



Restructuring proposal

Oslo, 23 December 2014

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❑ Private Placement

- Andes Energia Plc. (“Andes”) subscribes for 330,000,000 shares in Interoil at NOK 0.11 per share
- Raising a total of NOK 36.3 million in cash
- Andes will hold 51% of the outstanding share capital after the transaction

❑ Restructuring

- NOK 310 million Bond and the USD 6.2 million debt to Proseis AG replaced by a new USD 32 million bond loan
- Current bondholders are also offered 65,000,000 new shares in Interoil, equivalent to approximately 10% of the shares outstanding after the transactions, through the partial conversion of the Bond

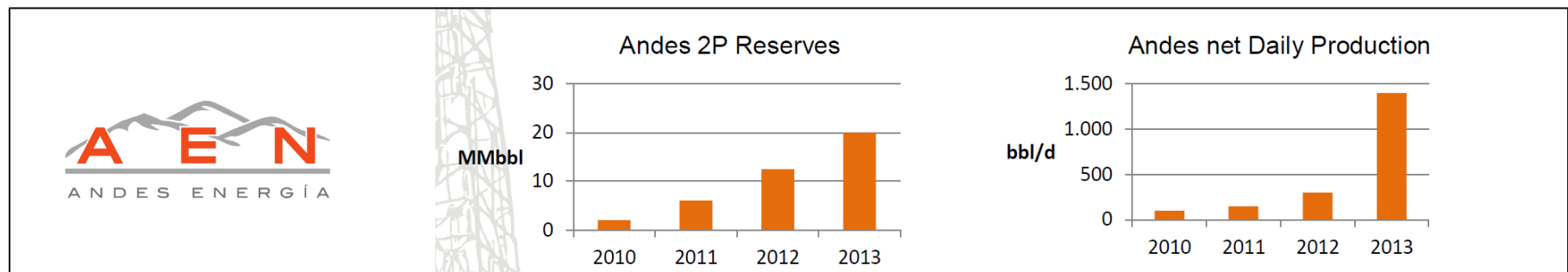
❑ Subsequent mandatory offer

- Andes will be obliged to put forward a mandatory offer for the remaining shares at the same price as the subscription price (NOK 0.11)

❑ Private Placement and the Restructuring need approval from bondholders and shareholders

- Mutually conditional

- ❑ Andes is an oil and gas company focused on onshore South America with a market capitalisation of ~ GBP 180 million. Andes is listed on the AIM London Stock Exchange and Buenos Aires Stock Exchange
- ❑ The Company has operations in Argentina, Colombia, Brazil and Paraguay
- ❑ The Company has 20MMbbls of conventional 2P reserves in Argentina and certified resources of 600MMBoe, primarily in the Vaca Muerta unconventional formation in Argentina and 7.5 million acres across South America. Andes is the only AIM company on the London Stock Exchange with exposure to Vaca Muerta
- ❑ The Company has 2 million net acres in unconventional plays including 250,000 net acres in the Vaca Muerta formation, which is the second largest shale oil deposit in the world and the only producing shale oil deposit outside of the USA. Over 250 wells have already been drilled and fracked in the Vaca Muerta formation
- ❑ The Company currently produces 1,700 bbls per day in Argentina from 7 conventional fields, with positive cash flows generated




Source: Andes Energia corporate profile (www.andesenergia.co.uk)

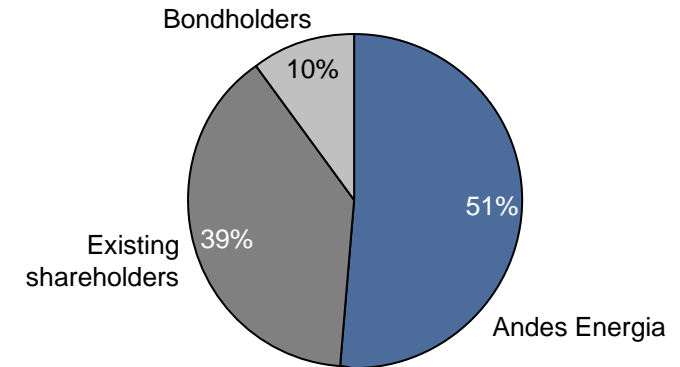
Through the transaction Interoil will become significantly stronger

- ❑ Increase cash position by USD 5 million through equity injection from Andes
- ❑ Andes will contribute to Interoil obtaining bank guarantees for LLA-47 without cash collateral – reducing funding need by USD 21 million
- ❑ Reduce debt by more than USD 16 million
- ❑ Improved operational performance through realising synergies between the two companies
- ❑ Interoil will benefit from Andes' presence, knowledge and network in the region
- ❑ Reduce future funding cost due to lower interest on the bond loan
- ❑ Existing shareholders retain a significant stake in the Company and thereby exposure to upcoming value triggers, such as LLA-47
- ❑ Creditors' position strengthened through increased credit worthiness of Interoil

Indicative timeline

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- 29 December ☐ Call for Extraordinary General Meeting (EGM)
 - Week of 05 January ☐ Conference call, Q&A for stakeholders
 - 05 January ☐ Summons for Bondholder meeting
 - 19 January ☐ Bondholder meeting to vote on the Restructuring
 - 20 January ☐ EGM
 - USD 5 million private placement
 - Election of new Board of Directors
 - Medio February ☐ Andes announces mandatory offer

Ownership after the restructuring



- ☐ Shareholdings above are before Andes' mandatory offer

- ❑ In April 2014, InterOil lost the arbitration case against Perupetro and thereby also the right to operate Blocks III and IV in Peru
 - This resulted in unsustainably high leverage relative to underlying cash flows
 - InterOil successfully divested the Peruvian operations in November 2014, hence limiting potential future liabilities
- ❑ In October 2014 The National Agency of Hydrocarbons in Colombia (“ANH”) issued termination resolutions for the two licenses LLA-47 and Cor-6 later this year, unless the necessary bank guarantees are provided for its existing exploration commitments on the two blocks. The resolutions are currently under appeal
 - InterOil is unable to post USD 7.5 million in cash collateral for bank guarantees which is required in January 2015
 - An additional USD 10.5 million in cash collateral for bank guarantees is required by end of April 2015
- ❑ The recent drop in oil price has added further constraints to the Company’s financial situation and its ability to service debt
- ❑ As a consequence, the Company is experiencing severe difficulties in obtaining necessary funding and financial guarantees from local banks to support operations in Colombia

- ❑ In October 2014 Interoil was forced to accelerate preparations for the planned refinancing of the company
- ❑ Several strategic opportunities have been pursued, both on an asset and corporate level
 - Sale of assets have not yielded attractive offers
 - A rights issue towards existing shareholders is highly unlikely to raise sufficient funding to support the required bank guarantees and CAPEX on LLA-47 and Puli-C
- ❑ The board is of the opinion that the offer from Andes represents a solution to Interoil's financial difficulties and will in addition strengthen Interoil's strategic position in the region
- ❑ If the restructuring proposal does not succeed, Interoil will not be able to post the required bank guarantees
 - Colombian regulator, ANH may terminate the license contracts on LLA-47 and Cor-6 due to non-compliance
 - A termination will entail that the ANH will impose a penalty of USD 46 million

