations through exploration. Although successful in enhancing production, Interoil Colombia's development has been restrained by a limited capital budget from the Interoil Group,

which has limited the number of wells drilled per year, and thereby the production growth of the Company.

To benefit from the material resource potential in Puli C, Interoil Colombia's technical team has developed a large scale drilling campaign targeting to fast track the development of the Company's resource base, and which will grow Interoil Colombia's production from the current level of 964 boe/day (January 2013) to 3,000 boe/day in 2014-15 (see chart in Section 5.7.8). The development program focuses entirely on drilling of already identified and proven resources in the Puli C block, giving a limited geological risk of the project. Given Interoil's historical success rate at development drilling, the project is expected to yield a highly attractive return on investments.

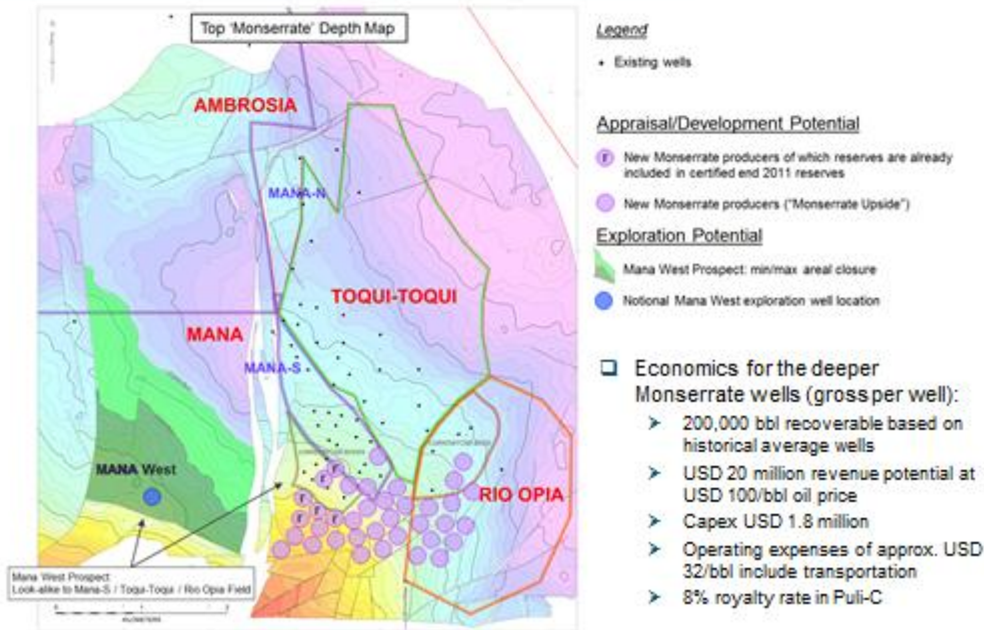
The development program will target 68 well locations of which 33 are in the deeper Monserrate reservoirs (5 500 – 6 000 feet) and 35 are in the shallower Doima reservoirs (approximately 400 feet). The Company targets employing 2 rigs drilling back to back, starting in May 2013. Completion time for each well is appr 12-21 days. Most wells are up-dip of existing development, removing the risk for lack of hydrocarbon charge, hence the main risks are uncertainty regarding well productivity due to varying reservoir development (in light of historic well performance) as well as the potential risk of a gas cap being present in the Monserrate wells of Mana South. Rigs and other equipment are identified and the Company is currently in the process of securing access to these. The oil produced is sold to Hocol SA, but due to infrastructure limitations, Hocol may not buy all oil produced. In such case, Interoil sells the oil to CI International, a private company that picks up the oil at the wellhead and transports the oil by trucks. The oil sold to Hocol is transported by trucks to Hocol's storage facility some 200 km away, from where it is transported by pipeline.

Below is an overview of the expected production profile (boe/d net before royalties) with the new development program:



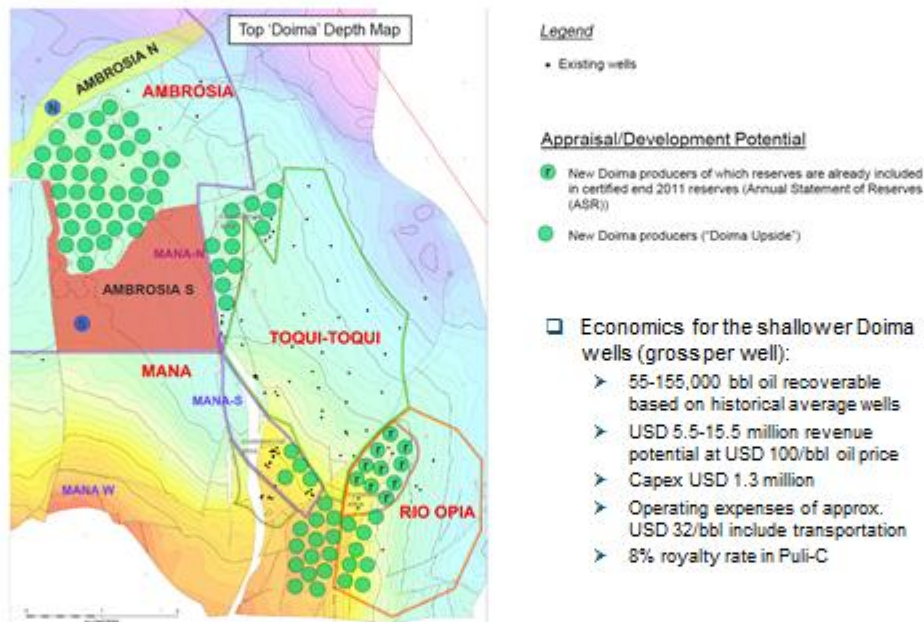
5.7.7 Overview of deeper Monserrate development drilling locations

Monserrate development drilling locations (deep)

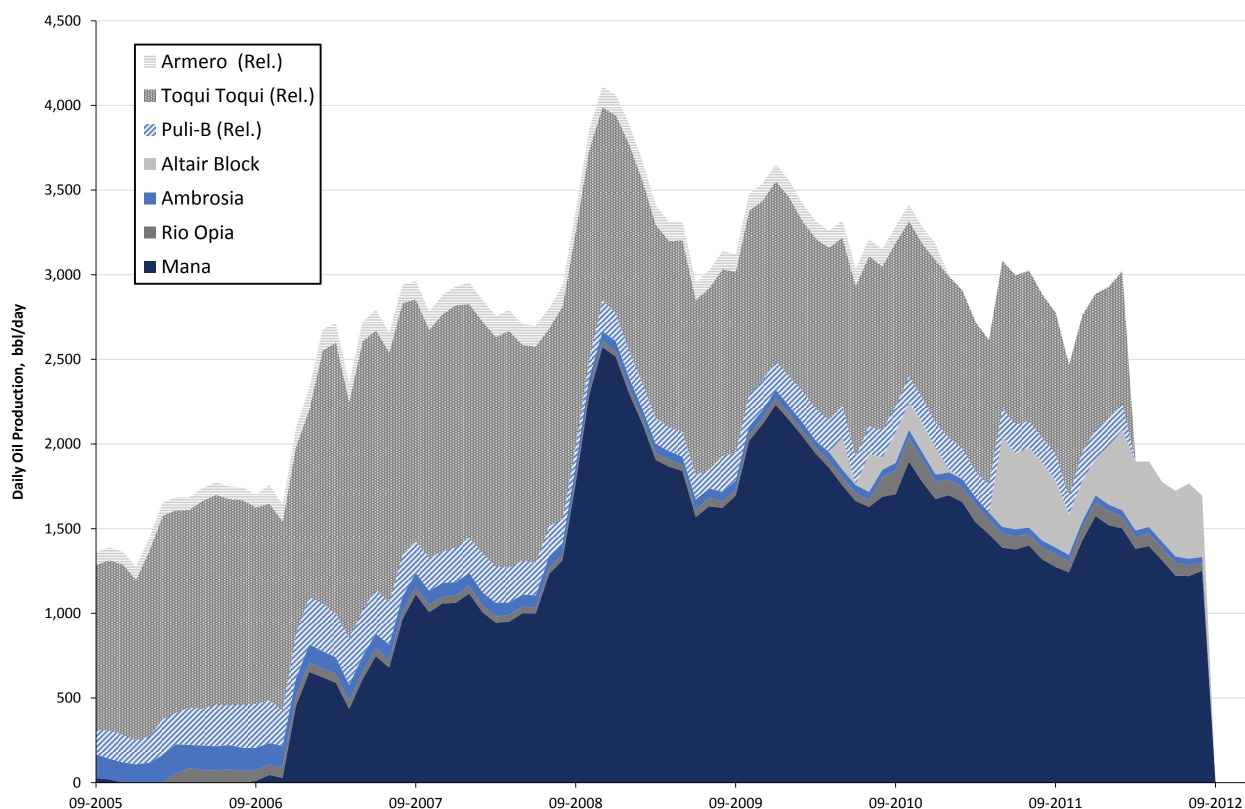


5.7.8 Overview of shallower Doima development drilling locations

Doima development drilling locations (shallow)



5.7.9 Colombia – Historical production September 2005-12



5.8 Ghana

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 in the Tano Shallow Water Contract 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 meter 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 transferred 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 final approved in July 2010 by GNPC and the Ministry of Energy in Ghana.

Interoil has no further plans for the Tano Shallow Water Contract in Ghana and intends to relinquish the block without making any further investments since the asset is outside of Interoil's focus area. The company does not expect to incur any costs relating to the relinquishment of the license.

5.9 Patents and licences

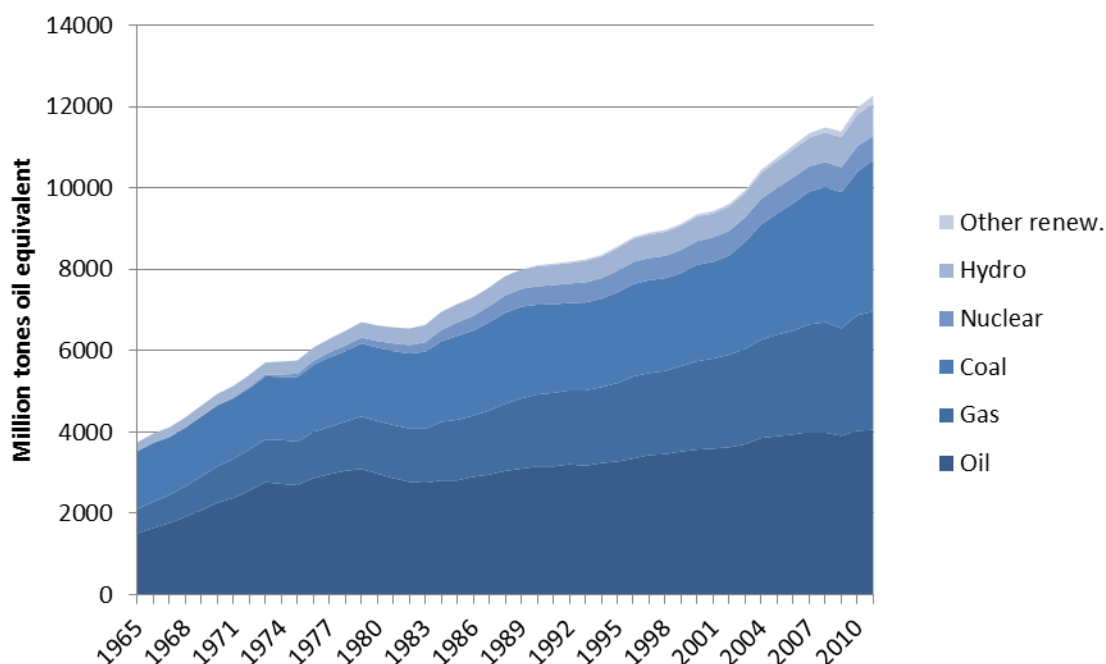
Except for the Company's oil and gas licences in Peru and Colombia as described above in Section 5.5.1, the Company's business is not dependent on any patents, licences or new manufacturing processes.

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 87 per cent of the world's energy of which 33 per cent is oil which is lowest on record since 1965[2].

The world consumption of primary energy – including oil, natural gas, coal, nuclear, hydro power and other renewable energy – increased by 2.5% in 2011[3]. Global oil consumption increased by 0.6 million barrels per day or 0.7% in 2011.



Source: BP Statistical Review of World Energy June 2012

6.2 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.

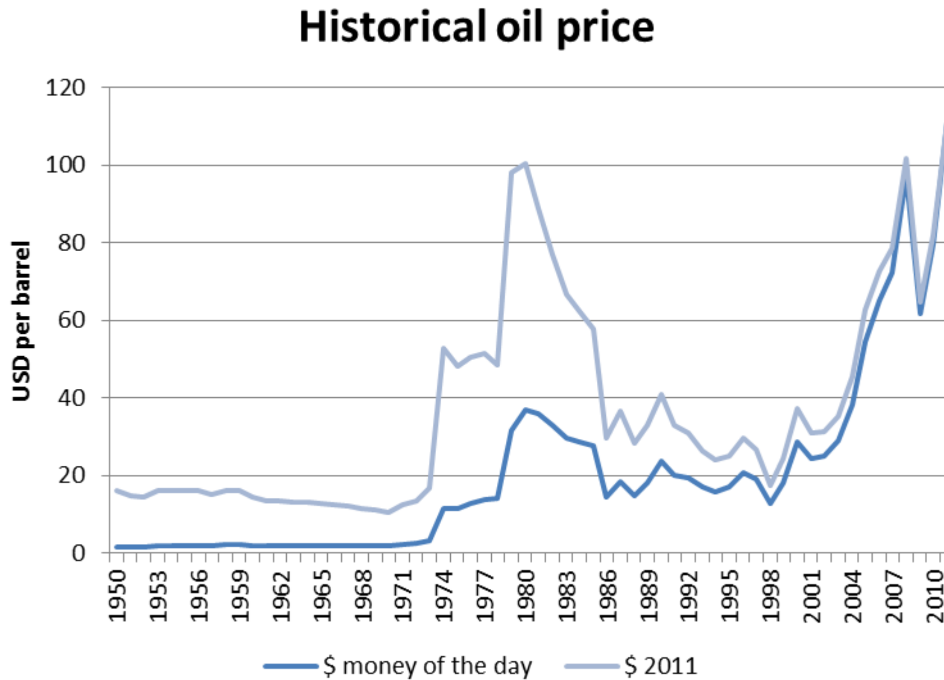
Crude oil is used for a variety of purposes, the most important being the production of energy rich fuels, with 76 per cent of the hydrocarbons being used for gasoline, diesel, jet fuel and other fuel

2 Source: International Energy Outlook, May 2009, Energy Information Administration,
3 Source: BP Statistical Review of World Energy June 2012

oils[4]. The remaining hydrocarbons are used as raw material for many chemical products, including pharmaceuticals, solvents, fertilisers, pesticides, and plastics.

6.2.1 The oil price

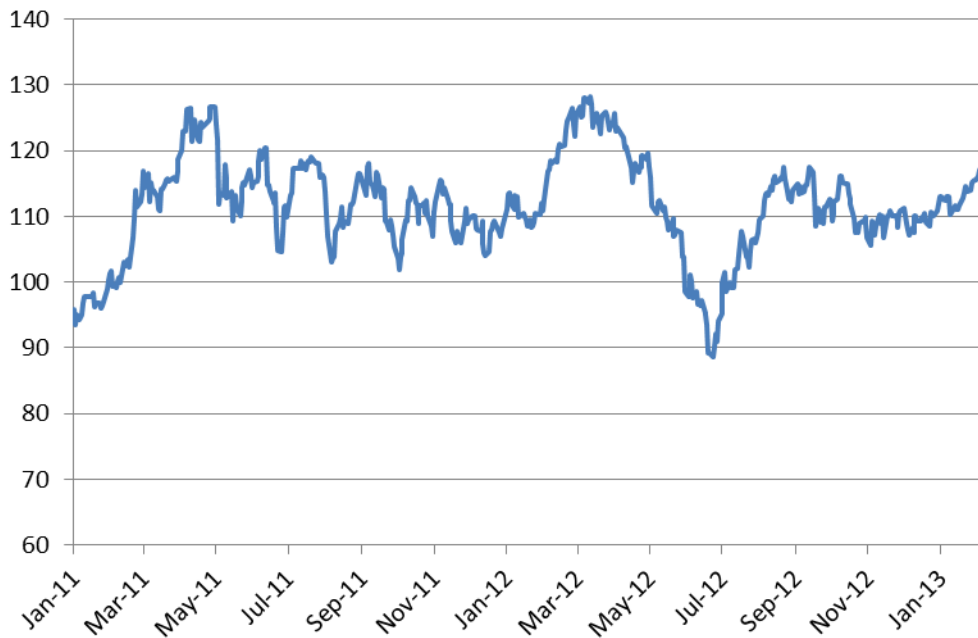
Oil prices have reached all-time high levels in recent years but they have stabilized compared to the large volatility in the preceding 5 years. During 2011-2012 prices of oil have been fairly stable in the international market at USD 100-120 per barrel. Below is an overview of the development of oil prices since 1950:



Source: BP Statistical Review of World Energy June 2012

Development of oil prices since 01.01.2011 to date (13.02.2013):

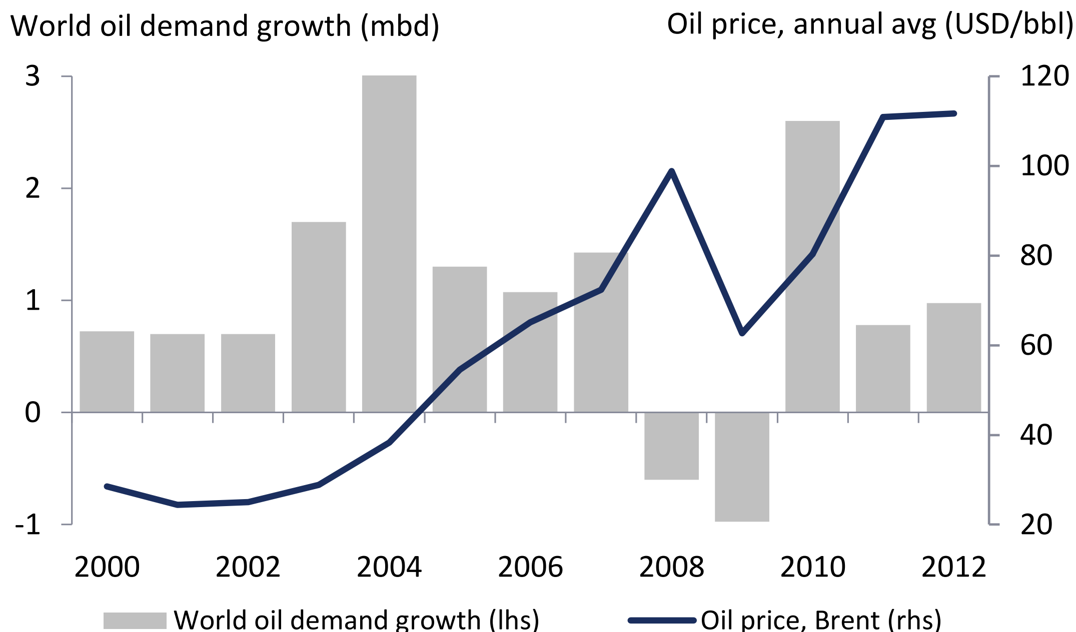
[4] Source: Annual Energy Review 2007, Energy Information Administration



Source: Thomson Reuters

The price of oil is both 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. In 2009 the oil price collapsed together with the overall financial markets but it quickly recovered again in 2010 as the markets normalized and demand for oil recovered faster than most other markets.

