



NEWS RELEASE

INTEROIL PROVIDES CLARIFICATION ON CONVERSION PRICE FOR PNG DRILLING VENTURES

AUGUST 20, 2003 – Toronto, Canada - InterOil Corporation (IOL:TSX-V) (IOC:ASX / POMSoX), a Canadian company with operations in Papua New Guinea announced today a clarification for the minimum conversion price for PNG Drilling Ventures Ltd. The revised minimum conversion price of C\$20.85 (US\$15.10) per common share is for a portion of the PNG Drilling Ventures investment and represents an increase of C\$0.33 over the previous pricing structure.

For further clarification, on the date the escrow funds related to this investment was received, InterOil's share price closed at C\$17.10 (US\$12.70). Both the new conversion price and the previous contractual conversion price represent a premium over that day's closing price. As previously announced, this US\$12.2 million transaction with PNG Drilling Ventures Ltd. equates to a 6.75% indirect participation interest in the Company's 16-well drilling program that is currently underway in Papua New Guinea.

InterOil is focused on Papua New Guinea and the surrounding region, and is developing an integrated energy business consisting of an oil refinery, petroleum exploration, and retail assets. The majority of product from the refinery is secured by contracts with Shell Overseas Holdings Ltd. BP Singapore is the exclusive agent for all crude oil supplied to the refinery. In addition to the refinery and retail assets, InterOil has commenced an extensive exploration program in Papua New Guinea.

InterOil's common shares are traded in Canada in Canadian dollars on the TSX Venture Exchange under the symbol IOL, and on the Australian Stock Exchange, "ASX" in CHESS Depository Interests "CDI", in Australian dollars under the symbol IOC, traded on a 10:1 basis to common shares. InterOil Corporation shares also trade on the Port Moresby Stock Exchange in Papua New Guinea in the local currency (KINA) under the symbol IOC. For more information please see the InterOil website at: www.interoil.com.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.

FOR FURTHER INFORMATION:

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Cautionary Statement

This press release contains forward-looking statements. All statements, other than statements of historical facts, included in this release, including without limitation, statements regarding our drilling plans, business strategy, plans and objectives of management for future operations and those statements preceded by, followed by or that otherwise include the words “believe”, “expects”, “anticipates”, “intends”, “estimates” or similar expressions or variations on such expressions are forward-looking statements. The Company can give no assurances that such forward-looking statements will prove to be correct. Risks and uncertainties include, but are not limited to, the existence of underground deposits of commercial quantities of oil and gas; fluctuations in prices for oil and gas production; curtailments or delays in development due to mechanical, operating, marketing or other problems; capital expenditures that are either significantly higher or lower than anticipated because the actual cost of identified projects varied from original estimates; and from the number of exploration and development opportunities being greater or fewer than currently anticipated. See the Company’s filings with the Canadian Securities regulators for additional risks and information about the Company’s business.