



NEWS RELEASE

INTEROIL ANNOUNCES FAILURE TO SATISFY AUDIT COMMITTEE REQUIREMENTS

November 3, 2006 – TORONTO, CANADA – InterOil Corporation (IOL:TSX) (IOC:AMEX) (IOC:POMSoX), a Canadian company with operations in Papua New Guinea, announced today that it has received official notification from the American Stock Exchange (AMEX) that it is currently out of compliance with the AMEX's audit committee requirements as set forth in the AMEX Company Guide.

Following the retirement of Mr. Michael Folie, effective October 1, 2006, the Company's Audit Committee is comprised of only two independent directors. InterOil notified the AMEX that as a result of Mr. Michael Folie's retirement, the Company is no longer in compliance with Section 121(B)(2)(a) of the AMEX Company Guide, which requires that issuers maintain an Audit Committee of at least three members, each of whom is independent. InterOil is similarly no longer in compliance with Canadian securities legislation regarding audit committee composition. A search for Mr. Michael Folie's replacement on the Audit Committee is in progress.

The AMEX has given the Company until January 2, 2007 to regain compliance with the AMEX requirements. In setting this deadline, the AMEX has determined at this time not to apply continued listing evaluation and follow-up procedures specified in Section 1009 of the AMEX Company Guide. If however, the Company fails to resolve the specified continued listing deficiency within the timeframe noted above, the AMEX will assess the Company's continued listing eligibility including, as appropriate, the application of the continued listing evaluation follow-up procedures specified in Section 1009 of the AMEX Company Guide and/or initiation of delisting proceedings. In the letter, AMEX also noted that within five days of the date of the letter, the Company will be included in a list of issuers posted on the AMEX website that are not in compliance with the AMEX's continued listing standards. Further, the Company will become subject to the indicator "BC" to denote its current non-compliance. Accordingly, "InterOil

Corporation" will trade as "IOC.BC" and remain on the AMEX website list until a replacement independent director has been appointed to the Board and Audit Committee.

The retirement of Mr. Michael Folie occurred sooner than expected and the Company is working diligently to complete its search for Mr. Folie's replacement and anticipates that a replacement independent director will be appointed to the Board and the Audit Committee prior to January 2, 2007.

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, retail and commercial distribution assets and targeting expansion into Liquefied Natural Gas (LNG). 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

FOR FURTHER INFORMATION:

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Cautionary Statements

This press release may include "forward-looking statements" as defined in United States federal and Canadian securities laws. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause our actual results to differ materially from those implied or expressed by the forward-looking statements.