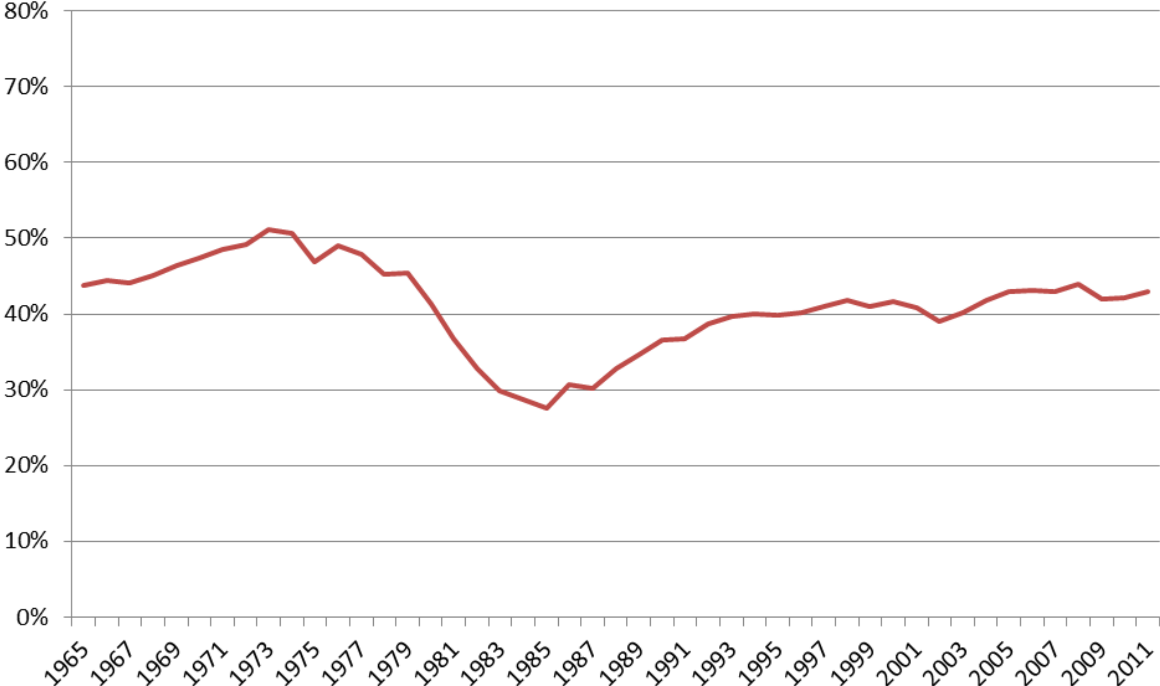
World oil demand growth y/y vs. Oil price (Annual average) 2000 – 2012:



Source: International Energy Agency; Bloomberg

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

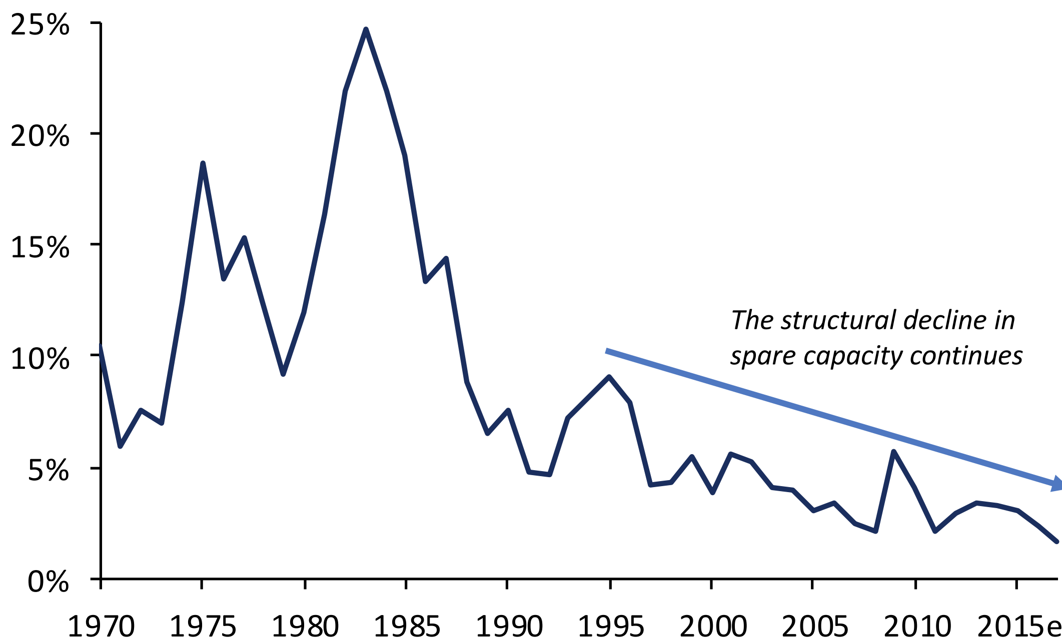
main source of income. The current members are Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. Indonesia withdrew from the organisation with effect in 2008. OPEC accounted for about 41 per cent of the World oil production in 2009[5]. 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 June 2012

Spare production capacity in OPEC has overall been in a structural decline over the past 15 years as growth in production capacity has struggled to keep pace with demand growth. Spare capacity is a gauge on the supply-demand balance for oil which again impacts the price of oil.

[5] Source: BP Statistical Review of World Energy, June 2010



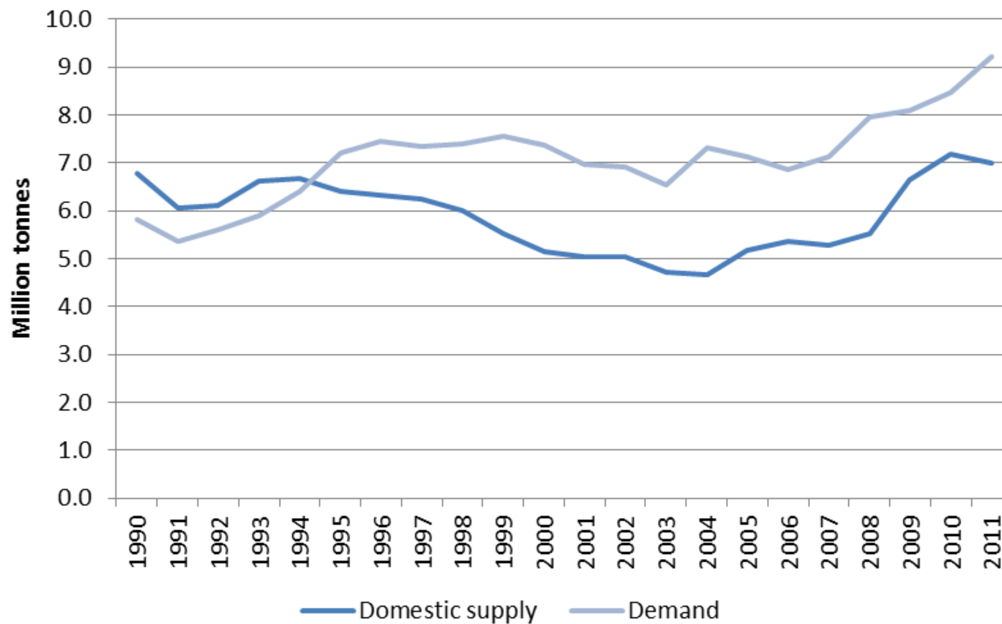
Source: International Energy Agency, BP Statistical Review of World Energy June 2012, Pareto Securities AS Equity Research Estimates

6.2.2 Peruvian oil market

According to the *Oil and Gas Journal*, Peru had 582 million barrels of proven oil reserves in January 2012, up from 533 million barrels in January 2011. Peru has added approximately 50 million barrels of reserves in each of the past two years[6]. Much of Peru's proven oil reserves are onshore, and the majority of these onshore reserves are in the Amazon region. Eleven important new hydrocarbon discoveries have occurred in just the past few years. In 2005, Peru's first offshore oil discovery occurred in the San Pedro well in Block Z-2B, where light oil was found.

Peruvian oil demand has seen modest growth since 1990 and most of the growth has come during the last 8 years. However, domestic supply is back to 1990's level as it is currently in decline.

[6] Source: EIA – www.eia.gov/countries



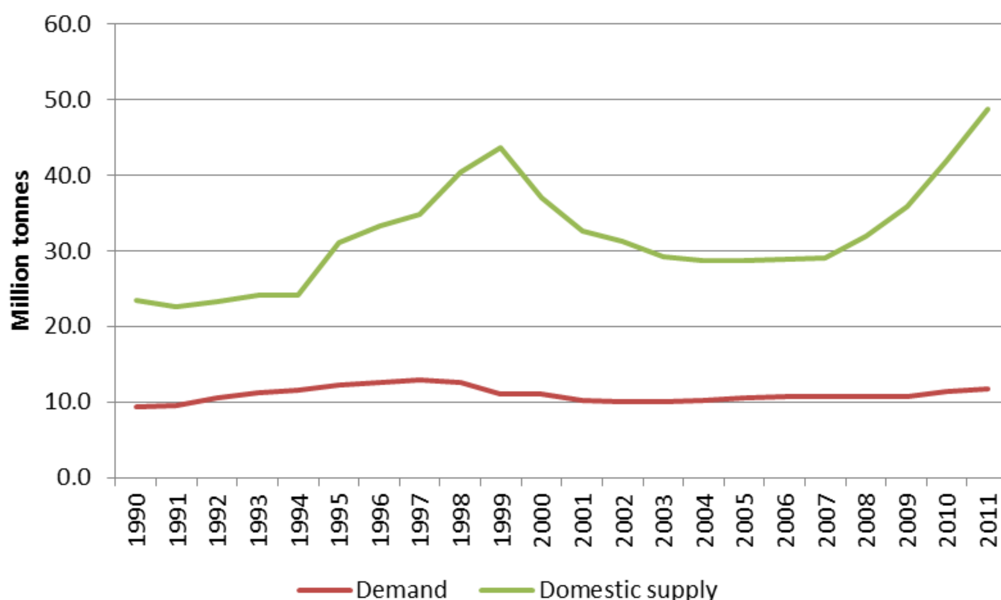
Source: BP Statistical Review of World Energy June 2012

6.2.3 Colombian oil market

The enactment of a series of regulatory reforms to make the oil and natural gas sector more attractive to foreign investors served as an incentive for rising production. In addition, the government has implemented a partial privatization of state oil company Ecopetrol in an attempt to revive its upstream oil industry. The security situation in the country also has improved over the last decade, with fewer attacks against oil and natural gas infrastructure in recent years.[7]

Colombia is ranked as the 23rd largest oil producer in the world[8]. Production has surged over the last five years and Colombia produced 1 million barrels per day in 2011[9]. According to *The Oil and Gas Journal* (*OGJ*), Colombia had about 2 billion barrels of proven crude oil reserves in 2012, up from 1.9 billion barrels in 2011. Colombia's increasing reserves are a result of the exploration of several new blocks that were auctioned in the last bidding round in 2010. Demand for oil in Colombia has stayed relatively stable since 1990 at ca. 10 million tonnes per year. Colombia is a net exporter of oil with about 4.5x produced compared to domestic demand whereas the United States is the largest buyer with 442,000 bbl/d of the exported volume in 2010.[10]

[7] Source: EIA – www.eia.gov/countries
[8] Source: CIA World Factbook
[9] Source: BP Statistical Review of World Energy June 2012
[10] Source: EIA – www.eia.gov/countries



Source: BP Statistical Review of World Energy June 2012

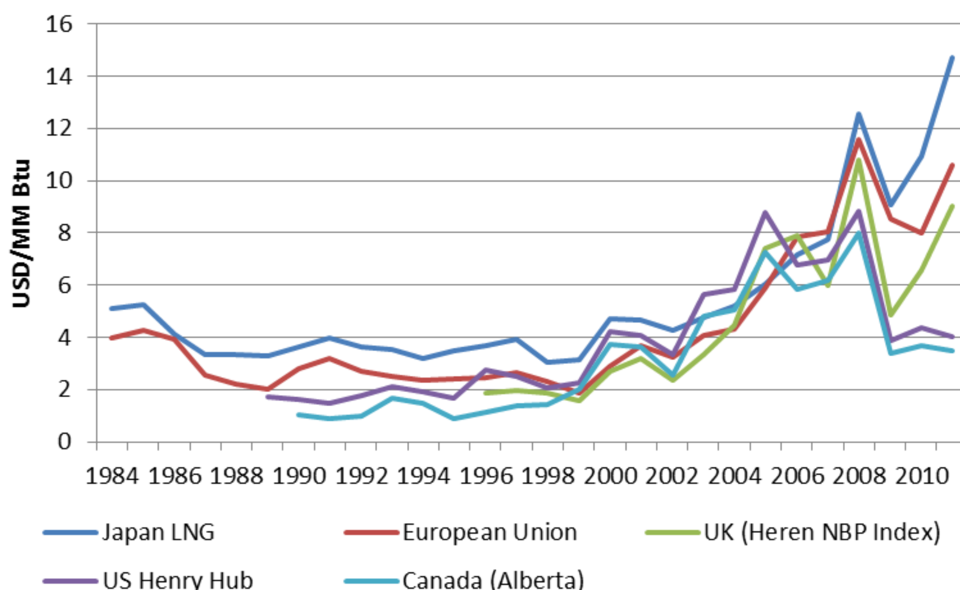
6.3 The gas market

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.

6.3.1 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. 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.

Over the last five years have gas prices in different regions started to differ significantly due to changes in supply. The North American market has experienced growth in gas supplies from shale gas which has resulted in low prices whereas Japanese LNG imports have experienced significantly higher prices due to large demand after the Tsunami disaster in 2011 which flooded and destroyed parts of Japan’s nuclear power stations.

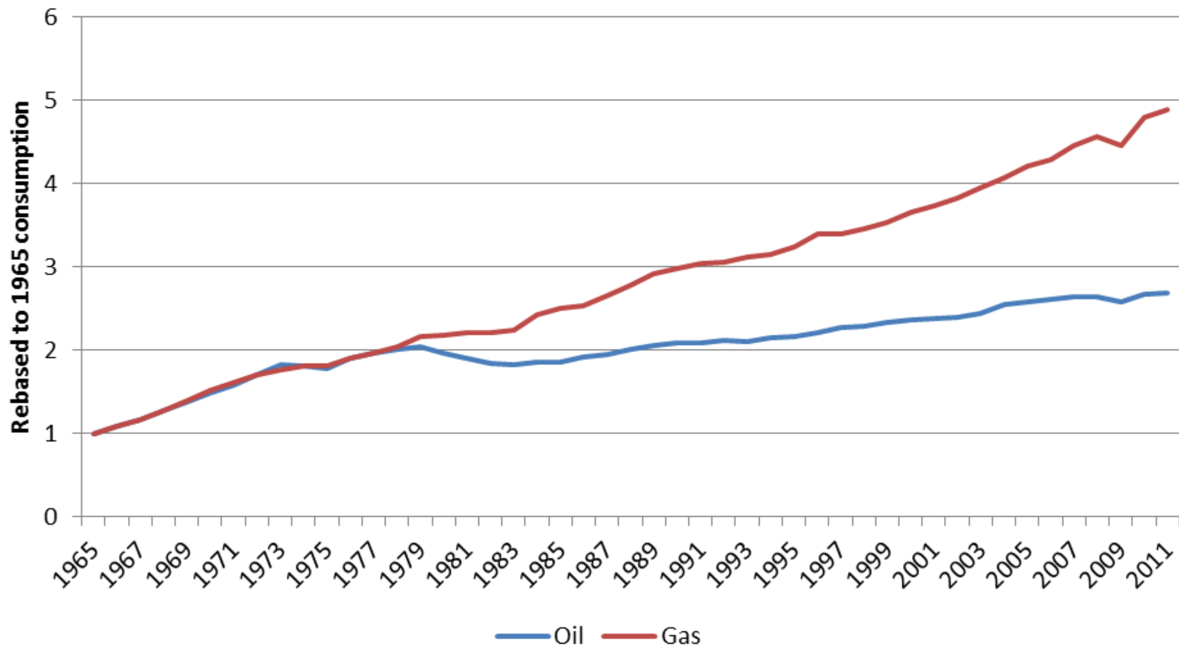


Source: BP Statistical Review of World Energy June 2012

6.3.2 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 is expected to outstrip the annual growth for the oil or coal sector.[11]

[11] Source: US Department of Energy



Source: BP Statistical Review of World Energy June 2012

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.

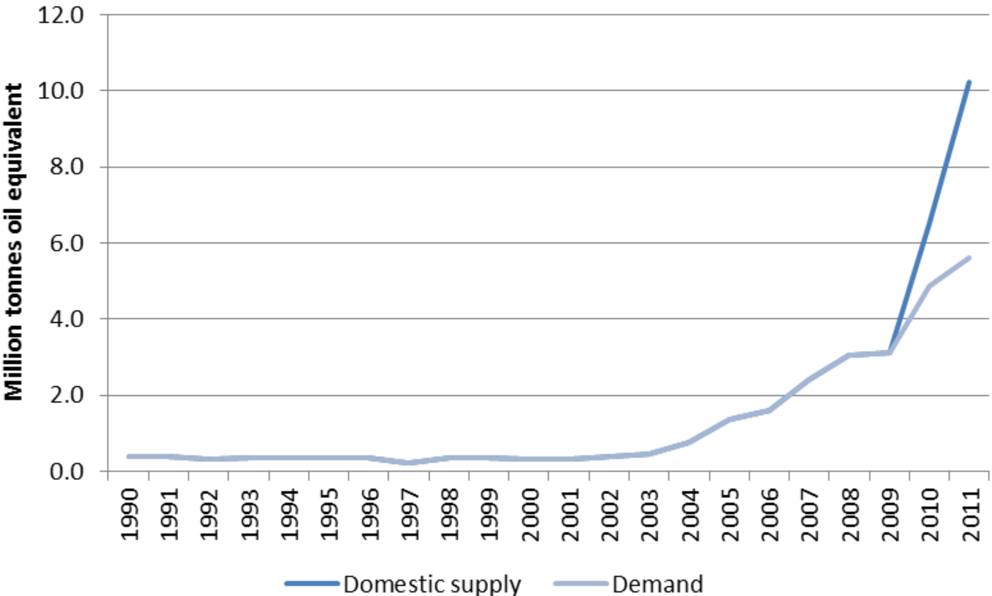
The pipeline transportation mode was ideally suited to the supply and market conditions of the twentieth century, when large reservoirs of gas could be found in accessible locations that provided the stability and long-term security that pipeline projects demand. Now, in the 21st century, the vast majority 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 which is technically challenging for many offshore discoveries far from shore.

6.3.3 Peruvian gas market

According to the *Oil and Gas Journal*, Peru had proven natural gas reserves of 12.5 trillion cubic feet (Tcf) in 2012, the fifth largest reserves in South America. Peru's main natural gas reserve is the large Camisea project in southeast Peru. Since production began in 2004, Camisea output has

grown by an average of 37 percent per year, and it is expected that when site exploration is complete, Peru's proven reserves will be up by another 318 billion cubic feet (Bcf).[12]

Peru has been a modest consumer of gas until 2004 when the Camisea field started producing and domestic supply has ten folded to 10 million tonnes of oil equivalent over the last 9 years. Demand has also grown significantly but Peru is currently a net exporter of gas which started in 2009. Increases in the production of natural gas and the opening of South America's first liquefied natural gas (LNG) plant have enabled Peru to become a natural gas exporter despite rising domestic consumption.



