



## NEWS RELEASE

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### INTEROIL ANNOUNCES EXTENSION OF PREFERENTIAL INTEREST RATE ON CREDIT FACILITY

**TORONTO -- July 1, 2007 -- InterOil Corporation (TSX:IOL) (AMEX:IOC) (POMSoX:IOC)** today announced that its \$130 million secured credit facility with lenders Merrill Lynch Capital Corporation (Merrill) and Clarion Finanz AG acting through an affiliate, Pacific LNG Operations Ltd (Pacific LNG) was amended to extend the existing 4% interest rate from June 30, 2007 to July 31, 2007. With execution of a shareholder agreement covering the Papua New Guinea liquid natural gas (LNG) project by the company and these lenders on or before July 31, 2007, the interest rate will continue to be 4% for the full term of the loan, which ends May 2008. If an agreement is not finalized, the interest rate will increase to 10% unless the lower rate is further extended by the parties.

“We have made major progress on the negotiations covering the LNG project and are close to finalizing the documentation on a definitive shareholder agreement,” InterOil Chairman and CEO Phil Mulacek said. “Both Merrill Lynch and Pacific LNG have reiterated their commitment to the LNG project, following the confirmation of a large gas column in the Elk structure. All parties are encouraged with the interim results of Elk-2, and the overall resource potential in the structure, which can underpin the joint LNG project.”

Drilling and evaluation operations continue on Elk-2 with several important outcomes already achieved:

- Drilled to nearly 8,700 feet (2,650 meters) and confirmed over 3,400 feet (1,040 meters) of total limestone formation from the top of Elk-1 to the current depth of Elk-2.
- Confirmed that the natural gas column in the structure extends to over 2,300 feet (700 meters) while not encountering a gas water contact.
- Gas was produced to surface and downhole pressures were recorded leading to a calculated reservoir pressure in excess of 3,800 pounds per square inch.

- Heavy gas and gas liquid compositions were reported on mudlogs data indicating that the natural gas is becoming richer with depth, information critical to the design features of the LNG plant.

“These well results strengthen our ability to secure the natural gas supply to support and maintain the project on track for delivery of LNG in 2012. We are positive about the progress of Elk-2 and continue with our plans to drill, core and test the entire limestone formation, which may demonstrate expanded natural gas resources for future growth of the LNG project.” Mulacek, said.

## COMPANY DESCRIPTION

InterOil Corporation is developing a vertically integrated energy business whose primary focus is Papua New Guinea and the surrounding region. InterOil’s assets consist of petroleum licenses covering about 9 million acres, an oil refinery, and retail and commercial distribution facilities, all located in Papua New Guinea. During 2006, the company announced a gas and condensate discovery, completed an optimization program at the refinery, and doubled the downstream business by acquiring Shell’s distribution assets in Papua New Guinea. In addition, InterOil initiated development activity related to a liquefied natural gas (LNG) project

## FOR FURTHER INFORMATION

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## CAUTIONARY STATEMENTS

This news release contains projections and other forward-looking statements within the meaning of United States and Canadian securities laws. These projections and statements reflect the company’s current views with respect to future events and financial performance. No assurances can be given, however, that these events will occur or that these projections will be achieved and actual results could differ materially from those projected as a result of certain factors. Some of the factors which could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements include: the ability of our refinery to operate at full capacity and to operate profitably; the success of our exploration activities; political, legal and economic risks related to our operations in Papua New Guinea; our ability to market refinery output; our dependence on exclusive relationships with our suppliers and customers; our ability to obtain necessary licenses; our ability to renew our petroleum licenses with the Papua New Guinea government; adverse weather, explosions, fires, natural disasters and other operating hazards, some of which may not be insured; the impact of competition; the enforceability of legal rights; the volatility of prices for crude

oil and the volatility of the difference between our purchase price of oil feedstock and the sales price of our refined products; the uncertainty of our ability to attract capital; uninsured operations; covenants in our financing and other agreements that may limit our ability to engage in business activities, raise additional financing or respond to changes in markets or competition; and the risk factors discussed in our filings with the Securities and Exchange Commission, including but not limited to those in our Annual Report for the year ended December 31, 2006 on Form 40-F.

Any forward-looking statement speaks only as of the date on which such statement is made and the company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise.

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.