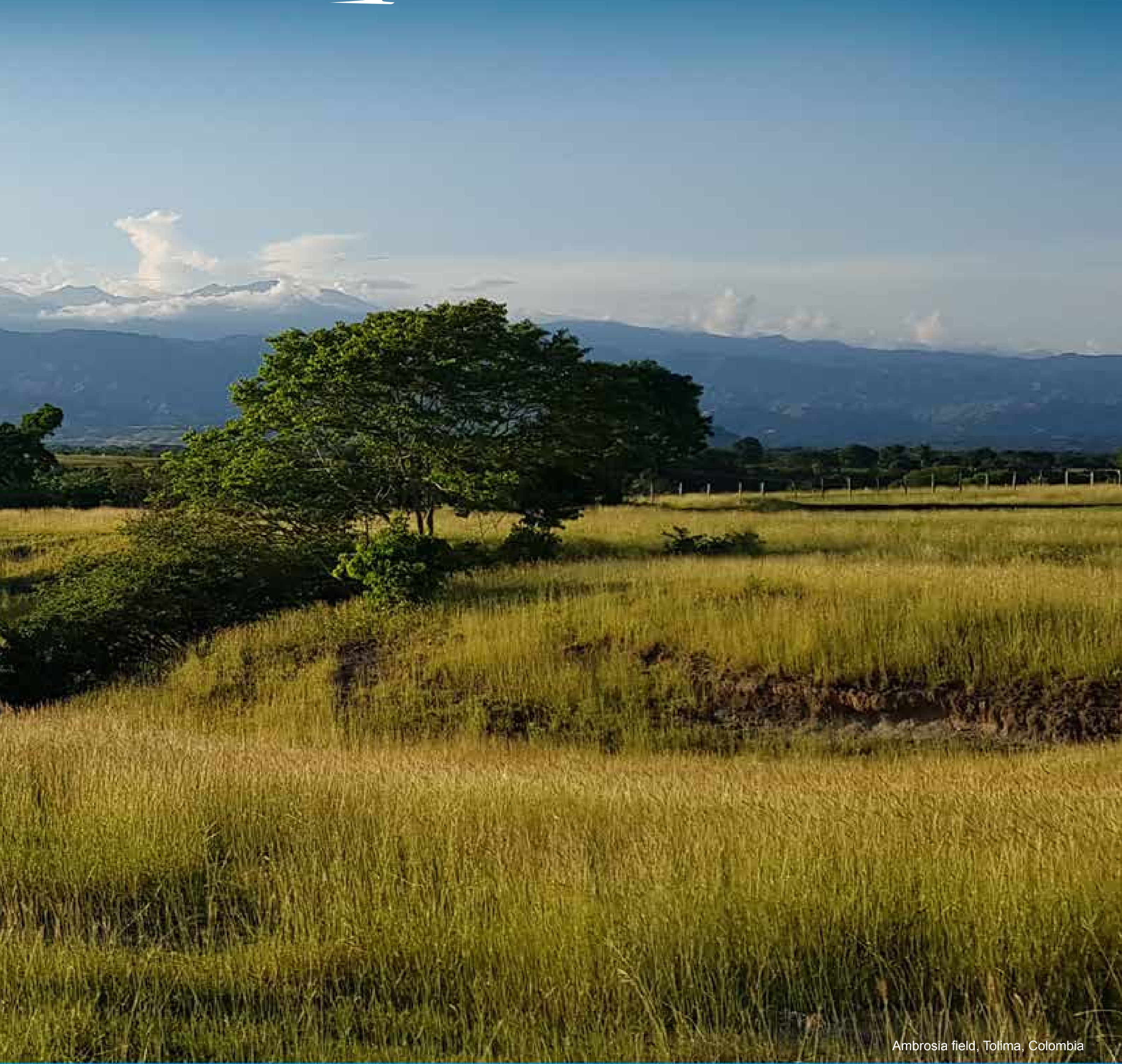
INTEROIL



Ambrosia field, Tolima, Colombia

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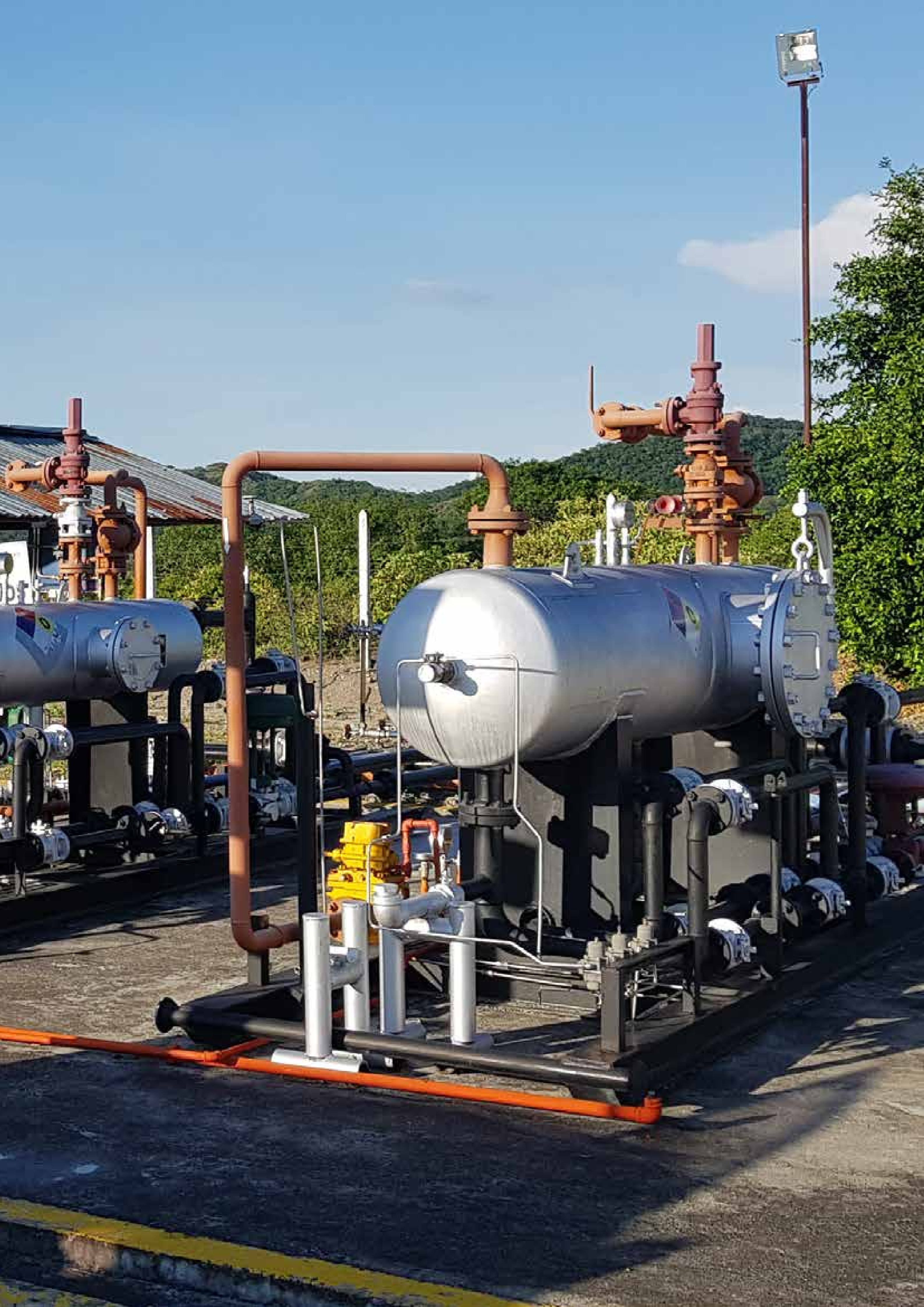

ANNUAL REPORT 2018

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Board and Management Organizational Structure

BOARD OF DIRECTORS

Chairman
Hugo Quevedo

Board member
Jorge Brown

Board member
Natalia Mariani

Board member
Mimi K Berdal

Board member
Nicolas Acuña

HUGO QUEVEDO, CHAIRMAN.

Mr. Quevedo graduated from Universidad de Buenos Aires in 1987 with a law degree and obtained a Master's Degree in Laws (LLM.) at London School of Economics and Political Sciences, London, UK, in 1995. He also attended courses on regulation of financial markets at King's College, London, financial law at Queen Mary & Westfield College, London, and energy law at the Centre of Petroleum of Energy, Petroleum and Mineral Law and Policy of the University of Dundee, Dundee, Scotland. Mr. Quevedo has extensive experience in both, the private and public sectors. He has advised several important public and private companies, banks and organization in connection with cross-border and domestic corporate, energy and financial transactions, matters and litigation. He has represented companies in M&A transactions and financing in a range of industries, including oil & gas, power generation and distribution, natural gas transport and distribution, mining, forestry, fishing, pharmaceutical, and retail, among others. Mr. Quevedo has also acted as arbitrator and as expert witness in international investment treaty arbitrations. In the public sector, he served in different positions at the office of the President of Argentina, including Director General of Organisation and was advisor to several public officers, including Argentine Secretary of Energy.

JORGE BROWN, BOARD MEMBER.

Mr. Brown holds a Bachelor degree in Political Science and Public Administration, a Master's degree in Law and Economics from Ghent University and Stockholm Universitet and a PhD at the Ortega and Gassett Institute of the Complutense University of Madrid. Mr. Brown has more than 15 years of experience in corporate internationalization and political consultancy at both a national and international level. He has developed most of his career as an advisor to numerous business and political leaders in Europe and Latin America, specializing in growth strategies, business development, human resources and corporate strategies. He served as Senior Advisor to the Mexican Ambassador in Belgium and held numerous posts in the Mexican government including the 2000 Mexican presidential transition team. He was also a development coordinator for The Climate Reality Spain, the Spanish branch of former U.S. Vice President Al Gore's climate change nonprofit project. Jorge is PASS Group's Chief Executive Officer, a strategic consultancy firm specialising in the internationalisation of companies. He is also partner at the US consultancy firm, MAPA Group, an international business development consulting firm headquartered in Washington DC and a partner in several start-up companies that range from new technologies to fashion retail.

MANAGEMENT

Chief executive officer
Leandro Carbone

General Manager / CFO
Pablo Creta

NATALIA MARIANI, BOARD MEMBER.

Ms. Mariani graduated from the National University of Cuyo, Argentina with a Degree in Public Administration and Political Science. Natalia is an experienced professional with a strong background in international business management. Ms. Mariani has led and managed an array of a diverse range of projects across European markets, developing efficient teamwork as a key strength. Natalia is goal oriented with a multicultural background and diverse professional experiences and broad range of skills.

MIMI K. BERDAL, BOARD MEMBER.

Ms. Berdal runs an independent corporate counseling and investment business. She has extensive experience as board member of listed companies, including previous directorship in Rocksource ASA (Chairman), Renewable Energy Corporation ASA (Chairman) and Copeinca ASA. Ms. Berdal currently holds the directorship in several companies, such as Itera ASA, Gassco AS and EMGS ASA. She has previously served as a legal advisor with Total Norge and partner in the law firm Arntzen de Besche. Ms. Berdal holds a Cand.jur (law) degree from the University of Oslo.

NICOLAS ACUÑA, BOARD MEMBER.

Mr. Acuña has over 20 years of experience in the oil and gas industry in Colombia in the finance and administrative areas. Previously he worked for Cepsa Colombia as the Finance, Administration and IT Manager and held various senior management positions in Petrocolombia S.A., including Finance and Administration Manager and General Manager of an affiliate operating company. He holds an MBA from Inalde, a MSc in Engineering-Economic Systems from Stanford University and a BSc in Civil Engineering from the Universidad de los Andes.

LEANDRO CARBONE, CHIEF EXECUTIVE OFFICER.

Mr. Carbone has been appointed Chief Executive Officer and brings over 20 years of experience in leading oil and gas projects. He started as a field engineer working for TOTAL for ten years in Europe, North Sea and Latin America. In recent years, Mr. Carbone has been a Latin American Executive Director for many private and public companies. He has extensive experience across Latin America and has been involved in a number of significant discoveries and transactions across Argentina, Peru, Bolivia and Colombia. Mr. Carbone is a Petroleum Engineer from Instituto Tecnologico de Buenos Aires.

PABLO CRETA, GENERAL MANAGER AND CHIEF FINANCIAL OFFICER.

Mr. Creta has a Bachelor degree from Universidad de San Andrés, Argentina and a Master of Commerce degree from the University of New South Wales, Sydney, Australia. His professional experience includes positions in private equity and capital markets in Latin America and Australia.

Board Of Directors' Report

Highlights

- The Company delivered an EBITDAx (EBITDA adjusted for exploration cost and non-recurring items) of USD 9.7 million, 2017 USD 6.1 million. There are some reasons for this positive trend. A higher production of 5%, the increase in price and the administrative and indirect costs were reduced 28% to USD 3.062 million following a comprehensive efficiency improvement program.
- The Mana field's Geological Static Model validation and dynamic reservoir modelling started, aiming at improving recovery factor and the feasibility of water flooding for restoring reservoir pressure. The petrophysical model has been finalized. The static geological model is being adjusted to match the model with the field's historic production.
- Interoil and the National Hydrocarbons Agency (ANH) reached an agreement to settle all outstanding claims and disputes between Interoil Colombia and ANH concerning the Exploration and Production Contract No. 68, Block COR-6. The settlement includes a termination of the COR-6 Contract by agreement and a mutual waiver and definitive release of the parties to make any claim with regard to the COR-6 Contract.
- New export route established for Vikingo. Production is now being transported through Perenco´s pipeline at Oropendola station 15Km east from the well site allowing a significant reduction in the road maintenance expenses.
- As from January 2018, IFRS 15 standards changed the way Interoil recognizes revenues in joint ventures. Under the new standard, we no longer deduct oil barrels corresponding to our partners from our production reports and revenues as long as they are not deliver in kind to them. When the contracts are settled in cash, partner's working interest is recognized as a cost offsetting of the corresponding revenue and production. This change makes it difficult to compare 2018 and 2017 figures.

Main events since year-end

- Constructive discussions are ongoing with SLS Energy regarding continued cooperation for drilling of further wells in the LLA 47 block, although the parties have yet to agree on an exact drilling schedule, responsive to seasonal possibilities and equipment restrictions.
- As previously reported, Interoil is actively pursuing enhanced recovery opportunities in the complex geological structures in the Puli C license. In the first quarter 2019, reperforation of certain wells in the Mana field has produced encouraging results, which the company will now seek to verify through further testing.

Key figures Amounts in USD million

Amounts in USD million	**2018**	**2017**
WI Production daily average (boed)	1.048	1.029
Reserves WI 2P (million boe)	1.6	3.2
Revenues	21.3	16.6
EBITDAx (Adjusted for exploration expenses and non-recurring items)	9.7	6.1
Operating profit	2.7	5.2
Exploration expenses	0.9	1.9
Net loss for the year	7.2	5.7
Total assets	39.1	44.6
Interest-bearing debt	41.1	41.3
Cash and cash equivalents (restricted and non-restricted)	7.7	7.5

INTEROIL'S BUSINESS

Interoil is an upstream oil exploration and production company, headquartered in Oslo, with production in Latin America

The Company is an operator of production licenses (Puli C and Altair) and an exploration license (LLA-47) in Colombia. Interoil acquired the Colombian assets from Mercantile International Petroleum Inc in late 2005.

Since then, Interoil 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.

Operations – annual statement of reserves

The Company's Annual Statement of Reserves (ASR) has been prepared in accordance with the Oslo Stock Exchange listing and disclosure requirements. Reserves and contingent resources have been certified by Gaffney, Cline & Associates Inc, an independent third party.

As of 31st December 2018, the WI 2P reserves were estimated to be 1.6 million barrels of oil equivalent (mmboe).

Note 30 to the annual accounts includes a detailed review of the reserves and resources. The full ASR is available for download from the Company's website: The ASR is not audited by PricewaterhouseCoopers.

Operations - Production

In 2018, the average net production from Puli C, Altair and LL-47 was 1.048 boepd compared to 1.029 boepd in 2017. Production and related activities in each block are further described below.

Puli C is comprised of the Mana, Ambrosia and Rio Opia fields. The 72 km² producing block is located in the Middle Magdalena Valley Basin. Interoil holds a 70% working interest and the remainder is held by Ecopetrol. The royalty rate is 8% and is paid in kind.

The geological structure in Puli C is challenging and complex and requires extensive efforts by our technical team in order to maintain production. A new geological static model has been integrated with petrophysical parameters taken from the existing wells data aimed at modelling the producing formations by using a numerical reservoir dynamic model. Once this dynamic model matches real production data behaviour in time, Interoil will likely be able to identify undrained areas and/or increase reserves recovery factor by implementing different enhanced oil production technics, such as water injection or chemical stimulation in the wells. In the fourth quarter of 2018, the petrophysical model was finalized and data from the Toqui-Toqui field was included in order to establish a comprehensive model for the whole structure.

In parallel, Interoil started a study to improve the artificial extraction system by replacing current progressive cavity pumps with positive pumps, such as the widely recognized rod sucker type. During 2018 two pumps with different technologies were tested. Test results were positive for one of the technologies but Interoil decided nevertheless not to extend the installation to the rest of the field.

Interoil holds an operation and maintenance contract with Ecopetrol, the Colombian state oil company, for the Toqui-Toqui field. Since 2018 the neighbouring Totere, and Puli B fields were included to this operation and maintenance contract. In 2018, the licences were transferred from Ecopetrol to Hocol Petroleum Limited, a subsidiary of Ecopetrol. The contact consists of a base monthly fee plus an operation fee linked to production.

Interoil has successfully extended a gas selling contract with the Colombian energy company Turgas until 31 December 2019. Turgas' gas treatment facility is located next to the Mana field.

In 2017, Interoil decided to install a new gas treatment plant in the Mana field to take all the rich components (mixture of propane, butane and natural gasoline) leaving dry gas under commercial specification according to the Colombian gas market. The Company is also working to meet the requirements for an upgrade of the environmental license incorporating the gas treatment facilities. It remains unclear when this licence upgrade can be achieved. In the meantime, the gas treatment plan remains stacked in Houston, Texas. Interoil continues to evaluate alternatives to the project with the view of maximizing efficiencies.

The LLA-47 block is located in the Llanos Foreland Basin, and it is producing from one single well, Vikingo-1. On February5th, the Vikingo well came back on stream. Thanks to an agreement with Perenco, production from Vikingo is now being transported through a nearby pipeline.

Regardless of the new alternative export route Interoil keeps working in the relationship with the Duya community and all the other communities in theLLA-47 block, aiming at a long-term agreement.

Interoil is in constant dialogue with the ANH and has already approached the agency about delays suffered due to the different conflicts in the LLA-47 licence and how this might affect the committed work program.

The Altair block is located in the Llanos Foreland Basin, and it is producing from one single well, Altair-1. In the Altair block the Group has a commitment to drill 1 well. The first well was completed in April 2017 with oil showing in the upper C7 formation. Given the force majeure events related to the Duya community in the Llanos area the ANH has granted Interoil's request to suspend the, Altair license contract. Once force majeure measures adopted by the community stop and Interoil's operations are no longer affected, Altair license contract will be resumed and time lost due to the community actions will be restored by the agency. As a result, the pending well in the Altair license commitment will not be drilled until the contract is resumed.