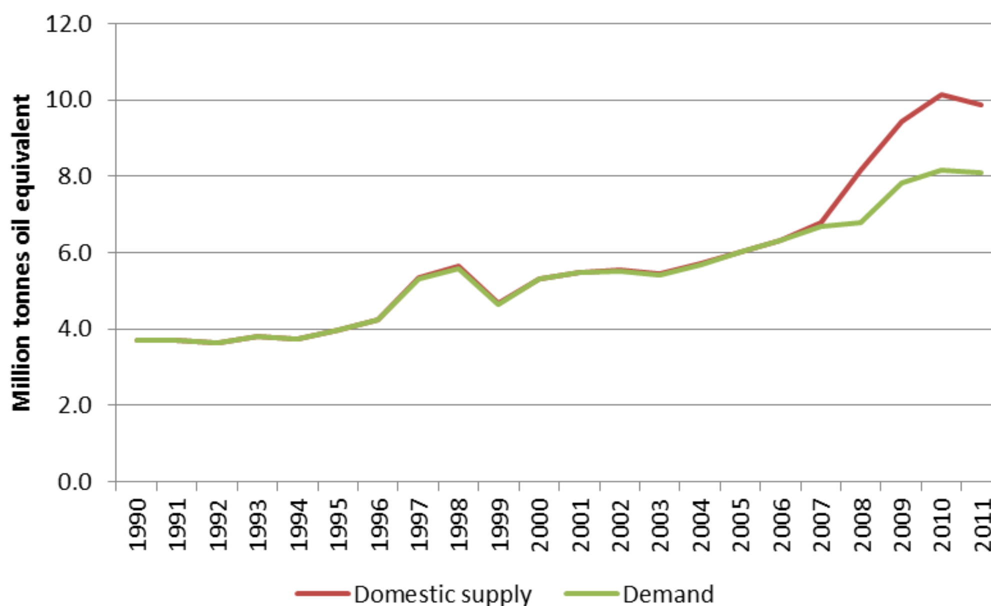
Source: BP Statistical Review of World Energy June 2012

6.3.4 Colombian gas market

According to the *Oil and Gas Journal*, Colombia had proven natural gas reserves of 4.7 trillion cubic feet (Tcf) in 2012, up from 4 Tcf in 2011. The bulk of Colombia's natural gas reserves are located in the Llanos basin, although the Guajira basin accounts for the majority of current production. Natural gas production, like oil production, has been rising substantially in the last few years owing to increasing international investment in exploration and development, rising domestic consumption, and new export opportunities.

Colombia produced 398 billion cubic feet (Bcf) of dry natural gas in 2010, while consuming 321 Bcf. About 57 percent of the country's total gross natural gas production of 1,124 Bcf was reinjected to aid in enhanced oil recovery. In 2007, natural gas production began to exceed consumption, allowing for exports.[13]

[12] Source: EIA – www.eia.gov/countries
[13] Source: EIA – www.eia.gov/countries



Source: BP Statistical Review of World Energy June 2012

6.4 Increasing exploration costs and increased focus on exploration efficiency

As response to high oil prices in recent years and intensified efforts for replacing naturally depleting reserves, the prices of oil services have soared. This is particularly the case for offshore explorers which require heavy drilling equipment such as deep-water drilling rigs.

The major part of costs related to exploration is the drilling of exploration wells on the basis of seismic data. As the seismic data only provides an evaluation of a possible reservoir structure, and no indication of actual presence of hydrocarbons, most exploration wells do not penetrate hydrocarbon bearing formations, and therefore the overall success rate in exploration activity is a critical factor in determining the costs related to exploration. As activity has increased dramatically, offshore rig rates have reached record levels, driving up the exploration costs further. Thus advanced seismic tools have become increasingly attractive to reduce cost and mitigating risk in predicting the presence of hydrocarbons. Onshore the picture is more mixed and cost is closer correlated to the access to local equipment and the presence of an oil service industry. Onshore drilling rigs and seismic operators are typically cheaper to hire than offshore service providers due to the much lower barriers of entry and less technical challenging environment.

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, Dronning Eufemias gate 30, 0191 Oslo, Norway.

The Company has the following contact details:

Interoil Exploration & Production ASA
Postbox 2053 Vika
Klingenberggaten 7B
0125 Oslo
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 and its home county is Oslo.

As at 31 December 2012, the Group employed 269 employees of which 4 were employed in Norway, 178 in Peru and 87 in Colombia (2011: 281 of which 8 in Norway, 10 in Switzerland, 183 in Peru and 80 in Colombia , 2010: 285 of which 12 in Norway, 11 in Switzerland, 177 in Peru and 85 in Colombia, and 2009: 294 of which 13 in Norway, 12 in Switzerland, 161 in Peru and 108 in Colombia). Interoil's headquarter and management is located in Oslo and fully operational subsidiaries in Peru and Colombia. In addition, Interoil has a technical service agreement with its former technical office in Zürich, Switzerland, which is hired on an as-needed basis.

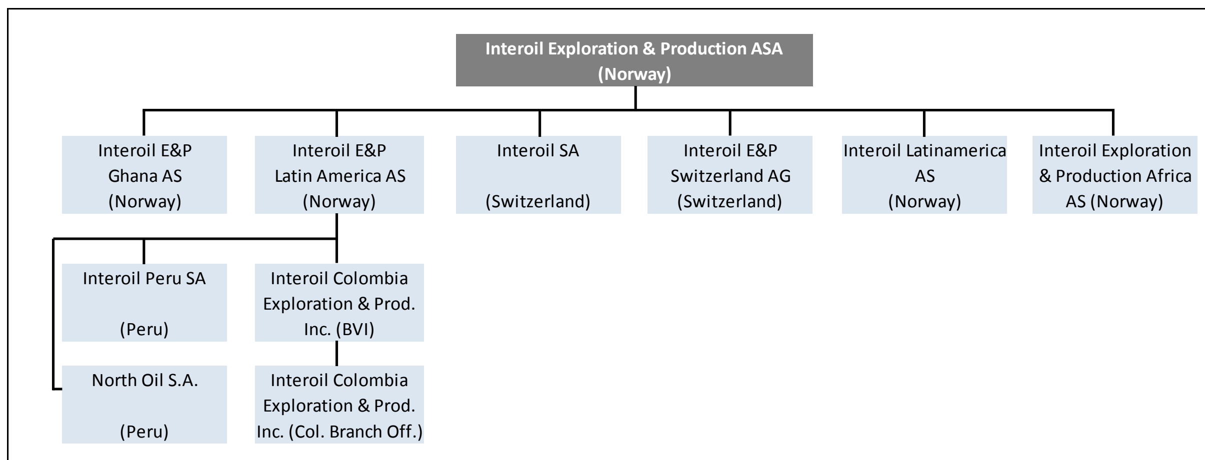
The Board of Directors of the Company consists of three members and alternate member who contribute in business development, complementing the capabilities of Interoil's staff..

7.2 Legal structure

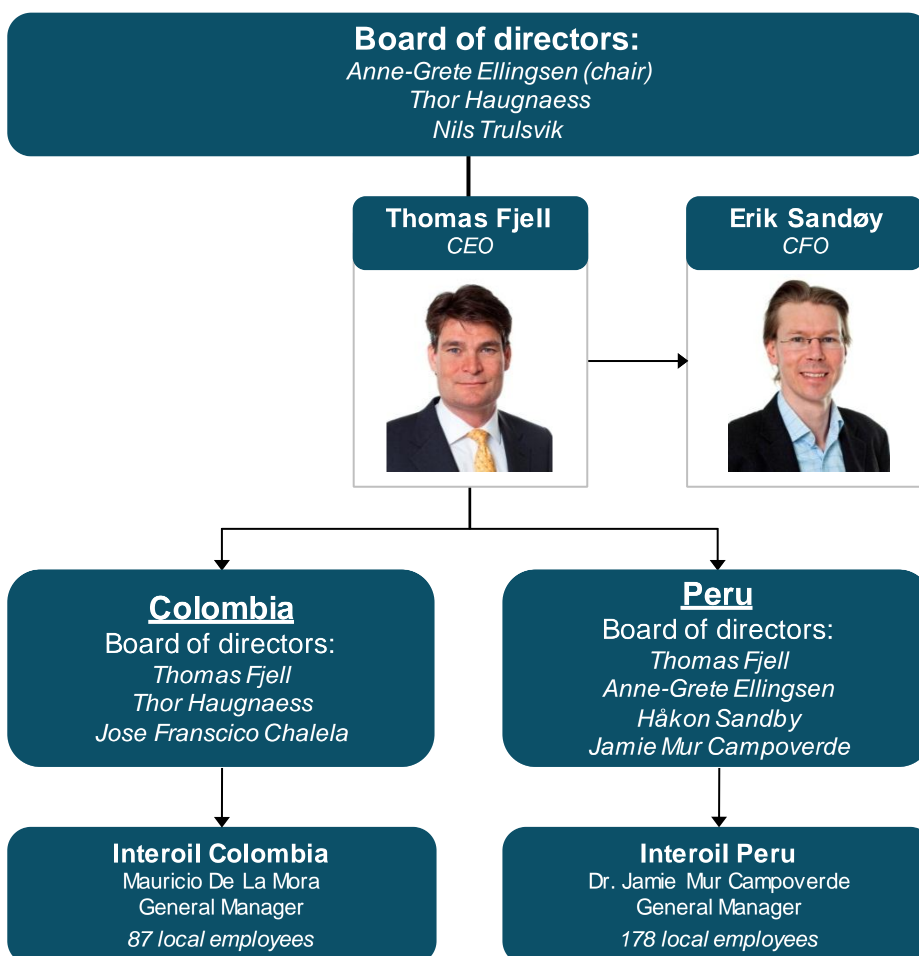
The figure below shows The Company's legal structure as of the date of the Prospectus. Interoil Exploration and Production ASA is the parent company of the Group consisting of a total of 15 companies and is an operative company. These companies are:

Company	Registered business Address	Direct and indirect share-holding and voting rights
Interoil SA	Switzerland	100%
Interoil E&P Switzerland 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 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. 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.
The Company is currently following the the principles set forth in the Norwegian Code of Practice for Corporate Governance, as published on 21 October 2012.
The full Corporate Governance statement of the Board of Directors is presented in the 2011 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. The Board of Directors are also the Company's Audit Committee, with a mandate to ensure that financial accounts are true and accurate. In the extraordinary general meeting held on 20 December 2012, the following members of the Board of Directors were elected for a period of two years.

The Company's business address Klingenberggaten 7B, 0161 Oslo, Norway, serves av c/o addresses for the members of the Board of Directors in relation to their directorship in the Company.

Ms. Anne-Grete Ellingsen, Chairman
Ms. Ellingsen holds a MSc Petroleum Technology and an Executive Master Energy Management degree. She has experience from several executive positions in the energy sector. She has operational management experience from the upstream and downstream oil and gas sector in Norway and abroad since 1976. She has been Secretary General of the World Petroleum Congress and has served as deputy minister in the Norwegian Ministry of Petroleum and Energy. Ms. Ellingsen has more than 15 years of experience as board member of privately owned and listed companies, many operating in the oil and gas sector. She is the chair and founding partner of Energy&Management AS.
Ms Ellingsen is a Norwegian citizen.

Mr. Thor Kristian Haugnaess, Board Member
Mr. Haugnaess holds a Master degree in Petroleum Engineering from Norway (NTNU). He has been working in the upstream oil and gas industry for over 25 years, predominantly working on the oilfield services side with the Schlumberger group of companies in a variety of management roles. (Middle East, Asia, Europe and Africa) He was the President of Ocean Rig, a Norwegian ultra-deep water drilling company from 2003 to 2006. He is currently a Deputy Chairman of Visuray plc., a high technology oil field service company and as an Independent Non-executive Director of Dragon Oil plc., an independent oil company with head quarter in Dubai listed on the London Stock Exchange. He resides in Dubai and has been living in the Middle East for 21 years. Mr. Haugnaess is a Norwegian citizen.

Mr. Nils N. Trulsvik, Board Member
Mr. Trulsvik holds degrees in both geology and geophysics. He was the CEO of the Company from 2004 until 2009. He has experience from the oil and gas industry across the world since 1974. He was first employed by Saga Petroleum until he left and formed Nopec. From 1986 to 1989, he was a consultant to UNCTC in New York. In 1984, he moved to London to start Nopec (UK) Ltd, and, upon his return to Norway, in 1987 he became Managing Director of Nopec (since 1991 a part of PGS), a position he held until 1993. In 1994, after working a year as Special Advisor to PGS, he lead an investment group that took an equity position in Fountain Oil Incorporated. Mr. Trulsvik served as Managing Director in Fountain, until he left the company in 1998, to form The Bridge Group. In 1999, he joined Force Petroleum in London and was Chief Executive Officer (CEO) until 2004, when he joined Interoil Exploration and Production in as CEO. He left Interoil in 2009. Mr. Trulsvik is a director of Transeuro Energy Corp and is presently Technical Director of Starc Limited. Mr trulsvik is a Norwegian citizen.

Below is an overview of the Board of Directors' current and previous directorships:

Directorships	Company	Role	Duration
Anne-Grete Ellingsen (Chairman)	**Existing directorships:**		
	Haakon Ellingsen AS	Deputy chair	1999-
	Janson Legat	Board member	2000-
	Gallion (investment fund)	Board member	2011-
	Norges Maritime Utdannings-senter, NMU AS	Board member	2011-
	Regionalt Forskningsfond - Statlig representant	Board member	2012-
	Havsul I	Chairperson	2012-
	Past directorships:		
	Baltic Hydroenergy AS	Chairperson	2008-11
	INTPOW	Deputy chair	2008-11
	Otra Kraft AS	Deputy chair	2008-09
	Otteraaens Brukseierforening	Board member	2008-09
	Arendalsvassdragets Brukseierforening	Board member	2008-09
	Aqua Imara AS (SNPower Invest)	Board member	2009-10
	Grieg Seafood ASA	Deputy chair	2002-11
	Rocksource ASA	Board member	2004-11
	Skeie Energy AS	Chairperson	2010-12
	Dolphin Group ASA	Chairperson Audit commitee	2010-12 2010-12
Thor Kristian Haugnaess (board member)	**Existing directorships:**		
	EOR Solutions FZCO	Managing director Board member	2008-
	Visuray plc	Chairman	2009-
	Dragon Oil plc	Board member	2012-
Nils Trulsvik (board member)	**Existing directorships:**		
	Force Capital Partners	Chairman	2004-
	Seafloor Geophysical AS	Chairman	2010-
	Transeuro Energy Inc	Board member	2012-
	Fountain Oil Limited	Chairman	2012-
	Past directorships:		
	MultiClient Geophysical ASA	Chairman	2008-12
	Tersus Energy Limited	Board member	1996-11

Mr. Håkon Sandby, Alternate Director

Mr. Sandby is a lawyer and economist with extensive experience from the Norwegian and international oil and gas industry. He has held various positions in Esso Norway AS's downstream business from 1983-1991 when he joined the law firm of Arntzen Underland & Co during which time he worked extensively with Total Norge AS as legal advisor. From 1994 he was the director of legal affairs in Total Norge AS until he joined the legal department at Total's headquarter in France. His experience includes work with oil and energy law in the North Sea area, the former Soviet Union republics and Turkey as well as mineral law in west Africa. He has been a consultant and in private practice since 2004. In 2006-2007 he was with DLA Piper and in 2008-2009 with

Gram, Hambro & Garman. He has experience as a director in Gasnor AS and Norsk Lufttankanlegg AS. Mr. Sandby is a Norwegian citizen.

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.

7.6 Management

Thomas J. Fjell, Chief Executive Officer
Business address: Interoil Exploration & Production ASA, Klingenberggaten 7B, 0161 Oslo, Norway.

Mr. Fjell has several leadership, finance, strategy and oil and gas courses from Norwegian School of Management (BI) in Oslo and Nanyang Technical University in Singapore in addition to a law degree from the University of Oslo. Before joining Interoil, Mr. Fjell was General Manager of African Offshore Services. Prior to this he worked as an attorney for 10 years advising a variety of global and domestic oil and gas clients.

Erik Sandøy, Chief Financial Officer
Business address: Interoil Exploration & Production ASA, Klingenberggaten 7B, 0161 Oslo, Norway.

Mr. Sandøy has previous experience as CFO of African Offshore Services (AOS). Prior to this he worked for Bridgehead Corporate Finance and Goldman Sachs International. He holds Bachleor of Commerce with a major in Finance from University of British Colombia, Vancouver, Canada and a MSc in Finance from Norwegian School of Management (BI), Norway.

Mr. Fjell and Mr. Sandøy has not held any directorships in the last five years.

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.

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.

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.

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.

7.8 Independent review of related party transactions

Interoil engaged Ernst & Young to conduct a review of related party transactions. The purpose of the review was to investigate if there are any undisclosed and illegal transactions with related parties. The review has so far concluded that there are no undisclosed or illegal transaction between related parties and Interoil Exploration & Production ASA.

7.9 Remuneration and pension

The Board elected on the extraordinary general meeting held 20 December 2012 and management hired in January 2013 have the following remunerated in accordance:

Management compensation in 2011:

Amounts in USD 1000	T. Wolden, CEO	W. Matheson, *****) CFO	R. Graf CTO	C.N.N.Ramos ****)CFO	T. Fjell, Director Strategic & Legal Affairs	E.Sandøy *, Investment Director
Period	01.01 – 31.12	01.01 – 31.05	01.01 – 31.12	01.06-31.12	01.01 – 31.12	01.09 – 31.12
Salary	576	347	390	280	-	134
Bonus	-	-	-	-	-	-
Fee from subsidiary**)	50	-	-	-	-	-
Pension scheme	48	21	43	-	-	16
Consultancy fee***)					491	64
Other (company car)	42	-	-	-	-	-

*) As from 1 September 2011 Erik Sandøy, Investment Director was employed by Interoil.
**) Board member remuneration from daughter companies to management. Tom Wolden was appointed as board member in 2011.He replaced Nils Trulsvik, former CEO, who has been paid board member fees of USD 21 000 for 2011.
***) See Marine Subsea AS note 11
****) As from 1 June 2011 Carlos Nino Neira Ramos was appointed as CFO for the Group. Salary from 1 January to 30 May is USD 83 000. The amount is included in the table above.
*****) Wilhelm Matheson left the company on 31 May. Payment after termination of employment from 1 June to 30 November is included in the table above. He is entitled to a severance payment of USD 147 000 in January 2012. The amount is expensed in 2011.

Group employees are entiteled to a pension scheme, see section 8.1.13. Total pension assets as of 31.12.12 was USD 66 000.

Board member compensation in 2011:
The board members are entitled to remuneration in accordance with the following rates: Board chairman: USD 100 000, Board member: USD 60 000 (totally USD 340 000). Altogether the Board of Directors received a remuneration of USD 340 000 (2010: USD 340 000) during the calendar year 2011, in addition USD 232 000 (2010: USD 226 000) was paid by the producing subsidiaries for the same period.

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	01.01 – 31.12	01.01 – 31.12	01.01 – 31.12
Board member fee	100	60	60	60	60
Fee from subsidiary	88	73	-	-	-
Consultancy fee	276	240	-	-	-
Nomination committee fee	-	-	-	2	-

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

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

7.10 Shareholdings and stock options

7.10.1 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 2012		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
Anne-Grete Ellingsen	0	0	0	0
Thor Haugnaess	0	0	0	0
Nils Trulsvik	82 100	0	81 100	0
Håkon Sandby	0	0	0	0
Thomas J. Fjell	0	0	0	0
Erik N. Sandøy	0	0	0	0

The table above shows shareholdings before the capital increase.

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

Name			
Numbers in 1,000	Number of Shares	Share price (NOK)	Total cash contribution
Anne-Grete Ellingsen	150 000	1	150 000
Thor Haugnaess	500 000	1	500 000
Nils Trulsvik	200 000	1	200 000
Thomas J. Fjell	200 000	1	200 000
Erik N. Sandøy	200 000	1	200 000

No members of the board or management have acquired any Shares in the Company during 2012 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 2009, 2010, 2011 and for the three and twelve months period ended 31 December 2012 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 4th quarter figures for 2011 and 2012 are unaudited.

