



NEWS RELEASE

INTEROIL CONFIRMS MAJOR HYDROCARBON COLUMN AT ELK-2 WELL

TORONTO -- August 13, 2007 -- InterOil Corporation (TSX:IOL) (AMEX:IOC) (POMSoX:IOC) today announced positive results from the Elk-2 appraisal well in Papua New Guinea.

“We are now confident that the Elk structure contains sufficient gas to underpin the first train of an LNG plant which will be built by Liquid Niugini Gas Ltd., adjacent to our refinery, and sufficient oil shows to justify sidetracking to confirm an oil leg,” said Mr Phil Mulacek, Chairman and CEO of InterOil.

The Elk-2 appraisal well was originally identified by an extensive seismic program, and was drilled to confirm the extent of the Elk structure, find an oil leg, confirm the matrix porosity in the Puri and Mendi limestone, and drill to the water contact point to determine the thickness of the limestone reservoirs.

Successful drilling efforts and testing activities in the well have confirmed the following:

- ✓ ~ 4,452 feet (1,358 meters) of indicated hydrocarbon column from highest known gas in Elk-1 to lowest indicated hydrocarbons in Elk-2.
- ✓ Multiple oil shows throughout a column of 594 feet (181 meters) (fluorescence, free oil in mud, and oil recovered in the core).
- ✓ The well has flowed gas and gas liquids to surface during DST.
- ✓ Extrapolated initial reservoir pressure, P*, of 3,900 psi. Upper Puri reservoir flow is indicative of fractures.
- ✓ Multiple drilling breaks, in conjunction with losses, and hydrocarbon shows indicate porosity and permeability throughout the reservoir section drilled.
- ✓ Multiple gas zones, with continuous presence of gas in the mud logs.
- ✓ The target reservoirs (Puri and Mendi limestone) are significantly thicker than pre-drill estimates.

“Our forward plan is now to drill to total depth, log, complete and test the well. We will then sidetrack the well to intersect the potential oil leg structurally higher in the porous Mendi limestone section,” said Mr. Mulacek.

The August 2007, Elk -2 Technical Update will be posted on the InterOil website on August 14, 2007.

Financial results for the second quarter will be released after the market close Monday, August 13, 2007. A conference call will be held on Tuesday, August 14, 2007, at 8:30 a.m. EDT to discuss the second quarter’s financial results, drilling results, as well as the company’s outlook for the remainder of 2007.

The conference call can be heard through a live audio web cast on the company’s website at www.interoil.com or accessed by dialing (612) 288-0329. A replay of the broadcast will be available afterwards on the website.

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 is a shareholder in PNG LNG Inc., a Joint Venture with Merrill Lynch Commodities and Pacific LNG established to construct Papua New Guinea’s first LNG plant on a site adjacent to InterOil’s refinery in Port Moresby.

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 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.