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## NEWS RELEASE

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### **INTEROIL ANNOUNCES PRELIMINARY TESTING RESULTS AT THE ELK #1 DISCOVERY WELL**

**October 20, 2006 - InterOil Corporation (IOL: TSX) (IOC: AMEX) (IOC: POMSoX)**, a Canadian company with operations in Papua New Guinea announces preliminary well testing results at the Elk #1 discovery well. Highlights of the preliminary results are;

- Shallow high pressure gas with over 3,150 psi surface pressure;
- High quality condensate of 46 degrees API gravity;
- Highly permeable fractured reservoir;
- Demonstrated high flow rates 21.7 MMcfpd through a small choke, (150 MM COAF);
- Potential 4,000 feet hydrocarbon column;
- Potential for oil leg;
- Source confirmed to be peak to late mature for oil by CSIRO.

“We are very encouraged by these early test results and look forward to the final completion and test results of the Elk #1 discovery well. The well is now being prepared for a long term production completion, which is expected to take approximately two to three weeks,” said Mr. Phil Mulacek, CEO and Chairman of InterOil.

InterOil is developing a vertically integrated energy company whose primary focus is Papua New Guinea and the surrounding region. Its assets comprise an oil refinery, upstream petroleum exploration licenses, and retail and commercial distribution assets. The majority of the refined products from InterOil’s refinery are secured by off-take contracts with Shell and InterOil’s wholly-owned subsidiary, InterOil Products Limited. BP Singapore is InterOil’s agent for crude oil supplied to the refinery. InterOil is also undertaking an extensive petroleum exploration program within its eight million acre license area located in Papua New Guinea. InterOil is widely recognized as being the largest value added processing facility in PNG.

*InterOil's common shares trade on the Toronto Stock Exchange under the symbol IOL in Canadian dollar and on the American Stock Exchange under the symbol IOC in US dollars. For more information please see the InterOil website at: [www.interoil.com](http://www.interoil.com)*

FOR FURTHER INFORMATION:

**A detailed presentation of the Elk # 1 well and the test results may be viewed at; [www.interoil.com](http://www.interoil.com)**

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### **Cautionary Statements**

This press release contains forward-looking statements as defined in U.S. federal and Canadian securities laws. All statements, other than statements of historical facts, included in this release are forward-looking statements. Forward-looking statements include, without limitation, statements regarding our drilling plans, plans for expanding our business segments, business strategy, plans and objectives for future operations, future capital and other expenditures, and those statements preceded by, followed by or that otherwise include the words "may," "plans," "believe," "expects," "anticipates," "intends," "estimates" or similar expressions or variations on such expressions. Each forward-looking statement reflects our current view of future events and is subject to risks, uncertainties and other factors that could cause our actual results to differ materially from any results expressed or implied by our forward-looking statements. These risks and uncertainties include, but are not limited to, the ability of our refinery to operate at full capacity and to operate profitably; uncertainty involving the geology of oil and gas deposits and reserve estimates; delays and changes in plans with respect to exploration or development projects or capital expenditures; political, legal and economic risks related to Papua New Guinea; the impact of competition; the volatility of prices for crude oil and the volatility of the difference between our purchase price of crude oil feedstocks and the sales price of our refined products; the uncertainty of our ability to attract capital; and the risks described under the heading "Risk Factors" in our 2005 Annual Information Form dated March 31, 2006 and our Management's Discussion and Analysis for the Second Quarter of 2006.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this MD&A will prove to be accurate. In light of the significant uncertainties inherent in our forward-looking statements, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events or otherwise. Our forward-looking statements are expressly qualified in their entirety by this cautionary statement.

We currently have no reserves as defined in Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. All information contained herein regarding resources are references to undiscovered resources under Canadian National Instrument 51-101, whether stated or not.