

InterOil Corporation

Charter of the Compensation Committee of the Board of Directors

This Compensation Committee Charter (the “**Charter**”) sets forth the purpose and membership requirements of the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of InterOil Corporation (the “**Company**”) and establishes the authority and responsibilities delegated to it by the Board.

1. **Purpose.** The purpose of the Committee is to (i) discharge the Board’s responsibilities relating to fair and competitive compensation of the Company’s chief executive officer (“**CEO**”), senior executives and directors; (ii) review and approve an annual report on executive compensation for inclusion in the Company’s management information circular or proxy statement, if applicable, for the annual meeting of shareholders; and (iii) administer, approve and evaluate the director and officer compensation plans, policies and programs of the Company.
2. **Committee Membership.**
 - 2.1. **Composition and Appointment.** The Committee shall consist of three or more members of the Board. The Board shall designate members of the Committee upon recommendation of the Board’s Nominating and Governance Committee. Membership on the Committee shall rotate at the Board’s discretion. The Board shall fill vacancies on the Committee and may remove a Committee member from the membership of the Committee at any time without cause. Members shall serve until their successors are appointed by the Board and as otherwise required by applicable law or the rules of the American Stock Exchange (“**AMEX**”).
 - 2.2. **Independence.** Each member of the Committee must meet the independence requirements, or an applicable exemption, of the AMEX and applicable Canadian and U.S. federal securities laws, including the rules and regulations of the U.S. Securities and Exchange Commission (“**SEC**”).
 - 2.3. **Subcommittees.** The Committee shall have the authority to delegate authority and responsibilities to subcommittees; provided that no subcommittee shall consist of less than two members.
3. **Advisors.** The Committee shall have the authority to (i) retain, at the Company’s expense, an independent compensation consultant and other expert advisors (“**Advisors**”) as it deems necessary to fulfill its

responsibilities and (ii) determine, on behalf of the Company, the compensation of such Advisors. The Committee shall have sole authority to terminate any such Advisor, including sole authority to approve the fees and other retention terms.

4. **Meetings.**

4.1. **Frequency of Meetings.** The Committee shall meet at least once per year. The schedule for regular meetings of the Committee shall be established by the Committee. The Chairperson of the Committee may call a special meeting at any time as he or she deems advisable. Meetings may be by written consent. When necessary, the Committee will meet in executive session outside the presence of any senior executive officer of the Company.

4.2. **Minutes.** Minutes of each meeting of the Committee shall be kept to document the discharge by the Committee of its responsibilities.

4.3. **Quorum.** A quorum shall consist of at least one-half of the Committee's members, but no fewer than two persons. The act of a majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee.

4.4. **Agenda.** The Chairperson of the Committee shall prepare an agenda for each meeting of the Committee, in consultation with Committee members and any appropriate member of the Company's management or staff, as necessary. As requested by the Chairperson, members of the Company's management and staff shall assist the Chairperson with the preparation of any background materials necessary for any Committee meeting.

4.5. **Presiding Officer.** The Chairperson of the Committee shall preside at all Committee meetings. If the Chairperson is absent at a meeting, a majority of the Committee members present at a meeting shall appoint a different presiding officer for that meeting.

5. **Committee Authority and Responsibilities.**

5.1. **Director Compensation.** The Committee shall periodically review and make recommendations to the Board with respect to the compensation of all directors.

5.2. **Executive Compensation.** The Committee shall (i) review and approve corporate goals and objectives relevant to compensation of the CEO, (ii) evaluate the CEO's performance in light of those goals and objectives and (iii) determine and approve the CEO's compensation level based on

such evaluation. The Committee shall annually review and approve the CEO's (i) annual base salary, (ii) annual bonus, and (iii) long-term incentives. The Committee shall meet in executive session, outside of the presence of the CEO, to determine the compensation of the CEO. In addition, the Committee shall annually determine or make recommendations to the Board with respect to the compensation of all other senior executives. In determining the incentive component of executive compensation, the Committee may consider such factors as the Company's performance relative to its peer group, the officer's performance in light of Company goals and objectives relevant to the officer's compensation, competitive market data pertaining to compensation at comparable companies, and such other factors as the Committee deems relevant. Periodically, the Committee shall review employment agreements, severance arrangements, and change in control agreements/provisions and any special or supplemental benefits.

5.3. Non-Executive Employees. The Committee may annually review and make recommendations to the Board with respect to the general compensation levels of non-executive employees; including merit increases and incentive opportunities.

5.4. Administration of Plans. The Committee shall administer the Company's incentive compensation and stock option and other equity based plans (including specific provisions) in which the CEO and other executive officers may be participants and recommend to the Board amendments to such plans or adoption of new plans. In connection with administering such plans, the Committee shall have the authority to (i) approve option guidelines and the general size of overall grants, (ii) make grants, (iii) interpret the plans, (iv) determine the rules and regulations relating to the plans, (v) modify or cancel existing grants and substitute new grants (with the consent of grantees), (vi) designate employees eligible to participate in the plans, and (vii) impose such limitations, restrictions and conditions upon any award as the Committee deems appropriate and as permitted under the applicable plan. As requested by management, the Committee shall review, consult, and make recommendations and/or determinations regarding executive and employee compensation and benefit plans and programs generally.

5.5. Insider Trading Plan. The Committee shall administer the Company's Insider Trading Policy to the extent such policy applies to Covered Persons (as defined in the Insider Trading Policy). In connection with administering such the Insider Trading Policy, the Committee is responsible for providing prior authorization for all trades by Covered Persons.

5.6. **Shareholder Proposals.** The Committee shall review and make recommendations with respect to shareholder proposals related to compensation matters.

6. **Reports and Assessments.**

6.1. **Board Reports.** The Chairperson of the Committee shall, periodically, at his or her discretion, report to the Board on Committee actions and on the fulfillment of the Committee's responsibilities under this Charter.

6.2. **Charter Assessment.** The Committee shall periodically, at its discretion, assess the adequacy of this Charter and advise the Board of its assessment and of its recommendation for any changes to the Charter. The Committee shall, if requested by management, assist management with the preparation of any certification to be presented to the AMEX affirming that the Committee reviewed and reassessed the adequacy of this Charter.

6.3. **Committee Self-Assessment.** The Committee shall regularly make a self-assessment of its performance and shall report the results of such self-assessment to the Board.

6.4. **Management Information Circular Report.** The Committee shall review and approve an annual report on executive compensation as required by the rules and regulations of the Canadian Securities Administrators and the SEC and submit it to the Board for inclusion in the Company's management information circular prepared in connection with its annual meeting of shareholders.