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Fred Lawrence, Vice President of Economics and International Affairs: Well, I'm Fred Lawrence of IPAA. I'd like to introduce the final speaker today, Wayne Andrews, who is Vice President Capital Markets for InterOil Corporation. And we will have the breakout session [inaudible]. Thank you very much

Wayne Andrews, Vice President Capital Markets: Thanks, Fred, and thanks for the IPAA for hosting this event and particularly those of you that is struck around for late in the day and, of course, online. I assume most of you saw our comment this morning regarding indications of oil at Antelope-2 and Papua New Guinea. The release was necessitated by comments in the PNG Press by our partner Petromin.

In our view, we are not at a point where our disclosure standards would have warranted a news release. As such, I'm really not at liberty to discuss our findings other than confirmation of indications of oil. InterOil is continuing to test for commerciality and we'll announce the results when the evaluation has been completed.

With that, I'm going to go ahead and get on with the presentation. We'll -I'll try to provide some additional details on our current program and what the progress is going forward. Please read the cautionary and forward-looking statements, particularly in regards to resource disclosures.

InterOil is - I'm going to cover just some of the quick investment highlights here. We're operating in an area where we have some fairly significant resources documented. We have 40 identified exploration prospects and dominate a larger portion of the Eastern Papuan basin. We do have a certified resource estimate conducted by our Canadian reservoir engineers GLJ. And as of December 31, 2008, their estimate was 3.8 trillion cubic feet of natural gas equivalents.

We're working on an NLG project we'll cover here. Our balance sheet is in excellent shape compared to our history and we do have an experienced management team with 15 years history operating in Papua New Guinea. We're working on a number of joint ventures that we'll cover that include a condensate-stripping facility, an LNG plant, of course, continued development of the Elk and Antelope field and exploration opportunities as well.

Just to give you a little bit of an update on our history in Papua New Guinea, we signed original exploration licenses under incentive terms in 2003. We had our first significant discovery in 2006 followed that up with the Elk-4 discovery in 2008. And of course in 2009, we drilled and flow tested in Antelope-1 and have flow tested the upper portion of Antelope-2 and of course had our certified resource estimates.

Some of the other things that we've accomplished in the country have been to build the country's first refinery. We've secured harbor rights, land rights and a loan from the United States government Overseas Private Investment Corp. to help build that refinery and it reached mechanical completion in 2006.

We've also acquired distribution assets from major oil companies to increase the profitability at that refinery in distribution level. We have a number of opportunities that we're working on that we'll discuss today, including testing the condensate ratio at the base of the gas column. We discussed that in a press release earlier and I will cover some of those details. We'd like to complete FEED and FID on our condensate-stripping project, evaluate the potential of the oil leg that's where we're working on currently. And we're also looking at a second rig and completing a joint venture with a partner here in the near future. Of course our longer term or mid-term opportunities are continuing to explore in our acreage and we'd like to reach our LNG first cargos in 2014 or '15.

We are in a partnership with a stable government, it's the former Australian territory, a very positive fiscal policy, it's had a upgrade from S&P recently. We are partners with the state minerals oil and gas holding company Petromin, and as of December this year, the PNG National Government approved and signed our project agreement for the construction of an LNG plant in the country. Our business segments include exploration portfolio of 3.9 million acres, our refinery and our distribution system, our proposed condensate-stripping project is on here with some samples that we had from Antelope-1 and 2 wells, and of course, we're working on our LNG project. The upstream tends to be the story that captures most attention. These assets were secured at a time when Papua New Guinea was overlooked; there was not much exploration in the country. And we've followed up that exploration program with the Elk and Antelope discovery that we've been delineating now for about the last three years. And we think it's a fairly significant achievement in an area that was dominated by major oil companies for decades and we came in and it looks like we've - we found maybe one of the more significant fields in the country.

This is an outline of our exploration acreage. You can see the boxes in yellow. They represent just under four million acres of license area. You can see the Antelope field that's kind of in the middle of license area 237 and 238, that's where we're delineating. It happens to be in pretty moderate terrain, you can notice in the upper left-hand corner of the slide, Exxon, Oil Search and others operate in an area called the Highlands [audio gap] significantly higher elevations and much more rugged terrain. We're drilling in an area less than 1,000 feet elevation and about 80 kilometers from the coast.

This is a representation of the Elk and Antelope field. You can see the discovery well at Elk-1, the original well drilled. Of course, you probably all remember we stepped out to test for an oil leg with Elk number 2. We drilled too far down dip. We realized we needed to shoot additional seismic and that was underway while we drilled Elk-4, which was the second discovery.

While we're shooting - while we're drilling Elk-4, we actually got this next seismic line that you'll see here. It shows what we consider to be a reef, reefal type build up on a carbonate platform. We've then - the well following Elk-4, we drilled was Antelope-1. That well was flow tested in March of this year and

of course we are now drilling and testing Antelope-2. You'll probably remember that we did flow test Antelope-2 on December 1 or 2 this year and had quite a high flow rate. The Antelope-2 well was located 2.3 miles south of Antelope-1. We are currently drilling in the lower part of the reservoir section. The major objectives here were to step out and identify the limits of the reef, determine the extent of the dolomitization that we've seen in Antelope-1 and of course evaluate the potential commercial oil leg in the field.

