



**InterOil Corporation
Elk-2 Appraisal Well
Drilling Report No. 3
June 13, 2007**

Elk Prospect

Type: Gas appraisal / oil exploration well

Location: PPL 238, Eastern Papua Basin
145° 08' 02.7587" E; 7° 03' 28.8562" S

Current Status: The Elk-2 well is currently at a total depth of 7,412 feet (2,259 meters) and within the Orbulina Marl, above the limestone reservoir target. The Orbulina Marl was encountered at ~7,028 feet (2,142 meters) based on the calcimetry and other geological indicators obtained while drilling. Sonic and Formation Micro Imaging (FMI) logs were run in the open hole from 7,412 feet to 5,939 feet.

Drilled 8 1/2 inch hole to 7,412 feet and ran and cemented 7 inch casing (liner) to 7,412 feet (2,259 meters) with top of liner at 5,755 feet (1,754 meters). Installing BOP and rotating head. Preparing to perform check shot and VSP survey, and then drill out into the Puri limestone formation, followed by a Drill Stem Test (DST).

Levels of background gas ranged from between .010% to 2.67%, with C1 (Methane) to C5 (Pentane) encountered while drilling through the lower Orubadi and Orbulina Marl transition. Connection and trip gas levels, ranged between 0.8% and 34.95%.

*(*note: previous wells drilled in the area have experienced background gas, however background gas in no way confirms commercial accumulations of hydrocarbons reached to date on this well, until the well is drilled out and testing and logging is completed. The structure may need further geological, geophysical and appraisal work before a commercial confirmation of gas reserves.)*

Past Data: Set 9 5/8-inch casing to 5,939 feet (1,810 meters) and cemented in place. Installed a down hole deployment valve (DDV) within the 9 5/8-inch casing at 3,419 feet (1,042 meters). Set 18 5/8-inch surface casing at 177 feet. Drilled a 17 1/2-inch hole to 1,919 feet (585 meters), followed by setting 13 3/8-inch intermediate casing at 1,913 feet (583 meters).

Planned Total Depth: Approximately 10,000 feet (3,050 meters)

Operator: InterOil subsidiary, SPI (208) