Corrective note to:
Annual Report 2020 and Second quarter and first six months of 2021
Interoil Exploration and Production ASA

c/o Advokatfirmaet Schjødt AS
Ruseløkkveien 14
0251 Oslo, NORWAY
WWW.INTEROIL.NO
INFO@INTEROIL.NO

Background for the corrective note to the Annual Report 2020 and Second quarter and first six months of 2021

In a letter dated 8 December 2021 The Financial Supervisory Authority of Norway required Interoil to present a corrective note to the previously published Annual Report 2020 and Second quarter and first six months of 2021.

This corrective note should be read in conjunction with the Annual Report 2020 approved by the Board of Directors on 24 June 2021.

The Financial Supervisory Authority required the following content of the corrective note:

A: Disclosure of corrections
Disclosure of the correction of the error in the prior period financial year 2019 relating to erroneous capitalization of the geochemical study on the LLA-47 license in accordance with IAS 8.49. Disclosure of the restatement in the prior period financial year 2019 relating to the separation of exploration and evaluation assets from property, plant and equipment, in accordance with IAS 8.49. Restatements and disclosures in accordance with IAS 8 of material prior period errors in its half year 2020 impairment testing related to the Mana and Santa Cruz assets, that were omitted from Interoil' 2021 half year interim financial statements. Disclosures of Interoil' impairment tests relating to both the requirements in IAS 1.129 for sensitivities and IAS 36.130e for the recoverable amount of impaired assets, that had been omitted from its 2019 and 2020 annual financial statements.

B: Disclosure of accounting policy
Disclosure of the accounting policy applied to the SLS arrangement for the LLA-47 license, as required by IAS 1.117. Furthermore, the significant judgements that management has made in the process of applying this accounting policy should be disclosed in accordance with IAS 1.122. In addition, disclosure of the nature of the material prior period error in accordance with IAS 8.49(a), related to Interoil' accounting for revenues and cost of goods sold under the SLS arrangement.

C: Disclosure of agreed correction
Disclosure of the agreed correction of the error, reclassifying the bond loan in its entirety from non-current to current, in the prior period financial year 2019 in accordance with IAS 8.49.

A: Disclosure of corrections

The four adjustments are presented separately with its effect on financial line items with a significant impact. All amounts in USD 1000

A.1 Annual report 2020 – expenses for geochemical studies - restatement of comparative numbers for 2019

Reference is made to note 5 in the annual report of 2020 as well as note 9.

In the annual report of 2019, a geochemical study on the LLA-47 field amounting to USD 2 million was capitalized on the basis that the LLA-47 field had proven reserves and one producing well. However, upon further inspection it was concluded that it was incorrect to capitalize geochemical study for the following reasons:

• The license area is predominantly an exploration field.

• Vikingo-1 was drilled as an exploration well. The P1/P2 reserves within the license area relate to this one well only and are expected to be fully depleted over the next 6-9 months.

The proven reserves and the producing well in LLA-47 are therefore incidental to the wider exploration area and it was therefore concluded that the geochemical study expenditure should have been treated as exploration cost and not capitalized. This was corrected in the comparatives of the annual report for 2020.

ASSETS	**31 December 2019**		
Amounts in USD 1000	**As reported**	**Adjustment**	**Restated**
Non-current assets			
Property, plant and equipment	34,628	-2,000	32,628
EQUITY			
Accumulated loss	-155,346	-2,000	-157,346
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Exploration cost expensed	-964	-2,000	-2,964
(Loss)/profit of the year	-7,641	-2,000	-9,641

A.2: Annual report 2020 – change in presentation of exploration and evaluation assets

Reference is made to note 5 in the annual report of 2020 as well as note 17.

Interoil acknowledged that the La Brea Block and Cañadón Ramírez Block acquired in 2019, were exploration and evaluation assets within the scope of IFRS 6. These assets were included in property plant and equipment in the annual report of 2019. As required by IFRS 6.25 entities must treat exploration and evaluation assets as a separate class of assets. The separation of exploration and evaluation assets were made in the 2020 annual account for the 2019 comparatives as follows:

ASSETS	31 December 2019		
Amounts in USD 1000	As reported	Adjustment	Restated
Non-current assets			
Property, plant and equipment	34,628	-3,605	31,023
Exploration and evaluation assets	0	3,605	3,605

A.3: Second quarter and first six months report 2021 – impairment loss - restatement of comparative numbers for 2020

Interoil did not perform an updated impairment analysis as of Q2 2020, since the developments in the oil price were viewed as representing short term volatility, and it was not deemed possible to confidently assess the potential consequences of the significant drop in oil prices caused by Covid-19 and other geopolitical events. Interoil subsequently concluded that the events of Q2-2020 indeed were impairment indicators and as such should have performed an updated impairment test at the time. If such a test had been carried out this would have resulted in impairment charges in the first half report of 2020, that instead were booked at year end 2020. The table below shows the effect of this adjustments in the comparative numbers for 2020 in the Second quarter and first six months of 2021 report.