These are the well logs and I would tell you that we had a - the log results essentially show a very good comparison between Antelope-1 and Antelope-2. The green that you notice in the log is dolomite, so we saw extensive dolomitization. As we move from Antelope-1 to Antelope-2, you'd notice not at the top of the formation here. But that gave us excellent indications of porosity and permeability in the reservoir. And we actually saw an average of 14% porosity over 1,200 feet of reservoir and we're currently drilling deeper in the Antelope-2 well.

The flow test that we did on the upper 1,200 feet did flow at a rate of 705 million cubic feet a day with over 11,000 barrels of condensate. We think that sets - puts Papua New Guinea on the map and we tested that well over a number of days, floated it for a different periods of time, different choke sizes and we saw instant pressure rebuild every time we shut-in the well and I think that demonstrates the quality or some of the quality of the reservoir.

This is another photograph of the actual flow test itself conducted early the morning of December 1 this year. You can see a little bit of cloud cover there, but it was fairly impressive flow rate.

If we look at all four wells that we've drilled so far that have been successful, you can see starting with Elk number 1 at over 100 million cubic feet a day. You can see the condensate ratio picking up in each well. Elk number 4, 2,000 barrels a day. Antelope-1, we're at 5,000 barrels of condensate and 382 million a day, and of course Antelope-2 with the highest flow rate to date and here we're looking at productive capacity or at least flowing capacity of 1.2 Bcf a day.

This is a schematic essentially or a cartoon of the representation of the field, trying to get all the wells on the same line. You can see the Elk number 1, of course, Elk number 2 well being downdip, Elk number 4 in the platform, Antelope hitting the reef. And what we planned with Antelope-2 was to drill that location or that well in a location it may give us a better opportunity, have porosity development within that potential oil leg and of course, that's where we're testing right now.

I want to spend just a minute and go over Antelope DST results, which, when we announced these, we had a significant move in the share price and for what we thought was some pretty good information. This - the Drill Stem Test itself flowed at 11 million cubic feet a day, but the most important information is the condensate ratio improved from 16 barrels per million at the top of the reservoir to 20.7 barrels per million in the lower part of the reservoir. So, it's a pretty substantial increase in the condensate.

And I would point out that as liquids increase for - if all other things being choke size, pressure et cetera, held constant, as the liquids increase, the gas flow rate will go down. We'd expect to see that as we go further. And there were some that were wondering what happened to the 700 million cubic foot

a day well with this 11 million a day test. And of course, it's a very different test with a very limited choke size flowing through a drill string rather than production tubing.

We had seven inch production tubing with a six-inch choke on the well when we did the big flow test, very different from a DST. That DST is not determined, it doesn't necessarily determine the rate at which a well can flow hydrocarbons, it's designed to capture vital pressure information and fluid content in the rock.

The objectives for Antelope-2 further drilling and testing is to incrementally drill, core and DST where appropriate through the lower reservoir zones of interest. The purpose of these tests is to determine the top of the potential oil column and of course the bottom of the potential oil company - column or going back into formation water. We will drill this well deep enough until we hit water. So don't be shocked when you hear that we've found the water. We're doing these tests to identify the top and the bottom of that oil column, so that we can determine the absolute best level in the reservoir to drill a lateral extension from this well bore. And we think that is the information that will determine - help us determine the true commerciality of this reservoir.

Now of course, we're trying to capitalize on the success that we've had and some of the downturn that we've seen in the industry. We - because of our balance sheet also being in good shape, we're going to accelerate somewhat our activity levels. The things that we're accelerating of course we're delineating, we're shooting another round of seismic over the Elk and Antelope field. We have a Phase 2 that we expect to get underway with this year that will help delineate and rank our prospect inventory. We have horizontal drilling equipment in Papua New Guinea that we would like to also use in this well bore. We're working on acquiring a second rig, and we continue to look for acquisitions to help lever our refinery assets.

Now, this next slide shows a representation over the Elk and Antelope field, shows the vintages of the seismic lines that were used for the discovery. The lines in red were the initial lines that we used to drill the discovery well, we shot the program in green. And then there is a barely visible shade of yellow here showing the new seismic program that we're currently in the process of acquiring and that's primarily over the reef part of the Antelope-2 or the Antelope reef structure itself.

Also of note on this slide is that we have a number of other prospects that immediately surround Elk and Antelope. We were very anxious to get back to work drilling some of those exploratory wells.

This next page shows an expanded area on our acreage position, and it simply shows that this again is a very small portion of our entire acreage position that kind of highlights part of the carbonate trend. There is a sandstone reservoir we haven't even tested in this area yet. We hope to get to that during the term of our exploration license. We have over four years of additional term on these existing licenses.