For further comments regarding the Company's financial information and explanatory notes, see the annual and quarterly reports for 2009, 2010 and 2011. The figures for the three and twelve monts period ended 31 December 2012 as included below have been prepared by the Company and are unaudited. The Company's annual reports for the years 2009, 2010 and 2012, including the suditor's reports, as well as the interim financial statements for the three and twelve month periods ended 31 December 2012 and 2011, are incorporated by reference into this Prospectus (ref Section 15.3 "Documents incorporated by reference")The Company's financial statements are also 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 2011 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, 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 2.19 in The Company's financial statement of 2011.

Changes in accounting policies and disclosures

With effect from 1 January 2011 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 2011. None of these revised standards or amendments have significantly impacted financial information for the following years, 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 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 deferred revenue 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

8.1.6 Tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.
Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

The income tax expense consists of the tax payable and changes to deferred tax.

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.

Other tax
On December 29, 2011 the Colombian Congress passed a law that imposes a 6% equity tax on Colombian operations. The tax will be paid in eight equal installments over a four year period. The tax is payable even if the company ceases to have taxable equity in subsequent years. The equity tax does not qualify as an income tax, hence the Group has recognized the present value of the entire amount of the equity tax payable as an operating expense.

8.1.7 Classifications

Classification in the statement of financial position
Interoil separately presents current and non-current assets and liabilities in its statement of financial position. Assets and liabilities are classified as current when it is expected to be realized (or is intended for sale or consumption) in the normal operating cycle, is held primarily for being traded, or is expected to be realized within twelve months after the reporting period. Also, cash or cash equivalent asset are classified as current assets, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. A liability is classified as a current liability if it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that can be settled with equity instruments at the option of the counterparty, do not affect its classification. Other balance sheet items are classified as non-current assets / non-current liabilities.

Classification of income and expenses
Operating expenses in the statement of comprehensive income are presented by function. Cost of goods sold includes lifting costs, changes in inventory and depreciation and amortization of production assets. Exploration cost expensed includes seismic acquisitions, internal cost incurred, including salaries for geographical and geophysical analysis and administration, and cost of dry wells. Administrative expenses include employee benefit expenses, general and administration expenses and depreciation and amortization of non-oil assets. Other income/ (expense) include refund of operating expenses based on association contracts and jointly controlled operations, gain/loss on sale of PP&E and other income and expense. Information of the nature of expenses is presented by their nature in the notes to the financial statements.

8.1.8 Property, plant and equipment

Other property, plant and equipment are other assets not classified as either development or oil producing assets and 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.

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.

8.1.9 Intangible assets

(a) 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 cost. When technical feasibility and commercial viability of the assets are demonstrable, the assets are reclassified to development assets within property plant and equipment. The exploration and evaluation assets which are classified as intangible are assessed for impairment before reclassification.

(b) 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, 2010. Proceeds from sale of oil and gas licenses in the exploration stage are offset against the related capitalized costs of each cost centres with any excess of net proceeds over all costs capitalized included in Other income/(expense) in the statement of comprehensive income.

8.1.10 Oil and Gas assets

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 cash generating unit (CGU) 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.

Production rights, exploration and development assets (see below) 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.

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.

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.

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.

Depreciation and amortisation
Oil and Gas assets that are purchased are depreciated and amortised using the unit-of-production method based on proved and probable reserves (P2). 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.

8.1.11 Financial Instruments

(i) Financial assets
The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or

loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

Financial assets at fair value through profit or loss (FVtPL)
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss, presented as finance income (loss).

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 (oil swaps) to reduce the risks in overall earnings and cash flows.

The Group holds derivative financial instruments to hedge its commodity price and interest rate risk exposures. However, these contracts are not designated in a hedge relationship that qualifies for hedge accounting. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately as financial income (cost) in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. 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. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents - comprise cash balances, cash in hand and call deposits 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.

(ii) Financial liabilities
The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through

profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the Other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are, if any, included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Borrowings
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. Other financial liabilities 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.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. To the extent that Interoil Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group will determine the amount of borrowing costs eligible for capitalization by applying a capitalization-rate to the expenditures on that asset. The capitalization-rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

(iii) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

8.1.12 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. Inventory cost includes raw material, freight, and direct production expenses together with a portion of indirect expenses.

8.1.13 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.

8.1.14 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.

8.1.15 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.

8.1.16 Non-current assets held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Interoil Group does not classify non-current assets (or disposal groups) that are to be abandoned as held for sale, since its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale, Interoil Group will present the results and cash flows of the disposal group as discontinued operations at the date on which it ceases to be used.

Intangible assets and property, plant and equipment once classifies as held for sale or discontinued operations are not amortised or depreciated.

8.1.17 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.

8.1.18 Interest in jointly controlled operations

Certain of the Group's activities, particularly exploration and production, are conducted through unincorporated joint ventures where the ventures have a direct ownership interest in and jointly control the assets of the venture. The Group recognises, on a line by line basis, its share of the assets, liabilities and expenses of these jointly controlled operation, along with the Group's income from the sale of its share of the output and liabilities and expenses incurred in relation to the venture.

Licences are funded through cash calls from the operator to the licence partners. The net of total cash called and total payments made by the licence, the over-/under call, is recognised in the statement of financial position as other short-term receivables or other current liabilities respectively.

When the Group, acting as an operator, receives reimbursement of direct costs recharged to the joint venture, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint venture and therefore have no effect on profit or loss.

8.1.19 Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of reported amounts of assets, liabilities, and the disclosure of contingent liabilities, at the end of the reporting period and amounts of revenues and expenses recognized during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) 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. The recoverable amounts of cash-generating units and individual assets have been determined based on value-in-use calculations as net present value (before tax). These calculations require the use of estimates and assumptions such as management evaluations in addition to discount rates, expected future cash flows and future market conditions, including production, remaining proved and probable reserves (P2), future capital expenditures, lifting cost and forward oil price. It is reasonably possible that these assumptions may change, which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of exploration assets and oil related assets. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets. Current oil price does not indicate impairment of any of the oil producing assets at 31 December 2011. The Group has recognized an impairment charge of USD 2.3 million (2010: USD 9.3 million) relating to continuing operations regarding its non producing oil assets.

(b) Abandonment and decommissioning liabilities
Abandonment and decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production

sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The carrying amount of provisions for abandonment and decommissioning at 31 December 2012 is 1.1 million, 2011 is USD 2.3 million (2010: USD 1.5 million).

(c) Hydrocarbon reserves and resource estimates
Oil and gas production properties are depreciated on units of production basis at a rate calculated by reference to total proved developed and undeveloped reserves determined in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results which include:

- The carrying value of exploration and evaluation assets, oil and gas properties and property, plant and equipment may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change
- Provisions for decommissioning may change - where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

8.1.20 Consolidated income statements

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

Amounts in USD 1000	For the 3 months period ended 31 Dec 2012	For the 3 months period ended 31 Dec 2011	For the 12 months period ended 31 Dec 2012	2011	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Sales	26 758	39 036	118 266	147 623	104 787	100 430
Cost of goods sold ex depreciation	-5 625	-8 844	-34 298	-32 739	-61 630	-56 117
Depreciation	-9 072	-19 713	-40 610	-41 529	-	-
Gross profit	**12 061**	**10 479**	**43 358**	**73 354**	104 787	100 430
Exploration cost expensed	-5 763	-4 426	-12 209	-11 264	-12 871	-20 757
Administrative expense	-15 473	-2 572	-13 382	-5 931	-3 491	-9 030
Other income / (expense)	9 940	746	10 638	953	1 400	1 527
Impairment oil and gas assets	-45 256	0	-45 256	-2 342	-9 331	-
Result from operating activities	**-44 491**	**4 227**	**-16 851**	**54 770**	**18 864**	**16 053**
Finance income	2 457	4 483	27 178	23 624	311	1 062
Finance cost	-7 222	-31 040	-42 153	-48 269	-67 187	-21 548
Finance income/ (expense) net	**-4 765**	**- 26 557**	**-14 975**	**- 24 645**	**-66 876**	**-20 486**
Profit / (loss) before income tax	**-49 256**	**-22 330**	**-31 826**	**30 125**	**-48 012**	**-4 433**
Income tax expense	14 009	-4 086	7 869	-20 497	-7 948	-8 424
Profit / (loss) from continuing operation	**-35 247**	**-26 416**	**-23 957**	**9 628**	**-55 960**	**-12 857**
Profit / (loss) from discontinued operations (net of tax)	0	-279	0	-564	7 082	-41 727
Profit / (loss)	**-35 247**	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
Other comprehensive income	- 0	0	0	0	0	0
Other comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive income for the period, net of tax	**-35 247**	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
Attributable to:						
Equity holders of the parent	**-35 247**	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
	-35 247	**-26 695**	**-23 957**	**9 064**	**-48 878**	**-54 584**
Earnings per share (expressed in USD)						
– basic	**-0.74**	**-0,56**	**-0.50**	**0,19**	**-1.60**	**2,50**
– diluted	**-0.74**	**-0,56**	**-0.50**	**0,19**	**-1.60**	**2,50**

8.1.21 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 (discontinued) 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 (discontinued), 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.

Segment information – business segments

For the 12 months period ended 31 December 2012

Amounts in USD 1 000	Colombia	Peru	Ghana	Other	Unall. / Elimin.	Group
Total Revenue	54 067	62 916	0	1 283	0	118 266
Inter-segment sales	0	0	0	10 287	-10 287	0
Cost of goods sold ex depr	-15 126	-18 543	0	-629	0	-34 298
Depreciation	-3 144	-37 466	0	0	0	-40 610
Gross profit	**35 797**	**6 907**	**0**	**10 941**	**-10 287**	**43 358**
Exploration cost expensed	-7 219	0	-1 225	-4 065	300	-12 209
Administrative expense	-1 850	-2 715	0	-8 817	0	-13 382
Other income / (expenses)	1 056	251	170	9 161	0	10 638
Inter-segment cost	-4 275	-5 610	0	-102	9 987	0
Impairment oil and gas assets	0	-45 256	0	0	0	-45 256
Result from operating activities	**23 509**	**-46 423**	**-1 055**	**7 118**	**0**	**-16 851**
Finance income	14 484	13 991	24	12 691	-14 012	27 178
Finance costs	-15 952	-9 691	-548	-31 754	15 792	-42 153
Profit / (loss) before income tax	**22 041**	**-42 123**	**-1 579**	**-11 945**	**1 780**	**-31 826**
Income tax expense	-5 859	13 731	0	0	-3	7 869
Profit / (loss) for the period	**16 182**	**-28 392**	**-1 579**	**-11 945**	**1 777**	**-23 957**

As of December 2011

Amounts in USD 1 000	Colombia	Peru	Ghana	Other	Unall. / Elimin.	Contin-uing operations	Angola (dis-continued)	Group
Total Revenue	62 851	83 459	0	1 313	0	147 623	0	147 623
Inter-segment sales	0	0	0	11 572	-11 572	0	0	0
Cost of goods sold	-23 810	-50 090	0	-369	0	-74 269	0	-74 269
Gross profit	**39 041**	**33 369**	**0**	**12 516**	**-11 572**	**73 354**	**0**	**73 354**
Exploration cost expensed	-7 729	-5 583	-429	-8 967	11 444	-11 264	-288	-11 552
Administrative expense	-639	-1 153	0	-4 267	128	-5 931	0	-5 931
Other income / (expenses)	994	-125	0	84	0	953	0	953
Impairment oil and gas assets	0	0	-2 342	0	0	-2 342	0	-2 342
Result from operating activities	**31 667**	**26 508**	**-2 771**	**-634**	**0**	**54 770**	**-288**	**54 482**
Finance costs – net	-7 653	- 7025	0	-9 967	0	-24 645	276	-24 921
Profit / (loss) before income tax	**24 014**	**19 483**	**-2 771**	**-10 601**	**0**	**30 125**	**-564**	**29 561**
Income tax expense	-10 360	-7 692	0	-2 445	0	-20 497	0	-20 497
Profit / (loss) for the period	**13 654**	**11 791**	**-2 771**	**-13 046**	**0**	**9 628**	**-564**	**9 064**

As of December 2010

Amounts in USD 1 000	Colombia	Peru	Ghana	Other	Unall. / Elimin.	Contin-uing operations	Angola (dis-continued)	Group
Total Revenue	45 176	58 165	0	5 083	0	108 424	0	108 424
Inter-segment sales	0	0	0	0	-3 637	-3 637	0	-3 637
Cost of goods sold	-26 165	-34 984	0	-481	0	-61 630	0	-61 630
Gross profit	**19 011**	**23 181**	**0**	**4 602**	**-3 637**	**43 157**	**0**	**43 157**
Exploration cost expensed	-7 771	-2 941	-290	3 967	-5 836	-12 871	7 837	-5 034
Administrative expense	0	0	0	-3 491	0	-3 491	-13	-3 504
Other income / (expenses)	2 368	-1 040	0	72	0	1 400	0	1 400
Impairment oil and gas assets	0	0	-9 331	0	0	-9 331	-668	-9 999
Result from operating activities	**13 608**	**19 200**	**-9 621**	**5 150**	**-9 473**	**18 864**	**7 156**	**26 020**
Finance costs – net	-19 532	-21 416	-5	-25 923	0	-66 876	-74	-66 950
Profit / (loss) before income tax	**-5 924**	**-2 216**	**-9 626**	**-20 773**	**-9 473**	**-48 012**	**7 082**	**-40 930**
Income tax expense	-2 443	-5 504	0	-1	0	-7 948	0	-7 948
Profit / (loss) for the period	**-8 367**	**-7 720**	**-9 626**	**-20 774**	**-9 473**	**-55 960**	**7 082**	**-48 878**

As of December 2009

Amounts in USD 1 000	Colombia	Peru	Ghana	Angola	Other businesses and Corporate	Total reportable segments	Eliminated	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 and evaluation cost	-11 514	-3 137	-1 589	-51 597	1 805	-66 032	-6 322	-72 354
Administrative expense	-	-	-	-36	-9 030	-9 066	-	-9 066
Other operating Income / (expenses)	2 859	-1 381	-	9 906	49	11 433	-	11 433
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 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 for the year	**2 648**	**18 344**	**-1 589**	**-41 727**	**-21 322**	**-43 646**	**-10 938**	**-54 584**

8.2 Consolidated statements of financial position

Amounts in USD 1 000	As of 31 December 20112	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
	(Unaudited)	(Audited)	(Audited)	(Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	39 548	117 367	142 943	145 213
Intangible assets	0	2 609	4 950	14 950
Trade and other receiveables	0	0	0	3 358
Deferred income tax assets	2 105	0	0	0
Retirement benefit asset	67	52	0	0
Total non-current assets	**41 720**	**120 028**	**147 893**	**163 521**
Current assets				
Inventories	1 041	533	1 274	376
Trade and other receivables	12 489	16 636	12 439	33 763
Cash and cash equivalents	10 203	23 703	21 239	13 388
Total current assets	**23 733**	**40 872**	**34 952**	**47 527**
TOTAL ASSETS	**65 453**	**160 900**	**182 845**	**211 048**
EQUITY				
Share capital and share premium	90 985	90 985	90 985	43 580
Other paid-in equity	1 742	1 742	1 742	1 742
Retained earnings	-156 069	-132 112	-141 176	-92 298
Total equity	**-63 342**	**-39 385**	**-48 449**	**-46 976**
LIABILITIES				
Non-current liabilities				
Borrowings	16	731	1 731	16 736
Deferred income tax liabilities	0	19 049	18 517	22 875
Financial liabilities at FVtPL	0	5 336	19 801	145
Retirement benefit obligation	0	0	16	13
Provisions for other liabilities and charges	2 760	4 141	2 530	1 550
Total non-current liabilities	**2 776**	**29 257**	**42 595**	**41 319**
Current liabilities				
Trade and other payables	37 744	38 559	35 258	61 707
Income tax liabilities	4 059	7 132	1 501	3 321
Current interest-bearing liabilities	74 617	98 760	130 148	136 179
Financial liabilities at FVtPL	4 392	20 320	16 469	0
Provisions for other liabilities and charges	5 207	6 257	5 323	15 498
Total current liabilities	**126 019**	**171 028**	**188 699**	**216 705**
TOTAL LIABILITIES	**128 795**	**200 285**	**231 294**	**258 024**
TOTAL EQUITY AND LIABILITIES	**65 453**	**160 900**	**182 845**	**211 048**

8.3 Cash flow statements

Amounts in USD 1 000	2012	2011	2010	2009
	(Unaudited)	(Audited)	(Audited)	(Audited)
Cash generated from operations				
Total comprehensive income of the period	**-23 957**	**9 064**	**-48 878**	**-54 584**
Income tax expense	-7 869	20 497	7 948	8 424
Depreciation, amortization and impairment	91 684	43 911	39 221	63 689
Amortization of debt issuance cost	2 310	2 232	3 316	2 508
Fee regarding taxclaim bondloan	-1 441			
Change in retirement benefit obligation	-14	-68	3	58
Interest income	-105	-12	-194	-24
Interest expense	11 654	14 107	18 228	14 672
Unrealized exchange gain / (loss) from revaluation of long term borrowings	4 378	- 1 014	1 783	2 955
Gain from sale PP&E	0	-31	-85	-10 005
Changes in assets & liabilities				
Inventories	-508	741	-898	53
Financial assets and liabilities at FVtPL	-21 263	-10 615	36 126	-1 033
Trade and other receivables	4 147	-4 196	24 471	18 743
Trade and other payables and provision and other liabilities	-3 211	5 792	-25 439	890
Taxes paid	-16 357	-14 337	-14 123	-19 428
Net cash generated from operating activities	**39 448**	**66 071**	**41 479**	**26 918**
Cash flows from investing activities				
Investments in exploration, production and other assets	-11 256	-15 994	-28 746	-22 251
Proceeds from sale of PP&E			80	3 000
Other financial assets at fair value through profit or loss			211	-
Net cash used in investing activities	**-11 256**	**-15 994**	**-28 455**	**-19 251**
Cash flows from financing activities				
Interest received	105	12	194	24
Interest paid	-11 689	-13 983	-17 832	-14 276
Repayment of borrowings	-50 827	-44 742	-160 849	5 168
Proceeds from new loans	20 720		87 335	-
Proceeds from new bank financing/increase in credit line	0	11 100	47 381	-
Proceeds from issuance of ordinary shares			38 598	-
Net cash used in financing activities	**-41 691**	**-47 613**	**-5 173**	**9 084**
Net change in cash and cash equivalents	**-13 499**	**2 464**	7 851	-1 417
Cash and cash equivalents at beginning of the period	23 702	21 239	13 388	14 805
Cash and cash equivalents at end of the period	**10 203**	**23 703**	**21 239**	**13 388**
Whereof cash and cash equivalents, non-restricted	4 641	9 996	8 374	13 144
Whereof cash and cash equivalents, restricted	5 562	13 707	12 865	244

8.4 Changes in the consolidated shareholders' equity

For the period from 1 January 2009 to 31 December 2012

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	0	0	-54 584	-54 584
Balanse per 31. desember 2009	**43 580**	**1 742**	**-92 298**	**-46 976**
Total comprehensive income for the period	0	0	-48 878	-48 878
Issue of share capital, cash increase	41 558	0	0	41 558
Issue of share capital, liability conversion	9 483	0	0	9 483
Share issuance costs	-3 636	0	0	-3 636
Balance at 31 December 2010	**90 985**	**1 742**	**-141 176**	**-48 449**
Total comprehensive income for the period	0	0	9 064	9 064
Balance at 31 December 2011	**90 985**	**1 742**	**-132 112**	**-39 385**
Total comprehensive income for the period	0	0	-23 957	-23 957
Balance at 31 December 2012	**90 985**	**1 742**	**-156 069**	**-63 342**

8.5 Management discussion and analysis

8.5.1 Q4 2012 and full year 2012 (unaudited)

Interoil's oil production continued to decline in Q4 and fell 30% year on year. Since Q4 2010, production has fallen by 42%, while capex has fallen by 60%. The company needs to raise capital to reverse this trend to create shareholder values and ensure that financial obligations can be met.