Statement of Comprehensive Income	For the 3 month period ended 30 June 2020		
Amounts in USD 1000	As reported	Adjustment	Restated
Depreciation	-720		-720
Impairment		-2,260	-2,260
(Loss)/profit	-2,464	-2,260	-4,724

Statement of Comprehensive Income	For the 6 month period ended 30 June 2020		
Amounts in USD 1000	As reported	Adjustment	Restated
Depreciation	-3,002		-3,002
Impairment		-2,260	-2,260
(Loss)/profit	-3,353	-2,260	-5,613

A.4: Annual report 2020 - Description of sensitivity and recoverable amount of impaired assets for 2019

Reference is made to note 5 in the annual report of 2020 as well as note 17 in the annual report of 2020. All amounts in USD 1000.

There were not included sufficient disclosures in note 17 for comparative numbers for Llanos 47. Included below is information regarding recoverable amount after impairment and the sensitivity for the asset.

The recoverable amount of Llanos 47 after impairment in 2019 was USD 1,617.

Based on the impairment calculation the main assumptions in the calculation is the price curve and the discount rate. An increase in the discount rate of 1% would increase the impairment with USD 14.39 and an increase of the oil price of 1 USD would decrease the impairment with USD -51.54.

		31 December 2019			
Amounts in USD 1000					
Field	**Value in use**	**Book value**	**Impairment**	**Oil price**	**Discount rate**
Llanos 47	1,617	2,940	-1,323	U$/bbl 62.00	11.3%

Also, included is a table giving sufficient information for the impaired assets in 2020.

				31 December 2020					
Amounts in USD 1000									
Field	**Value in use**	**Book value**	**Impairment**	**Oil priced used Curve U$**	**Discount rate used**	**Change oil price + 2 USD (Effect)**	**Change oil price - 2 USD (Effect)**	**Change discount rate used + 1% (Effect)**	**Change discount rate used - 1% (Effect)**
Mana									
Llanos 47	5.701	816	1.323	U$ 51.02	8,3%	485	-485	-265	287
Ambrosia									
Rio Opia									
Mata Magallanes Oeste	8.245	9.223	-978	U$ 65.00	15,0%	569	-569	-501	544
Santa Cruz	591	715	-151	U$ 65.00	15,0%	43	104	-6	7

B: Disclosure of accounting policy

A more detailed description is provided below for the accounting for the SLS agreement and similar agreements based on the same fact pattern. This need to be read in connection with the annual report of 2019 and note 2.16.

The structure of the agreement with SLS and agreements based on the same fact pattern have in general the following main characteristics

- Interoil holds 100% legal responsibility and ownership for the license
- One part of the participation from third parties represents a funding and the first part of payments based on cash flow from production are treated as down payments. This part is therefore accounted for in accordance with IFRS 9.

- The second part of the participation is regarded as a reward for the risk for funding the operation and treated as a farm out transaction and a joint arrangement in accordance with IFRS 11. As Interoil still holds 100% legal ownership in the license - the application of IFRS 11 is used by analogy as this legal set up are not directly regulated in any standards.

This means that the funding part of the agreement is booked as a liability and Interoil recognize the whole asset as they legally hold 100%. The first part of the cashflow from production is divided between revenue for Interoil and down payment based on an agreed term sheet. For SLS this was a split on the down payment part 43% to SLS and 57% to Interoil until the funding is paid. When the timeline for down payments is short there is not any calculation of effective interest based on a materiality call.

Once the funding has been paid off – the second part of the agreement will be executed. At this stage the other party (normally the silent partner) will receive a part of the cash flow. Based on interpretation of IFRS 15 and IFRS 11 Interoil treat payments to the silent partner as a deduction in revenues and presents the revenue net of the silent partner's share. In the SLS case, SLS receives 22% once the funding has been repaid.

As part of disclosure note 5 in the Annual Report of 2020 Interoil have presented the effect on the 2019 numbers where the numbers are restated to be presented net. The main reason for this adjustment was a revised interpretation of IFRS 15 and presentation of the revenue in accordance with the description above.

C: Disclosure of agreed correction

In December 2019, Interoil announced plans to strengthen its balance sheet through a debt-to-equity conversion. The plan was approved by the bondholders on 30 December 2019 and by the shareholders in an extraordinary general meeting on 16 January 2020. Following correspondence with the Financial Supervisory Authority Interoil agreed that the refinancing was not sufficiently at the discretion of the entity, cf. IAS 1.73, as of 31 December 2019 as the bondholders had only offered the shareholders to convert, but as of 31 December 2019 the shareholders had not formally accepted this, even if this took place as expected. The conversion portion of 65% of the bond loan should therefore also has been classified as current as of 31 December 2019.

LIABILITIES	31 December 2019		
Amounts in USD 1000	As reported	Adjustment	Restated
Non-current liabilities			
Borrowings	21 579	-21,579	0
Deferred tax liability	870		870
Retirement benefit obligation	677		677
Provisions for other liabilities and charges	2 754		2,754
Total non-current liabilities	25 880		4,301
Current liabilities			
Borrowings/interest-bearing liabilities	19 460	21,579	41,039
Trade and other payables	5 684		5,684
Provisions for other liabilities and charges	763		763
Total current liabilities	25 907		47,486
TOTAL LIABILITIES	**51 787**		**51 787**

INTEROIL EXPLORATION AND PRODUCTION ASA
c/o Advokatfirmaet Schjødt AS
Ruseløkkveien 14
0251 Oslo, Norway
T +47 6751 8650
F +47 6751 8660
info@interoil.no
mailto: ir@interoil.no