

INTEROIL CORPORATION

FOREIGN CORRUPT PRACTICES ACT POLICY



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PURPOSE

The purpose of this Policy is to ensure compliance by InterOil Corporation (the "**Company**") and its directors, officers, employees, agents, consultants, and representatives comply with the Foreign Corrupt Practices Act of 1977, as amended ("**FCPA**") and related laws of other countries in which the Company does or intends to do business. The Company reserves the right to amend, rescind or replace this Policy at any time.

The FCPA prohibits the bribery of government officers or "**foreign officials**", and also requires U.S.- listed companies to maintain internal accounting controls and keep books and records that accurately reflect all transactions.

Every Company employee and agent whose duties may involve exposure to dealings with government officials is required to read and comply with both the FCPA policy and the FCPA Compliance Guide.

1. POLICY STATEMENT

The FCPA makes it illegal for US citizens and companies, their officers, directors, employees and agents and any stockholders acting on their behalf to pay, offer, or give anything of value to a foreign official, a foreign political party (or official thereof) or candidate for foreign office, for the purpose of influencing the decisions of those officials, parties or candidates. This is true regardless of the fact that giving anything of value may be widely accepted or even seems necessary in the country in question. Of course, similar prohibitions exist in separate legislation concerning US officials.

The FCPA also requires companies to keep accurate and complete accounting records and to maintain proper internal accounting controls that accurately and fairly reflect all its commercial transactions.

2. DEFINITIONS

The following definitions are to serve as a guide for some of the words or phrases used in this policy or in the context of FCPA more generally.

Bribe - When one party gives or offers another party, either directly or through an intermediary, any reward, advantage or benefit of any kind, in order to influence the making or not making or implementation of a decision or act by the party concerned.

Facilitating Payment - A payment made solely to expedite or secure the performance of the following routine government actions only:

- obtaining licenses, permits and other official documents to qualify to do business in a foreign country;
- processing governmental papers, such as visas and work orders;
- providing police protection, mail services and inspection of goods or of contract performance;
- providing telephone service, utilities, loading or unloading cargo and protecting perishable goods from deteriorating; and
- actions of a similar nature.

Foreign Official - The FCPA defines a “**foreign official**” as any officer or employee of a foreign government or any department, agency, or instrumentality of a foreign government. The term also includes any officer or employee of a public international organization such as the World Bank. Furthermore, any person acting in an official capacity for any foreign government agency, department or instrumentality, or for a public international organization is a ‘foreign official.’

The following persons would also be included in the definition of “**foreign official**”:

- Officers and employees of foreign state owned companies
- Uncompensated honorary officials if such officials can influence the awarding of business
- Members of royal families who have proprietary or managerial interests in industries and companies owned or controlled by the government

The FCPA also prohibits bribes to foreign political parties and their officials as well as to candidates for foreign political office.

Government - An agency, instrumentality, subdivision or other body of any national, state or local government, including hospitals or other health facilities which are owned or operated by a government, and including regulatory agencies or government-controlled businesses, corporations, companies or societies.

Knowing - This element was introduced primarily to cover payments for illicit purposes to intermediaries or foreign agents who would in turn make payment to foreign officials. A company or person has knowledge of prohibited conduct if the company or person is (a) aware that such person (to whom company resources are given) is engaging in such conduct, that such circumstance exists, or that such result is substantially certain to occur or (b) has a firm belief that such circumstance exists or that such result is substantially certain to occur. A company or person is also deemed to have knowledge of a particular circumstance if the company is “aware of a high probability of the existence of such circumstance, unless the person actually believes that such circumstance does not exist.” Thus, a corporation can be held liable if its actions indicate a conscious disregard or deliberate ignorance of circumstances that should reasonably alert the company to the high probability of illegality. A corporation cannot turn a blind eye to suspicious activities of its foreign finders, agents, representatives or partners, hoping not to learn of prohibited activity.

Money or "Anything Of Value" - The use of the phrase “anything of value” means that the FCPA forbids not only money bribes but also bribes constituting such things as:

- Stock
- Entertainment
- Gifts
- Discounts on products and services not readily available to the public
- Offer of employment
- Assumption or forgiveness of debt
- Payment of travel expenses
- Personal favours

This list is not comprehensive. There may be other things “of value” which offend the FCPA.

Payment - Money, transfer of stock, bonds or any other property, the payment of expenses, the providing of services of any type, the assumption or forgiveness of any indebtedness, or any other

transfer of goods, services, tangibles or intangibles that accrues to the benefit of the ultimate recipient or promotes his or her.

Third Party - Any person not a party to the transaction, usually a sales intermediary between the Company and the final customer or end-user of the Company's products.

3. SCOPE

All employees and/or officials representing the Company or any of its subsidiaries are responsible for upholding the "**knowing**" standard, which is broad and encompasses more than actual knowledge that such corrupt practices will occur. Ignoring or disregarding circumstances that could reasonably be considered sufficient warning that illegal conduct will occur may be grounds for meeting the knowing standard.

Great care must be exercised in this area. All activities must uphold the principles set forth in Company's Code of Ethics and meet the highest standards of behaviour, including honesty and fairness in all aspects of our work.

4. ANTI-BRIBERY PROVISIONS

The FCPA makes it a crime for the Company, or any of its subsidiaries, agents (including stock holders), or employees to directly or indirectly offer or pay a bribe to a foreign official. The FCPA applies to payments to any public official, regardless of rank or position.