Operations - Exploration

Interoil holds a 100% working interest in the LLA-47 exploration block, acquired in the 2010 ANH bidding round. Interoil has completed 350 Km 3D seismic data gathering, processing and interpretation. The LLA-47 geological model has been developed, and the Company is building strong exploration prospects for the license. The LLA-47 license may hold more than 30 million barrels in prospective resources and represents a significant value driver for the Company. The ANH approved Interoil's plan to combine its phase and commitments under the license agreement. The Group has now a commitment to drill 10 wells before 10 February, 2020 of which the Vikingo-1 well was the first.

The ANH has approved Interoil's plan to drill the Malevo-x1 exploration well, located adjacent to Vikingo-x1. Malevo-X1 will be targeting the Gacheta formation, the deepest of the three target formations (C5 and C7 are the other two) hoping to validate some isolated hydrocarbon indication that were identified whilst drilling Vikingo-x1. In November 2018, Interoil announced that the drilling of further wells in partnership with SLS was postponed and pending negotiations with SLS about terms. Interoil regrets to inform that despite its constructive approach to these negotiations, no significant progress has been made and it is unclear when drilling may resume.

In 2015, ANH issued new regulations for O&G companies with investment commitments in the country. The guarantee commitment for LLA-47 after the combination of the phase 1 and 2 requires the existing USD 4.8 million bank guarantee to be increased to USD 11.1 million. Hence, Interoil is in constant conversations with the ANH and local insurance companies aiming to structure an efficient guarantee scheme that would fulfil the ANH requirement based on Interoil's possibilities under current market circumstances.

The current guarantee provision for Altair is in compliance with the ANH requirements.

In Altair and LLA-47 the Group elected to combine the first and second phases of the exploration programs under the ANH contracts.

In COR-6 the Group successfully achieved the termination of the contract through a conciliation agreement with the ANH. The COR-6 block was acquired in an ANH bidding round, but due to environmental and community issues, it was not possible to commence work. In September 2014 the ANH claimed that Interoil was in breach of the contract.

In June 2018, Interoil and the ANH finally reached an agreement to settle all outstanding claims and disputes in relation to this Exploration and Production Contract No. 68, Block COR-6. The settlement included a termination of the COR-6 Contract by mutual agreement and a mutual waiver and definitive release of the parties to make any claim with regard to the COR-6 Contract. By means of the resolution of the Arbitration Tribunal dated October 2, 2018, the tribunal has approved the Conciliation Agreement giving full effects to its provisions and terminating the dispute.

Financial Overview (Group) Consolidated financial statements

Continuing Operations

Average production Increased from 1.029, boepd in 2017 to 1.046 boepd in 2018, in spite of Vikingo workover operation. In addition, the average realized oil price grew from USD51/boe in 2017 to USD66/boe in with revenues growing from USD 16,6 million in 2017 to USD 21,3 million in 2018.

EBITDA adjusted for exploration expenses and other non-recurrent items was USD 5,7 million in 2017 compared to USD 9,7 million in 2018. Depreciation and amortization increased from USD 5,7 million in 2017 to USD 9,4 million in 2018.

Interoil recorded an operating profit of USD 2,7 million for 2018, lower than USD 5,2 million in 2017 due to an increase in workover and licencing costs.

Exploration expenses came in at USD 0,9 million for 2018 and USD 1,9 million for 2017. Administrative expenses have been reduced to USD 3,1 million in 2018 from USD 4,2 million in 2017 (net of non-recurring items: Exploratory costs and COR-6 legal costs), reflecting the benefit of cost cutting programs for second consecutive year.

Interoil recorded a net financial loss of USD 2,9 million for 2018, compared to net financial loss of USD 3,4 million for 2017

Income tax expense was USD 1,0 million for 2018 compared to an income tax expense of USD 0,8 million in 2017. The numbers including deferred income tax expense of USD 0,3 million, compared to USD 0,8 million in 2017, which primarily relates to the effect of changes in the exchange rate of non-monetary assets and liabilities of entities whose functional currency is different from the local currency.

The Group reported a net loss for the year of USD 7,2 million, compared to the net loss for the year 2017 of USD 5,7 million.

Total assets amounted to USD 39,1 million, compared to USD 44,6 million in 2017. This decrease results primarily from depreciation of property, plant and equipment.

Cash at end of the year was USD 9,3 million, of which USD 4 million was restricted relating to cash collaterals for guarantees and loans in Colombia and USD 1,6 is classified as other assets

Interest-bearing debt decrease from USD 41,3 million in 2017 to USD 41,1 million at the end of 2018 including the bond loan of USD 37,9 million and bank loans in Colombia of USD 2,4 million.

Net cash generated from operating activities was USD 8,1 million in 2018, compared to USD 3,7 million in 2017.

Cash outflows from investing activities were USD 4,4 million in 2018, compared to USD 4,6 million in 2017 reflecting the drilling activity in LL-47.

Cash outflows from financing activities amounted to USD 3,7 million in 2018, which include net repayment of debt of USD 1,1 million and interest payments of USD 2,5 million. In 2017 the cash outflow was USD 2,3 million, which include net repayment of debt of USD 8,1 million and interest payments of USD 1,6 million.

Parent Company Accounts

The profit and loss account for the period for the parent company, Interoil Exploration and Production ASA, showed a net loss of USD 1,3 million for compared to a loss of USD 1,8 million in 2017.

The parent company's equity was USD 8,6 million as of December 31, 2018, and USD 9,9 million as of December 31, 2017, the reduction reflecting the net loss for 2018.

The Board of Directors proposes that the loss for the year of USD 1,3 million be transferred to other equity.

Oil And Gas Industry Risk

Commodity price volatility

Natural oil and gas prices are unstable and are subject to fluctuation. Lower prices for oil and gas may reduce the profitability of production of oil and gas. In addition, lower prices may affect the financial viability of work overs, wells and other projects planned. Total net production revenues could materially decrease, production from certain wells might be closed, certain development projects may be postponed or cancelled, and reserves may be reduced. The ability to finance development and fulfil financial obligations could also be affected by low oil and gas prices.

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 Group'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.

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 Group'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 Group's control.

Environmental risk

Oil and gas exploration and production, by nature, involves exposure to potentially hazardous materials and could represent material risk.

Financial Risk

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 Group 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 Group may also be required to make substantial capital investment for the acquisition of oil and gas reserves in the future.

The Group may require additional funding in the future to cover working capital and investment needs for future development and growth. There can be no assurance that the Group will be able to obtain necessary funding in a timely manner and on acceptable terms. Should the Group not be able, at any time, to obtain the necessary funding in a timely manner and on acceptable terms, the Group may be forced to reduce or delay capital expenditure or sell assets or businesses at unanticipated times and/or at unfavorable 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 Group being placed in a less competitive position.

Further information regarding financial risk factors and management is described in notes in the financial statement.

Going Concern

The financial statements in the 2018 Annual Report have been prepared under the going concern assumption in accordance with the Norwegian Accounting Act § 3-3 and the Board of Directors hereby confirms that this assumption is valid.

However, the bond loan matures in January 2020 and at the moment the company does not hold the required liquidity to repay it. The Board are in advanced discussion with the bondholders on several alternatives, however no final decision or agreement have been reached at this stage. If not finalized within the timeframe of maturity there is uncertainty that may cast significant doubt on the company's ability to continue as a going concern. However the Board of Directors are confident that a sound solution will be reached.

Organization

Interoil head office is located in Oslo, Norway. At year-end 2018, there were a total of 49 employees (1 in Norway and 48 in Colombia) in the Group.

The Board believes that the work we do is what creates value for Interoil. Our HR policy describes our ambitions and our most important target areas. We believe that achieving outstanding results and fulfilling our strategy depends on the commitment and skills of our employees and leaders. Interoil's values – Openness, Trust, Resilience and Integrity – provide a framework of expectations on how Interoil employees perform their tasks.

How we treat our people and each other within the Group is crucial, and open dialogue and communication is promoted

Health, Safety and Environment

Interoil is committed to excellence in operations and standards of Quality, Health, Safety and Environment (QHSE) throughout its activities Interoil will strive towards our QHSE vision:

Systematically promote work environment, zero accident and zero incident operations, promote environmental protection and reduce negative influence on local communities and optimize raw material and energy consumption to minimize waste.

The company aims to be in line with industry practices and all statutory requirements.

Interoil operates according to the Occupational Health and Safety Assessment Series (OHSAS) management standard. Through the standard we have focused on managing safety in critical processes, implemented a visible leadership model and strived to live the HSE culture in the organization. We believe that these activities, together with further focus on training of workers, will reduce the risk of major accidents and injuries, and will reduce the risk of hazards of pollutants

The working environment is considered to be good, and efforts for improvements are made on an ongoing basis Time lost due to employee work related illnesses or accidents was approximately 0.03% for the Group, respectively a total of 12 days

Interoil Colombia is obtaining new certifications for ISO and OHSAS.

Interoil promotes equal opportunities and has a policy of equal pay for the same type of work.

Due to the nature of the industry, the organization is male dominated. As per year-end 2018, 76% of employees are male.

The group has recruitment and personnel policies to ensure equal opportunities and rights, and prevent discrimination based on ethnicity, national origin, ancestry, colour, language, religion or belief.

Remuneration Of Senior Executives

The Board of Directors of Interoil Exploration and Production ASA hereby submits its statement on remuneration to management in accordance with the Public Limited Company Act § 6-16 A.

Interoil Group management as of 31st December 2018: Leandro Carbone, Chief Executive Officer and Pablo Creta, Chief Financial Officer and General Manager.

General: Our guidelines for future stipulation of management remuneration is to follow the general salary adjustments in our local society and, at the same time, consider the measures necessary to avoid losing our key personnel and maintain a level of remuneration enabling us to recruit the kind of professionals needed for us to develop the Company according to plans

Bonus Program: Senior Officers may have a discretionary bonus. The bonus is based on individual performance targets and key performance indicators. There is no other variable remuneration to management.

Other: We are of the opinion that all terms and conditions have been negotiated on an arm's length basis at market conditions, enabling Interoil to recruit the kind of professionals it needs to succeed with its strategy, to the benefit of its shareholders.

Corporate Social Responsibility

It is part of Interoil's vision and strategy to grow oil and gas production primarily through development programs focused on maximizing the value of our existing asset portfolio and secondly by acquiring new assets with a sustainable risk profile. We strive to do business in a responsible way, and consider social and environmental challenges as opportunities for business development. We engage in constructive dialogue with stakeholders to ensure the continuous improvement of our operations. As part of Interoil's commitment to sustainable development we aim to conduct our business in an economically, efficient, socially and environmentally responsible way.

The Company strives to be an active contributor to the society where we operate. We support cultural activities, give donations in relation to infrastructure and maintenance, hire local residents on short-term contracts to do maintenance and construction work in the field, in addition to the scholarship program supporting education for the best local students.

Reporting of payments to governments for companies in extractive industries, is prepared according to the Norwegian Accounting Act and the Norwegian Trading Act. The report is presented in the note to the Annual Accounts.

Outlook

The Board believes that Interoil is well positioned to meet the challenges facing the industry. The Group is producing from the Mana and LL-47 field and has an ongoing drilling campaign in LLA-47, blocks with prospective resources and a relatively high probability of success. In addition, revenues are generated from our operation and maintenance contract in Puli-C.

The company continues to evaluate opportunities in Argentina aimed at expanding its current presence in Latin America.

This report contains forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including Interoil examination of historical operating trends. Although Interoil believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict with certainty and are beyond our control, Interoil cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Oslo, 24 April, 2019

The Board of Interoil Exploration and Production ASA

Hugo Quevedo
Chairman

Nicolas Acuña
Board Member

Pablo Creta
General Manager

Mimi Berdal
Board Member

Natalia Mariani
Board Member

Jorge Brown
Board Member

Corporate Governance

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

The corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"), dated 17 October 2018 and issued by the Norwegian Corporate Governance Board ("NUES"). The recommendation from NUES can be found at: www.nues.no.

The following presentation is structured after the guidelines in the Code of Practice, and is also available on the Company's website.

Implementation and reporting on corporate governance

Interoil`s Board of Directors strongly believes sound principles for corporate governance are an important prerequisite for building trust between the Company and its stakeholders and securing shareholder value. Owners, investors, customers, employees and other stakeholders should be confident that Interoil`s business activities are characterized by reliability, control, transparency and high environmental and ethical standards. Interoil will in all material aspects follow the Code of Practice and report the Company's corporate governance in the annual report. Any deviations from the Code of Practice will be explained in the report

Values and ethical guidelines: Interoil's corporate values are presented on the Company's website (www.interoil.no). Our values guide us on how we shall act and make decisions when we conduct our everyday work in Interoil.

Interoil is aware of the effect its business has on the society. The basic principles for corporate social responsibility that the Company strives to follow, are outlined in the corporate social responsibility policy, which is available at the Company's website.

Business

Interoil's objective, as defined in article of the Company's articles of association, is the "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".

Interoil's vision and strategy are adopted, both for Interoil as a group and for each business area, to support the Company's objective. Interoil's vision and strategy is to become one of the strongest E&P companies operating in Latin-America. Our corporate vision and strategy have the following pillars:

- Maintain a strong balance sheet by adopting a disciplined financial philosophy that balances profitability and sustainable growth
- Allocate and deploy capital with a focus on achieving returns well in excess of Interoil's cost of capital
- Grow oil and gas production primarily through development programs focused on maximizing the value of our asset portfolio and secondarily by acquiring new assets with a balanced risk profile
- Become the employer of choice for E&P professionals in Latin America
- Systematically contribute to the development of stakeholders in areas we operate
- Continuously focus on improving our HSE performance in line with best practices in the Latin American E&P sector

Equity and dividends

Interoil`s book equity as of 31 December 2018, was USD -13,8 million.

The Board of Directors considers Interoil's equity and liquidity to be adequate to meet Interoil's current objectives. However, the upcoming commitments in Colombia, may require additional funding.

As of 31 December 2018, Interoil had 64,690,315 shares outstanding.

Due to the market situation, together with requirement for adequate equity and the financial result of 2018, Interoil does not expect to pay any dividend in the near future.

Authorizations to the Board of Directors should be limited to defined purposes and dealt with as a separate agenda items at general meetings.

At the annual general meeting held on 28 June 2018 it was resolved to authorize the Board of Directors to increase the share capital of the Company by up to a total of NOK 16,172,578, corresponding to up to a total of 32,345,156 new shares, without pre-emption. The authorization may be used for (i) consideration in acquisitions and strategic investments and/or (ii) capital increases done to provide financing for the Company's business. The authority is valid until the earlier of the Annual General Meeting in 2019 and 30 June 2019.

Equal treatment of shareholders and transactions involving related Parties

Interoil has one class of shares representing one vote at general meetings. Each share has a nominal value of NOK 0.50. The articles of association contain no restrictions regarding the rights to vote. Equal treatment is of high importance for the Company, and the Board of Directors must justify any waiver of these rights in capital increases.

Should the Board of Directors wish to propose to the general meeting that the pre-emptive right of existing shareholders is set aside in the event of a capital increase, such a proposal must be justified by the common interests of the Company and the shareholders, and the grounds for the proposal will be presented in the notice of the general meeting.

At the Annual General Meeting held on 28 June 2018, the Board of Directors was given authority to issue new shares without pre-emption to give the Company the flexibility to complete acquisitions or raise new capital at short notice.

Material transactions between the Company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties, shall be evaluated by an independent third party.

Any transactions with closely related parties, primary insiders or employees wishing to trade in Interoil shares must be cleared prior to the purchase of shares in the Company and are firmly regulated in Interoil's own Directives for Insider Trading.

Interoil focuses on transparency and independent verification of any transactions with related parties The Company's Ethical Guidelines, which apply to all employees, contain guidelines for handling potential conflicts of interest.

There have been no significant transaction with closely related parties during 2018. However, consultancy agreements exist between one of the board members and the Company, and between one board member and Interoil Colombia Exploration and Production Inc. In addition, two board members have waived their fee from the Company and receive their payment from Interoil Colombia Exploration and Production Inc. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO), received all his remuneration from Interoil Colombia Exploration and Production Inc. See notes and in the financial statements for more details.

Freely negotiable shares

Interoil's shares are listed on the Oslo Stock Exchange and are freely transferable. There are no restrictions on trade in the Company's articles of association.

General meetings

Interoil encourages as many shareholders as possible to exercise their rights by participating in the Annual General Meeting of the Company. Notices convening general meetings will be distributed no later than twenty-one days before a general meeting. Interoil endeavors in general to make the detailed supporting documentation relating to the items on the agenda available on the Company's web site no later than on the date of the distribution of the notice of the general meeting. The notice is also distributed as a stock exchange notification.

The calling notice includes a reference to Interoil's website where the notice calling the meeting and other supporting documents are made available. As the supporting documents are made accessible for the shareholders on Interoil's website, the documents will normally not be enclosed in the calling notice sent to the shareholders, cf. Interoil's articles of association section.

The deadline for registering intended attendance will be set as close to the general meeting as possible, but no later than four days prior to the general meeting. Shareholders who are unable to attend, are encouraged to vote by proxy. Information concerning both, the registration procedure and the filing of proxies, will be included in the notice. The proxy forms will also allow separate voting instructions to be given for each item on the agenda.

The general meeting elects the chair of the meeting. The Board of Directors generally proposes that a person independent from the Company chairs the meeting.

The general meeting elects the members of the nomination committee. The nomination committee focuses on composing a board that works optimally as a team and on ensuring that board

members' experience and qualifications complement each other and that statutory gender representation requirements are met.

The general meeting is therefore normally requested to vote for a complete set of proposed board members, and shareholders cannot vote in advance for individual candidates The general meeting otherwise deals with the matters it is required to consider pursuant to legislation or the Company's articles of association. The Company allows shareholders to propose matters for consideration at the general meeting, and shareholders can also ask questions and propose decisions at the general meeting itself.

The minutes from the meeting are released as soon as practical as a stock exchange notification (ticker: IOX) and on our website www.interoil.no.

Nomination committee

The articles of association stipulate that the Company shall have a nomination committee, elected by the general meeting. The nomination committee shall consist of three members, who shall normally serve for a term of two years. The current members of the nomination committee, which were elected at the Annual General Meeting held 8 June 2017, are Hugo Quevedo, Mariano Cruz Lucero and Neil Arthur Bleasdale.

All current members of the nomination committee are independent of the executive management of Interoil. Mariano Cruz Lucero and Neil Arthur Bleasdale are also independent of the Board of Directors of Interoil. Hugo Quevedo is also Chairman of the Board of Interoil.

The purpose of the committee is to recommend candidates for election to the Board of Directors and propose the fee payable to the board members. The committee shall emphasize that the candidates for the board have the necessary experience, competence and capacity to perform their duties in a satisfactory manner. A reasonable presentation regarding gender and background should also be emphasized.

The justified recommendations are endeavoured to be made available together with the notification to the general meeting, no later than 21 days prior to the general meeting

Corporate assembly and the Board of Directors; composition and independence

The Company is not required to have a corporate assembly, cf. the Public Limited Liabilities Companies Act section 6-35 (1). Thus, the general meeting elects the representatives to the board of directors directly.

According to the articles of association, the Board of Directors shall consist of three to seven members Currently, there are five members. The members are elected for a term of two years and may stand for re-election. The proposal for nominations are generally distributed to the shareholders together with the notice of the general meeting.

The current board is conformed by Hugo Quevedo (chairman), Jorge Brown Cortina, Natalia Elizabeth Mariani, Mimi Berdal and Alberto Nicolas Acuna Vesga who were elected at the 2017 Annual General Meeting for a two-year term. Board member Rosa Siles stepped down as a member of the Board of Directors in February 2019, to pursue a public office position.