Interoil recorded an EBITDA of USD 10 million in Q4 on operating revenues of USD 27 million. Adjusting for the USD 5 million write-down of the Altair exploration well in Colombia, EBITDA came in at USD 15 million. This compares to revenues and EBITDA of USD 26 million and USD 14 million in prior quarter.

Interoil Peru was awarded an injunction to continue operating the licenses in Peru due to force majeure until 2014 and 2016 for blocks IV and III respectively. Nonetheless, the company cannot book the corresponding reserves for this period, until a final resolution is granted by the courts. As oil and gas assets are depreciated and amortised using the unit-of-production method based on proved and probable reserves Interoil Peru wrote down all oil assets to zero as of year-end 2012. This resulted in a depreciation and impairment charge in Q4 of USD 54 million.

For the full year, Interoil generated revenues of USD 118 million and an EBITDA of USD 69 million. This is a considerable reduction compared to the 2011 EBITDA of USD 99 million. The difference reflects the fall in production. A depreciation and impairment charge of USD 86 million and the USD 5 million write-down of the exploration well drilled in Colombia, resulted in an operating loss of USD 17 million.

Interoil had net financial expenses of USD 5 million in the fourth quarter of 2012. The main expenses were interest costs (USD 3 million); realized losses on the oil hedge contracts (USD 3 million) and realized/unrealized exchange rate losses (USD 2 million). In addition, there was an unrealized gain on the oil hedge contracts of USD 2 million.

For the full year, the company recorded net financial expenses of USD 15 million, of which USD 15 million were realized losses on the oil hedge contracts, interest expenses were USD 12 million and

realized/unrealized exchange rate losses amounted to USD 5 million. There was an unrealized gain on the oil hedge contracts of USD 20 million.

Interoil recorded a realized loss of USD 3 million on the hedge contracts in the fourth quarter of 2012 and USD 15 million for the full year. Based on the mark to market valuation of the open WTI oil contract, Interoil carries a liability of USD 4 million per December 31 2012.

Interoil recorded a positive income tax of USD 14 million in the fourth quarter of 2012, due to extraordinary depreciation charge in Peru. Net loss for the quarter was USD 35 million. For the full year, the company recorded a net loss of USD 24 million, after a positive income tax of USD 8 million.

Interoil's total assets as of December 31, 2012, amount to USD 40 million, after a depreciation and impairment charge in 2012 of USD 86 million. The oil assets in Peru are valued at zero. Cash and cash equivalents were USD 10 million and total liabilities were USD 129 million. Total book equity was USD -63 million.

As of end of the year 2012, Interoil had USD 75 million of interest-bearing debt, down from USD 99 million one year prior. The interesbearing debt is classified as current. See chaper 8.9.4 Colpatria loan USD 13,5 million, regarding breach of covenants. The Group had a USD 4 million liability connected to the oil price hedge contracts, down from USD 26 million in 2011.

The company generated operating cash flows of USD 39 million in 2012 compared to USD 66 million in 2011, a significant decline year on year, reflecting the fall in production. Investing cash flows amounted to USD -11 million. Investments in 2012 included the drilling of 3 production wells in Peru, all of which produced unsatisfactory results, and 1 exploration well in the Altair block in Colombia. The exploration well was uncommercial and has been suspended. Financing cash flows were USD -42 million, and included interest payments of USD 12 million and net debt repayments of USD 30 million. The bank debt facilities with Citibank Peru and Colombia were both repaid during 2012, while a new bank loan of USD 13.5 million was granted by Colpatria Bank in Colombia. In addition, another USD 5 million in unsecured bank debt was raised through Helm Bank in Colombia in 2012. Net change in cash was negative USD 14 million.

On the 20th December 2012, an EGM elected a new board of Interoil. The new board has since put in place a new management, implemented the overhead cost reduction program targeting savings of USD 10 mill per year, and established a new governance model, whereby the subsidiaries in Colombia and Peru will operate as independent entities with strong, functional boards. This new governance structure will increase the accountability and transparency of Interoil's local operations.

As at 31 December 2012 the Group's liquidity situation is stressed, and the production is declining due to under -investing in production assets. In addition, the Group is in breach of the current ratio covenant under the loan agreement with Colpatria Bank, and the Company has unsecured debt in Colombia of more than 5 million. To improve the situation several actions have been taken. See chapter 8.7 for significant changes after the balance sheet date.

8.5.2 Full year 2011

Despite a flat production in 2011 compared to 2010, revenues increased by 41% to USD 148 million due to a higher realized oil price.

EBITDA for the year reached USD 99 million against USD 58 million in 2010, a 71% increase.

Depreciation & Amortization increased by USD 12 million, to USD 42 million for the year, which is a direct result of the changes in proven reserves as per year end 2011. The reduction in proven reserves is attributable to the lower than anticipated investments during the year. The Group also made a full impairment charge for the assets in Ghana, in the amount of USD 2 million. As a result, operating profit grew from USD 19 million in 2010 to USD 55 million in 2011.

Interoil recorded net financial expenses of USD 25 million, mainly caused by interest expenses of USD 14 million and net expenses related to the oil price hedge contracts of USD 7 million.

The Group reported a net profit for the year of USD 9 million, against a net loss of USD 49 million in 2010.

Total assets amounted to USD 161 million, compared to USD 183 million in 2010. The decline is a result of PP&E falling from USD 143 million in 2010 to USD 117 million in 2011, on the back of lower capex spending and higher depreciation charges. Cash at end of the year was USD 24 million, of which USD 14 million was restricted under our loan agreements with bondholders and Citibank in Peru and Colombia.

As of end of the year 2011, Interoil had USD 99 million of interest-bearing debt, down from USD 130 million one year prior. The Group had a USD 26 million liability connected to the oil price hedge contracts, down from USD 36 million in 2010.

Operating cash flows for the year reached USD 66 million against USD 41 million in 2010. Total capex for the year was USD 16 million, down from USD 29 million in 2010. As a result, the Group generated free cash flows of USD 50 million for the year, against USD 13 million in 2010.
Cash flows from financing activities included interest expenses of USD 14 million and net repayments of debt of USD 34 million.
Total change in cash for the year was USD 3 million, against USD 8 million in 2010.

8.5.3 Full year 2010

Although the production decreased by 17% in 2010 compared to 2009 the revenue increased by USD 4.3 million to USD 104.8 million in 2010, mainly due to higher oil price achieved. Cost of goods sold increased by USD 5.5 million since prior year mainly due to the high activity in the new Altair license and San Luis discovery. As a result, the gross profit of USD 43.2 million in 2010 decreased by USD 1.1 million compared to 2009.

Other expenses related to the operations, exploration and administration expenses, decreased from USD 28.3 million to USD 24.3 million. This is mainly traced back to the following; Firstly, acquisition of seismic data in Altair of USD 5.3 million and a tax claim provision pertaining to related parties of USD 9.9 million which was settled in full and recorded in 2009. Secondly, the exploration asset in Ghana totaling USD 9.3 million was impaired in 2010. Result from continuing operational activities increased from USD 16.1 million in 2009 to USD 18.9 million in 2010.

The net financial cost for the financial year 2010 is USD 66.9 million compared to USD 20.5 million in prior year. The difference can mainly be traced back to the unrealized loss of USD 35.1 million related to the hedging contracts (described above) and the expenses (USD 9.5 million) directly related to the refinancing process of the Group.

Consequently the net loss for the financial year of 2010 was USD 48.9 million, after income tax expense of USD 7.1 million compared to a net loss of USD 54.8 million after an income tax expense of USD 8.4 million in prior year.

Operating activities for the financial year of 2010 generated sales of USD 104.8 million and net cash flow were USD 32.8 million. Net increase in cash and cash equivalents was USD 7.9 million for the financial year of 2010.

InterOil entered into a hedging agreement effective from April 1, 2010 for a 30-month 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. Additionally InterOil entered into a similar agreement with Citibank Colombia effective from September 1, 2010, for a 36-month period with a total volume of 1.02 million barrels (28'400 barrels per month) at a fixed rate of WTI of USD 75.40 per barrel. InterOil recorded a realized loss of USD 0.8 million on the hedging for the financial year 2010. The mark to market valuation of the future open WTI oil contracts was calculated at USD 35.1 million (liability) as of December 31, 2010, which has been charged in full as an unrealized loss to the statement of comprehensive income for the financial year 2010.

InterOil entered in 2010 two new bank loan facilities with Citibank N.A. in total amount of USD 90 million. Interoil Peru S.A. borrowed USD 60 million, while Interoil Colombia E&P Inc. (BVI) borrowed USD 30 million. 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.

Following the unsuccessful offer by West Face from June 2010, the Board of InterOil announced its intention to raise NOK 317-444 million (USD 50-70 million) through a Private Placement. On August 5, 2010, the Board of InterOil called for an extraordinary shareholders meeting to resolve

an equity issue. On August 23, 2010, the Company launched the Private Placement as well as issued a new Secured Bond Loan.

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 Placement Share through a book building process. Gross proceeds amounted to NOK 324 million (~USD 51 million).

The Private Placement was resolved partly through a board resolution of August 26, 2010, and partly by shareholders resolutions in the extraordinary shareholders meeting held August 26, 2010. The Board resolved to issue 4’815’711 shares to Eksportconsult AS and Kristen Jacobsen by way of debt conversion of NOK 50.7 million and USD 1.5 million respectively. The extraordinary shareholders meeting resolved to issue 21’104’289 Shares for cash contribution. The capital increase was registered with the Norwegian Register of Business Enterprises on August 31, 2010, and the company's share capital was consequently increased by NOK 1’296’000 from NOK 2’388’250. All issued shares are paid in full.

The proceeds from the Private Placement together with the proceeds from the new loans, was used to repay the former interest bearing liabilities, pay fees and other expenses incurred during the process and applied to working capital requirements and general corporate purposes.

Interoil’s total assets as of 31 December 2010 amount to USD 182.8 million, and total cash and cash equivalents to USD 21.2 million. The equity ratio of the group was -26.5%.

As of December 31, 2010, the Group’s liquidity situation is stressed. Compared to the expected useful life of the Group’s oil & gas assets, the maturity of the interest-bearing debt are relatively short. In addition, significant amounts of cash has to be placed as collateral for the interest-bearing borrowings and on margin accounts related to the oil hedge agreements (described above), and thus restricted for the Group. As at December 31, 2010, USD 12.9 million of the Group’s cash is restricted. In relation to the oil hedge agreements the Group is required to place collateral equal to the difference between a collateral margin and the mark-to-market value of future pending hedge contracts. The collateral margin in Colombia and Peru is USD 15.0 million and USD 40.0 million respectively. No funds are tied up on margin accounts in Peru or Colombia as of year-end 2010. After year-end, as of approval of the annual report, USD 11.5 million is placed on the margin account as collateral related to the Colombian agreement.. From May 1, 2011, the collateral margin in Peru will be reduced from USD 40.0 million to USD 20.0 million which, depending on the development in the oil price (the mark-to-market value of the hedge contracts are measured towards the WTI), might result in increased funds being tied up on margin accounts.

Due to the stressed liquidity situation the Group will need to negotiate with banks to reduce cash tied up in restricted accounts or complete refinancing alternatives in combination with improving its operational performance to generate sufficient cash-flow for working capital needs and debt service in 2011.

As at 31 December 2010 the Group is in breach with the minimum daily average production covenant in the USD 60 million loan agreement with Citibank Peru. Today’s production is above the minimum daily average production covenant and the Group is in an ongoing dialog with Citibank. As a consequence of the breach, the loan has been classified as current in accordance with IFRS. Further, due to existence of cross default clauses, the USD 30 million loan agreement with Citibank Colombia and the NOK 310 million bond loan has in accordance with IFRS been classified as current.

8.5.4 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 8.6), 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.

InterOil has since June 2009 worked towards a complete refinancing of all outstanding debt, as of end of the year 2009 a total of USD 153 million. 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.

8.6 Investments

8.6.1 Historical investments

The table below gives an overview of investments made during the last 4 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 5.5. The investments are represented as capital expenditures in the financial statements.

Amounts in USD 1 000	2012	2011	2010	2009
	(Unaudited)	(Audited)	(Audited)	(Audited)
Cash flows from investing activities				
Investments in exploration, production and other assets	-11 256	-15 994	-28 746	-22 251
Proceeds from sale of PP&E	0	0	80	3 000
Other financial assets at fair value through profit or loss	0	0	211	0
Net cash used in investing activities	**-11 256**	**-15 994**	**-28 455**	**-19 251**

No material investments have been made since the balance sheet date as of 31.12.12 till the date of the prospectus.

Full year 2012
In Q2 2012, the company drilled one exploration well in Colombia and three production wells in Peru, all of which yielded unsatisfactory results. Interoil had total capital expenditures of USD 11.3 million for the full year, the lowest level since 2005.

Full year 2011
Investments/Capitalized expenditures in 2011 were USD 15.9 million, whereof USD 9.4 million is related to work over projects and the drilling of new wells on the San Luis field in Block III in Peru. The remaining USD 6.5 million is mainly connected to the 2011 drilling campaign on the Mana license in Colombia.

Full year 2010
Total capitalized expenditures for the period were USD 28.7 million. The capitalized expenditures were USD 14.9 million in Peru and USD 13.8 million in Colombia during 2010 and can mainly be traced back to the drilling activity and upgrade of production facilities in Peru and 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.

8.6.2 Principal investments in progress

Interoil did not incur any principal investments in Q4 2012, and there are currently no principal investments in progress. Minor investments may be incurred in order to stabilize production in Peru and Colombia and certain investments related to the LLA-47 exploration license in Colombia may have to be incurred within the next months.

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

8.6.3 Principal future investments

Interoil plans to embark on a 68 well drilling campaign on the Puli C production license in Colombia in April 2013. The campaign is expected to last until 2015.

The investments of approximately USD 70 million, related to the drilling of the 68 production wells, will be funded with the proceeds from the equity issue and internal cash flows. The drilling campaign will be carried out with own employees, as well as hired in contractors who also supply the rigs.

Also, Interoil has investment commitments on the LLA-47 exploration license in Colombia, of USD 38 million, from 2013 until early 2015. USD 14 million relating to seismic is expected to be incurred in 2013. In addition, 8 wells each costing approx. USD 3 million needs to be drilled by 2015. The company seeks to reduce or eliminate these commitments by farming-down or disposing its working interest. This process is ongoing. In the unlikely event that the group does not succeed in divesting the license, there is a risk that the group will have to scale down its drilling campaign on Puli C, in order to meet the exploration commitments.

Interoil’s licenses in Peru expire in March 2013, but an injunction has been awarded to continue operating until 2014 for block IV and 2016 for block III, or until a final verdict has been awarded. However, Interoil does not plan to invest in Peru until a license extension is in place.

8.7 Significant changes after 31 December 2012

Other than as set out below, there have been no significant changes in the financial or trading position of the Group following 31 December 2012:

January 2013 :
Anne Grethe Ellingsen was elected to chair the Board.
Mr Erik Sandøy was reinstated as CFO and Thomas J. Fjell was appointed as CEO.
The company relocated to new offices in Klingenberggaten 7b, Oslo, in connection with the overhead cost reduction program.

The service agreement between Interoil and Eksportconsult AS/Mårten Rød was terminated with immediate effect.
A new governance structure was implemented and a cost reduction program of USD 10 million initiated.
A review of all related party transactions for the last three years is being conducted by Ernst & Young.

The Minister of Energy and Mines in Peru has announced in the business newspaper Gestion, that he will implement regulations to promote the continuity of, among others, Interoil Peru's concession in Blocks III and IV in Peru.

Further the Agency of the Environmental Supervision and Control in Peru has informed Interoil Peru that it will start an administrative investigation procedure against IOX due to the drilling of 4 wells

outside the locations approved by the Agency. The wells were drilled within Interoil Peru's license area and have had no detrimental effects on the surrounding environment or third parties. The Agency may impose a fine or suspension of production from the relevant wells. Interoil Peru is of the opinion that the Agency has no grounds to impose a fine or to suspend production from the wells and are working closely with the Agency to resolve the issue.

February 2013:
Interoil Colombia signed a binding agreement with Trayectoria Oil & Gas, to divest the Altair and Cor-6 exploration licenses in Colombia. The transaction is subject to approval from local banks, bondholders and ANH. The process to farm-out/divest the LLA-47 exploration asset is ongoing. The divestment process of the Colombian production assets was terminated.

Interoil completed the restructuring described in section 4.1-4.2.

Apart from the above mentioned issues, there has been no significant changes to the Groups financial status.

8.8 Trend information

In 4Q 2012, Interoil's oil production declined by 30% year on year. Production has declined by 42% in two years. This has had a substantial negative effect on revenues, profitability and cash flows. Since year-end 2012, production has remained relatively flat and the realized oil price has increased slightly.

Besides the above, the Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Company since 31 December 2012. 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.

8.9 Capitalization and indebtedness

8.9.1 Statement of capitalization and indebtedness

Amounts in USD 1 000 Indebtedness	As of 31 December 2012	Adjustments	Adjusted 31 December 2012
Total current financial debt	**79 009**		**79 009**
Guaranteed			
Secured	67 899		67 899
Unguaranteed/unsecured	21 252		21 252
Total non-current financial debt	**16**		**16**
Guaranteed			
Secured			
Unguaranteed/unsecured	16		16
Total indebtedness	**79 025**		**79 025**
Invested equity attributable to shareholders of the company	90 985	33 000	123 985
Minority interests	-		-
Total equity	**90 985**	**33 000**	**123 985**
TOTAL capitalization	**170 010**	**33 000**	**203 010**

*The Secured current debt consist of an oil hedge contract between Interoil Exploration & Production Colombia BVI and Citibank, which has first lien on all assets in Colombia; the Colpatria loan USD 13,5 million, which has a second pledge on all assets in Colombia; and the Senior Secured Bond Loan, which has a first pledge on the shares of Interoil E&P Latin America AS, the owner of the shares in the subsidiaries in Colombia and Peru.

All the secured debt is classified as current, due to covenant breaches, see section 8.9.4.

The adjustments are the USD 35 million equity issue, less fees to financial and legal advisors of an estimated USD 2 million.

Amounts in USD 1 000	As of 31 December 2012	Adjustments	Adjusted 31 December 2012
A. Cash	10 203	33 000	43 203
B. Cash equivalent	0		0
C. trading securities	0		0
D. Liquidity (A) +(B) + (C)	**10 203**	**33 000**	**43 203**
E. Current Financial Receivable	**0**	**0**	**0**
F. Current Bank debt	17 860		17 860
G. Current portion of non current debt- Bond	8 061		8 061
H. Other current financial debt	4 392		4 392
I. Current Financial Debts (F) + (G) + (H)	**30 313**		**30 313**
J. Net Current Financial Indebtness (I)– (E) –(D)	**20 110**	-33 000	**-12 890**
K. Non current Bank loans	3 391		3 391
L. Bonds Issued	45 321		45 321
M. Other non current loans	16		16
N. Non current Financial Indebtness (K) + (L) + (M)	**48 712**	0	**48 712**
O. Non current financial assets			**0**
Net financial Indebtness (J) + (N)– (O)	**68 822**	**-33 000**	**35 822**

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 31 December 2012.

