

InterOil Valuation (in mm of US\$)	
InterOil Resource Estimate (Bcfe)	11,000
Natural Gas Valuation (Per Mcf)	\$1.80
Total Asset Valuation (mm)	\$19,800
InterOil's Ownership (~58%)	57.51%
InterOil's Resource Valuation (mm)	\$11,387
Exploration Acreage	\$0
Value of Refining Business (4x MS EBITDA Estimate)	\$180
Current Cash Balance (as of 9/30/09) (mm)	\$82
Current Debt (mm)	-\$66
InterOil's Net Asset Valuation (mm)	\$11,583
IOC Valuation Per Share Target Price	
Current IOC Share Price	\$68.82
Upside to Target Price	275%

Introduction: Given the interesting IOC price action as of late, I thought it would make sense to do some valuation work to put the stock's current price in perspective. Obviously, this calculation is rough, but this exercise is intended to give investors a general sense of what IOC shares are worth. That said, the section to the left illustrates my calculation methodology.

How to Use the Valuation Tables: In the two tables below, there are two key inputs, "Resource Quantity" and "Per Mcf Natural Gas Resource Valuation". Essentially, those inputs go into the two, green-highlighted cells in the calculation to the left. To come up with your own target price for IOC, choose a "Resource Quantity" and "Per Mcf Natural Gas Resource Valuation" assumption in the lower left table. Then look in the body of the table to see what target price those assumptions result in. To see how much upside a particular target price would imply, look in the table on the lower right. **Example:** In the particular case that I've highlighted in gray, I've assumed that IOC has 11 Tcfe of natural gas and that it should be valued at \$1.80 per Mcf. Those assumptions result in a target price of \$258 and 275% upside to the stock. Keep in mind IOC's condensates and oil add incremental value.

Alternate Use: Alternatively, you can use the table to figure out what natural gas valuation IOC's current stock price is factoring in. **Example:** IOC shares are currently trading around \$69 per share. Assuming that the company has 6.7 Tcfe of resource, IOC's current stock price currently values each unit of natural gas at between \$0.70 and \$0.80 per Mcf.

InterOil Target Price Sensitivity Analysis									
		Resource Quantity (in Bcfe)							
		6,700	8,000	9,000	10,000	11,000	12,000	13,000	14,000
Per Mcf Natural Gas Resource Valuation	\$0.40	\$39	\$45	\$51	\$56	\$61	\$66	\$71	\$76
	\$0.50	\$47	\$56	\$62	\$68	\$75	\$81	\$88	\$94
	\$0.60	\$56	\$66	\$74	\$81	\$89	\$97	\$104	\$112
	\$0.70	\$65	\$76	\$85	\$94	\$103	\$112	\$121	\$130
	\$0.80	\$73	\$86	\$97	\$107	\$117	\$127	\$138	\$148
	\$0.90	\$82	\$97	\$108	\$120	\$131	\$143	\$154	\$166
	\$1.00	\$90	\$107	\$120	\$133	\$145	\$158	\$171	\$184
	\$1.10	\$99	\$117	\$131	\$145	\$160	\$174	\$188	\$202
	\$1.20	\$107	\$127	\$143	\$158	\$174	\$189	\$204	\$220
	\$1.30	\$116	\$138	\$154	\$171	\$188	\$204	\$221	\$238
	\$1.40	\$125	\$148	\$166	\$184	\$202	\$220	\$238	\$256
	\$1.50	\$133	\$158	\$178	\$197	\$216	\$235	\$254	\$274
	\$1.60	\$142	\$169	\$189	\$210	\$230	\$251	\$271	\$292
	\$1.70	\$150	\$179	\$201	\$222	\$244	\$266	\$288	\$310
	\$1.80	\$159	\$189	\$212	\$235	\$258	\$281	\$304	\$328
	\$1.90	\$168	\$199	\$224	\$248	\$272	\$297	\$321	\$346
	\$2.00	\$176	\$210	\$235	\$261	\$287	\$312	\$338	\$363
	\$2.10	\$185	\$220	\$247	\$274	\$301	\$328	\$355	\$381
	\$2.20	\$193	\$230	\$258	\$287	\$315	\$343	\$371	\$399
	\$2.30	\$202	\$240	\$270	\$299	\$329	\$358	\$388	\$417
\$2.40	\$211	\$251	\$281	\$312	\$343	\$374	\$405	\$435	
\$2.50	\$219	\$261	\$293	\$325	\$357	\$389	\$421	\$453	
\$2.60	\$228	\$271	\$304	\$338	\$371	\$405	\$438	\$471	
\$2.70	\$236	\$281	\$316	\$351	\$385	\$420	\$455	\$489	
\$2.80	\$245	\$292	\$328	\$363	\$399	\$435	\$471	\$507	
\$2.90	\$254	\$302	\$339	\$376	\$414	\$451	\$488	\$525	
\$3.00	\$262	\$312	\$351	\$389	\$428	\$466	\$505	\$543	

InterOil Upside to Target Price Sensitivity Analysis									
		Resource Quantity (in Bcfe)							
		6,700	8,000	9,000	10,000	11,000	12,000	13,000	14,000
Per Mcf Natural Gas Resource Valuation	\$0.40	-44%	-34%	-27%	-19%	-12%	-4%	3%	11%
	\$0.50	-31%	-19%	-10%	0%	9%	18%	27%	37%
	\$0.60	-19%	-4%	7%	18%	29%	41%	52%	63%
	\$0.70	-6%	11%	24%	37%	50%	63%	76%	89%
	\$0.80	6%	26%	41%	55%	70%	85%	100%	115%
	\$0.90	19%	41%	57%	74%	91%	108%	124%	141%
	\$1.00	31%	55%	74%	93%	111%	130%	149%	167%
	\$1.10	44%	70%	91%	111%	132%	152%	173%	193%
	\$1.20	56%	85%	108%	130%	152%	175%	197%	219%
	\$1.30	69%	100%	124%	149%	173%	197%	221%	246%
	\$1.40	81%	115%	141%	167%	193%	219%	246%	272%
	\$1.50	94%	130%	158%	186%	214%	242%	270%	298%
	\$1.60	106%	145%	175%	205%	234%	264%	294%	324%
	\$1.70	119%	160%	191%	223%	255%	287%	318%	350%
	\$1.80	131%	175%	208%	242%	275%	309%	342%	376%
	\$1.90	144%	190%	225%	260%	296%	331%	367%	402%
	\$2.00	156%	205%	242%	279%	316%	354%	391%	428%
	\$2.10	169%	219%	259%	298%	337%	376%	415%	454%
	\$2.20	181%	234%	275%	316%	357%	398%	439%	480%
	\$2.30	194%	249%	292%	335%	378%	421%	464%	506%
\$2.40	206%	264%	309%	354%	398%	443%	488%	533%	
\$2.50	219%	279%	326%	372%	419%	465%	512%	559%	
\$2.60	231%	294%	342%	391%	439%	488%	536%	585%	
\$2.70	243%	309%	359%	410%	460%	510%	560%	611%	
\$2.80	256%	324%	376%	428%	480%	533%	585%	637%	
\$2.90	268%	339%	393%	447%	501%	555%	609%	663%	
\$3.00	281%	354%	410%	465%	521%	577%	633%	689%	