Out of the current board, Mr Acuña holds a leading position at Canacol Energy. As such, there is no guarantee that no conflicts of interest may arise between these person's duties to the Company and her duties to Canacol Energy.

The composition of the Board of Directors as a whole, represents sufficient diversity of background and expertise to help ensure that the board carries out its work in a satisfactory manner. The Company's website and annual report provides detailed information about the board members expertise and capabilities. The Board of Directors is aware of the need for diversification of its members, in order to add value and to best serve the common interest of Interoil and its shareholders (particularly with respect to expertise, experience, social skills, and independence, flexibility and time capacity). Although both genders are represented on the Board of Directors, adjustments will be proposed to the Annual General Meeting in 2019 in order to continue to fulfill the gender diversity requirement of the Norwegian Public Limited Liability Companies Act following Rosa Siles' resignation.

In 2018, the board held 6 board meetings, with an average attendance of 79%

The work of the Board of Directors

The Board of Directors shall establish an annual schedule for the board meetings and an annual plan for its work.

The Board of Directors shall lead the Company's strategic planning and make decisions that form the basis for the executive personnel to prepare for and implement investments and structural measures.

The Board of Directors shall be engaged in the financing of the Company. The Board of Directors shall ensure that the activities in Interoil are soundly organized.

The CEO and General Manager are responsible for the Company's daily operations and ensures that all necessary information is presented to the board.

The Company has not established neither a separate audit committee (but the combined board fulfils the functions of the audit committee), nor a remuneration committee.

Risk management and internal control

The Board of Directors focuses on risk management and internal control to support the Company's corporate values, business development and the quality of the financial reporting encompassing ethical guidelines and guidelines for social responsibility.

The Board of Directors provides in a note in the annual report the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

Remuneration of the Board of Directors

The remuneration of the Board of Directors should reflect the responsibilities, the expertise and the time commitment, as well as the complexity of business. The remuneration is proposed by the nomination committee. The remuneration is not linked to the Company's performance or linked to options in Interoil.

The remuneration to the Board of Directors for 2018 is described in a note to the financial statements. The remuneration to the Board of Directors for 2019 is expected to be paid in accordance with the remuneration for 2018.

Remuneration of the executive personnel

The Board of Directors of Interoil prepares its statement on remuneration to management in accordance with the Public Limited Companies Act § 6-16 a.

Our guidelines for future stipulation of management remuneration is to follow the general salary adjustments in our local society and at the same time, consider the measures necessary to avoid losing our key personnel and maintain a level of remuneration enabling us to recruit the kind of professionals needed for us to develop the Company according to plans.

The compensation structure and guidelines for executive personnel and key employees are described in "Remuneration of Senior Executives" in the Board of Directors report.

Interoil negotiates all terms and conditions on an arm's length basis at market conditions, enabling Interoil to recruit the professionals the Company seeks.

The remuneration to the executive management is described in a note to the consolidated financial statements.

Information and communications

Interoil's information policy is based on transparency and on providing the shareholders, investors and financial market with correct and timely information, in order to safeguards the principle of equal treatment of all shareholders, and satisfies the regulations and practice applicable to listed companies.

Interoil's key communication objectives are visibility, transparency and openness and the Company will achieve these objectives through precise, relevant, timely and consistent information Interoil co-ordinates its external and internal communication activities to ensure that the Company is presented in a clear and consistent manner and that the Company's brand and reputation is managed properly. All sensitive information will be controlled and disclosed in compliance with statutory laws and the relevant stock exchange rules and regulations

Interoil reports the financial result each quarter, and from time to time presentations at conferences in Norway and abroad. Our quarterly reports and investor presentations are made available on Interoil's web site, www.interoil.no.

The Company also reports its monthly average production on the first trading day at Oslo Børs after the 10th of each month.

- Interoil's website, www.interoil.no, contains information regarding the Company, its activity and contact information, and is updated on a regular basis. In addition, all presentation materials and financial reports are available on the website.
- Interoil distributes all sensitive press releases as well as all reports through Hugin and Oslo Stock Exchange (www.newsweb.no).
- Interoil publishes an annual financial calendar which may be consulted on the Oslo Stock Exchange website, through news agencies and on the Company's website.

Takeovers

In the event of a takeover bid, the Board of Directors will duly comply with its duties pursuant to the Norwegian Securities Trading Act and other relevant legislation. The Board of Directors has not established a separate set of principles for take-over situations.

Auditor

The auditor shall be independent from the Company. The remuneration for the auditors is presented in a note to the financial statements. PricewaterhouseCoopers was appointed as auditor at an extraordinary general meeting on 20 October 2015.

The audit committee, consisting of the whole Board of Directors, will meet with the auditor annually. The objective of the committee is to focus on internal control, independence of the auditor, risk management and the Company's financial standing, including the quarterly and annual financial statements.

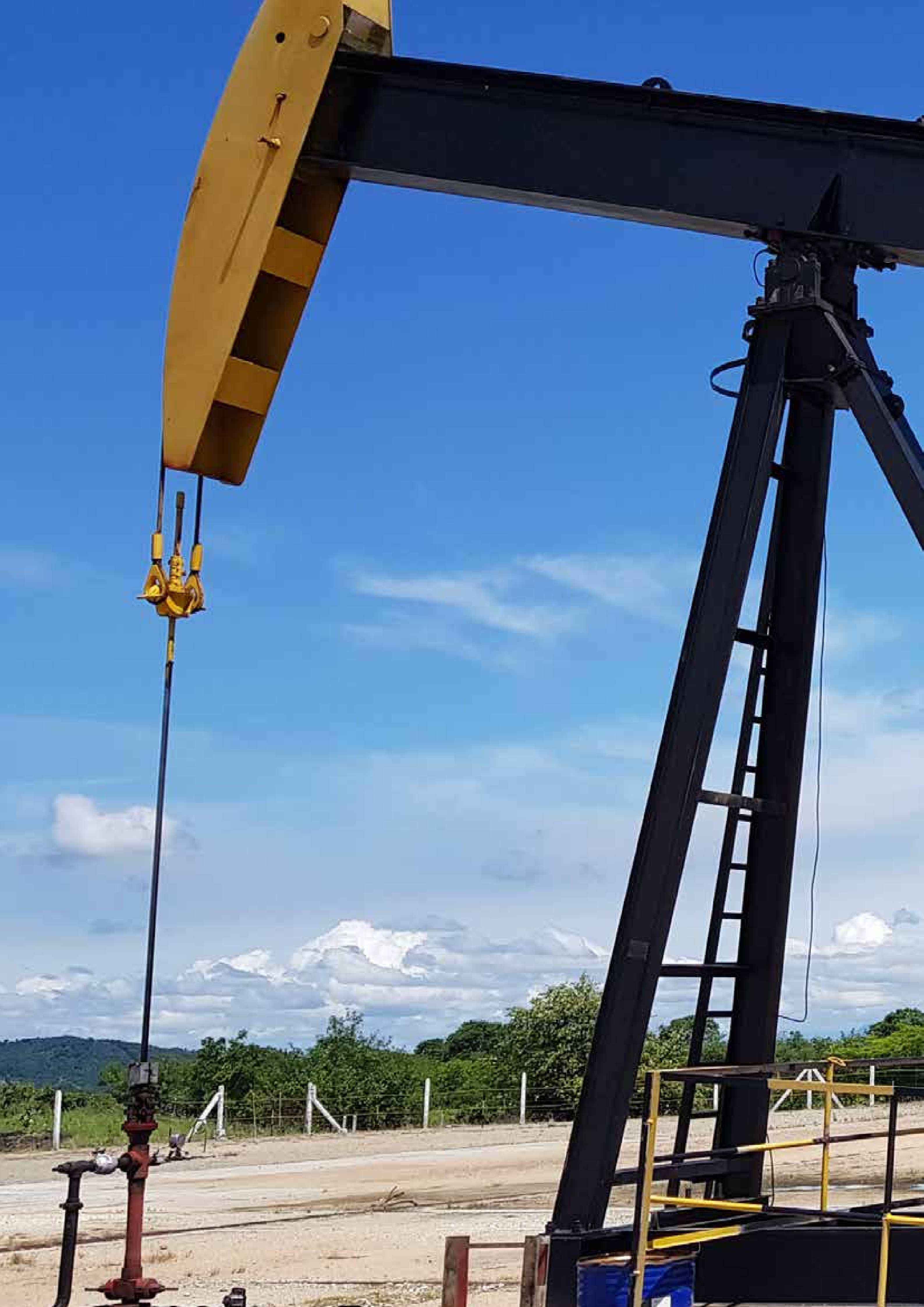
The auditor will send a complete Management Letter/Report to the Board of Directors – which is a summary report with comments from the auditors including suggestions of any improvements if needed. This is an important tool for the board in order to get a better overview and fulfil the control duties. The auditor is also present in at least one board meeting each year.

The auditor annually submits the audit plan to the audit committee. The auditor participates in meetings of the Board of Directors that deal with the annual accounts. In this meeting, the auditor reviews any material changes in accounting principles, comments on estimated figures and report material matters regarding disagreement with the executive management. The Board of Directors also meets with the auditor at least once a year without presence of the executive management.

The auditors present once a year to the audit committee a review of the Company's internal control procedures, identifying weaknesses and proposals for improvement.

The Board of Directors reports the remuneration paid to the auditor at the ordinary general meeting. The fee is detailed, in fee paid for audit and fee paid for other specific assignments.

The Board of Directors of the Company has not established guidelines for the executive management's use of the auditors for services other than the audit, contrary to what is recommended by the Code of Practice.



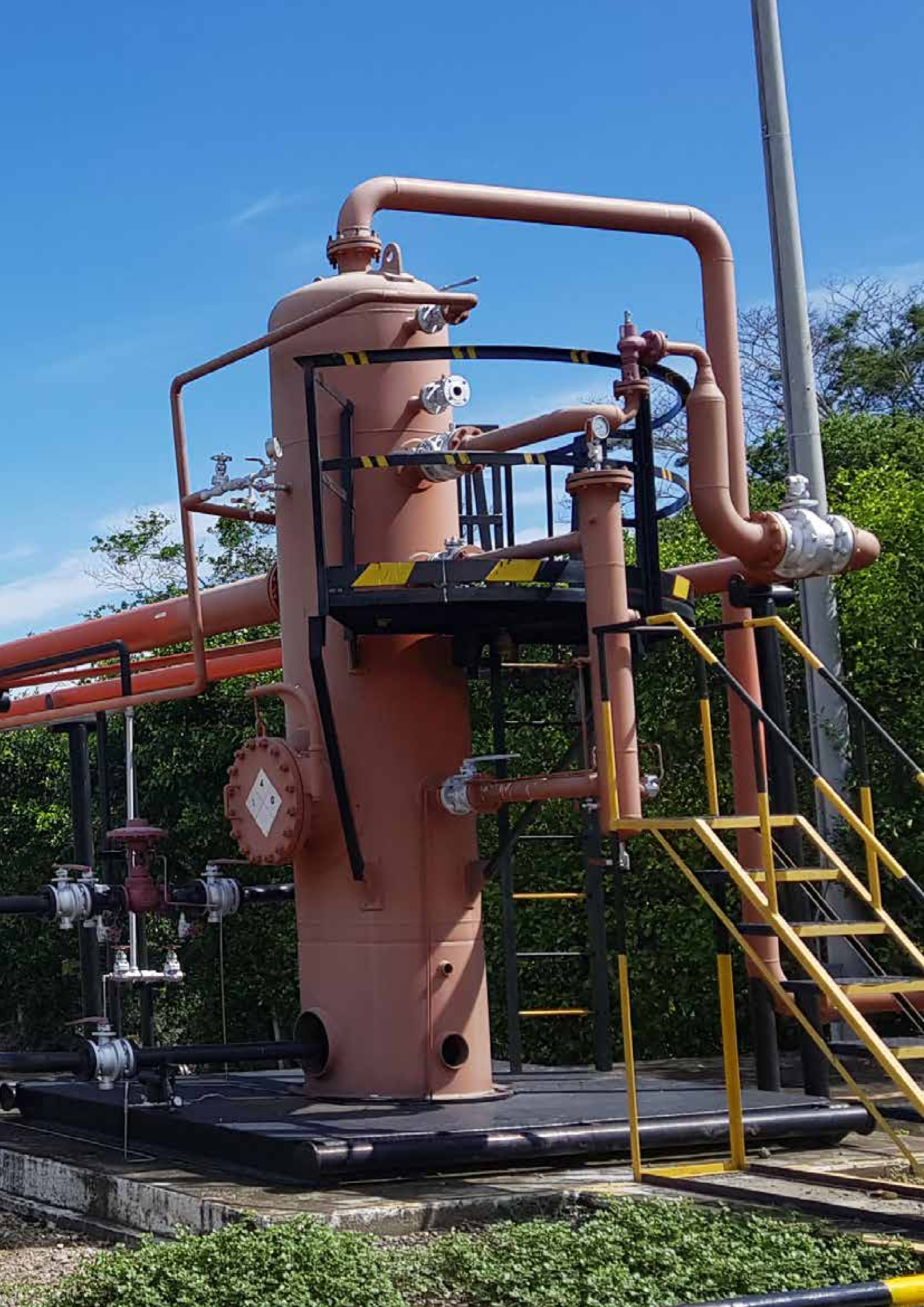
Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2018, have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 24 April, 2019

The Board of Interoil Exploration and Production ASA

Hugo Quevedo Chairman	***Nicolas Acuña*** Board Member	***Pablo Creta*** General Manager
Mimi Berdal Board Member	***Natalia Mariani*** Board Member	**Jorge Brown** Board Member



INTEROIL EXPLORATION AND PRODUCTION GROUP
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000 unless otherwise stated

For the year ended 31 December	Notes	2018	2017
Sales	6	21.318	16.602
Cost of goods sold	7	-9.195	-5.618
Depreciation and amortization	16	-9.438	-5.756
Gross profit		**2.685**	**5.228**
Exploration cost expensed	8	-903	-1.914
Administrative expense	9	-5.702	-4.230
Other income /(expenses)	13	681	-606
Result from operating activities		**-3.239**	**-1.522**
Finance income	14	1.337	651
Finance costs	14	-4.280	-4.008
Net finance (cost)/income		**-2.943**	**-3.357**
(Loss)/Profit before income tax		**-6.182**	**-4.879**
Net income tax	15	-983	-825
(Loss)/profit of the year		**-7.165**	**-5.704**
Other comprehensive loss that will not be reclassified to profit or loss	18	-7	15
Other comprehensive loss for the year		**-7**	**15**
Total comprehensive (loss)/income for the year		**-7.172**	**-5.689**
Attributable to:			
Equity holders of the parent		-7.172	-5.689
(Loss)/earnings per share (expressed in USD per share)			
– basic – total		-0.11	-0,09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD 1 000

As of 31 December	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	16	27.194	32.431
Other Non current Assets	22	1.590	916
Total non-current assets		**28.784**	**33.347**
Current assets			
Inventories	19	606	480
Trade and other receivables	17	2.021	3.263
Cash and cash equivalents, restricted	21	4.057	3.836
Cash and cash equivalents, non-restricted	21	3.655	3.688
Total current assets		**10.339**	**11.267**
TOTAL ASSETS		**39.123**	**44.614**
EQUITY			
Share capital and share premium	22	129.135	129.135
Other paid-in equity		4.744	4.744
Accumulated loss		-147.705	-140.533
Total equity		**-13.826**	**-6.654**
LIABILITIES			
Non-current liabilities			
Borrowings	24	38.553	38.235
Deferred tax liability	15	1.614	2.500
Retirement benefit obligation	18	673	707
Provisions for other liabilities and charges	25	1.951	1.553
Total non-current liabilities		**42.791**	**42.995**
Current liabilities			
Borrowings/current interest-bearing liabilities	24	2.498	3.022
Trade and other payables	26	6.911	4.545
Provisions for other liabilities and charges	25	749	706
Total current liabilities		**10.158**	**8.273**
TOTAL LIABILITIES		**52.949**	**51.268**
TOTAL EQUITY AND LIABILITIES		**39.123**	**44.614**

Oslo, 24 April, 2019

The Board of Interoil Exploration and Production ASA

Hugo Quevedo	***Nicolas Acuña***	***Pablo Creta***
Chairman	Board Member	General Manager
Mimi Berdal	***Natalia Mariani***	**Jorge Brown**
Board Member	Board Member	Board Member

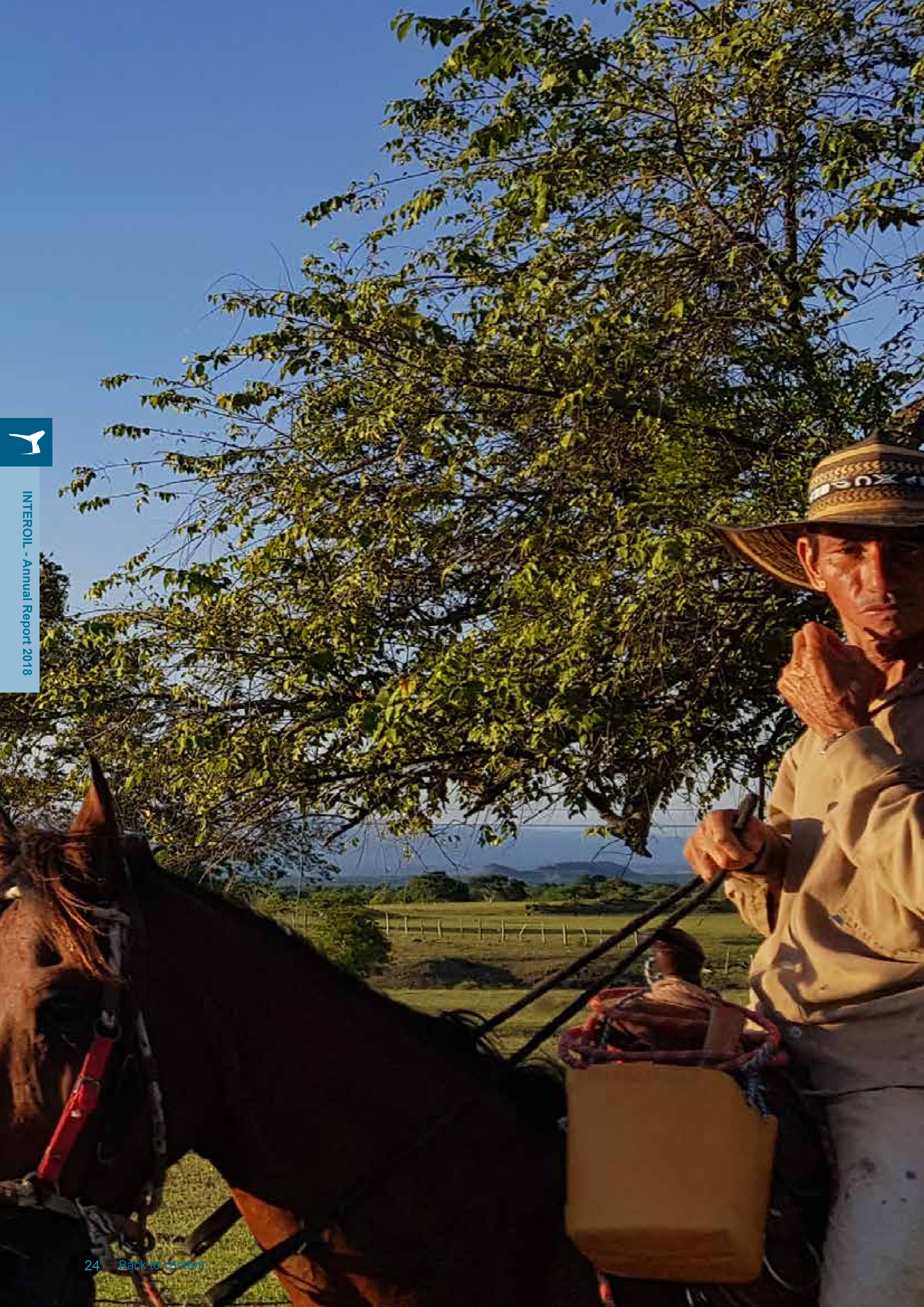
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000	Sharecapital and share premium	Other paid-in equity	Retained earnings	Other comprehensive loss	Total equity
Balance at 31 December 2016	**129.135**	**4.744**	**-134.812**	**-32**	**-965**
Loss of the year	**-**	**-**	**-5.704**	**-**	**-5.704**
Comprehensive loss for the period	-	-	-	15	15
Balance at 31 December 2017	**129.135**	**4.744**	**-140.516**	**-17**	**-6.654**
Loss of the year	**-**	**-**	**-7.165**	**-**	**-7.165**
Comprehensive loss for the period	-	-	-	-7	-7
Balance at 31 December 2018	**129.135**	**4.744**	**-147.681**	**-24**	**-13.826**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in USD 1 000

For the year ended 31 December	Notes	2018	2017
Cash genrated from operations			
Comprehensive income/(loss) for the period		**-7.172**	**-5.689**
Depreciation and amortization	16	9.623	5.973
Share based payment and change in retirement benefit obligation		-35	1
Interest income	14	-25	-87
Interest and other financial expenses	14	3.160	2.767
Unrealized exchange gain from revaluation of borrowings	14	-493	-115
Other net financial expense	14	347	524
Impairment loss on PP&E	16	-	510
(Gain) / loss on on sale of PP&E		-	-72
Changes in net working capital			
Inventories		-126	66
Trade and other receivables		1.241	-1.868
Trade and other payables and provision for other liabilities		1.294	1.737
Taxes paid		280	-
Net cash generated from operating activities		**8.094**	**3.747**
Cash flows from investing activities			
Purchases of PP&E	16	-4.385	-5.917
Retirements	16	-	473
Sale of PP&E	16	-	861
Net cash used in investing activities		**-4.385**	**-4.583**
Cash flows from financing activities			
Interest paid		-2.496	-1.608
Repayment of borrowings		-1.066	-8.107
Proceeds from new loans		714	6.607
Increase in non-current assets		-673	-
Changes in restricted cash		-221	819
Net cash used in financing activities		**-3.742**	**-2.289**
Net (decrease)/increase in cash and cash equivalents		**-33**	**-3.125**
Non restricted Cash and cash equivalents at beginning of the period	21	3.688	6.813
Non restricted Cash and cash equivalents at end of the year		**3.655**	**3.688**



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Interoil Exploration and Production ASA (the "Company") and its subsidiaries (together the "Group" or Interoil) is an upstream oil exploration and production company focused on South America. The Company is an operator of production and exploration assets in Colombia.

The Company is a Norwegian Public limited liability company incorporated and domiciled in Norway. The Company is listed on the Oslo Stock Exchange. The Company is registered in the Register of Business Enterprises with organization number 988 247 006.

The Company's registered office is c/o Advokatfirmaet Schjødt AS Ruseløkkveien 14, 0251 Oslo, Norway.

The principal activities of the Group are described in the Board of Directors Report.

These consolidated financial statements were approved for issue by the Board of Directors on 24 April 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU).

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 2.17.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

2.2 Consolidation

The consolidated financial statements comprise the financial statement of the Group and its subsidiaries as at 31 December, 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an entity if and only if the Group has all the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of the Group's returns.

There is a presumption that if the Group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the entity, including ownership interests, voting rights, ownership structure and relative power, as well as options controlled by the Group and shareholder's agreement or other contractual agreements

The assessments are done for each individual investment. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Business combinations are accounted for, by using the acquisition method. 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. Transaction costs other than share and debt issuance cost are expensed as incurred. 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full at consolidation.

Non-controlling interests are presented separately under equity in the Group's balance sheet.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The consideration is recognized at fair value and the difference between the consideration and the carrying amount of the non-controlling interests is recognized at the equity attributable to the parent.

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets (including goodwill) and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognized at the date when the control is lost.

The fair value of the consideration received is recognized and any investment retained is recognized at fair value. Gain or loss is recognized in profit and loss at the date when the control is lost.

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

Consolidated subsidiaries

Consolidated subsidiaries are specified in note 10.

2.3 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.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Financial Officer and the Chief Executive Officer. They are responsible for strategic decisions and, together with local management, allocating resources and assessing performance of the operating segments.

2.5 Revenue recognition

Revenues is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sales revenue related to sale of oil and gas is recognized when the risk and benefits related to ownership of the sold products are transferred to the customer and the Group no longer has the possession of or control over the products according to 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 related to test production for new wells in association contract are recognized as revenues according to the principles above.

Sales of services are recognized as income once the service has been rendered.

Revenue comprises the invoiced value of the sale of products and services net of indirect taxes, royalties and sales adjustments. Distribution cost for products to be sold are included in the income statement as lifting cost.

2.6 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, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax related to items recognized directly in other comprehensive income or equity is recognized 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.7 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 assets 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 and changes in inventory. Depreciation and amortization of production assets are presented in a separate line under cost of goods sold. Exploration cost expensed includes seismic acquisitions, internal cost incurred 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) includes the 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.

2.8 Property, plant and equipment

2.8.1 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 licenses 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). All intangible assets in the Group are fully amortised.

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

2.8.2 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 as 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 recognized for the amount by which the asset's carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and their value in use. For the purposes of assessing impairment, the assets subject to testing are tested for impairment on a production field (CGU) by production field basis.

2.8.3 Development assets

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

2.8.4 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, the proved oil and gas properties subject to testing are tested for impairment on a production field (CGU) by production field basis.

2.8.5 Other assets

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.

2.8.6 Depreciation and amortisation

Oil and Gas assets that are purchased are depreciated and amortised using the unit-of-production method based on proved reserves (P1). Exploration and development assets transferred to production assets are depreciated using the unit-of-production method based on proved reserves (P1), and amortised using the unit-of-production method based on proved reserves (P1), which are oil mineral reserves estimated to be recovered from existing facilities using current operating methods.

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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.9 Financial Instruments

2.9.1 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.

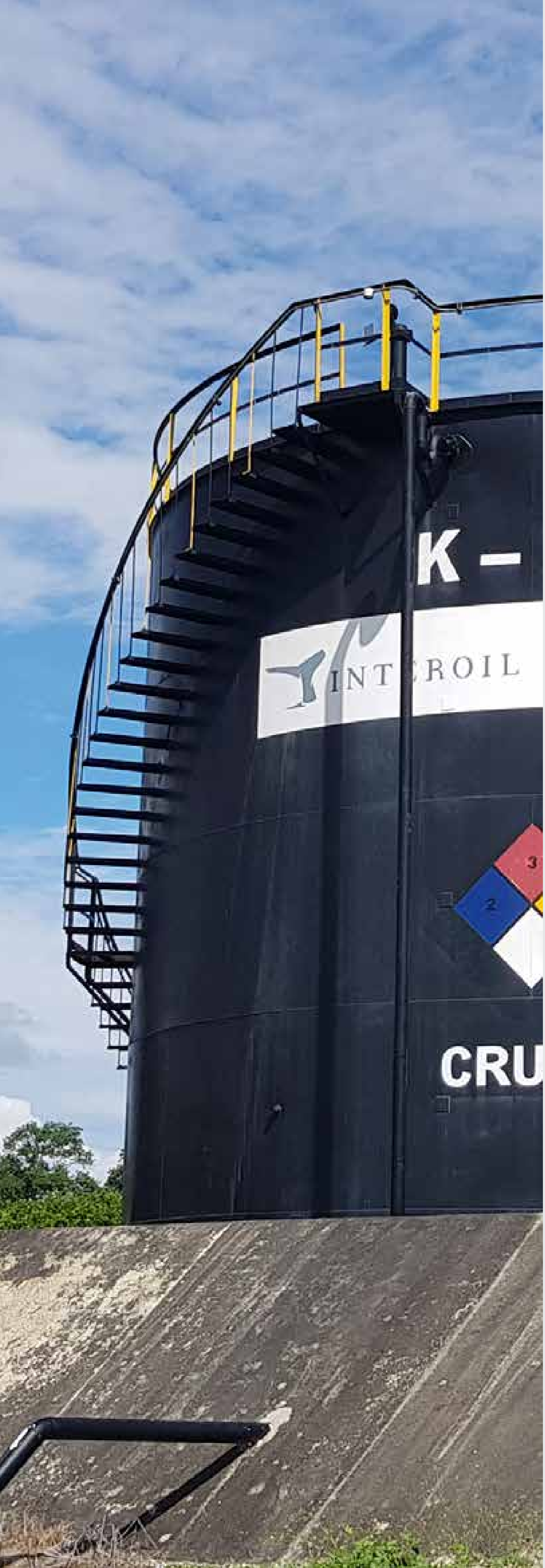
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

(i) 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 historically comprise commodity-based



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

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.

The Group currently holds no derivatives or other financial instruments classified as FVtPL.

(ii) 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 as specified in note 21.

2.9.2 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 the 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.

2.9.3 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.

2.10 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.

2.11 Employee benefits

Defined benefit plans:

The Group operates two defined benefit plans. One for the employees in the holding company, Interoil Exploration and Production ASA which finished in 2018, and one for employees in the Colombian subsidiary employed in the years from 1991 to 1994. Both schemes are 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. From 1995 it was mandatory for all employees in Colombia to be affiliated to a private or public pension fund. The Colombian defined benefit plan will result in payments if the employees have not collected 20 years under this governmental pension law.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "cost of sales", "administration expenses" and "selling and distribution expenses" in consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

2.12 Provisions

General:

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

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

Abandonment and decommissioning liabilities:

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

2.13 Leases

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

2.14 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 remeasured 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 remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

The 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, the 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 classified as held for sale or discontinued operations are not amortised or depreciated.

2.15 Accounting for association contract with Ecopetrol (Colombia)

Revenues connected to test production for new wells pre-commercial decision in the association contract with Ecopetrol are recognized as revenue. Capital expenditures is capitalized as incurred and operating expenses connected to such test production are expensed as incurred.

Ecopetrol has the right to participate in the wells and normally they will declare participation when the well is determined commercial.

At the time Ecopetrol declares participation in accordance with the association contract, the effect applies retrospectively and Ecopetrol will receive their share in the well. As a consequence, Ecopetrol receive their share of the sales, and 30% of the expenditure that has been capitalized initially are recognized as a reduction to property, plant and equipment.

2.16 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 recognizes, on a line by line basis, its share of the assets, liabilities and expenses of a 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.

Licenses are funded through cash calls from the operator to the license partners. The net of total cash called and total payments made under the license, the over-/under call, is recognized 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.

2.17 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.

2.17.1 Impairment of exploration and other oil related assets

The Group tests whether exploration assets and oil related assets have been subject to any impairment, in accordance with the accounting policy stated in note 2.8. 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 expenditure, 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. From 2014, oil prices declined to an absolute minimum in the beginning of 2017 and since then prices have recovered up to a level above USD 70 per barrel. The impairment test does not indicate impairment of any of the oil producing assets at 31 December 2018 (see note 16). A no material charge was recognized in December 2017 as impairment of Altair field asset.

2.17.2 Abandonment and decommissioning liabilities

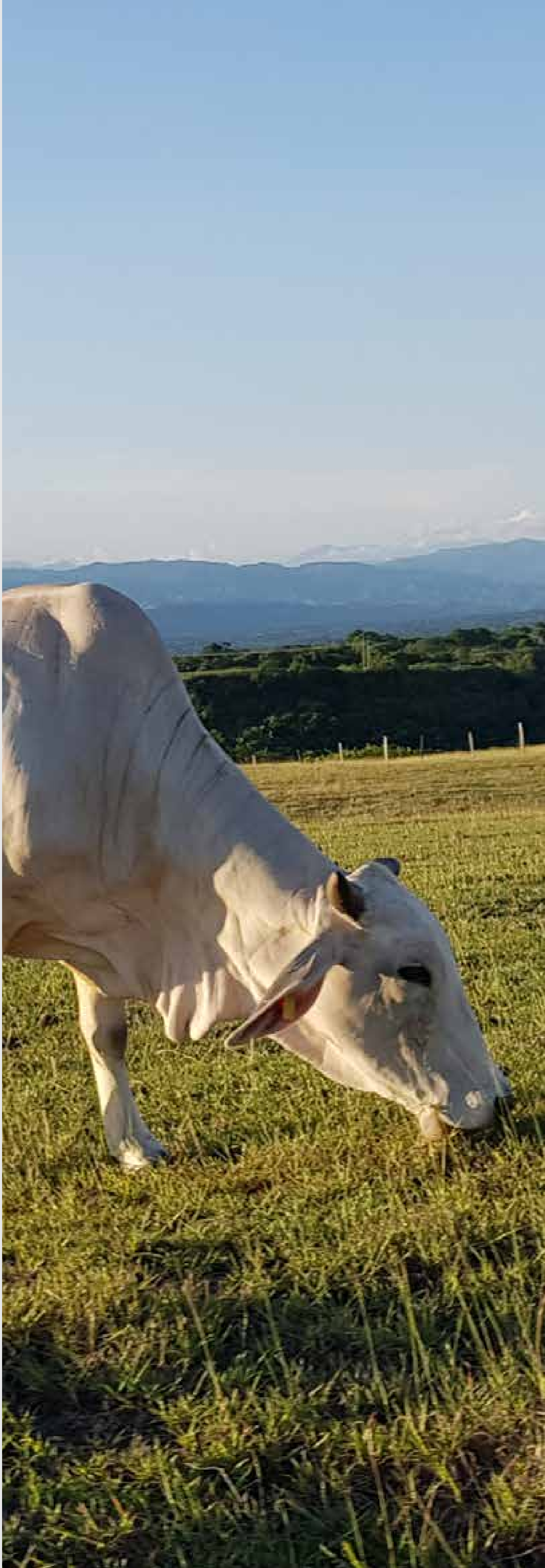
Abandonment and decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, 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.

2.17.3 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 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 amortization 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.

- See note 30 for an overview of the approved reserves as of 31 December 2018 and 2017.

2.18 New and amended standards adopted by the Group

New and amended standards adopted by the Group and standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

New and amended standards adopted by the Group

The Group analyzed and applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments

- IFRS 15 Revenue from Contracts with Customers

The standards and other amendments listed above did not have any impact on the amounts recognised and are not expected to significantly affect the current or future periods.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The adoption of IFRS 9 resulted in changes in accounting policies and no adjustments to the amounts recognized in the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard supersede all current revenue recognition requirements under IFRS.

The Group opted to apply the modified retrospective implementation as of January 1, 2018. Based on the Company's analysis it is concluded that the retrospective implementation of IFRS 15 as per January 1, 2018 has no a significant impact on the figures reported in the Company's 2017 financial statements.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. The most important of these, which the group has chosen not to apply early, are described below:

IFRS 16 Leases

IFRS 16 was issued 13 January 2017 and replaces IAS 17 leasing. The objective of the new standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces new recognition criteria that will apply to all lease contracts with exemptions for leases with underlying assets of low value or leases with possible terms of less than 12 months from commencement date. Contracts subject to the recognition criteria under IFRS 16 are where the lessee conveys the right to use an identified asset and has the right to obtain economic benefits. Application of the standard is mandatory for annual reporting periods starting from 1 January 2019 onwards. Management evaluate the effects of applying the new standard on the Group's financial statements and has not identified material effect on the Group's Financial Statements.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise accounts payable, bank loans and overdrafts, and debentures. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Group's capital expenditure program. The Group has various financial assets such as trade and other receivables and cash and short-term deposits, that arise directly from its operations.

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main financial risks that could adversely affect the Group's financial assets, liabilities or future cash flows are: market risks, comprising commodity price risk, cash flow interest rate risk and foreign currency risk; and liquidity risk and credit risk.

The Group's overall risk management plan focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the administration and finance department supervised by the Chief Financial Officer. The Board of Directors reviews and agrees policies for managing each of these risks summarized below. The Group is continuously updating and reviewing its financial manual to ensure proper and uniform entries and reporting of all transactions, in accordance with IFRS and Group policy. The Board provides management with guidelines for overall risk management.

3.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk and currency risk. Financial instruments affected by market risk include: loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

Foreign exchange risk:

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

At 31 December 2018, if the USD had weakened / strengthened by 10% against NOK and COP with all other variables held constant, post-tax profit for the year would have been respectively USD 8.000 and USD 329.000 (2017: USD 84.000 and USD 125.000) higher / lower, mainly as a result of foreign exchange gains / losses on translation of NOK and COP denominated cash and NOK and COP denominated borrowings. The impact on the Group equity would have been the same as for the post tax profit.

Price risk:

The Group is exposed to changes in oil prices. The results of Interoil's operations largely depend on a number of factors, most significantly those that affect the price Interoil receive for the sold products. Specifically, such factors include the level of crude oil and some extent natural gas prices. Interoil's results will also be affected by trends in the international oil industry, including possible actions by governments and other regulatory authorities in the jurisdictions in which we operate, or possible or continued actions by members of the Organization of Petroleum Exporting Countries (OPEC) and other major oil producing countries that affect price levels and volumes; increasing cost of oilfield services, supplies and equipment; increasing competition for exploration opportunities and operatorship's, and deregulation of the markets, which may cause substantial changes to the existing market structures and to the overall level and volatility of prices.

If the net oil price of the oil sold had been USD 10 per barrel higher than the net realized price received, the net operating income effect would be USD 2,6 million (2017: USD 2,5 million). The net income effect of an increased oil price of USD 10 per barrel would have been the same, USD 2,6 million (2017: USD 2,5 million). The impact on the Group equity would have been the same as for net income. The estimated sensitivity of each of the factors on the financial results has been estimated based on the assumption that all other factors would remain unchanged. The estimated effects on the financial results would differ from those that would actually appear in the Group's consolidated financial statements because the consolidated financial statements would also reflect the effect on depreciation, trading margins, exploration expenses, inflations and potential tax system changes.

Interest rate risk:

As the Group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2018 and 2017, the group's borrowings at variable rate were denominated in COP and USD, while the borrowings at fixed rates were denominated in USD.

The group analyses its interest rate exposure on a dynamic basis. The group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax profit of a 1.0% shift in interest rates on borrowings issued at variable rates would be a maximum increase / decrease in interest expense of USD 25.000 (2017: USD 40.000) at 31 December 2018. Borrowings at variable rates at the end of 2018 are USD 2,3 million (2017: USD 2,7 million).

3.2 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is, in other words, the risk that Interoil's customers or counterparties will cause financial loss by failing to honour their obligations. Interoil Colombia sells the oil to BP and Ventas Vitol, two private companies, to Ecopetrol, the stateowned oil company, and Hocol, a subsidiary of Ecopetrol. The revenue from BP in 2018 was USD 9,5 million (2017: 8,6 million), revenues from Vitol was USD 7,8 million (2017: 2 million). The gas is sold to Turgas, and the recognized amounts for 2018 is USD 2 million (2017: USD 2,5 million). Sale of services in relation to the operation and maintenance contract with Ecopetrol amounted to USD 2 million for 2018 (2017: USD 2,7 million). The credit risk is considered to be low due to the credit worthiness of these customers. Management does not expect any losses from non-performance by these counterparties.

Maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 20. See note 17 for an ageing analysis of trade and other receivables and impairment of non-current receivables. A minimum of the current trade and receivables are past due. No impairment charges are made.

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and develop operations according to budget. Liquidity risk is the risk that the Group will not be able to meet all 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 in addition to fund the Group's drilling program. Funding needs arise as a result of the Group's general business activity. Liquidity forecasts serve as tools for financial planning. 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 temporary. In this case, the situation will be further monitored.

Management monitors rolling forecasts of the Group's expected cash flow from operations. Weekly, monthly and quarterly reports are reviewed and analyzed by management and all cost categories are matched with budgets and historical figures. Important accounts are reconciled on a continuous basis.

The market conditions are very challenging. Continuous variances in oil prices put pressure on profitability and cash. The Company has implemented and maintain cost cutting programs to try to mitigate the effects of the low prices and will further force reduction in administrative expenses.

The Group will have certain events that can cause liquidity constraints, such as the guarantee and drilling obligations in relation to Altair and LLA-47.

3.4 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the short run and to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital in the long run. See note 4 for additional information on going concern. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Due to tight liquidity over several years, the Group has not had the capability to declare dividends.

The Group's cash flow from operations may not be sufficient to fund its ongoing activities and implement its business plans. From time to time the Group may enter into transactions to acquire assets or the shares of other companies. These transactions, along with the Group's ongoing operations, may be financed partially or wholly with shares or debt, which may increase the Group's debt levels above industry standards. Depending on future exploration and development plans, the Group 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 Group to forfeit or forego various opportunities.

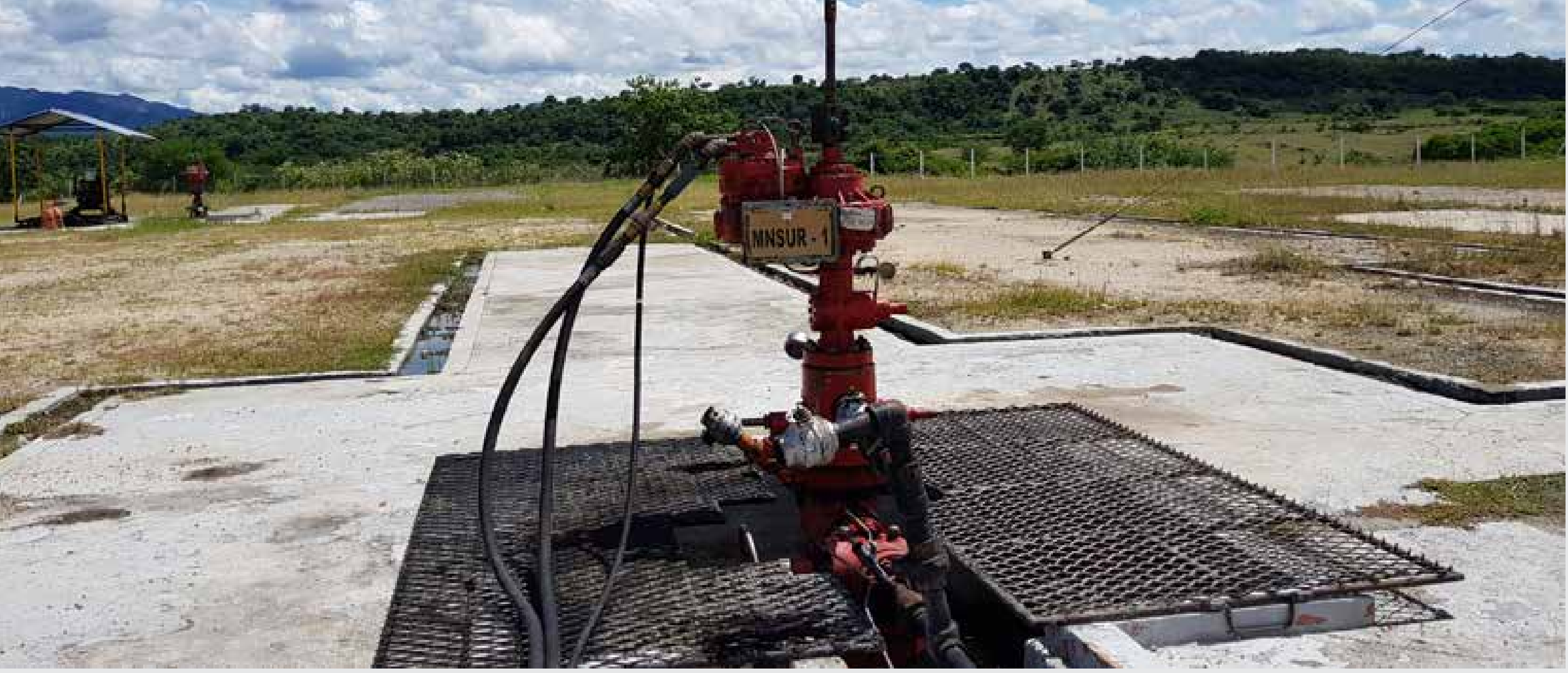
The Group has a significant amount of debt. A breach of the terms of the Company's current or future financing agreements may cause the lenders to require repayment of the financing immediately and to enforce security granted over the Group's assets, including its subsidiaries. If the Group is unable 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 Group to pay significantly higher interest going forward.

The operations of the Group are conducted through its subsidiary in Colombia and a bank facility is secured on the Colombian assets. In the event of insolvency, liquidation or a similar event relating to 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 Group could result in the obligation of the Company to make payments under parent financial or performance guarantees in respect of such subsidiaries. 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 Group, whether under bankruptcy law, by contract or otherwise.

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 Group 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 Group will also be required to make substantial capital expenditure for the acquisition of oil and gas reserves in the future.

The Group 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 Group will be able to obtain necessary funding in a timely manner and on acceptable terms. Should the Group not be able, at any time, to obtain the necessary funding in a timely manner and on acceptable terms, the Group 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 Group being placed in a less competitive position.

Interoil's total assets as of 31 December 2018, amount to USD 37,7 million (2017: USD 44,6 million). Total cash and cash equivalents were USD 7.7 million (2017: USD 7,5 million), whereof USD 3,8



million is restricted (2017: USD 3,5 million). The total interest-bearing debt as of 31 December 2018, is USD 41,1 million (2017: USD 41,2 million). As at 31 December 2018 the Group's equity is USD -14,7 million (2017: USD -6,6 million).

Due to challenging market conditions faced between 2014 and 2017 and difficult operational conditions in 2017 and 2018, the Company had a loss of USD 7,2 million during 2018. This led to an identical decrease in the book equity for that year. In 2018 oil prices have recovered up to a level above USD 70 per barrel, however due to the increase in field production cost, workover costs and amortization expenses in 2018 the Company had a negative profit of USD 7,2 million. As the oil price is just recovering, certain possible projects have not been profitable, and the Company has seeked to extend drilling obligations and guarantee obligations.

In Altair, the commitment was to drill 1 well by July 2016, however the ANH approved to extend the commitment till January 2018. The Group has further elected to combine phases 1 and 2 under the license agreement, which was approved by the ANH. The commitment was to drill 2 wells before January 2019.The first well was completed in April 2017 with oil showing in the upper C7 formation. Guaranty for the pending well is in compliance with the requirements of the ANH.

Given the force majeure events related to the Duya community in the Llanos area the ANH has granted Interoil's request to suspend the Altair licence contract. Once force measures adopted by the community stop and Interoil's operations are no longer affected, Altair licence contract will be resumed and time lost due to the community actions will be restored by the agency. As a result, the pending well in the Altair licence commitment will not be drilled until the contract is resumed. The Altair license guaranty is in compliance with ANH requirements.

At the end of 2016, the Group secured an agreement with SLS, pursuant to which SLS assumed responsibility for 90% of the capex for the Altair well. In addition, under this agreement, Interoil holds the option to invite SLS to participate in the drilling of a total of 3 wells in LLA-47, Vikingo being the first one. In LLA-47 SLS will assume 60% of the capex and in consideration will initially receive 43% of the net operating income after taxes from the wells, and 22% once the cost of the investment has been recovered. During 2018, Interoil approached SLS to expand and improve the LLA-47 agreement, however it was not possible to reach a better deal and as a result the agreement remains unaltered.

Following the LLA- 47 exploration contract, the combination of the phase 1 and 2 requires the existing USD 4,8 million bank guarantee to be increased. Hence, Interoil is in constant conversations with the ANH aiming to structure an efficient guarantee scheme that would fulfil the ANH requirement based on Interoil's possibilities under current market circumstances.

The Group is constantly monitoring and adjusting the capital structure in light of actual and anticipated developments for its operations. Under the current market situation, the Group has succeeded in extending obligations in regard to drilling of wells, for a more profitable outcome.

4. GOING CONCERN

The financial statements in the 2018 Annual Report have been prepared under the going concern assumption in accordance with the Norwegian Accounting Act § 3-3 and the Board of Directors hereby confirms that this assumption is valid.

However, the bond loan matures in January 2020 and at the moment the company does not hold the required liquidity to repay it. The Board are in advanced discussion with the bondholders on several alternatives, however no final decision or agreement have been reached at this stage. If not finalized within the timeframe of maturity there is uncertainty that may cast significant doubt on the company's ability to continue as a going concern. However the Board of Directors are confident that a sound solution will be reached.

5. 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 one reportable segment, Colombia, which consists of upstream activities including oil and natural gas exploration, field development and production from the Group's licenses in Colombia, which is the Group's strategic business unit. The business is considered both from a geographic and development phase perspective. Geographically, management considers the performance of the activities in Colombia and Corporate. For the strategic business unit, the management and other decision makers review internal management reports on a day to day basis.

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 unrealised 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.

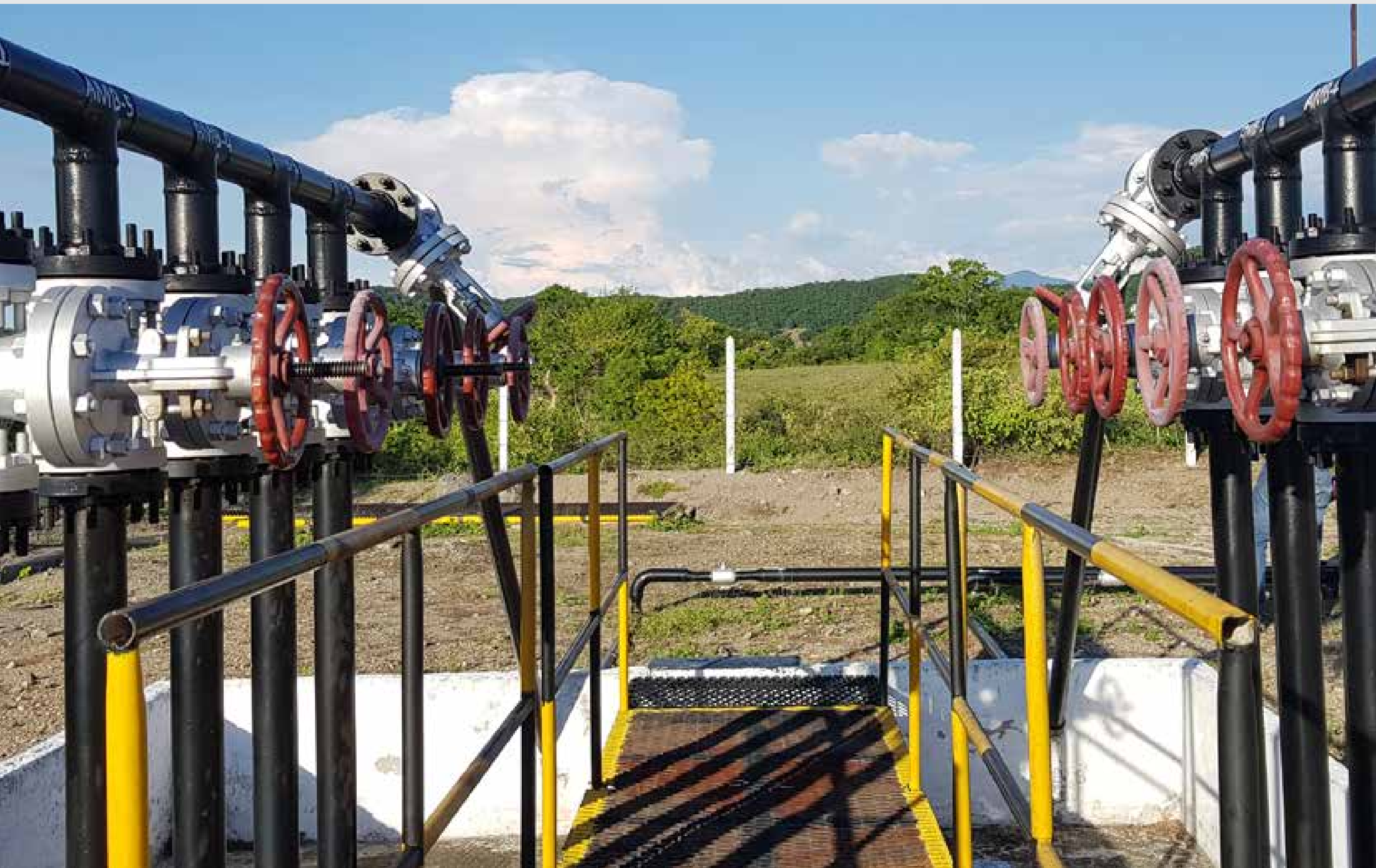
Corporate/unallocated consists of other business and Corporate activities.

As of 31 December 2018

Amounts in USD 1000	Colombia	Norway	Unall. / Elim.	Group continuing business
Total Revenue	21.318	869	-869	21.318
Cost of goods sold ex depreciation	-9.195	-	-	-9.195
Depreciation	-9.438	-	-	-9.438
Gross profit/(loss)	**2.685**	**869**	**-869**	**2.685**
Exploration cost expensed	-903	-	-	-903
Administrative expense	-5.722	-849	869	-5.702
Other income	681	-	-	681
Result from operating activities	**-3.259**	**20**	**-**	**-3.239**
Finance income	1.326	2.384	-2.373	1.337
Finance costs	-2.421	-4.232	2.373	-4.280
(Loss) before income tax	**-4.354**	**-1.828**	**-**	**-6.182**
Income tax expense	-983	-	-	-983
(Loss) for the period	**-5.337**	**-1.828**	**-**	**-7.165**
Other comprehensive loss	-7	-	-	-7
Total comprehensive (loss)income, net of tax	**-5.344**	**-1.828**	**-**	**-7.172**

As of 31 December 2017

Amounts in USD 1000	Colombia	Norway	Unall. / Elim.	Group continuing business
Total Revenue	16.602	659	-659	16.602
Cost of goods sold ex depreciation	-5.618	-	-	-5.618
Depreciation	-5.756	-	-	-5.756
Gross profit/(loss)	**5.228**	**659**	**-659**	**5.228**
Exploration cost expensed	-1.914	-	-	-1.914
Administrative expense	-4.018	-871	659	-4.230
Other income	-206	-400	-	-606
Result from operating activities	**-910**	**-612**	**-**	**-1.522**
Finance income	639	2.477	-2.465	651
Finance costs	-2.282	-4.191	2.465	-4.008
(Loss) before income tax	**-2.553**	**-2.326**	**-**	**-4.879**
Income tax credit	-825	-	-	-825
(Loss) for the period	**-3.378**	**-2.326**	**-**	**-5.704**
Other comprehensive loss	15	-	-	15
Total comprehensive (loss)income, net of tax	**-3.363**	**-2.326**	**-**	**-5.689**



As of 31 December 2018

Amounts in USD 1000	Colombia	Corporate/ unallocated	Unall. / Elim.	Group continuing business
Property, plant and equipment	27.194	-	-	27.194
Other assets	11.701	84	-	11.785
Total segment assets	**39.039**	**84**	**-**	**39.123**
Total segment liabilities	**13.859**	**38.549**	**-**	**52.408**
Capital expenditure	**4.384**	**-**	**-**	**4.384**
Other segment information				
Lifting cost (See note 7)	7.143	-	-	7.143

As of 31 December 2017

Amounts in USD 1000	Colombia	Corporate/ unallocated	Unall. / Elim.	Group continuing business
Property, plant and equipment	32.417	14	-	32.431
Other assets	11.333	850	-	12.183
Total segment assets	**43.750**	**864**	**-**	**44.614**
Total segment liabilities	**13.273**	**37.995**	**-**	**51.268**
Capital expenditure	**5.917**	**-**	**-**	**5.917**
Other segment information				
Lifting cost (See note 7)	5.369	-	-	5.369

6. SALES AND ROYALTY AGREEMENTS

For the year ended 31 December

Amounts in USD 1000	2018	2017
Sale of oil – before royalty	18.499	12.336
Royalty	-1.153	-977
Sale of oil – net, barrels	17.346	11.359
Sale of gas	2.015	2.494
Sale of services	1.957	2.749
Total sales	**21.318**	**16.602**

Sale in barrels (see note 30).

Royalty agreements in Colombia

The royalty payment in percentage of gross oil price in accordance with royalty agreement with Ecopetrol and with ANH (Hydrocarbons national agency) in Colombia varies between 8 – 20% and is paid in cash or in kind (oil) depending on contract.

The royalty payments made in oil have been deducted from total sales reported by the Group.

The royalty payments made in cash are included as part of the cost reported by the Group.

7. COST OF GOODS SOLD

For the year ended 31 December

Amounts in USD 1000	**2018**	**2017**
Lifting costs	7.143	5.369
Changes in inventory	-178	-1
Other costs	2.230	250
Total cost of goods sold	**9.195**	**5.618**
Depreciation (note 17)	**9.438**	**5.756**
Lifting costs, specifications:		
Field production costs	**3.708**	**2.879**
Tariffs and transportation	**1.572**	**1.532**
Insurance	**114**	**115**
Production costs external consultants	**282**	**28**
Well services and workovers	**1.053**	**526**
Repairs and maintenance of installations/equipment	**414**	**289**
Total lifting costs	**7.143**	**5.369**

8. EXPLORATION COST EXPENSED

For the year ended 31 December

Amounts in USD 1000	**2018**	**2017**
Seismic acquisitions, analysis and general G&G	-	56
Other exploration cost expensed	903	1.858
Total exploration cost expensed	**903**	**1.914**

Other exploration cost is related to environmental licenses, indigenous consultations, guarantee costs and adjustments related to Ecopetrol declaring commerciality.

9. ADMINISTRATIVE EXPENSES

For the year ended 31 December

Amounts in USD 1000	2018	2017
Employee benefit expenses	364	953
General and administration expenses *)	5.138	3.059
Depreciation non-oil assets	200	218
Total administrative expenses	**5.702**	**4.230**

*) COR6 lawyer's fees are included.

Employee benefit expenses, specifications:	**2018**	**2017**
Salaries and wages employees	245	634
Other personal expenses	23	93
Share options granted to directors and employees	-	0
Other payroll related expenses	43	92
Pension cost – defined contribution plan (note 19)	53	53
Pension cost – defined benefit plan (note 19)	-	81
Total employee benefit expense	**364**	**953**
Average number of employees	47	57

10. TRANSACTIONS WITH RELATED PARTIES

Consolidated subsidiaries

Interoil Exploration and Production ASA has 100% (direct and indirect) shareholding and voting rights in the following subsidiaries:

Company	**Registered business address**	**Direct and indirect shareholding and voting rights**
UP Colombia Holding AS	Norway	100%
Interoil Colombia Exploration and Production Inc.	BVI	100%
Interoil Colombia Exploration and Production Inc. (Branch)	Colombia	100%
Interoil Peru Holding AS	Norway	100%

All subsidiaries are included in the consolidated financial statements for 2018 and 2017. See note 2.2 for consolidation principles.