We do have a condensate recovery project that we're also working on. We have EDG Consulting Engineers, they conducted the study and is essentially the best plan was for a 400 million a day processing unit based on the previous condensate ratio. We'd expect to net about 9,000 barrels of condensate from 400 million cubic feet a day of processing capacity. Of course, to get to the level that

we need for our proposed LNG project, we need to process about 1.2 Bcf a day, which would necessitate three of these plants being in place.

On the LNG project, we'd like to continue to move ahead. We've made a significant step with the government's project approval in December this year. We do have financial advisors that are assisting us with the transaction that I'll discuss here. That continues to be underway. Of course, we will not sell any interest in Elk and Antelope until we've completed our testing of the deeper part of the reservoir.

Just to give you a locator of where PNG is in relative to the LNG market, you could see the largest consumers of LNG being Japan, South Korea, and of course China is picking up. So, really right in the heart of the most well developed LNG market. Our project is a pipeline extending from the Elk - it includes a pipeline extending from the Elk field when we have land at the nearby refinery where we'd like to build, we're estimating it in a 5 to \$7 billion range, and looking for partners currently to come in and help us with that.

We feel pretty confident we're going to find the right partners because we think we've got good economics on our LNG project. We do have very high deliverability wells as we've demonstrated. We do have condensate, which improves the economics, not - very little CO<sub>2</sub> and H<sub>2</sub>S, compared to other carbonate fields.

We are in a protected geographic region without major cyclone impact and we're also onshore and near the coast, and we think that gives us some competitive advantages. We do have the whole value chain essentially right from production. There's a commercial boundary where we sell it to - essentially into our own LNG plants. Of course, there are other opportunities with LNG export and power generation in the country.

Our proposed sale of assets - and I'm sorry I need to keep updating this; it's difficult to see our interests. Our interests are in the dark blue. We're at 57.5% in the upstream, which is the Elk and Antelope field. The government of Papua New Guinea has 22.5% and we have partners in for about 20%. Of course, we're looking to sell 35% interest in the field itself and that would net us down to somewhere in the 30 to 32% range.

In the midstream portion of the project we own a little over 50%, 52.5%. And again, we'd sell potentially a majority interest in the plant to a strategic partner that would operate that facility. Our facility is set up to be a tolling facility and essentially charging a fee to process gas.

The interest, the way we've looked at a conforming bid is an industry partner owning up to a 25% interest in the upstream, up to a 50% interest in the LNG plant, and taking LNG off-take. We're also looking for strategic partners as well. They might have recognized there are a number of utilities that have taken 2 to 5% interests in a number of other competing projects in the region. We'd like to have a few of those parties join us as well.

Our transaction will get completed when it's right for all the parties involved including InterOil shareholders, which means delineating the reservoir, local government when it's right for Papua New

Guinea and now they have approved our project agreement for end-users consuming the LNG and of course our buyers that are looking for energy security.

We do have a proposed production profile that profile includes three condensate-stripping plants, ultimately that we would need to get up to the full level required for fueling two LNG plants. And we do have essentially about each plant we consume roughly 600 million cubic feet a day or 100,000 barrels of oil equivalent per day. Those are the red bars in the graph. With the - this is a picture of the harbor at Port Moresby. You can see the capital city on the other side of the harbor. You can see our Jetty. For our refinery, we have Jetty capable of handling two ships. It is a deep-water port. It's the only deep-water port on the entire southern coastline of Papua New Guinea. And this is land that's owned by the government of New Guinea and we have a 99-year lease with plenty of land available to build the LNG project.

We do have a profitable refining segment that is running at about half volumes so room for - room for increasing there. We think we'll see increases in utilization with the Exxon project. It's reached final investment decision in PNG as they are ramping up their construction. And we're also looking at export opportunities. So we also distribute about 65% of refined product in the country of Papua New Guinea, we have trucking, fueling stations and depots as well and that business has also been profitable. Here is the summary of the last eight quarters and you could see the, the profitability particularly from the refining and distribution businesses. These businesses, all except for the fourth quarter where we had an inventory write-down with the collapse in oil prices, but these two businesses despite being profitable do not generate the kind of cash flow we need to fund our exploration program. Our balance sheet as of September 30 was in pretty good shape with over \$88 million in cash. Of course some of that over - little over 20 million is restricted but we have enough to continue to fund our operations at this point in time. Our priorities for 2010 are continue to develop the Elk and Antelope field, prioritize our prospect inventory, test the commerciality of the potential oil zone, reach condensate FID, and of course select and transact with the JV investment partner.

So in summary, it's a - it's a very unique area, Papua New Guinea undiscovered frontier. We think we've proven that there is an excellent hydrocarbon system in place. We've got a long way to go with a lot of prospects. We do have joint venture opportunities that we expect to make progress on during the course of the next few months. And of course, we continue to achieve our goals, will drive shareholder value and provide superior growth. Thanks for your time, and I think we will be able to have a few questions here in the room. Appreciate your attendance.