Amounts in 1000	**NOK**	**USD**
Sources	200 550	35 000
Private Placement - cash	**200 550**	**35 000**
Total sources		
Uses:		
Funding of drilling program Colombia	114 600	20 000
Refinancing fees	11 460	2 000
Increased working capital	74 490	13 000
Total uses	**200 550**	**35 000**

NOK/USD figures based on exchange rate of 5,73 (14 March 2013)

After 31 December 2012 based on the equity issue, 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	**2013**	**2014**	**2015**	**2016**
Colpatria Loan USD 13,5 million	6 750	3 375		
Unsecured Loans Colombia*	11 109	16		
Senior Secured Bond loan				53 382
Final installment Proseis				5 600
TOTAL	17 859	3 391		58 892

Exchange rate of 5.5825 applied NOKUSD

* USD 10,3 million of the Unsecured loans in Colombia are short term loans that are extended as they mature. Interoil expects to keep USD 10 million of unsecured debt until 2016. The remaining USD 854 000 relates to leasing that matures in 2013.

As of 31.12.12 the group has bank deposits of USD 10.2 million, whereof USD 5.6 million is classified as restricted and placed as collateral for the interest-bearing borrowings. Bank deposits are mainly denominated in USD, NOK and COP.
The company has no unused credit facilities.

The interest coverage ratio as of 31.12.12 is 0.3, and the equity ratio is -96.8% which is below the Group's objectives for managing capital. The equity issue and the cost reduction progamme together with the new corporate model is initiated to improve the capital structure.

As of the date of the prosepectus, the group has restricted cash of USD 5.6 million. In addition, the group has approximately USD 34 million of cash on hand. The equity issue has strengthened the capital structure of the company and substantially improved liquidity. The company is now fully financed.

8.9.2 Significant changes in capitalisation and indebtedness after 31 December 2012

As described in Section 4.2 Interoil has completed issuance of the Private Placement. The Private Placement is described in section 4. The company has no further capital needs other than the private placement.

8.9.3 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 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 will be used to make repayments on the bond loan

8.9.4 Borrowing requirements and funding structure

Senior Secured Bond Loan (ISIN NO 001 0584683)**:**
In August 2010, Interoil raised a NOK 310 million Senior Secured Bond Loan with settlement date 14 September 2010 and ISIN NO 001 0584683. The coupon rate for the Bonds is 15% p.a., payable quarterly in arrears. The Bonds are denominated in NOK. The nominal value of the Bonds is NOK 500,000.

A bondholder meeting held on 4 March 2013, approved certain changes to the bond loan agreement, primarily to extend the entire Bond loan's maturity to March 2016 at par value, and a new call structure aligned with the maturity profile.

Further, the bondholders accepted to:

i. Approve the sale of the Altair license
ii. Release the pledge and approve the divestment of Interoil Exploration & Production Switzerland AG and its assets
iii. Release the pledge and approve the liquidation of (i) Interoil LatinAmerica AS (dormant), (ii) Interoil Switzerland SA (dormant), (iii) Interoil Exploration & Production Ghana AS (insolvent) and (iv) Interoil Exploration & Production Africa AS (insolvent)
iv. Simplify covenants related to to permitted unsecured debt and capital leases
v. Rolling permission to have USD 10 million of secured debt in Colombia (and zero in Peru), which is the current level of permitted debt
vi. Restrict repayment of existing unsecured debt in the issuer which is not part of the daily operation of the Company until the Bond Loan is repaid in full
vii. Amendment of the change of control clause to market standard so that any person or

group getting over 50% or more of the outstanding shares of the issuer will trigger a change of control. The carve-out for Mårten Rød and Gian Angelo Perrucci will consequently be removed.

Interoil may redeem the bonds issued in the Senior Secured Bond Loan in whole or in part (on a pro rata basis) at any time from and including:

(i) from and including the interest payment date in September 2012 to, but not including, the interest payment date in March 2015 at a price equal to 105% plus accrued interest on redeemed amount; and

(ii) from and including, the interest payment date in March 2015 to, but not including, the final maturity date at a price equal to 101% plus accrued interest on redeemed amount.

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 first priority pledge over the machinery, inventory, receivables and bank accounts of each of Interoil Exploration & Production Latin America AS

(iii) a first priority pledge over the shares (100%) held by Interoil in Interoil Exploration & Production Latin America AS;

(iv) unconditional and irrevocable guarantees from Interoil Exploration & Production Latin America AS;

(v) 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.

As per 31 December 2012, IOX has unsecured debt in Colombia of more than 5 million. A bondholder meeting in February 2013 accepted a change to the bond loan agreement for a rolling permission for USD 10 million unsecured debt in Colombia.

Colpatria Loan USD 13.5 million

In June 2012 Interoil Colombia Exploration & Production Inc (BVI) entered into a USD 13.5 million loan agreement with Banco Colpatria Cayman Inc. The loan will mature in May 2014, and will be repaid in 8 quarterly equal instalments ending on the maturity date. The loan bears interest of LIBOR + 5 % per annum payable quarterly in arrears.

The loan facility has the following main covenants:

- Senior Debt / Ebitda < 1.25x
- Debt Service Coverage ratio > 2.0x
- Leverage ratio < 1.5x
- Current Ratio >1.0x
- Customary information covenants

The borrower is in breach of the current ratio covenant and is in discussions with the lender to replace this covenant with a production covenant.

The lender has security through a guarantee from the parent of the borrower, Interoil Exploration & Production Latin America AS. In addition, it has a second pledge on the assets, receivables and the shares of the borrower. The pledges will become first pledge, following the expiry of the oil price hedge with Citibank in August 2013.

As per 31 December 2012, Interoil Colombia is in breach of the current ratio covenant under the loan agreement with Colpatria Bank. As a result, and due to the cross default clause in the Bond loan agreement, the Group’s interest bearing liabilities are classified as current in accordance with

IFRS. The company is in the process of amending the loan agreement with Colpatria Bank, whereby the current ratio is replaced with a production ratio, well below current production levels.

Unsecured Loans Colombia
Interoil Colombia Exploration & Production Branch has unsecured bank loans in Colombian Peso. Three agreements with Banco Caja Social of a total of 10 million Peso equivalent to USD 5.6 million will mature in 2013. The interest varies from 7.78% to 9.35% per annum. The last agreement is with Helm Bank for an amount of 8 million Peso, equivalent to USD 4.5 million. The loan will be repaid in four quarterly equal instalments in 2013. The loan bears interest of 9.35 % per annum.

The unsecured loans in Colombia have generally been rolled forward as they mature. Interoil expects to have USD 10 million unsecured debt throughout 2013.

In addition, USD 854 000 relates to leasing obligations that mature during 2013

Final instalment Proseis
The former owners of Proseis, the technical consultancy office acquired by Interoil in 2006 and was later renamed Interoil Exploration & Production Switzerland AG, has a claim on Interoil Exploration & Production ASA of USD 5,6 million, relating to the final instalment on the purchase price. The claim falls due upon repayment of the Senior Secured Bond Loan, maturity March 2016.

Liability on oil hedge contract
To reduce the risks in overall earnings and cash flows, Interoil has an oil-based derivative contracts in Colombia. The contract started 1 September 2010, and ends in August 2013. The total volume hedged was 1.02 million barrels (28’400 barrels per month) at a WTI of USD 75.40 per barrel. The settlement is based on a mark to market valua-tion of the WTI oil price on a monthly basis. The agreements are structured such, that unrealized losses arising from the oil hedge, exceeding a USD 15 million threshold (collateral margin), require cash payments into restricted accounts. No funds are restricted as of December 31, 2012. The liquidity exposure of the contract is reduced on a monthly basis as it is nearing maturity.

Based on the mark to market valuation of the open WTI oil contract, Interoil carries a liability of USD 4 million per December 31 2012.

8.10 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 with the proceeds from the Private Placement.

8.11 The Company’s auditor

The Company’s auditor is Ernst & Young AS, Dronning Eufemias gate 6, Oslo Atrium, PO Box 20, 0051 Oslo.The audit partners of Ernst & Young AS are members of the Norwegian Institute of Public Accountants.

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.”

In the company’s opinion, 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 report of 2010 stated the following:

"Without qualifying out opinion, we draw attention to the Board of Directors Report and note 3 and 4 in the Group's financial statements, which indicate that there is significant doubt about the ability to continue as a going concern. We emphasise that 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 auditor report of 2011 stated the following:

"Without qualifying out opinion, we draw attention to the Board of Directors Report and note 4 in the Group's financial statements, which indicate that there is significant doubt about the ability to continue as a going concern. We emphasise that 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."

In the company's opnion, the background for the above statements were, inter alia, the fact that the Group had negative equity as at 31 December 2010 and 2011, a stressed liquidity situation and was in breach of certain covenants under the loan agreements with Citibank in Peru and Colombia. The statement specifically refers to note 3 and 4 in the 2010 Annual Report and note 4 in the 2011 Annual Report, both attached hereto as appendix 3.

The Auditor's report for 2011 is included in the Company's Annual Report of 2011, attached as appendix 3 to this Prospectus. The Auditors reports for 2010 and 2009 are included in the respective Annual Reports, incorporated by reference in this Prospectus. See section 15.3 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 12,388,250 consisting of 247,765,000 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 31 December 2012 the number of shares was 47,765,000.

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.

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 20 March 2013 under the ordinary ISIN NO 001 0284318.

The registrar for the Shares is DnB NOR Bank ASA, Verdipapirservice, Dronning Eufemias gate 30, 0191 Oslo, Norway.

9.2 Outstanding authorisations

9.2.1 Authorisation to increase share capital

On 28 June 2011, the Annual General Meeting authorized the Board to increase the share capital by issuance of new shares, limited to a total share capital increase of NOK 1,194,125, through the issue of up to 23,882,500 new Shares. The authorization is valid until the annual general meeting in 2013, however no longer than 28 June 2013.

In addition, on 5 March 2013, the Extraordinary General Meeting authorized the Board to increase the share capital by issuance of new shares, limited to a total share capital increase of additional NOK 9,200,000, through the issue of up to 184,000,000 new Shares.

In connection with the Transaction, the Board of Directors has issued the 200,000,000 New Shares under said authorizations. Consequently, the Board of Directors is authorized to issue 7,882,500 new Shares.

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	Number of shares after change	Par value (NOK)	Subscription price (NOK)	Share capital after change (NOK)
31.12.2008	**Closing balance**	**21,845,000**	**0.05**		**1,092,250**
31.12.2009	**Closing balance**	**21,845,000**	**0.05**		**1,092,250**
26.08.2010	Private placement	47,765,000	0.05	12.50	2,388,250
31.12.2010	**Closing balance**	**47,765,000**	**0.05**		**2,388,250**
31.12.2011	**Closing balance**	**47,765,000**	**0.05**		**2,388,250**
31.12.2012	**Closing balance**	**47,765,000**	**0.05**		**2,388,250**
20.03.2013	Private placement	247,765,000	0.05	1.00	12,388,250
	Date of prospectus	**247,765,000**	**0.05**		**12,388,250**

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 does not include the Shares.

Rank	Investor	Shares	% of total
1	EKSPORTCONSULT AS	11,782,816	24.7%
2	RAKILA PROPERTIES LIMITED	11,007,816	23.0%
3	TRAFALGAR AS	4,400,000	9.2%
4	MORGAN STANLEY & CO LLC	3,838,771	8.0%
5	JPMORGAN CHASE BANK	3,000,000	6.3%
6	JP MORGAN CLEARING CORP.	2,795,168	5.9%
7	GOLDMAN SACHS INT. - EQUITY -	2,111,460	4.4%
8	AVANZA BANK AB	1,639,114	3.4%
9	PERRUCCI	775,000	1.6%
10	BETCO SA	706,900	1.5%
11	CITIBANK NA NEW YORK BRANCH	510,301	1.1%
12	LAGOSTENA	389,750	0.8%
13	WILLUMSEN	264,000	0.6%
14	BNYMTD (UK)LTD TRUSTEE HOLLY FUND	200,000	0.4%
15	HFA CONSULT AS	200,000	0.4%
16	AULIE	161,200	0.3%
17	MP PENSJON PK	160,000	0.3%
18	SIX SIS AG	127,200	0.3%
19	JUSTNES REDERI AS	113,965	0.2%
20	NORDNET PENSJONSFORSIKRING	110,368	0.2%
	Total 20 largest	**44,293,829**	**92.7%**
	Others	3,471,171	7.3%
	Total	**47,765,000**	**100.0%**

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 9.14 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 10.7).

Following the Private Placement the following investors have disclosed more than 5% of the share capital based on the new number of shares outstanding after the Private Placement:

- Warwick Capital Partners LLP held 19,994,200 shares equal to 8.07% of the share capital.
- Storebrand Fondene AS held 18,246,900 shares equal to 7.36% of the share capital.
- Coltrane Master Fund LP held 17,170,000 shares equal to 6.95% of the share capital.

In addition the Company is aware that the following have maintained more than 5% ownership after the Private Placement: Trafalgar AS and Awake Global Energy Fund.

The Company is not aware of any other arrangements that may result in, prevent, or restrict a change of control of the Company. See section 9.18 for further details.

9.5 Share price development and Share trading last three years

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 continiuos 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, liquidity reserve and secure funding of product development projects. Due to this Interoil does not anticipate paying cash dividends 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

N.A.

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 and share options

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

Eksportconsult AS a company wholly owned by Mårten Rød, the former chairman of the board in the Company, acquired on 28 June 2012 4 400 000 call options with a strike price of NOK 16 per share. Each call option entitles the option holder to purchase one share in the Company from the option grantor, Trafalgar AS. The call options are exercisable at any time until the expiry date 1 July 2015. The option holder has a right to renew the options once, extending the expiry date to 1 July 2015.

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).

All agreements with shareholders were cancelled as part of the re-focusing of the Company but the following is an overview of fees paid out to related parties over the last years.

All numbers below are rounded to nearest thousand.

Fipenta SA

As of the date of this Prospectus, all consultancy agreements with Fipenta SA have been cancelled.

Interoil has had a consultancy agreement with Fipenta SA, an entity owned by board member Gian Angelo Perrucci. The consultancy is related to business development including seeking production and exploration opportunities, acquisitions and joint venture negotiations. Fees paid to Fipenta SA have been charged as an expense with USD 234 000 for 2012 (2011: USD 240 000, 2010: USD 280 000, 2009: USD 330 000).

Eksportconsult AS

As of the date of this Prospectus, all consultancy agreements with Eksportconsult AS have been cancelled.

Interoil has had an agreement with Eksportconsult AS, controlled by the former Chairman of the Board, Mårten Rød, entitling Eksportconsult to a monthly fee of USD 20 000. The agreement was amended in March 2010 to a monthly fee of USD 25 000. The fee was paid for services equaling 10 working days per month. In April 2012 Eksportconsult agreed with the Board for a monthly fee of NOK 375 000 (Approximately USD 67 000) for 2011 and 2012. The fee was paid for services equaling 25 working days per month. In total fees to Eksportconsult, have been charged as an expense of USD 1 412 000 for 2012 (2011: USD 301 000, 2010 : USD 295 000, 2009 : USD 239 000). The fee was related to business development and advice in finance and corporate matters.
Travel has been charged as an expense of USD 183 000 for 2012, (2011: USD 277 000).

Further, Eksportconsult currently sublets office locations from the Company at the Company's registered office address. Net office rent from Eksportconsult for 2012 was USD 34 000 (2011: USD 34 000, 2010: 35 000). This agreement has been terminated by Interoil, however the termination has been disputed by Eksportconsult AS.

The tax claim pertaining to related parties, the amount owed to Eksportconsult with a total of NOK 50.7 million including interest, was repaid in full through debt conversion in the private placement on 26 August 2010 based on an authorization granted to the Board of Directors by a shareholders meeting on 27 May 2009. In December 2011 the court ruled in favour of Eksportconsult and Force Capital Partners in the tax claim from 2008. In accordance with the settlement agreement between Interoil and Eksportconsult the Group received a net amount of NOK 45.2 million. See tax claim explanation below.

Force Capital Partners

As of the date of this Prospectus, all consultancy agreements with Force Capital Partners have been cancelled.

The consultancy agreement with Force Capital Partners (owned by Nils Trulsvik, former Managing Director of the Company until 28th January 2010, and current member of the board) expired 1 March 2012. Nils Trulsvik received NOK 250,000 per month for services equaling 10 working days per month. Total fees paid to Force Capital Partners, have been charged as an expense of USD 26 000 for 2012 (2011: USD 170 000, 2010: USD 369 000). The fee is related to advice in business development and advice relating to finance and corporate finance matters.

The tax claim pertaining to related parties, the amount owed to Force Capital Partners, with a total of NOK 8.6 million including interest, was settled in full after the refinancing of the Company during the second half of 2010. In December 2011 the court ruled in favour of Eksportconsult and Force Capital Partners in a tax claim from 2008. In accordance with the settlement agreement between Interoil and Force Capital Partners the Group received a net amount of NOK 7.5 million. See tax claim explanation below.

JL & Partners AS
As of the date of this Prospectus, all consultancy agreements with JL & Partners AS have been cancelled.

Fees paid to JL&Partners, 50% owned by shareholder and financial advisor Kristen S. Jakobsen, have been charged as an expense of USD 171 000 for 2012 (2011: USD 178 000, 2010: USD 169 000, 2009: 163 000). The fee is related to advice in business development, financing, capital structure, strategic investments and ownership issues.

For 2010, a success fee of USD 1.7 million has been paid and charged as an expense in accordance with the consultancy agreement regarding the refinancing of Interoil's debt and equity issue performed during second half of 2010.

Trafalgar AS
For 2010 a fee of USD 1.6 million was paid to Trafalgar, owned by shareholder and financial advisor Kristen S. Jakobsen, in relation to services performed in connection with the financial restructuring of Interoil performed during second half of 2010.

Kristen S. Jakobsen
In relation to the refinancing of the Group in 2010 Mr. Jakobsen extended a loan of USD 1.5 million. The loan agreement of the USD 1.5 million was entered into on 27 July 2010 at interest of 15% per annum. The total loan was converted into equity in a private placement on 26 August 2010 based on an authorization granted to the Board of Directors by a shareholders meeting on 27 May 2009.

Meyer Lustenberger
Fees paid to Meyer Lustenberger, the company where former board member Patricia Guerra is one of the partners, have been charged as an expense of USD 42 000 for 2012 (2011: USD 0, 2010: USD 8 000, 2009: USD 3 000. The charged fees relates to legal services performed on behalf of the Group in connection with the tax claim pertaining to related parties.

Marine Subsea AS
Fees paid to Marine Subsea AS, indirectly 47% owned by former chairman of the board, Mårten Rød and former board member, Gian Angelo Perrucci have been charged as an expense of USD 0 for the year 2012 (see AOS below), (2011: USD 578 000, 2010: USD 144 000, 2009: USD 0). The fees are related to consultancy work within strategy, finance, legal and secretary services performed by Marine Subsea personell.

Interoil charged Marine Subsea USD 0 for 2012 (2011: USD 477 000, 2010: USD 135 000, 2009: USD 27 000) in fees for consultancy work performed by Interoil personell and USD 0 for 2012 (2011: USD 136 000, 2010: USD 135 000) for rent of office space.

Marine Subsea AS filed for bankruptcy in December 2011. The administrator has claimed Interoil to refund the rent deposit. Total amount is USD 85 000. The amount was set off against another receivable.

AOS Norway AS
Following the bankruptcy of Marine Subsea AS, in December 2011, three employees were transferred to a newly incorporated company called African Offshore Services AS. This was a management company for the Cyprus-based AOS Group, owned by former chairman of the board Mårten Rød, and former board members Gian Angelo Perrucci and Kristen S. Jakobsen. Current CEO Thomas J. Fjell was owner of the management company African Offshore Services AS until the company was sold to the Cyprus-based AOS Group in June 2012.

The management company provided services to Interoil through work performed by Mr. Fjell, relating to strategic and legal services. African Offshore Services charged Interoil USD 320 000 for these services for the year 2012.

Interoil also provided services to African Offshore Services through work performed by Interoil personnel, including current CFO Erik Sandøy. Interoil charged African Offshore Services USD 190 000 for these services for the year 2012. In addition, Interoil charged African Offshore Services for rent of office space, of USD 208 000 for the year 2012.