Transfer prices with consolidated subsidiaries are on an arm's length basis in a manner similar to transactions with third parties.

The following assets have been pledged as security for the interest-bearing borrowings (see note 24)

Assets owned by Interoil Exploration and Production ASA:

- All shares invested in UP Colombia Holding AS (see Parent Company note 9) - total book value: USD 25 257, (2017: 25 257)
- All current and future rights and receivables under the intercompany loans (see Parent Company note 9) – total book value: USD 21 568 (2017: 21 568)

Assets owned by UP Colombia Holding AS:

- Inventory, operating assets, receivables and bank accounts – total book value of USD 13 352 (2017: 13 165) UP Colombia Holding AS acts as an independent primary obligor for the bond loan (see note 24)

Transactions with subsidiaries

For more information regarding transactions with subsidiaries see Parent Company note 19.

Transactions between related parties and Interoil, are related to consultancy fees, ordinary salary and board fees described in note 11.

11. REMUNERATION OF SENIOR EXECUTIVES

The Group Senior Management consists of the CEO, CFO and General Manager.

Management remuneration 2018

Amounts in USD 1000		Period	Salary	Bonus	Other
Leandro Carbone	CEO	01.01-31.12	156	-	-
Pablo Creta	GM/CFO	01.01-31.12	68	-	-

The Group management is not part of a pension scheme, and there are no benefits in kind.

The employment contract for the General Manager can be terminated on 3 month notice with payments for the period. The General Manager is entitled to a severance pay of 9 months salary.

No loans have been given to, or guarantees given on behalf of, any members of the Group Management, the Board or other elected corporate bodies.

Management remuneration 2017

Amounts in USD 1000		**Period**	**Salary**	**Bonus**	**Other**
Leandro Carbone	CEO	09.06-31.12	130	-	-
Pablo Creta	GM/CFO	28.07-31.12	28	-	-
Alejandro Jotayan*	CEO	01.01-30.03	34	154	-
Pablo Arias*	CFO	01.01-09.06	19	160	-
Nigel Duxbury	GM	01.01-09.06	27	75	-

* Former CEO and CFO had signed agreements with Interoil Exploration and Production Colombia Inc. BVI is responsible for all taxes. The CEO resigned in March 2017. He received payments for a 6 months termination period according to contract, with no further rights to severance payment.

The Group management is not part of a pension scheme, and there are no benefits in kind.

The employment contract for the General Manager can be terminated on 3 month notice with payments for the period. The General Manager is entitled to a severance pay of 9 months salary.

Members of the Board of Directors have no right to severance payment.

No loans have been given to, or guarantees given on behalf of, any members of the Group Management, the Board or other elected corporate bodies.

Declaration regarding the determination of salary and other remuneration to senior employees Guidelines for 2018

The declaration applies for the coming financial year in accordance with the Norwegian Public Limited Companies Act, § 6-16 a). The content of the declaration is summarised in the Board of Directors Report – cf the Act relating to Annual Accounts, etc §7-31b (7).

Remuneration of senior executives in 2018 was in accordance with the declaration that was submitted to the General meeting in 2018.

The declaration for 2018 will, in accordance with the Norwegian Public Limited Companies Act, § 6-16 a), be enclosed in the notice convening the general meeting.

Board member remuneration

Annual board member remuneration for 2018 and 2017 is set to NOK 400 000 for the Chairman of the Board, and NOK 200 000 for all other Board members. There will be no extra fee in relation to the audit committee, and no fee to the Nomination Committee.

Board member remuneration paid 2018

Amounts in USD 1000		Period 2017	Board member fee	Consultancy fee	Other
Maria R. S. Moreno *)	Member	01.01-31.12	24	-	-
Mimi Berdal	Member	01.01-31.12	24	24**)	-
Nicolas Acuña	Member	01.01-31.12	23	-	-
Natalia Mariani	Member	01.01-31.12	24	-	-
Jorge Brown	Member	01.01-31.12	24	-	-

*) Maria R. S. Moreno resigned the position on March 2019.
**) Mimi Berdal has a consultancy agreement with the Company. She will provide assistance and advice to the Company on a current and stand-by basis with matters pertaining to Norwegian markets and relations.

Board member remuneration paid 2017

Amounts in USD 1000		Period 2017	Board member fee	Consultancy fee	Other
Ricardo N.M. Huergo	Chairman	01.01-08.06	50*)	-	-
Hugo Quevedo	Chairman	08.06-31.12	23	-	-
Alejandro Jotayan	Member	01.01-08.06	**)	-	-
Matthieu Milandri	Member	01.01-08.06	11	-	-
Dolores Rivas	Member	01.01-08.06	11	-	-
Maria R. S. Moreno	Member	01.01-31.12	24	-	-
Mimi Berdal	Member	01.01-31.12	24	24***)	-
Nicolas Acuña	Member	08.06-31.12	27	-	-
Natalia Mariani	Member	08.06-31.12	14	-	-
Jorge Brown	Member	08.06-31.12	14	-	-

*) The Chairman of the Board, Ricardo Nicolas Mallo Huergo/Hugo Quevedo and Board member Nicolas Acuña, receive their fee from Interoil Exploration and Production Colombia Inc.
**) Alejandro Jotayan is not entitled to extra fee for participation on the board. See management remuneration above.
***) Mimi Berdal has a consultancy agreement with the Company. She will provide assistance and advice to the Company on a current and stand-by basis with matters pertaining to Norwegian markets and relations.

12. EXTERNAL AUDIT REMUNERATION

PricewaterhouseCoopers (PwC) was elected auditors for the group in 2015. The following table shows total audit and non-audit fees expensed in the period, excluding VAT:

For the year ended 31 December 2018

Amounts in USD 1000	Audit fee	Other assurance services	Tax services	Other non-assurance services	Total
PwC Norway	91	-	-	32	123
PwC Colombia	126*)	-	9	-	135
Total	**217**	**-**	**9**	**32**	**258**

*) Include USD 65 corresponding to fees for the year 2017.

For the year ended 31 December 2017

Amounts in USD 1000	Audit fee	Other assurance services	Tax services	Other non-assurance services	Total
PwC Norway	76	-	-	-	76
PwC Colombia	46	-	12	12	70
Total	**122**	**-**	**12**	**12**	**146**

13. OTHER INCOME / (EXPENSE)

For the year ended 31 December

Amounts in USD 1000	2018	2017
Refund of operating expenses (see note 2.18)	509	51
Gain on sale of PP&E	67	72
Other income	399	274
Total other income	**975**	**397**
Tax on equity (see principle note 2.6)	-	93
Provision for legal claims	-	400
Penalties	296	-
Impairment	1.276	510
Total other expense	**1.572**	**1.003**
Total other income (expense)	**681**	**-606**

14. FINANCE INCOME AND COST

For the year ended 31 December

Amounts in USD 1000	2018	2017
Interest income	25	87
Realized/unrealized exchange rate gain	1.312	564
Other financial income	-	-
Total financial income	**1.337**	**651**
Interest expenses	3.136	2.767
Realized/unrealized exchange rate loss	796	717
Other financial expenses	348	524
Total financial expenses	**4.280**	**4.008**
Finance (expenses)/income – net	**-2.943**	**-3.357**

15. TAXES

The major components of income tax (credit)/expense are:

For the year ended 31 December

Amounts in USD 1000	2018	2017
Consolidated income statement:		
Current income tax:		
Current income tax charge	-1.873	-1.618
Deferred tax:		
Relating to origination and reversal of temporary differences	1.292	793
Income tax (credit)/expense reported in the income statement	**-581**	**-825**

A reconciliation between tax expense and the product of accounting profit and the nominal tax rate:

Amounts in USD 1000	2018	2017
Accounting (loss)/profit before income tax	**-6.182**	**-4.879**
Expected income tax according to nominal tax rate (25/27%, 39/40%)	1.539	1.112
Change in temporary differences	1.769	2.411
Adjustment of previous years	-	-
Adjustment of deferred tax assets not recorded*)	-1.424	-1.113
Permanent differences	-2.256	-2.382
Exchange rate effect	-611	-853
Total income taxes	**-581**	**-825**

Nominal tax rate in Norway and Colombia is respectively 23% and 37% for 2018 and 24% and 39% 2017.

Deferred tax relates to the following:

Deferred tax liability recognized in balance sheet:

Amounts in USD 1000	2018	2017
Fixed assets	2.354	4.023
Provisions	-740	(1.523)
Deferred tax liabilities	**1.614**	**2.500**

Deferred tax assets not recognized in balance sheet:

Amounts in USD 1000	2018	2017
Fixed assets	-12	3
Provisions	-	11
Tax losses	18.366	19.166
Deferred tax assets not recognized in balance sheet	**18.354**	**19.180**

The tax rate in Norway is 23% for 2018. The marginal tax rate under the GTA in 2018 will be 22%.

16. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD 1000	Oil production assets	Other	Total
Period ended 31 December 2017			
Opening net book amount	**27.123**	**7.136**	**34.259**
Additions	5.014	903	5.917
Disposals, net	-473	-789	-1.262
Impairment	-510	-	-510
Depreciation charge	-4.940	-1.033	-5.973
Closing net book amount	**26.214**	**6.217**	**32.431**
Period ended 31 December 2018			
Opening net book amount	**26.214**	**6.217**	**32.431**
Additions	3.333	1.052	4.385
Depreciation charge	-8.416	-1.206	-9.622
Closing net book amount	**21.131**	**6.063**	**27.194**
Cost	**126.174**	**18.448**	**144.622**
Accumulated depreciation and impairment	(105.043)	(12.385)	(117.428)
Net book amount	**21.131**	**6.063**	**27.194**

The depreciation expense has been charged to the consolidated statement of comprehensive income as follows:

Amounts in USD 1000	2018	2017
Depreciation	9.438	5.756
Administrative expenses	184	217
Total depreciation expense	**9.622**	**5.973**

Impairment testing of individual cash-generating units are performed when impairment triggers are identified. The significant decrease in proved gas reserves is considered to represent an impairment trigger, and an impairment test of fixed assets has been performed.

Impairment is recognised when the book value of an asset of cash generating unit exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. Impairment testing for 2018 has been based on value in use. The expected future cash flow after tax is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate is derived from the weighted average cost of capital (WACC) for the company. Cash flows are projected for the estimated lifetime of each field.

The future price level is a key assumption that has significant impact on the net present value. The prices used are based on management estimates and available market data. The nominal oil price based on the forward curve and reduced for any specific differences applied in the impairment test is as follows: 2018 to 2028 USD 62,00

The reserves used in the impairment testing are based on the proven reserves. The recoverable amount is sensitive to changes in the reserves. See note 2.17 and 31 for further information.

The discount rate represents the current market assessment of the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the company's WACC post tax, and for the impairment test is set to 12,9%.

17. TRADE AND OTHER RECEIVABLES

Period ended 31 December

Amounts in USD 1000	2018	2017
Trade receivables	743	1.350
Trade receivables – net	**743**	**1.350**
Joint operations accounts	181	-84
Prepayments	222	454
VAT receivable	18	5
Other short-term receivables	857	1.538
Total trade and other receivables	**2.021**	**3.263**

Trade and other receivables are non-interest bearing and are generally on 15 – 90 days terms. As of 31 December 2018, and 2017 no trade receivables were past due, whereof USD 0 is impaired.

The ageing analysis of trade receivables is as follows:

Amounts in USD 1000	2018	2017
Not due	1.487	1.350
Up to 3months	-	-
Over 3months	-	-
Total	**1.487**	**1.350**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of the receivables mentioned above. The Group does not hold any collateral as security.

Other short-term in 2017 receivables included loan to Andes Energia Argentina, repayment was done in October 2018. The loan bears interest of 6% per year.

18. RETIREMENT BENEFIT

Defined benefit plan

Interoil Exploration & Production ASA (Norway) had until 2018 a defined benefit plan for employees in the Norwegian parent company. The Norwegian company meets the Norwegian requirements for mandatory occupational pension. As of December 31, 2018, Interoil Exploration & Production ASA (Norway) has no employees.

Interoil Colombia – the branch office, had a defined plan for employees in the period from 1991 to 1994. From 1995 it was mandatory for all Colombian employees to be affiliated to a private or public pension fund, and the defined plan stopped.

The following tables summarize the components of the defined benefit plans:

Amounts in USD 1000	2018	2017
Defined benefit obligation at the end of the year	673	842
Fair value of plan assets	-	-135
Retirement benefit obligation liability	**673**	**707**
The movement in the defined benefit obligation over the year is as follows:		
Beginning of the year	707	706
Current service cost	-	45
Interest cost	7	26
Expected return on plan assets	-	-3
Contribution by plan participants	-	-65
Exchange rate differences	(34)	13
Net actuarial gain recognized over OCI	(7)	-15
Retirement benefit obligation liability	**673**	**707**
The amounts recognized in profit or loss are as follows:		
Current service cost	-	45
Settlements/curtailments	-	-
Interest cost	-	26
Exchange rate differences	-	13
Expected return on plan assets	-	-3
Total defined benefit plan, income/(expense) (note 9)	**-**	**81**

The principal actuarial assumptions used were as follows

	2018	2017
Discount rate	6,25%	6,75%
Inflation rate	3,00%	3,00%
Future salary increases	3,00%	3,00%
Future pension increases	3,00%	3,00%

Defined contribution plan

The Group's subsidiary in Colombia have defined contribution plans in accordance with local legislation.

The contributions recognised as expenses:

Amounts in USD 1000	2018	2017
Contributions (see note 9)	**53**	**53**

19. INVENTORIES

Period ended 31 December

Amounts in USD 1000	2018	2017
Spare parts etc	309	349
Crude oil	297	131
Total inventories	**606**	**480**

20. FINANCIAL INSTRUMENTS

Period ended 31 December 2018

Amounts in USD 1000	Notes	Loans and receivables	Other financial liabilities at amortized cost	Total carrying amount	Fair value
Current:					
Trade and other receivables	17	2.021	-	2.021	2.021
Cash and cash equivalents	21	7.712	-	7.712	7.712
Total financial assets		9.733	-	9.733	9.733
Non-current:					
Bond loan USD	24	-	37.962	37.962	-
Non-current liabilities to financial institutions	24	-	591	591	591
Current:					
Trade and other payables	26	-	6.911	6.911	6.911
Interest bearing liabilities	24	-	2.498	2.498	2.498
Total financial liabilities		**-**	**47.962**	**47.962**	**47.962**

Period ended 31 December 2017

Amounts in USD 1000	Notes	Loans and receivables	Other financial liabilities at amortized cost	Total carrying amount	Fair value
Current:					
Trade and other receivables	17	3.263	-	3.263	3.263
Cash and cash equivalents	21	8.440	-	8.440	8.440
Total financial assets		11.703	-	11.703	11.703
Non-current:					
Bond loan USD	24	-	37.533	37.533	-
Non-cuirrent liabilities to financial institutions	24	-	702	702	702
Current:					
Trade and other payables	27	-	4.545	4.545	4.545
Interest bearing liabilities	24	-	3.022	3.022	3.022
Total financial liabilities		**-**	**45.802**	**45.802**	**45.802**

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The bond loan is included in level 2, the rest of assets and liabilities are included in level 3.

During the reporting period ending 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers in and out of Level 3 fair value measurements.

The carrying amount of trade and other receivables approximate their fair value.

The carrying amount of trade and other payable is considered to approximate their fair value.

The fair value of the other non-current interest-bearing liabilities equals their carrying amount.

The carrying amount of the current interest-bearing liabilities approximates the fair value.

21. CASH AND CASH EQUIVALENTS

Period ended 31 December

Amounts in USD 1000	2018	2017
Bank deposits denominated in USD	7.597	6.208
Bank deposits denominated in NOK	84	811
Bank deposits denominated in COP	877	1.421
Cash and cash equivalents	**8.558**	**8.440**
Long term cahs restricted - Other non current asset	846	916
Total cash and cash equivalents	**7.712**	**7.524**
Bank deposits classified as restricted	4.057	3.836
Non restricted cash	**3.655**	**3.688**

Restricted cash of USD 3,6 million (2017: USD 3,8 million) mainly relates to cash collateral for bank loans and guarantees in Colombia.

22. PAID IN CAPITAL

Amounts in USD 1000	Number of Shares (1000)	Share capital	Share premium	Total
At 31 December 2014	**251.903**	**2.116**	**121.785**	**123.901**
Capital increase Andes Energia Plc 21.01.2015	330.000	2.162	2.594	4.756
Capital increase bond conversion 21.01.2015	65.000	426	511	937
Cost capital increase	-	-	-459	-459
Reverse split 26.06.2015	-582.213	-	-	-
At 31 December 2018	**64.690**	**4.704**	**124.431**	**129.135**

All issued shares are paid in full. All shares give equal rights in the Company. Nominal value per share is NOK 0,5 (2017: NOK 0,5).

The total number of authorised shares as of 31 December 2018, consists of the 64 690 thousand issued shares listed in the table above.

At the annual general meeting held on 28 June 2018 it was resolved to authorize the Board of Directors to increase the share capital of the Company by up to a total of NOK 16,172,578, corresponding to up to a total of 32,345,156 new shares, without pre-emption to raise cash for the business, if necessary. It also comprises capital increases by contributions in kind.

Top 20 shareholders & consolidated nominee accounts
As of 31 December 2018

Company	Shares held	% of total shares
Magnus Capital S.A	8.791.217	13,6%
Nordnet Bank Ab	2.685.410	4,2%
Nordnet Livsforsikring As	2.443.868	3,8%
Citibank, N.A.	1.449.415	2,2%
Danske Bank A/S	1.048.326	1,6%
Nordea Bank Abp	807.064	1,2%
Genipabu Investments Llc	787.775	1,2%
Olsen Terje	782.777	1,2%
Rygg Kjell	700.000	1,1%
Endresen Sigurd	685.000	1,1%
Saxo Bank A/S	658.360	1,0%
Welle Svein Erik	640.000	1,0%
Lepperød Tor Jakob	459.781	0,7%
Hellvik Svein	446.200	0,7%
Technology & Process	425.233	0,7%
Thunder Invest As	418.388	0,6%
Banque Pictet & Cie Sa	411.317	0,6%
Talstad Frode Brudeskar	410.000	0,6%
Langø Pablo Emil Gil	400.000	0,6%
Strand Eirik	375.475	0,6%
Total 20 largest shareholders	**24.825.606**	**38,38%**
Other	39.864.709	61,62%
Total	**64.690.315**	**100,00%**

23. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

For the year ended 31 December

Amounts in USD 1000	2018	2017
(Loss)/profit attributable to owners of the Company	-7.172	-5.689
Weighted average number of ordinary shares in issue (thousands)	64.690	64.690
Basic earnings per share (USD per share) - total	**-0,11**	**-0,09**

Amounts in USD 1000	2018	2017
(Loss)/profit attributable to owners of the Company	-7.172	-6.545
Weighted average number of ordinary shares in issue (thousands)	64.690	64.690
Basic earnings per share (USD per share) – continuing operations	**-0,11**	**-0,10**

Diluted

Diluted earnings per share are calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (conversion rights) into ordinary shares. When total comprehensive income is negative, the dilutive instruments described above will have an antidilutive effect when calculating dilutive earnings per share. This antidilutive effect will not be considered when presenting dilutive earnings per share.

