



InterOil Corporation
Elk -1 ST -1 well
Drilling Report No. 5
22 May 2006

Elk Prospect

Type: Oil / Gas exploration well

Location: PPL 238, Eastern Papua Basin
145° 08' 27.6" E; 007° 06' 0.5" S

Current Status: Continuing to circulate through choke until mud weight is built up and well is stabilized (static). Planned operation after the well is stabilized is to determine the gas entry point, then drill out below the liner into the Puri Limestone.

Activities since last report: Ran in hole to tag cement at 5,311 feet (1,614 meters). After displacing the 15.3 ppg mud to test the top of liner, the well started to flow gas within 45 minutes with hydrocarbons to surface, (with methane - C1 to pentane - C5). Circulated through choke manifold and flared gas. Commenced increasing mud weight from 11.6 ppg to kill well.

Past Data: Drilled 12 1/4" hole to 4,075 feet (1,242 meters). Set a cement plug from ~ 2,766 to 2,560 feet (840 to 780 meters) to establish the kickoff point. Drilled 12 1/4" sidetrack hole to 3,478 feet (1,060 meters). Set 9 5/8" casing at 3,478 feet (1,060 meters). Ran 7" liner (casing) to 5,393 feet (1,640 meters) and cemented.

Planned Total Depth: Approximately 9,843 feet (3,000 meters).

Operator: InterOil subsidiary, SPI (208) Limited.

Prospect Description: This well is targeting the Puri/Mendi fractured limestone.

FOR FURTHER INFORMATION: Please see the InterOil web site at www.interoil.com

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Cautionary Statements

This press release contains forward-looking statements as defined in U.S. federal and Canadian securities laws. All statements, other than statements of historical facts, included in this release are forward-looking statements. Forward-looking statements include, without limitation, statements regarding our drilling plans, plans for expanding our business segments, business strategy, plans and objectives for future operations, future capital and other expenditures, and those statements preceded by, followed by or that otherwise include the words “may,” “plans” “believe,” “expects,” “anticipates,” “intends,” “estimates” or similar expressions or variations on such expressions. Each forward-looking statement reflects our current view of future events and is subject to risks, uncertainties and other factors that could cause our actual results to differ materially from any results expressed or implied by our forward-looking statements. These risks and uncertainties include, but are not limited to, the ability of our refinery to operate at full capacity and to operate profitably; uncertainty involving the geology of oil and gas deposits and reserve estimates; delays and changes in plans with respect to exploration or development projects or capital expenditures; political, legal and economic risks related to Papua New Guinea; the impact of competition; the volatility of prices for crude oil and the volatility of the difference between our purchase price of crude oil feedstocks and the sales price of our refined products; the uncertainty of our ability to attract capital; and the risks described under the heading “Risk Factors” in our 2005 Annual Information Form dated March 31, 2006.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this MD&A will prove to be accurate. In light of the significant uncertainties inherent in our forward-looking statements, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events or otherwise. Our forward-looking statements are expressly qualified in their entirety by this cautionary statement.

We currently have no reserves as defined in Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. All information contained herein regarding resources are references to undiscovered resources under Canadian National Instrument 51-101, whether stated or not.