All services and rent for office space were provided at cost.

Delia Revoredo Marsano De Mur
Fees paid to Delia Revoredo Marsano De Mur, an advisor to the company and the wife of board member of Interoil Peru and General Manager for Interoil Peru, Jaime Mur, have been charged as an expense of USD 174 000 for 2012 (2011: USD 63 000). The fees relates to legal services performed on behalf of the Group in Peru.

Jaime Mur Campoverde
A success fee agreement regarding the license extension in Peru for Jaime Mur Campoverde, the General Manager and a board member of Interoil Peru, is signed for USD 3.5 million. Monthly payments of USD 40 000 reduce the total fee. Fees charged as an expense for 2012 is USD 288 000. Interoil and Mr. Campoverde have entered into discussion to replace the cash success fee with an alternative incentive agreement which is in line with the company's new corporate governance practice.

The tax claim
Interoil 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. 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 44.8 million to Eksportconsult AS and NOK 7.5 million 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.

(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.

(x) The amount owed to Eksportconsult, a total of NOK 50.7 million, has been repaid through debt conversion in the Private Placement in 2010. The amount owed to Force Capital Partners, a total of NOK 8.6 million was paid in October 2010.

(xi) On October 14th, 2011, Borgarting court of appeal concluded that the previous tax assessment conducted by the Norwegian Tax Administration in 2008 was too high and that a new tax must be calculated.

(xii) Eksportconsult and Force Capital Partners repaid NOK 45.7 million and NOK 7.5 million respectively. This reflects 90% of the sums rewarded by NTA.

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 Shares, including bonus share issues (involving the issuance of 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 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 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 Shares being issued, these 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 issued bond contain a change of control provision.

9.19 Public takeover bids

There has been no public takeover bid by a third party during the last financial year and the current financial year.

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 2011, the total capitalization of companies listed on the regulated markets operated by the Oslo Stock Exchange amounted to approximately NOK 1,576 billion. As at 31 December 2011, a total of 198 companies were listed on the Oslo Stock Exchange.

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 16:30 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 Company's shareholder register is operated through the VPS. 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%, 1/3, 50%, 2/3 or 90% 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 as defined in Section 3-2 of the Norwegian Securities Trading Act, 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.

Any person, entity, or 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).

Any person, entity or consolidated group 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% or more of the votes in the Company. The same applies correspondingly where the shareholder through acquisition becomes the owner of shares representing 50% 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% of the total number of issued shares in a Norwegian public limited company, as well as more than 90% 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% 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 dividend 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 dividend. 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 acutally established and carries on genuine economic 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 withholding 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 permanent 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

Except as described below, there are no and there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), during a period covering at least the previous 12 months which could have, or have had in the recent past, significant effects on the Company and/or the Group and/or our financial position or profitability.

12.1.1 Force Majeure Arbitration – Perupetro

Interoil is in a dispute with Perupetro regarding the term of a contract for Block III and Block IV, in particular, whether the weather phenomenon of El Niño constitutes a force majeure event under the licensed Blocks.

The arbitration process is to be conducted before the Paris Chamber, and the Court is set up. In its first act, the court shall resolve whether it ratifies or not Interim Relief granted by the judge of the city of Talara, according to which Interoil may continue to exploit Blocks III and IV until such time as the Arbitration Court decides on the merits of the case in the corresponding finding.

12.1.2 Gas Flaring Arbitration – Perupetro

Interoil is also involved in an arbitration with Perupetro regarding whether Interoil was, and is, entitled to burn gas, and whether Perupetro acted in "bad faith" in attempting to sanction Interoil for burning gas.

This arbitration is about to be completed, and final settlement is expected shortly.

12.1.3 Sanctiong Procedure – OEFA

On January 2012 OEFA started a sanctioning procedure against Interoil imputing it the non-compliance with the commitments contained in the Environmental Study (EIS).

Said infraction, according to Directive Board Resolution No. 028-2003-OS/CD, may be sanctioned with a fine of up to 10 000 Taxation Units and with the closure of facilities and temporary or definitive suspension of activities.

It is Interoil's anticipation that that a sanction will be imposed.

When setting the possible fine, the OEFA will take into account the following criteria:

- The severity of the damage toward the public interest and/or the protected legal asset (the potential damage, as well as the actual damage to the protected legal asset, which in this case is a sound and balanced environment);
- The economic harm caused;
- The repeated and/or continuous commission of the infraction;
- The circumstances of the commission of the infraction;
- The illegal benefit obtained;
- The intentionality, or lack thereof, in the conduct of the infractor;
- The probability of detection of the infraction.

12.1.4 Tax Litigation Procedures – Sunat

Stage	Concept	Fiscal Year	Amount	Description of issue
Appeal pending for resolution	Income Tax - Advance Payment December	2010	US$ 15,000	Claim against a Payment Order issued by SUNAT regarding the advance payment corresponding to December 2010 declared after the Annual Income Tax return was filed. As per

				SUNAT opinion, since the annual tax retunr was sustituted for a second tax return, the first one did not have the effect.
Appeal Pending for resolution	Income Tax - Value Added Tax	2008	US$ 430,000	Assessment regarding: i) expenses not related to the company's activities and ii) not declared interests.
Appeal pending for resolution	Income Tax - Advance Payment September	2008	US$ 16,000	Assessment regarding a supposed omission in the advanced payment of Income Tax related to the "diminished Income tax credit" determined by SUNAT by the Resolution of Intendency appealed by the Company, which is pending for resolution.
Appeal pending for resolution	Income Tax / Value Added Tax	2007	US$ 72,000	At this time, the only two assessments before the Fiscal Court are the ones about the use of the fiscal credit, as well as the use of Income Tax advanced payment credit in local currency.

12.1.5 Administrative Litigation Procedures – Osinergmin

On April 9, 2012, Interoil filed an Administrative Litigation Lawsuit against the Supervising Entity for Investment in Energy and Mining ("Osinergmin").

12.1.6 Tax Litigation Procedures – Colombian tax department

12.1.7 Colombian tax authorities (Dian) has filed the following tax claims towards Interoil Colombia: USD 665 000 (2006), USD 1 662 000 (2007), USD 2 418 000 (2008). There are no previous court decisions regarding these matters. Arbitral proceeding – Comserinco Ltda

The contractor Comserinco Ltda. – Compañía de Servicios de Ingeniería y Suministros, filed a lawsuit before the Chamber of Commerce of Bogotá claiming contractual liability for pending

payments to be made by virtue of the construction of the Maná's hydrocarbon facilities. The claim sought by the lawsuit is calculated in approximately USD 3 000 000. It is the general perception of ICEP that plaintiff is demanding for additional works that were already paid by ICEP, therefore success of claim in its total amount are considered to be low.

12.1.8 Labor proceedings

In Colombia there are also a couple of claims from third party employees regarding certain social security contributions and indemnification for disability by virtue of work accidents. As there is a lack of legal relationship between the plaintiff and the company, there is low probability for success for the plaintiff.

12.2 Material contracts

The Company has not entered into any material contract, other than contracts entered into in the ordinary course of business, to which we are party, for the three years immediately preceding publication of this Prospectus as well any other contract (not being a contract entered into in the ordinary course of business) entered into by us which contains any provision under which we have any obligation or entitlement that is material to us as at the date of this Prospectus.

12.2.1 Settlement agreement with Eksportconsult AS and Force Capital Partners

As 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.

12.2.2 Loan agreements

In addition, the loan agreements discussed in section 8.9.4 are material to the Company.

13 The Subsequent Offering

This Section provides information on the Subsequent Offering for the purpose of meeting the offering prospectus requirements under applicable law, and for the purposes of the listing of the Offering Shares on Oslo Børs.

13.1 Background

In the Private Placement, the pre-emptive rights for subscription of shares for the existing shareholders pursuant to the Norwegian Public Limited Companies Act Section 10-4 were set aside as the Private Placement was directed to certain existing shareholders of the Company as well as certain new institutional and professional investors. The Board, based on the Company's strategy and work programme, recommended a long-term financing strategy that would take the Company to refinance the balance sheet and fund its contemplated development program in Colombia. The chosen transaction structure, including the waiver of the pre-emption rights of the existing shareholders, was evaluated to be the most appropriate to achieve the mentioned objectives for the Company. Further, the Private Placement was directed solely at investors subscribing for Private Placement Shares with a total subscription price equivalent to EUR 100,000 or more and investors subject to applicable exemptions from relevant prospectus requirements.

In order to facilitate the principle of equal treatment of the Company's shareholders, the Board has resolved to conduct a subsequent repair offering directed at the Company's shareholders as of 13 March 2013 that at the time of the Private Placement had an ownership share of 300,000 shares or less and who did not participate in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action (such shareholders defined above as "**Eligible Shareholders**"). Residents of the United States of America will in no event be considered as Eligible Shareholders. The Eligible Shareholders being invited to participate in the Offering are offered to subscribe for shares at similar terms and at the same price as those in the Private Placement.

13.2 Overview of the Subsequent Offering

The Subsequent Offering comprises an offering of up to 7,882,500 Offer Shares at a Subscription Price of NOK 1.00 per Offer Share, being equal to the subscription price in the Private Placement. Subject to all Offer Shares being issued, the Subsequent Offering will result in NOK 7,882,500 in gross proceeds. The Eligible Shareholders, being those existing shareholders who held less than 300,000 shares in the Company as of 13 March 2013 (as recorded in the VPS on 18 March 2013) and who were not allocated shares in the Private Placement, and are not resident in a jurisdiction where such offering would be unlawful, or for other jurisdictions than Norway, would require any filing, registration or similar action, will be granted non-tradable Subscription Rights (the "**Subscription Rights**") that, subject to applicable laws, provide rights to subscribe for and be allocated Offer Shares in the Subsequent Offering. Funds which are under management by the same company, group of companies, fund manager(s) or similar may be treated as one shareholder when applying these limitations. Oversubscription is permitted for Eligible Shareholders while subscription without Subscription Rights will not be permitted.

The pre-emptive rights for subscription of shares for the existing shareholders pursuant to the Norwegian Public Limited Companies Act Section 10-4 were set aside in order to achive the intention of compensation shareholders who had not been able to participate in the Private Placement.

The timetable set out below provides certain indicative key dates for the Subsequent Offering:

Last day of trading in the Shares including Subscription Rights	13 March 2013
Record Date	18 March 2013
First day of trading in the Shares excluding Subscription Rights	14 March 2013
Subscription Period commences	2 March 2013
Subscription Period ends	9 April 2013
Allocation of the Offer Shares	10 April 2013
Distribution of allocation letters..	10 April 2013
Payment Date	15 April 2013

Delivery of the Offering Shares	17 April 2013
Listing and commencement of trading in the Offer Shares on the Oslo Stock Exchange	17 April 2013

13.3 Increase of share capital in connection with the Subsequent Offering

On 22 March 2013 the Board resolved that the Company should conduct the Subsequent Offering of up to 7,882,500 Offer Shares at a price of NOK 1 per Offer Share.

The Offer Shares will be issued pursuant to the authorization granted by the Company's ordinary annual general assembly on 28 June 2011, which has the following wording:

a) *In accordance with the Public Companies Act Section 10-14, the Board of Directors is granted authority to increase the Company's share capital by up to NOK 1,194,125. Within this limit the authority can be used more than one time.*

b) *The authority is valud until the ordinary general meeting 2013, however no longer than 28 June 2013.*

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 27 May 2009.*

13.4 The Subscription Period

The Subscription Rights will be issued and registered in the VPS under ISIN NO 001 0674229 from 26 March 2013 to 16:30 (CET) on 9 April 2013 (the "**Subscription Period**"). The Subscription Rights may be used to subscribe for Offer Shares in the Subsequent Offering by the end of Subscription Period. Subscription Rights not used to subscribe for Offer Shares before the expiry of the Subscription Period will lapse without compensation to the holder, and consequently be of no value. The Subscription Rights will be non-tradable and non-transferable.

13.5 Subscription price

The Subscription Price in the Offering has been set at NOK 1.00 per Offer Share, which is identical to the Subscription Price per Private Placement Share in the Private Placement. No expenses or taxes are charged to the subscribers in the Subsequent Offering by the Company or the Managers.

13.6 Subscription Rights

Each Eligible Shareholder will be granted 1.85 Subscription Rights for each Share registered as held by such Eligible Shareholder as of the Record Date rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for and be allocated one Offer Share in the Subsequent Offering. Oversubscription is permitted for Eligible Shareholders while subscription without Subscription Rights is not allowed.

Each Subscription Right grants the owner the right to subscribe for and be allocated 1 Offer Share. The number of Shares issued to each shareholder will be rounded down to the nearest whole number of Shares. Oversubscription is permitted for Eligible Shareholders. Subscription without Subscription Rights is not permitted.

The Subscription Rights will be delivered free of charge and the recipient will not be debited any charges.

Eligible Shareholders resident in countries with legislation that forbids or restricts subscription for Offer Shares in the Offering will not receive the Prospectus or the Subscription Form. The Subscription Rights will initially be transferred to the VPS account of such Eligible Shareholders.

13.7 Handeling of the subscription

13.7.1 The subscription procedure

The subscription office for subscriptions in the Offering is as follows:

Pareto Securities AS (the "**Manager**")
Dronning Maudsgate 3
NO-0114 Oslo
Norway
Fax: +47 22 87 87 10

The Subscription Forms must be received by the Manager prior to the expiry of the Subscription Period. Neither the Company nor the Manager may be held responsible for delays in the mail system or for Subscription Forms forwarded by facsimile that are not received in time by the Manager. It is not sufficient for the Subscription Form to be postmarked, delivered to the mail service or similar within the deadline.

Multiple subscriptions (i.e. subscriptions on more than one Subscription Form) within the Subscription Period are allowed. Please note, however, that each Subscription Form will only be counted once (e.g. if the same Subscription Form is received by fax more than once, or if it is received by both fax and mail, it only counts as one subscription). Two separate Subscription Forms submitted by the same subscriber with the same amount of Offer Shares subscribed for on both forms will only be counted once unless otherwise is explicitly stated on the Subscription Form. Oversubscription is permitted for Eligible Shareholders.

Norwegian citizens may subscribe for Offer Shares by following the link www.paretosec.com, which will redirect the subscriber to the VPS online subscription system. In order to use the online subscription system, the subscriber must have, or obtain, a VPS account number. All online subscribers must verify that they are Norwegian citizens by entering their national identity number (Norwegian: "personnummer"). Neither the Manager nor the Company assumes any responsibility for failure to subscribe or inability to subscribe for Offer Shares due to technical or internet problems.

The Manager may at its sole discretion refuse any improperly completed, delivered or executed Subscription Forms or any subscription that may be unlawful.

The subscription for Offer Shares is irrevocable and may not be withdrawn, cancelled or modified once it has been received by the Manager.

13.7.2 Allocation of Subsequent Offer Shares

The board will allocate the Offer Shares. The allocation of Offer Shares will be made applying the following criteria: Offer Shares shall be allocated on the basis of used Subscription Rights.

The allocation of Offer Shares will take place after the expiry of the Subscription Period on or about 10 April 2013 and notifications of allocation will be issued by post on or about 10 April 2013. The Board reserves the right to round off, regulate or in another way reject or reduce any subscription not covered by Subscription Rights.

The Company will publish information with regard to the number of Shares subscribed for in the Subsequent Offering on or about 10 April 2013 through the information system of Oslo Børs at www.newsweb.no under the Company's ticker IOX.

13.7.3 Payment for the allocated Offer Shares

The payment for the Offer Shares falls due on 15 April 2013 (the "**Payment Date**"). There must be sufficient funds in the stated bank account from and including 15 April 2013.

Subscribers having a Norwegian bank account
Each subscriber with a Norwegian bank account must, and will by signing the Subscription Form, give the Manager a one-time irrevocable authorisation to debit a specified bank account for the

amount payable for the number of Offer Shares the subscriber may be allocated. The specified bank account is expected to be debited on or about the Payment Date.

By signing the Subscription Form, the subscriber authorises the Manager to debit the bank account specified by the subscriber for payment of the allocated Offer Shares. The Manager is only authorised to debit each account once, but reserves the right to make up to three debit attempts. As the debiting takes place ahead in time, the authorisation will be in force for a period of up to seven working days after the Payment Date. The Manager reserve the right to consider the payment overdue if there are not sufficient funds to cover payment for the Offer Shares allocated on the account when an attempt to debit the account is made by the Manager on or after the Payment Date, or if it for other reasons is not possible to debit the bank account. The subscriber furthermore authorises the Manager to obtain confirmation from the subscriber's bank that the subscriber has disposal over the stated account as well as a confirmation that there are sufficient funds in the account to cover the payment. Payment by direct debiting is only available for investors that are allocated Offer Shares for an amount below NOK 5 million. By signing the Subscription Form, subscribers who subscribe for an amount exceeding NOK 5 million give the Manager an authorisation to manually debit the stated bank account on or about the Payment Date.

Payment by direct debiting is a service provided by cooperating banks in Norway. In the relationship between the payer and the payer's bank, the following standard terms and conditions apply:

i. The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
ii. Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information is given by other appropriate manner. The bank will charge the indicated account for incurred costs.
iii. The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payers bank account.
iv. In case of withdrawal of the authorisation for direct debiting, the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act, the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
v. The payer cannot authorise for payment a higher amount than the funds available at the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account is being charged. If the account has been charged with an amount higher than the funds available, the difference shall be covered by the payer immediately.
vi. The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.

If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Subscribers not having a Norwegian bank account
Subscribers who do not have a Norwegian bank account established must ensure that payment with cleared funds for the Offer Shares allocated is made on or before 15 April 2013. Prior to any such payment being made, the subscriber must contact Pareto Securities AS, telephone number + 47 22 87 87 00 for further details and instructions.

13.7.4 Overdue payments

Overdue and late payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment, currently 8.50 % per annum. If the subscriber

fails to comply with the terms of payment, the Offer Shares will not be delivered to the subscriber. The Company and the Manager reserve the right to have the Manager advance the payment on behalf of subscribers who have not made payment of the Offer Shares within the Payment Date. To the extent such advanced payment is made, the Company and the Manager reserve the right to sell or assume ownership of the Offer Shares on the fourth day after the Payment Date without further notice to the subscriber in question in accordance with Section 10-12 (4) of the Norwegian Public Limited Companies Act. The subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and/or the Manager as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued (and will not be entitled to profits, if any), and the Company and/or the Manager may enforce payment for any such amount outstanding within the frames of applicable Norwegian law.

13.7.5 Financial intermediaries

All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise of Subscription Rights should be determined by the financial intermediary in accordance with its usual customer relations procedure or as it otherwise notifies each beneficial shareholder.

The Company is not liable for any action or failure to act by a financial intermediary through which Shares are held.

Subscription Rights
If an Eligible Shareholder holds Shares registered through a financial intermediary, the financial intermediary will customarily give the Eligible Shareholder details of the aggregate number of Subscription Rights to which it will be entitled. The relevant financial intermediary will customarily supply each Eligible Shareholder with this information in accordance with its usual customer relations procedures. Eligible Shareholders holding Shares through a financial intermediary should contact the financial intermediary if they have received no information with respect to the Offering.

Subscription Period
The time by which notification of exercise instructions for subscription of Offer Shares must validly be given to a financial intermediary may be earlier than the expiry of the Subscription Period. Such deadline will depend on the financial intermediary. Eligible Shareholders who hold their Shares through a financial intermediary should contact their financial intermediary if they are in any doubt with respect to the deadline.

Subscription
Any Eligible Shareholder who holds its Subscription Rights through a financial intermediary and wishes to exercise its Subscription Rights should instruct its financial intermediary in accordance with the instructions received from such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from the Eligible Shareholders and for informing the Manager of their exercise instructions.