For the year ended 31 December

Amounts in USD 1000	2018	2017
(Loss)/profit attributable to owners of the Company	-7.172	-5.689
(Loss)/profit used to determine diluted earnings per share	-7.172	-5.689
Weighted average number of ordinary shares in issue (thousands)	64.690	64.690
Adjustment for subscription rights – share options	-	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	64.690	64.690
Calculated diluted earnings per share (USD per share)	-	-
Presented diluted earnings per share (USD per share) – total	**-0,11**	**-0,10**

24. BORROWINGS

Period ended 31 December

Amounts in USD 1000	2018	2017
Non-current:		
Bond loan denominated USD	37.962	37.533
Non-current liabilities to financial institutions	591	702
Total non-current borrowings	**38.553**	**38.235**
Current:		
Current liabilities to financial institutions	1.826	1.972
Other current interest bearing liabilities	672	1.050
Total current interest-bearing liabilities	2.498	3.022
Total interest-bearing liabilities	**41.051**	**41.257**

The maturity of the Group's borrowings is as follows:

Period ended 31 December

Amounts in USD 1000	2018	2017
0-12months	3.509	3.022
Between 1and 2years	37.059	37.965
Between 2and 5years	361	-
Over 5years	122	270
Total borrowings	**41.051**	**41.257**

The terms and conditions of outstanding loans are summarised as follows:

Period ended 31 December

Amounts in USD 1000	Interest rate	Maturity	2018	2017
Non-current:				
Bond loan USD 32million	6% -PIK: 8%	January 2020	37.962	37.533
Banco de occidente lease-back USD 0.835 million	IBR + 5,5%	April 2024	591	702
Total non-current borrowings			38.553	38.235
Current:				
Banco de occidente USD 1,608 million	IBR + 4,5%	November 2018	1.477	1.623
Banco de occidente USD 0,268 million	IBR + 4,2%	March 2018	251	270
Banco de occidente lease-back USD 0.835 million	IBR + 5,5%	April 2024	98	79
Other interest bearing liabilities	-	-	672	1.050
Total current interest-bearing liabilities			**2.498**	**3.022**
Total borrowings			**41.051**	**41.257**

Bond loan USD 32 million

The new bond loan will mature on 22 January 2020. The bond loan shall be repaid at the final maturity date at 100 % of par value, plus accrued and unpaid interest. The issuer may redeem the bonds in whole or in part at 105 % of face value plus accrued unpaid interest on the redeemed amount.

The bonds have a nominal value of USD 1, and carry a fixed rate interest of 6,00 % payable semi-annually in arrears. The issuer may make the interest payment in kind (PIK) up to the interest payment date in January 2018.

The Bond loan recognised in the statement of financial position is calculated as follows:

Amounts in USD 1000	
Bond loan at issue date, 22January 2015	32.000
PIK interest	5.436
Accrued interest	1.011
Net borrowing costs (fees and legal expenses)	-696
Amortization of debt issuance cost	211
Balance at 31 December 2018	**37.962**

Among the main financial covenants related to the bond loan, the company shall not:

- Declare any dividend or other distributions to shareholders
- Permit encumbrances over the assets serving as security under the bond
- Incur or permit outstanding financial indebtedness
- Grant any loans, guaranties or any financial support to a third party
- Enter into hedge contracts of oil price for speculative purposes

The Company is in compliance with all covenants under the bond agreement.

There is not enough relevant information in the market to calculate Bond fair value, during the last years there have not been transactions of this bonds, additionally having into account that 2018 was a year of industry recovery from the Oil price crisis we expect a declining fair value and we concluded that is difficult to estimate a reliable fair value for the bonds.

Other borrowings

Amounts in USD 1000	2018	2017
Other current interest bearing liabilities	591	702
Total other current interest bearing liabilities	**591**	**702**
Prepaid Oil	672	1.050
Total other non-current interest bearing liabilities	**672**	**1.050**
Total other interest bearing liabilities	**1.263**	**1.752**

Other interest-bearing liabilities include an office lease back of USD835 made in June 2017 at the rate of DTF + 5.5% with maturity date in April 2024.

Prepaid oil sales

In December 2018 the Colombian branch and Goam 1 CI S.A.S, a BP-company, have entered into a pre-sales agreement with an aggregate price of USD 1,5 million. The company received USD 0,6 million in December 2018 and USD 0,9 million in January 2019. Crude will be delivered over the next 6 months, with an average daily delivery estimated to 400 bbls based in Brent Price. Interoil ASA has given a mother company guarantee for the delivery of oil under the contract.

The table below sums up the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2018

	Less than 1year	Between 1and 2years	Between 2and 5years	Total
Borrowings including interest	4.903	38.681	440	44.023
Trade and other payables	6.769	-	-	6.769

Year ended 31 December 2017

	Less than 1year	Between 1and 2years	Between 2and 5years	Total
Borrowings including interest	5.473	40.804	-	46.277
Trade and other payables	4.385	-	-	4.385

As the amounts included in the above table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the statement of financial position for borrowings which is recorded at amortised cost. The specific time buckets presented are not mandated by the standard but are based on choice by management.

The table below reconcile debt movements with cash flow statement

	Bond	Financial institutions	Other	Total
Balance at 31 December 2017	**37.533**	**2.674**	**1.050**	**41.257**
Interest accrued	2.675	179	-	2.854
Exchange effect	0	-212	-	(212)
Interest paid	-2.246	-250	-	(2.496)
New loans	-	42	672	714
Repayment	-	-16	-1.050	(1.066)
Balance at 31 December 2018	**37.962**	**2.417**	**672**	**41.051**

25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

For the year ended 31 December

Amounts in USD 1000	2018	2017
Non-current:		
Asset retirement obligations	1.439	1.081
Other long term obligations	512	472
Total non-current provisions for other liabilities and charges	**1.951**	**1.553**
Current:		
Other provisions and charges	749	706
Total current provisions for other liabilities and charges	**749**	**706**
Total provisions for other liabilities and charges	**2.700**	**2.259**

Asset retirement obligation is a liability for plugging, abandonment and decommissioning costs that are recognised since the Group has an obligation to dismantle and remove facilities and restore the site on which it is located. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The discount rate used for 2018 was 6,77% (2017: 6,6%) and the inflation rate used as 3% in 2018 and 2017. USD 0,5 million of the total provision is expected to be executed within the next five years (2017: 0,1 million).

Other long term obligations are mostly related to the net present value of voluntary agreements regarding contributions to education for local communities. Other provisions and charges are related to the accounting of the association contract as outlined in note 2.15.

26. TRADE AND OTHER PAYABLES

For the year ended 31 December

Amounts in USD 1000	2018	2017
Trade creditors	5.574	3.063
Public duties payable	813	253
Debt to employees and shareholders	113	302
Other accrued expenses	386	927
Total trade and other payables	**6.911**	**4.545**

Deferred interest in relation to the USD 32 million bond loan is included in the bond liability, see note 24.

27. COMMITMENTS AND CONTINGENCIES

The Group is involved in a number of legal proceedings in various forms. While acknowledging the uncertainties of litigation, the Group is of the opinion that based on the information currently available, these matters will be resolved without any material adverse effect individually or in aggregate on the Group's financial position. No provisions have been made for the legal disputes discussed in this note. For legal disputes, in which the Group assesses to be probable (more likely than not) that an economic outflow will be required to settle the obligations, provisions have been made based on management's best estimate.

Tax administrative proceedings

Tax administrative proceeding. The Colombian tax authority DIAN opened an audit of 2011 income tax requiring that a higher amount be paid regarding transfer pricing. DIAN issued on June 5th, 2015 an official tax liquidation demanding payment of additional amount for income tax (DIAN disavowed costs paid to affiliates). Interoil filed a reconsideration petition. On April 29th DIAN confirmed its initial position, finishing any administrative recourse. Interoil filed a complaint against DIAN´s decision before administrative court on March 2017. First stage hearing took place on august 10, 2018, on August 22 closing arguments were submitted. In October 3, 2018 The Tribunal sentence against Interoil pretentions. On march 9, 2019 Interoil appealed and presented its arguments to the second stage court.

Labor proceedings

There are currently 4 labor processes ongoing and the amount requested by plaintiffs is estimated to USD 840 in total (including Carlos Guerrero lawsuit. See note 28). Interoil makes a close supervision to these processes attending their legal development. In some of the processes Interoil has obtained favorable decisions in the first and second stage. There are in the financial statements a provision related to labor claims of USD 100.

The Colombian branch has the following contract obligations:

The Colombian branch has the following contract obligations:

Interoil has combined phases 1 and 2 under the Altair license agreement and is obligated to drill two wells in the Altair license by January 2019. The assigned value is set at USD 7 million. The first of these two wells were drilled in March/April 2018.

Given the force majeure events related to the Duya community in the Llanos area the ANH has granted Interoil's request to suspend the Altair licence contract. Once force measures adopted by the community stop and Interoil's operations are no longer affected, Altair licence contract will be resumed and time lost due to the community actions will be restored by the agency. As a result, the pending well in the Altair licence commitment will not be drilled until the contract is resumed.

LLA-47 is located in the prolific Llanos basin and covers an area of 447 km². Interoil has completed its obligation to acquire 350 km² of 3D seismic. Interoil has combined phases 1 and 2 in the license agreement and is obligated to drill ten exploration wells before 10 February 2020, the first one being Vikingo-1. The assigned value of the commitment is USD 31 million.

Interoil is in constant dialogue with the ANH and has already approached the agency about delays suffered due to the different conflicts in the LLA-47 licence and how this might affect the committed work program.

28. SUBSEQUENT EVENTS

- Constructive discussions are ongoing with SLS Energy regarding continued cooperation for drilling of further wells in the LLA 47 block, although the parties have yet to agree on an exact drilling schedule, responsive to seasonal possibilities and equipment restrictions.
- As previously reported, Interoil is actively pursuing enhanced recovery opportunities in the complex geological structures in the Puli C license. In the first quarter 2019, reperforation of certain wells in the Mana field has produced encouraging results, which the company will now seek to verify through further testing.
- In the legal process of Carlos Guerreo against Interoil, the company won in first instance at the Labor Court of the Circuit of Bogota. The plaintiff appealed, so the process will be transfer to the Superior Court of Bogotá for the second instance.

29. COUNTRY-BY-COUNTRY REPORTING

In line with regulatory developments in the European Union, the Norwegian government has introduced country-by-country reporting requirements for multinational companies operating in extractive industries. Activities in each country of operations are to be reported. The information includes investments, sales revenue, production volumes, purchase of goods and services and number of employees. In addition, all payments to governmental authorities.

Amounts in USD 1 000	2018	2017
	Colombia	Colombia
Revenues	21.318	16.602
Investments	3.988	5.947
Purchase of goods and services	1.465	1.684
Income taxes paid	249	-
Indirect taxes paid	126	93
Royalties	669	417
Contractual social contribution	51	58
Voluntary social contribution	32	27
Salaries and social benefit	682	727
Number of employees	37	42

30. OIL AND GAS RESERVES (UNAUDITED)

The reserves have been estimated and classified according to the “Petroleum Resources Management System”, developed and approved in March 2007 jointly by the Society of Petroleum Engineers, World Petroleum Council, American Society of Petroleum Geologists and Society of Petroleum Evaluations Engineers, hereafter referred to as the “2007 PRMS“ and have been audited by the independent petroleum engineering firm of Gaffney, Cline & Associates Inc.

Colombia Reserves

As of 31 December 2018	1P Gross Oil (mmbbl)	Gas (BCF)	Total (mmboe)	Interest %	1P Equity (mmboe)	2P Gross Oil (mmbbl)	Gas (BCF)	(mmboe)	Interest %	2P Equity (mmboe)
Developed Producing reserves - DP	0,9	2,9	1,4	0,7	1,0	1,1	3,5	1,7	0,7	1,2
Developed Non-Producing reserves - DNP	0,0	0,0	0,0	0,7	0,0	0,0	0,0	0,0	0,7	0,0
Non-Developed reserves - ND	0,2	0,9	0,4	0,7	0,3	0,3	1,1	0,5	0,7	0,4
Total reserves	**1,1**	**3,8**	**1,8**	**0,7**	**1,3**	**1,4**	**4,6**	**2,3**	**0,7**	**1,6**

For a full description of the “2007 PRMS”, please refer to the Society of Petroleum Engineers website: www.spe.org

Aggregated equity oil and gas Reserves, Production, Developments and Adjustments

As of 31 December 2018	1P				2P			
(mmboe)	DP	DNP	ND	Total	DP	DNP	ND	Total
	(mmboe)	(mmboe)	(mmboe)	1P	(mmboe)	(mmboe)	(mmboe)	2P
Reserves at 31.12.17	**1,9**	**0,0**	**0,4**	**2,3**	**2,4**	**0,1**	**0,6**	**3,2**
Production	-0,4	-	-	-0,4	-0,4	-	-	-0,4
Revisions	-0,5	-	-0,1	-0,6	-0,8	-0,1	-0,3	-1,2
Total changes	**-0,9**	**0,0**	**-0,1**	**-1,0**	**-1,2**	**-0,1**	**-0,3**	**-1,6**
Reserves at 31.12.18	**1,0**	**0,0**	**0,3**	**1,3**	**1,2**	**0,0**	**0,4**	**1,6**

Notes

mmboe = million stock tank barrels of oil equivalent
Gross Reserves are Operated Reserves
Equity reserves: Colombia - Net after Royalty
Working Interest varies per concession; reported percentages are averages
Gas converted to oil equivalent based on 5610 scf equals 1 boe
Numbers may not add up due to rounding

Production and sales for the period

	2018	2017
Production		
Working interest, barrels	275.804	234.702
Working interest, gas (boe)	106.781	130.890
Royalty	(24.054)	(27.153)
Total Working Interest production in barrels	**358.531**	**338.439**
Sale of oil in barrels		
Sale of oil, barrels WI	253.671	206.983
Oil royalties sold	4.517	2.651
Total oil sold barrels	258.188	209.634
Sale of gas (boe)		
Sale ofgas, (boe) WI	93.112	122.514
Gas royalties sold	6.834	8.377
Total gas sold barrels (boe)	**99.946**	**130.891**
Total Working Interest Barrels sold	**358.134**	**340.525**

INTEROIL EXPLORATION AND PRODUCTION ASA

FINANCIAL STATEMENTS

31 DECEMBER 2018

STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000 unless otherwise stated

For the year ended 31 December	Notes	2018	2017
Sales	4	870	659
Gross profit		**870**	**659**
Administrative expense	5	-846	-870
Other operating expenses		-	-400
Result from operating activities		**24**	**-611**
Finance income	6	1.464	1.491
Finance costs	6	-2.779	-2.711
Net finance (cost) / income		**-1.315**	**-1.220**
(Loss)/profit before income tax		**-1.291**	**-1.831**
Income tax expense	7	-	-
(Loss)/ profit from continuing operations		**-1.291**	**-1.831**
Other comprehensive income	16	-	25
Other comprehensive income for the year, net of tax		**-**	**25**
Total comprehensive income for the year, net of tax		**-1.291**	**-1.806**
Attributable to:			
Retained earnings		-1.291	-1.806

STATEMENT OF FINANCIAL POSITION

Amounts in USD 1 000

as of 31 December	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	8	-	14
Investments in subsidiaries	9	25.278	25.278
Intercompany receivables	11	20.898	21.742
Total non-current assets		**46.176**	**47.034**
Current assets			
Trade and other receivables	10	20	7
Cash and cash equivalents, restricted	13	790	805
Cash and cash equivalents, non-restricted	13	27	37
Total current assets		**837**	**849**
TOTAL ASSETS		**47.013**	**47.883**
EQUITY			
Share capital and share premium	14	129.135	129.135
Other paid-in equity		5.310	5.882
Retained earnings		-125.882	-125.163
Total equity		**8.563**	**9.854**
LIABILITIES			
Non-current liabilities			
Long term borrowings	15	37.962	37.533
Retirement benefit obligations	16	-	13
Total non-current liabilities		**37.962**	**37.546**
Current liabilities			
Trade and other payables	17	88	83
Provisions		400	400
Total current liabilities		**488**	**483**
TOTAL LIABILITIES		**38.450**	**38.029**
TOTAL EQUITY AND LIABILITIES		**47.013**	**47.883**

Oslo, 24 April, 2019

The Board of Interoil Exploration and Production ASA

Hugo Quevedo Chairman	***Nicolas Acuña*** Board Member	***Pablo Creta*** General Manager
Mimi Berdal Board Member	***Natalia Mariani*** Board Member	**Jorge Brown** Board Member

STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000	Sharecapital andshare premium	Other paid-in equity	Retained earnings	Total equity
Balance at 31 December 2016	**129.135**	**5.882**	**-123.357**	**11.660**
Total comprehensive income of the year	-	-	-1.806	-1.806
Balance at 31 December 2017	**129.135**	**5.882**	**-125.163**	**9.854**
Total comprehensive income of the year	-	-	-1.291	-1.291
Balance at 31 December 2018	**129.135**	**5.882**	**-126.454**	**8.563**

Other paid-in equity – consist of subscription rights in addition to the difference between the fair value and the book value of the converted shares in the bond conversion.

CASH FLOW STATEMENT

Amounts in USD 1 000			
For the year ended 31 December	Notes	2018	2017
Cash generated from operations			
Total comprehensive income for the year		**-1.291**	**-1.806**
Depreciation	5,8	14	5
Change in retirement benefit obligation/options		-13	34
Interest income	6	-1.464	-1.494
Other finance cost/(income)		94	59
Interest expense and amortization	6	2.685	2.654
Changes in net working capital			
Intercompany accounts		2.297	174
Trade and other receivables		-13	-17
Trade and other payables		5	-353
Net cash used in operating activities		**2.314**	**-741**
Cash flows from financing activities			
Interest paid		-2246	622
Other finance		-94	-
Net investment in (-)/release of restricted cash		15	-
Net cash generated from financing activities		**-2.325**	**622**
Net decrease in cash and cash equivalents		**-10**	**-119**
Non restricted Cash and cash equivalents at beginning of the period	13	37	156
Non restricted Cash and cash equivalents at end of the year		**27**	**37**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for Interoil Exploration and Production ASA (the "Company") are prepared in accordance with simplified IFRS according to the Norwegian Act relating to Annual Accounts § 3-9. This mainly implies that recognition and measurements in the financial statements are in accordance with IFRS, while the notes disclosures are presented in accordance with the Norwegian Accounting Act. The Company's accounting policies are specified in Group note 2 (consolidated financial statements).

These financial statements are presented in USD, which is the Company's functional currency, and rounded up to thousands (1.000).

Shares in subsidiaries are recorded in accordance with the cost method in the parent company accounts. The investments are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

2. GOING CONCERN

The financial statements have been prepared based on the going concern assumption. For further details, we refer to the Board of Director's report and Group note 4

3. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. See Group note 3 for more information regarding Financial Risk Management.

The table below sum up the maturity profile of the Company's financial liabilities at 31 December 2018 based on contractual undiscounted payments.

For the year ended 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings including interest	2.246	38.559		40.805
Trade and other payables	88	-	-	88

For the year ended 31 December 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings including interest	2.246	2.246	38.559	43.051
Trade and other payables	83	-	-	83

As the amounts included in the above table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the statement of financial position for borrowings which is recorded at amortised cost. The specific time buckets presented are not mandated by the standard but are based on choice by management. See notes 12, 15 and 17 for the carrying amounts.

4. SALES

For the year ended 31 December

Amounts in USD 1 000	2018	2017
Management fee (note 11)	870	659
Total sales	**870**	**659**

5. ADMINISTRATIVE EXPENSES

For the year ended 31 December

Amounts in USD 1 000	2018	2017
Employee benefit expenses	5	349
Depreciation	5	5
Professional fees	626	289
General administration expenses	210	227
Total administrative expenses	**846**	**870**
Average number of employees	0	2

6. FINANCE INCOME AND COST

For the year ended 31 December

Amounts in USD 1 000	2018	2017
Interest income, intercompany loan	1.454	1.480
Exchange rate gain, unrealized items	10	11
Total financial income	1.464	1.491
Interest expenses	2.675	2.641
Exchange rate loss, unrealized items	28	12
Other financial expenses	76	58
Total financial expenses	**2.779**	**2.711**
Net finance (expense)/ income	**-1.315**	**-1.220**

The Group performed its annual impairment test as at 31 December 2018. The Group considers the relationship between its recoverable amount and its book value, among other factors, when reviewing for indicators of impairment. For 2017 and 2016, no impairment charges were recognised.

7. TAXES

There is no income tax expense in the income statement for 2018 and 2017

Reconciliation of tax expense:

Amounts in USD 1 000	2018	2017
(Loss)/profit before tax	-1.291	-1.836
Expected income tax according to nominal tax rate, 23% (2017: 24%)	-165	-433
Change in temporary differences	-3	-8
Adjustment of deferred tax assets not recorded	-502	1.066
Adjustment deferred tax due to taxrate change from 24% to 23% (2017: 24% to 23%)	-23	46
Expenses not deductible for tax purposes	-132	96
Exchange rate effect	825	-767
Total income taxes	**-**	**-**
Effective income tax rate	-%	-%
(Loss)/profit before tax	**-1.291**	**-1.836**
Change in temporary differences	-13	-34
Not deductible expenses	(572)	400
Exchange rate effect	3.586	-3.167
Total taxable (loss)/income	**1.710**	**-4.638**
Tax (credit)/profit	-1.710	4.638
Total taxable income	**-**	**-**

Deferred income tax:		
Temporary differences		
Fixed assets	-12	-13
Provisions	-	-13
Total temporary differences	**-12**	**-26**
Tax loss	-79.788	-82.069
Total temporary differences	**-79.800**	**-82.095**
Deferred tax asset	**-18.354**	**-19.703**
Deferred tax included in the balance sheet	-	-
Deferred tax not included in the balance sheet	**18.354**	**19.703**

8. PROPERTY PLANT AND EQUIPMENT

Period ended 31 December 2017	OfficeMachines andfurniture	Total
Opening net book amount	**19**	**19**
Depreciation charge	-5	-5
Closing net book amount	**14**	**14**
Period ended 31 December 2018		
Opening net book amount	**14**	**14**
Depreciation charge	-14	-14
Closing net book amount	0	0
Cost	19	19
Accumulated depreciation	(19)	(19)
Net book amount	**-**	**-**

9. SUBSIDIARIES

Period ended 31 December

Amounts in USD 1 000	Registered business address	Interest and voting right sheld	Company's share capital in1000	Company's equity inUSD 1.000	Company's profit/ (loss)in USD1000	Book value 2.018	Book value 2.017
Interoil Peru Holding AS	Norway	100%	NOK 100	7	-3	21	21
Up Colombia Holding AS	Norway	100%	NOK 900	23.720	-535	25.257	25.257
Total book value				**23.727**	**-538**	**25.278**	**25.278**

Shares invested in UP Colombia Holding AS with a total book value of USD 25,3 million (2016: 25,3 million) have been pledged as security for the interest-bearing borrowings, see note 15 and Group note 24, no impairment charges were recognised.

10. TRADE AND OTHER RECEIVABLES

Period ended 31 December

Amounts in USD 1 000	2018	2017
Current:		
Prepaid expenses	1	3
Vat receivables	19	4
Total trade and other receivables	**20**	**7**

11. INTERCOMPANY RECEIVABLES

Non-current intercompany receivables
Period ended 31 December

Amounts in USD 1 000	2018	2017
Interoil Colombia Exploration and Production Inc.	925	617
Up Colombia Holding AS	19.980	21.135
Interoil Peru Holding AS	-7	-10
Total non-current intercompany receivables	**20.898**	**21.742**

There is no impairment on Intercompany receivables.

Intercompany interest and management fee
Period ended 31 December

Amounts in USD 1 000	Notes	2018	2017
Interoil UP Colombia Holding AS	Interest income, see note 6	1.454	1.480
Interoil Exploration and Production Colombia BVI	**Management fee, note 4**	**870**	**659**
Total net management fee and interest		**2.324**	**2.139**

As of 31 December 2018, intercompany receivables of USD 20,9 million (2017: USD 21,7 million) were tested for impairment. The Group considers the relationship between its recoverable amount and its book value, among other factors, when reviewing for indicators of impairment. No impairment charges were recognised at year end 2018 and 2017.

Intercompany loans with a total book value of USD 20,9 million (2017: USD 21,7 million) have been pledged as security for the interest-bearing borrowings, see note 15 and Group note 24.

Also, see Group note 10 for more information regarding transactions with related parties.

12. FINANCIAL INSTRUMENTS

Period ended 31 Dec 2018 Amounts in USD 1000	Notes	Loansand receivables	Other financial liabilities at amortized cost	Total carrying amount	Fair value
Non-current:					
Intercompany receivables	11	20.898	-	20.898	20.898
Current:					
Trade and other receivables	10	20	-	20	20
Cash and cash equivalents	13	817	-	817	817
Total financial assets		**21.735**	**-**	**21.735**	**21.735**
Current:					
Trade and other payables	17	-	88	88	88
Provisions		-	400	400	400
Non-current:					
Bond loan	15	-	37.962	37.962	-
Total financial liabilities		**-**	**38.450**	**38.450**	**488**

Period ended 31 Dec 2017 Amounts in USD 1000	Notes	Loansand receivables	Other financial liabilities at amortized cost	Total carrying amount	Fair value
Non-current:					
Intercompany receivables	11	21.742	-	21.742	21.742
Current:					
Trade and other receivables	10	7	-	7	7
Cash and cash equivalents	13	842	-	842	842
Total financial assets		**22.591**	**-**	**22.591**	**22.591**
Current:					
Trade and other payables	17	-	83	83	83
Provisions		-	400	400	400
Non-current:					
Bond loan	15	-	37.533	37.533	-
Total financial liabilities		**-**	**38.016**	**38.016**	**483**

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The bond loan is included in level 2, the rest of assets and liabilities are included in level 3.

During the reporting period ending 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers in and out of Level 3 fair value measurements.

The carrying amount of intercompany receivables, trade and other receivables approximate their fair value.

The carrying amount of trade and other payable is considered to approximate their fair value.

The carrying amount of the current interest bearing liabilities approximates the fair value.

The fair value of the other non-current interest bearing liabilities equals their carrying amount.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above and the carrying amount of investments in subsidiaries, see note 9. The Company does not hold any collateral as security

13. CASH AND CASH EQUIVALENTS

Period ended 31 December

Amounts in USD 1 000	2018	2017
Bank deposits denominated in USD	1	1
Bank deposits denominated in NOK	26	37
Bank deposits denominated in USD, restricted	742	742
Bank deposits denominated in NOK, restricted	48	62
Total cash and cash equivalents	**817**	**842**
Bank deposits classified as restricted	790	805
Non restricted cash	**27**	**37**

The restricted bank deposits are mostly placed as collateral for deposit for rent and withheld employee taxes

14. PAID IN CAPITAL

Amounts in USD 1 000	Number of Shares (1 000)	Share capital	Share premium	Total
At 31 December 2013/2014	**251.903**	**2.116**	**121.785**	**123.901**
Capital increase	330.000	2.162	2.594	4.756
Bond conversion	65.000	426	511	937
Cost capital increase	-	-	-459	-459
Reverse share split	-582.213	-	-	-
At 31 December 2015/2018	**64.690**	**4.704**	**124.431**	**129.135**

Total number of issued and authorised shares as of 31 December 2017 amounts to 64 690 thousand shares.

At and extraordinary general meeting in April 2017, the Board of Directors was authorised to increase the share capital by 8 086 thousand shares to provide financing for the Company's business.

For specifications of top 20 shareholders, see Group note 22

For specification of shares owned by board and executive management, see Group note 11

15. BORROWINGS

Period ended 31 December

Amounts in USD 1 000	2018	2017
Non-current:		
Bond loan denominated USD	37.962	37.533
Total non-current interest-bearing liabilities	**37.962**	**37.533**

The maturity of the Company's borrowings is as follows:

Period ended 31 December

Amounts in USD 1 000	2017	2017
0-12 months	-	-
Between 1 and 2 years	37.962	-
Between 2 and 5 years	-	37.533
Over 5 years	-	-
Total borrowings	**37.962**	**37.533**

Bond loan USD 32 million

The Bond Loan will mature on 22 January 2020. The bond loan shall be repaid at the final maturity date at 100 % of par value, plus accrued and unpaid interest. The issuer may redeem the bonds in whole or in part at 105 % of face value plus accrued unpaid interest on the redeemed amount.

The bonds have a nominal value of USD 1, and carry a fixed rate interest of 6.00 % payable semi-annually in arrears. The issuer may make the interest payment in kind (PIK) up to the interest payment date in January 2017. The PIK interest will be capitalised at an effective rate of interest of 8.00% per annum

The bond loan recognized in the statement of financial position is calculated as follows:

Period ended 31 December

AmountsinUSD1000	2018
Bond loan at issue date, 22 January 2015	32.000
PIK interest	5.436
Accrued interest	1.011
Borrowing costs (fees and legal expenses)	-485
Balance at 31 December 2018	**37.962**

There is not enough relevant information in the market to calculate Bond fair value, during the last years there have not been transactions of this bonds, additionally having into account that 2018 was a year of industry recovery from the Oil price crisis we expect a declining fair value and we concluded that is difficult to estimate a reliable fair value for the bonds.

16. RETIREMENT BENEFIT

Defined benefit plan

The Company has a defined benefit plan for employees. The Norwegian requirements for mandatory occupational pension are met.

The following tables summarise the components of the defined benefit plan:

Period ended 31 December

Amountsin USD 1000	2018	2017
Defined benefit obligation at the end of the year	-	148
Fair value of plan assets	-	-135
Retirement benefit obligation liability	**-**	**13**
The movement in the defined benefit obligation over the year is as follows:		
Beginning of the year	-	47
Current service cost	-	47
Interest cost	-	4
Settlements/curtailments	-	-
Expected return on plan assets		-2
Contribution by plan participants	-	-66
Exchange rate differences	-	8
Net actuarial loss recognized over OCI	-	-25
Retirement benefit obligation liability	**-**	**13**

The amounts recognized in profit or loss are as follows:		
Current service cost	-	47
Settlements/curtailments	-	-
Interest cost	-	4
Exchange rate differences	-	8
Expected return on plan assets	-	-2
Total defined benefit plan, expense (see note 5)	**-**	**57**

The principal actuarial assumptions used were as follows		
Discount rate	-	2,40 %
Expected return on plan assets	-	2,40 %
Future salary increases	-	2,50 %
Future pension increases	-	0,50 %
Increase of social security base amount (G)	-	2,25 %

The pension scheme has ended, and the company has no employees at the end of the year.

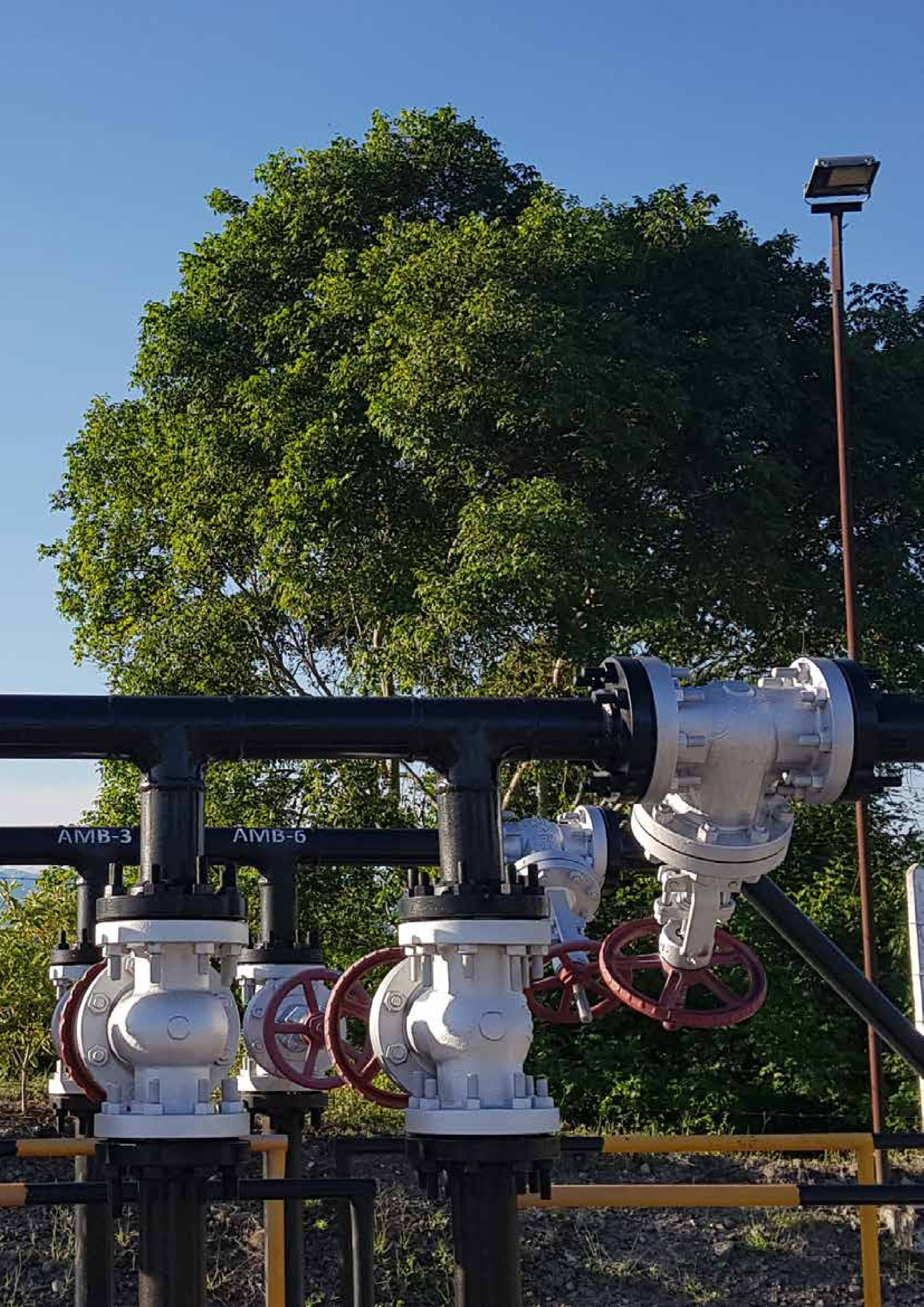
17. TRADE AND OTHER PAYABLES

For the year ended 31 December

Amountsin USD 1000	2018	2017
Trade creditors	66	12
Public duties payable	7	25
Other accrued expenses	15	46
Total trade and other payables	**88**	**83**

18. SUBSEQUENT EVENTS

See Group note 28 for information regarding subsequent events.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To the General Meeting of Interoil Exploration and Production ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Interoil Exploration and Production ASA, which comprise:

- The financial statements of the parent company Interoil Exploration and Production ASA (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and of cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Interoil Exploration and Production ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the financial statements and the Board of Directors' report which explains that the company's bond loan matures in January 2020 and that at the moment the company does not hold the required liquidity to repay it. The Board are in advanced discussions with the bondholders on several alternatives, however no final decision or agreement have been reached at this stage. If the discussions are not finalized within the timeframe of maturity, this indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our report. Key Audit Matter relating to COR-6 as included last year are solved during 2018 and not included as a Key Audit Matter for 2018.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 24 April 2019
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant

Contact

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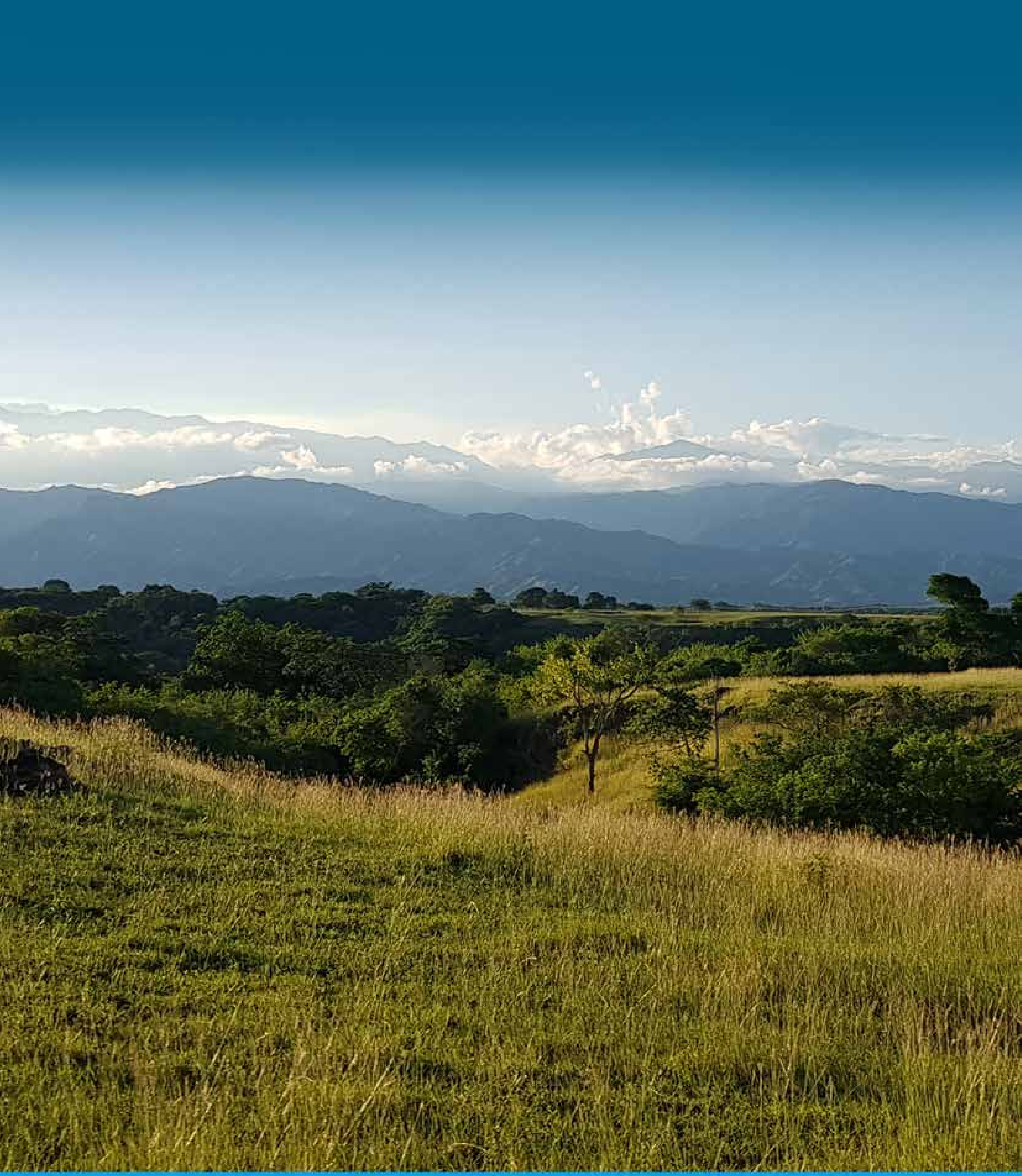

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