



NEWS RELEASE

INTEROIL ANNOUNCES SPUDDING OF THE ELK-2 APPRAISAL WELL IN PAPUA NEW GUINEA

FEBRUARY 12, 2007 – TORONTO, CANADA – InterOil Corporation (IOL:TSX) (IOC:AMEX) (IOC:POMSoX), a Canadian company with operations in Papua New Guinea today announced that drilling has commenced on the Elk-2 appraisal well. The Elk-2 is located approximately 2.9 miles (4.7 km) northwest of the Elk-1 discovery well in Petroleum Prospecting License 238 and is planned to test the entire 2,000 feet Puri and Mendi limestone section located in a down dip position. The Elk-2 well is expected to take up to 90 days to reach the proposed total measured depth of approximately 10,000 feet (3,050 meters) at an estimated cost of US\$12.5 million.

"Drilling this well is targeted to delineate the natural gas resource and determine the existence of an oil leg," said Mr. Phil Mulacek, Chairman and CEO. "Upon reaching the total planned depth, we will conduct an extensive testing program designed to better understand the natural gas potential in the Elk structure which could underpin a Liquefied Natural Gas (LNG) Project," Mr. Mulacek added.

An estimated forward program presentation: "InterOil Elk Appraisal, February 2007" may be viewed on our website: www.interoil.com.

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 INVESTOR RELATIONS ENQUIRIES:

InterOil currently has no *reserves* as defined in Canadian National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Any information contained herein regarding resources are references to *undiscovered resources* under NI 51-101, whether stated or not.

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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.