Method of Payment
Any Eligible Shareholder who holds its Subscription Rights through a financial intermediary should pay the Subscription Price for the Offering Shares that are allocated to it in accordance with the instructions received from the financial intermediary. The financial intermediary must pay the Subscription Price in accordance with the instructions in the Prospectus. Payment by the financial intermediary for the Offer Shares must be made to the Manager no later than the Payment Date. Accordingly, financial intermediaries may require payment to be provided to them prior to the Payment Date.

13.8 Delivery and trading of the Offer Shares

Following timely and sufficient payment of the Offer Shares subscribed in the Subsequent Offering, the Company will register the share capital increase in the Norwegian Register of Business Enterprises, which is expected to happen on or about 17 April 2013. As soon as practically possible thereafter, the allocated and paid Offer Shares will be transferred to the subscribers' VPS accounts. The allocated Offer Shares are expected to be delivered to the subscribers' VPS account on or about 17 April 2013, provided that all subscribers have paid for the allocated shares.

The Offer Shares may not be traded before registration of the share capital increase in the Norwegian Register of Business Enterprises. The first day of trading on Oslo Stock Exchange is expected to be on or about 17 April 2013.

13.9 Interest of natural and legal persons involved in the Subsequent Offering

The Company is not aware of any natural or legal person having an interest in the Subsequent Offering which is material in the context of the Subseqent Offering.

Members of the Management or Board of Directors holding 300,000 shares or less in the Company, and who did not participate in the Private Placement, will receive rights to subscribe and to be allocated Offer Shares in the Subsequent Offering.

13.10 The rights conferred by the Offer Shares

The Offer Shares will in all respects carry full shareholder rights equal to the existing ordinary Shares of the Company from the date the share capital increase is registered in the Norwegian Register of Business Enterprises, provided, however, that they shall give right to dividend declared after the date the share capital increase has been registered in the Register of Business Enterprises. For a description of rights attaching to Shares in the Company, see Section 9 "Share Capital and Shareholder Matters" of this Prospectus.

13.11 Publication of information in respect to the Subsequent Offering

In addition to press releases on the Company's website www.interoil.no, the Company intends to use the Oslo Børs information system at www.newsweb.no to publish information in respect to the Subsequent Offering. The Company will publish information with regard to the number of shares subscribed in the Subsequent Offering on or about 10 April 2013.

13.12 Dilution

On the basis that the share capital increase in the Private Placement has been registered in the Norwegian Register of Business Enterprises, the percentage of immediate dilution resulting from the Subsequent Offering for Interoil's shareholders is expected to amount to approximately 3.1% if all Offer Shares are issued.

13.13 Expenses and net proceeds

The total expenses of the Subsequent Offering, assuming full issuance og the maximum number of Offer Shares, are estimated to amount to approximately NOK 360,000. The net proceeds of the Subsequent Offering are stimated to amount to approximately NOK 7.4 million.

13.14 Mandatory anti-money laundering procedures

The Offering is subject to the Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulations (collectively the "**Anti-Money Laundering Legislation**"). All subscribers not registered as existing customers with the Manager must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers that have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, provided the aggregate subscription price is less than NOK 100,000, unless verification of identity is requested by the Manager. The verification of identity must be completed prior to the end of the Subscription Period. Subscribers that have not completed the required verification of identity may not be allocated Offer Shares.

Further, in participating in the Subsequent Offering, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian subscribers may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of a VPS account requires verification of identity before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

14 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
COP	Colombian peso
Company	Interoil Exploration and Production ASA
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	Pareto Securities and RS Platou Markets
mmbbl	Million barrels of oil
mmboe	Million barrels of oil equivalent
mmcf	Million cubic feet of gas
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
PDO	Plan for development and operations
PEN	Peruvian Nuevo Sol (Peruvian currency)
Prospectus	This Prospectus dated 25 March 2013
Private Placement	The Private Placement of 200,000,000 Shares directed towards existing Shareholders, Norwegian investors and international institutional investors that was resolved by the Board of Directors on 13 March 2013
Private Placement Shares	200,000,000 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 Resources	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 degree 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
Shareholder	A shareholder in Interoil
Shares	"Shares" means common shares of Interoil and "Share" means any one of them
Subscription Price	NOK 1.00 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 oil price
1P	Proven reserves
2P	Proven and Probable reserves

15 Appendices and Documents on Display

15.1 Appendices

Appendix 1: Articles of Association
Appendix 2: Subscription form

15.2 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 Klingenberggaten 7b, 0161 Oslo, Norway. The documents are also available on the Company's website www.Interoil.no

- the Articles and Memorandum of Association of the Company
- Interoil's annual reports for 2011, 2010 and 2009
- Interoil's interim financial reports for the period 2009-2012
- Annual reports for 2011, 2010 and 2009 for major subsidiaries (not available on the website)
- 2012 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
Klingenberggaten 7B
0161 Oslo

The Lead Manager and Book-Runner:

Pareto Securities AS
Dronning Mauds gate 3
0114 Oslo

The Co-Manager:

RS Platou Markets AS
Haakon VII's gate 10
0116 Oslo

15.3 Documents incorporated by reference

Section in Prospectus	Disclosure requirements of the Prospectus	Reference document and link	Page (P) in reference document
Section 8	Unaudited interim report	Interim report for the three and twelve month periods ended 31 December 2012: http://hugin.info/137537/R/1676933/546768.pdf	P 7
Section 8	Audited historical financial information (Annex I, Section 20.1)	Financial statements 2011: http://hugin.info/137537/R/1613441/513786.pdf	P 26
		Director's report 2011: http://hugin.info/137537/R/1613441/513786.pdf	P 16
		Financial statements 2010: http://hugin.info/137537/R/1510962/446147.pdf	P 26
		Director's report 2010: http://hugin.info/137537/R/1510962/446147.pdf	P 16
		Financial statements 2009: http://hugin.info/137537/R/1419612/369618.pdf	P 28
		Director's report 2009: http://hugin.info/137537/R/1419612/369618.pdf	P 18
Section 8	Audit report (Annex I, Section 20.4.1)	Auditor's report 2011: http://hugin.info/137537/R/1419612/369618.pdf	P 92
		Auditor's report 2010: http://hugin.info/137537/R/1510962/446147.pdf	P 88
		Auditor's report 2009: http://hugin.info/137537/R/1419612/369618.pdf	P 87
Section 8	Accounting policies (Annex I, Section 20.1)	Accounting principles (annual report 2011 and interim report for the three and twelve month periods ended 31 December 2012): http://hugin.info/137537/R/1613441/513786.pdf http://hugin.info/137537/R/1676933/546768.pdf	P 79 P 12
Section 5	Annual Statement of Reserves 2012	Annual Statement of Reserves: http://www.newsweb.no/newsweb/attachment.do?name=ASR%202012.pdf&attId=107083	

Appendix 1 – Articles of association

ARTICLES OF ASSOCIATION FOR INTEROIL EXPLORATION AND PRODUCTION ASA

(per 13. March 2013)

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

§ 2 The Company's business municipality of Oslo.

§ 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 12,388,250 divided into 247,765,000 shares each of a nominal value of NOK 0.50. 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 any 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.

§9 When documents, which concern matters that are to be dealt with in the general meeting, have been made accessible for the shareholders on the Company's web-pages, the law's requirement that the documents shall be sent to the shareholders does not apply. This also applies to documents which according to law shall be included in or enclosed to the calling notice for the general meeting.

Appendix 2 – Subscription From

Interoil Exploration and Production ASA
SUBSEQUENT OFFERING

SUBSCRIPTION FORM

Securities no. ISIN NO 0010284318

General information: The terms and conditions of the subsequent offering (the "**Subsequent Offering**") of up to 7,882,500 new shares (the "**Offer Shares**") in Interoil Exploration and production ASA (the "**Company**") pursuant to a resolution passed by the Company's board of directors (the "**Board of Directors**") on 22 March 2013 based on an authorisation to increase the Company's share capital granted to the Board of Directors by the Company's ordinary general meeting 28 June 2011 are set out in the prospectus dated 25 March 2013 (the "**Prospectus**"). Terms defined in the Prospectus shall have the same meaning in this Subscription Form. The minutes from the meeting of the Board of Directors, the notice of, and minutes from, the ordinary general meeting (with enclosures), the Company's Articles of Association and the annual accounts and annual report for the last two years are available at the Company's registered office at Klingenberggaten 7B, 0161 Oslo, Norway. All announcements referred to in this Subscription Form will be made through Oslo Børs' information system under the Company's ticker code "IOX".

Subscription procedure: The subscription period is from 26 March 2013 to 9 April 2013 at 16:30 hours (CET) (the "**Subscription Period**"). Correctly completed Subscription Forms must be received by Pareto Securities AS (the "**Manager**") no later than 9 April 2013 at 16:30 hours (CET): **Pareto Securities AS, Dronning Mauds gate 3, P.O. Box 1411 Vika, N-0115 Oslo, Norway, fax: +47 22 83 43 09.** The subscriber is responsible for the correctness of the information inserted on the Subscription Form. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms may be disregarded at the sole discretion of the Company or Manager. **Subscribers who are Norwegian citizens may also subscribe for Offer Shares through the VPS online subscription system (or by following the link on www.paretosec.com) which will redirect the subscriber to the VPS online subscription system).** Subscriptions made through the VPS online subscription system must be duly registered before the expiry of the Subscription Period. Neither the Company nor any of the Subscription Offices may be held responsible for postal delays, unavailable fax lines, unavailable internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Subscription Offices. Subscriptions are binding and irrevocable upon receipt, and cannot be withdrawn, cancelled or modified by the subscriber after being received by a Subscription Office, or in case of subscriptions through the VPS online subscription system, upon registration of such subscriptions. By signing and submitting this Subscription Form, the subscriber confirms and warrants to have read the Prospectus and to be eligible to subscribe for Offer Shares under the terms set forth therein.

Subscription Price: The subscription price in the Subsequent Offering is NOK 1 per Offer Share (the "**Subscription Price**").

Subscription Rights: Existing shareholders of the Company holding less than 300,000 shares as of 13 March 2013, as registered in the VPS on 18 March 2013, who were not allocated shares in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action (the "**Eligible Shareholders**"), are being granted non-transferable subscription rights (the "**Subscription Rights**") that, subject to applicable law, provide the right to subscribe for and be allocated Offer Shares in the Subsequent Offering at the Subscription Price. Each Eligible Shareholder will be granted 1.85 Subscription Rights for each Share held by such Eligible Shareholder as of 13 March 2013, rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for and be allocated 1 Offer Share in the Subsequent Offering. Subscription without Subscription Rights will not be allowed, while over-subscription is allowed. Funds which are under management by the same company, group of companies, fund manager(s) or similar will be treated as one shareholder when applying these limitations. **Subscription Rights not used to subscribe for Offer Shares before the end of the Subscription Period will lapse without compensation to the holder, and consequently be of no value.**

Allocation of Offer Shares: The Offer Shares will be allocated to the subscribers based the Subscription Rights as further described in the Prospectus. The Company reserves the right to round off, reject or reduce any subscription for Offer Shares not covered by Subscription Rights. Allocation of fewer Offer Shares than subscribed for does not impact on the subscribers' obligation to be allocated and pay for the number of Offer Shares allocated. Notification of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber are expected to be distributed in a letter from the VPS on or about 10 April 2013.

Payment: The payment for Offer Shares allocated to a subscriber falls due on 15 April 2013 (the "**Payment Date**"). By signing and completing this Subscription Form, or registering a subscription through the VPS online subscription system, subscribers having a Norwegian bank account irrevocably authorise the Manager to debit the subscriber's Norwegian bank account specified below for the subscription amount payable for the Offer Shares allocated to the subscriber for transfer to the Company's bank account for share issues. Accounts will be debited on or about the Payment Date, and there must be sufficient funds in the stated bank account from and including the date falling two banking days prior to the Payment Date. The Manager is only authorised to debit such account once, but reserve the right (but have no obligation) to make up to three debit attempts if there are insufficient funds on the account on the Payment Date. The authorisation will be valid for up to seven working days after the Payment Date. The subscriber furthermore authorises the Manager to obtain confirmation from the subscriber's bank that the subscriber has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment. Should any subscriber have insufficient funds in his or her account, should payment be delayed for any reason, if it is not possible to debit the account or if payments for any other reason are not made when due, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payments" below.

PLEASE SEE PAGE 2 OF THIS SUBSCRIPTION FORM FOR OTHER PROVISIONS THAT ALSO APPLY TO THE SUBSCRIPTION

DETAILS OF THE SUBSCRIPTION

Subscriber's VPS account	Number of Subscription Rights	Number of Offer Shares subscribed	(For broker: Consecutive no.)
SUBSCRIPTION RIGHTS' SECURITIES NUMBER: ISIN NO 001 0674229	↳	Subscription price per Offer Share NOK 1	Subscription amount to be paid NOK

IRREVOCABLE AUTHORISATION TO DEBIT ACCOUNT (MUST BE COMPLETED BY SUBSCRIBERS WITH A NORWEGIAN BANK ACCOUNT)

Norwegian bank account to be debited for the payment of Offer Shares allocated (number of Offer Shares allocated x NOK 1).	______________________ (Norwegian bank account no. 11 digits)

In accordance with the terms and conditions set out in the Prospectus and this Subscription Form, I/we hereby irrevocably (i) subscribe for the number of Offer Shares specified above, (ii) authorise and instruct each of the Joint Bookrunners (or someone appointed by any of them) acting jointly or severally to take all actions required to transfer such Offer Shares allocated to me/us to the VPS Registrar and ensure delivery of the beneficial interests to such Offer Shares to me/us in the VPS, on my/our behalf, (iii) authorise the Joint Bookrunners to debit my/our bank account as set out in this Subscription Form for the amount payable for the Offer Shares allocated to me/us, and (iv) confirm and warrant to have read the Prospectus and that I/we are eligible to subscribe for Offer Shares under the terms set forth therein.

______________________	______________________
Place and date Must be dated in the Subscription Period	**Binding signature.** The subscriber must have legal capacity. When signed on behalf of a company or pursuant to an authorisation, documentation in the form of a company certificate or power of attorney should be attached.

INFORMATION ON THE SUBSCRIBER

VPS account number		
First name		
Surname/company		
Street address		
Post code/district/ country		
Personal ID number / Organisation number		
Norwegian bank account for dividends		
Nationality		
Daytime telephone number		

ADDITIONAL GUIDELINES FOR THE SUBSCRIBER

Regulatory issues: Legislation passed thourghout the EEA pursuant to the Markets in Financial Instruments Directive ("**MiFID**") implemented in the Norwegian Securities Trading Act No. 75 of June 29, 2007 with accompanying regulations, imposes requirements in relation to business investments. In this respect the Manager must categorise all new clients in one of three categories: Eligible counterparties, Professional and Non-professional clients. All subscribers in the Subsequent Offering who/which are not existing clients of the Manager will be categorised as Non-professional clients. Subscribers can, by written request to the Manager, ask to be categorised as a Professional client if the subscriber fulfils the provisions of the Norwegian Securities Trading Act. For further information about the categorisation, the subscriber may contact Pareto Securities AS (Dronning Mauds gate 3, P.O. Box 1411 Vika, N-0115 Oslo, Norway or www.paretosec.com). **The subscriber represents that he/she/it has sufficient knowledge, sophistication and experience in financial and business matter to be capable of evaluating the merits and risks of an investment decision to invest in the Company by subscribing for Offer Shares, and is able to bear the economic risk, and to withstand a complete loss, of an investment in the Offer Shares.**

Selling and transfer restrictions: The attention of persons who wish to subscribe for Offer Shares is drawn to section 1.8, 9 and 10 of the Prospectus. The making or acceptance of the Subsequent Offering to or by persons who have registered addresses outside Norway or who are resident in, or citizens of, countries outside Norway, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to subscribe for Offer Shares. It is the responsibility of any person outside Norway wishing to subscribe for Offer Shares under the Subsequent Offering to satisy himself/herself as to the full observance of the laws of any relevant jurisdiction in connection therewith, including obtaining any governmental or other consent which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territorries. The Subscription Rights and Offer Shares have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or under the securities law of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, delivered or transferred, directly or indirectly, within the United States. There will be no public offer of the Subscription Rights and Offer Shares in the United States. The Subscription Rights and Offer Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, Hong Kong, Japan or Switzerland and may not be offered, sold, resold or delivered, directly or indirectly, in or into Australia, Canada, Hong Kong, Japan or Switzerland. This Subscription Form does not constitute an offer to sell or a solicitation of an offer to buy Offer Shares in any jurisdiction in which such offer or solicitation is unlawful. The Prospectus will not be distributed in the United States, Australia, Canada, Hong Kong, Japan or Switzerland. The Subscription Rights and the Offer Shares may not be transferred, sold or delivered in the United States, Australia, Canada, Hong Kong, Japan or Switzerland. Exercise of Subscription Rights and subscription of Offer Shares in contravention of the above restrictions may be deemed to be invalid.

Execution only: The Manager will treat the Subscription Form as an execution-only instruction. The Manager is not required to determine whether an investment in the Offer Shares is appropriate or not for the subscriber. Hence, the subscriber will not benefit from the protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information exchange: The subscriber acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Commercial Banks Act and foreign legislation applicable to the Manager there is a duty of secrecy between the Manager and the other entities in the Manager's group. This may entail that other employees of the Manager and the other entities in the Manager's group may have information that may be relevant to the subscriber and to the assessment of the Offer Shares, but which the Manager will not have access to in their capacity as Manager for the Subsequent Offering.

Information barriers: The Manager is a securities firms that offer a broad range of investment services. In order to ensure that assignments undertaken in the Manager's corporate finance department are kept confidential, the Manager's other activities, including analysis and stock broking, are separated from the Manager's corporate finance department by information walls. The subscriber acknowledges that the Manger's analysis and stock broking activity may act in conflict with the subscriber's interests with regard to transactions of the Shares, including the Offer Shares, as a consequence of such information walls.

Mandatory Anti-Money Laundering Procedures: The Subsequent Offering is subject to the Norwegian Money Laundering Act No. 11 of March 6, 2009 and the Norwegian Money Laundering Regulations No. 302 of March 13, 2009 (collectively the "**Anti-Money Laundering Legislation**"). Subscribers who are not registered as existing customers with the Manager must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by any of the Joint Bookrunners. The verification of identity must be completed prior to the end of the Subscription Period. Subscribers that have not completed the required verification of identity may not be allocated Offer Shares. Further, in participating in the Subsequent Offering, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, who can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. Establishment of a VPS account requires verification of identity to the VPS registrar in accordance with the Anti-Money Laundering Legislation. Non-Norwegian investors may, however, use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Financial Supervisory Authority of Norway.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer's bank the following standard terms and conditions will apply:

a) The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
b) Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information given by other appropriate manner. The bank will charge the indicated account for costs incurred.
c) The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer's bank account.
d) In case of withdrawal of the authorisation for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act, the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
e) The payer cannot authorise payment of a higher amount than the funds available on the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall immediately be covered by the payer.
f) The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.
g) If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Overdue and missing payments: Overdue and late payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment, currently 8.50 % per annum. If the subscriber fails to comply with the terms of payment, the Offer Shares will not be delivered to the subscriber. The Company and the Manager reserve the right to have the Manager advance the payment on behalf of subscribers who have not made payment of the Offer Shares within the Payment Date. To the extent such advanced payment is made, the Company and the Manager reserve the right to sell or assume ownership of the Offer Shares on the fourth day after the Payment Date without further notice to the subscriber in question in accordance with Section 10-12 (4) of the Norwegian Public Limited Companies Act. The subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and/or the Manager as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued (and will not be entitled to profits, if any), and the Company and/or the Manager may enforce payment for any such amount outstanding within the frames of applicable Norwegian law..

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