5. PERMISSIBLE PAYMENTS PROVISION

Facilitating payments or gifts may be made only if:

- The assistance requested and for which the payment or gift is made is clearly an action which the person receiving the payment is legally required to provide, and the payment is only to facilitate such action;
- Such payment is legal and customary in the foreign country in question;
- No reasonable alternative to making the payment exists;
- The duties of the person receiving the payment are essentially ministerial or clerical; and
- The payment has been approved in advance by the Chief Financial Officer and the General Counsel.

Approval will be given only after it has been determined that such payment is consistent with the criteria set forth above and with all other applicable laws. In any event, every effort should be made to eliminate or minimize such payments.

Various types of "**promotional or marketing**" payments may be made under the FCPA under certain circumstances. For example, certain reasonable, bona fide expenses incurred while promoting the Company to foreign officials, hosting a tour of foreign public officials at a Company facility or entertaining employees of a foreign state-owned firm may also be legitimate expenses under the FCPA. However, prior written approval is required from the General Counsel before such expenses are made.

Payments to foreign officials that are lawful under the written laws and regulations of the foreign official's country may be allowable under the FCPA. Please note, however, that most countries have laws prohibiting the payment of bribes to government officials. No payment shall be made by any Company employee, officer or agent to a foreign official in reliance upon the written laws of the local country without the prior written approval of the General Counsel.

6. RECORD-KEEPING/ACCOUNTING PROVISIONS

The record keeping provisions of the FCPA require publicly held United States companies to keep their books, records and accounts in reasonable detail, accurately and such that they fairly reflect all transactions and dispositions of assets. Thus the FCPA prohibits the mischaracterization or omission of any transaction on a company's books or any failure to maintain proper accounting controls that result in such mischaracterization or omission. Accordingly, covering up a transaction that violates the FCPA by mischaracterizing it on the Company's books and records (such as an expense account) is itself a separate violation of the FCPA. These provisions are of course consistent with the financial reporting regime to which the Company is otherwise subject.

7. DUE DILIGENCE PROVISION

To avoid being held liable for corrupt third party payments, the Company and any Company person acting on its behalf must exercise due diligence at all times and take all necessary precautions to ensure that business relationships are formed only with reputable and qualified partners, agents, and representatives. In negotiating any business relationship, it shall be recommended practice for the Company or any Company person acting on the Company's behalf to require potential partners, agents, or representatives to provide FCPA compliance certification, generally as a term of any applicable contract. Such certification shall include a covenant by the person providing it not to make or cause to be made any unlawful offer, promise, or payment to a foreign public official and not to do anything that would cause the Company to be in violation of the FCPA.

8. PUNISHMENTS

Sanctions for FCPA violations, or even a mere indictment for a potential violation, are severe and potentially devastating to the Company and to the individuals involved. Statutory criminal penalties for individuals include fines up to \$100,000 per violation or imprisonment up to five years, or both. Individual officers and employees of companies may be prosecuted even if the company for which they work is not. Fines assessed against individuals may not be reimbursed by the company.

Of course, any FCPA violation will have a significant effect upon the reputation of the Company and the individual(s) involved. It is likely that they will not be able to continue to carry on business in the same way or, in certain cases, at all.

Employees acting in violation of this policy or the FCPA more generally will have their employment terminated immediately.

9. GUIDANCE AND REPORTING VIOLATIONS

There are no easy answers to many FCPA issues the Company faces in its daily business activities. In some cases the right thing to do will be obvious, but in other more complex situations, it may be difficult for an employee to decide what to do. When an employee is faced with a tough decision or whenever they have any doubts as to the right thing to do, they should refer to the FCPA Compliance Guide or they should talk to someone else such as their supervisor, another manager, or the Legal Department.

The Company has also established a system for reporting violations of any of the Company policies, as well as any suspected illegal activity or misconduct by any employee or representative of the Company.

This may be done anonymously in writing to:

Attention: General Counsel
InterOil Corporation
Level 3, Cairns Square
42 - 52 Abbott Street
Cairns, Qld 4870, Australia
(PO Box 6567, Cairns Qld 4870)

Phone: +617 4046 4600

Email: mark.laurie@interoil.com or paul.toua@interoil.com

The Company will not permit any form of retribution against any person, who, in good faith, reports known or suspected violations of Company policy. It is a violation of this policy for anyone to be discriminated against or harassed for contacting his or her supervisor, upper management, the General Counsel, the Chief Financial Officer, or the Chairperson of the Nominating and Governance Committee with a good faith report of a suspected violation of law or policy. If you feel that you are being retaliated against in violation of this policy, please follow the procedures for reporting violations under the Company's whistleblower policy. Employees, officers and directors are expected to cooperate in internal investigations of misconduct.

10. ENFORCEMENT OF FCPA POLICY

Every Company employee, agent or representative whose duties are likely to lead to involvement in or exposure to any of the areas covered by the FCPA is expected to become familiar with and comply with this FCPA Policy.

It is the individual responsibility of each officer, employee, and agent of the Company, whose duties are likely to lead to involvement in or exposure to any of the areas covered by the FCPA, by action and supervision as well as continuous review, to ensure strict compliance with this FCPA policy.

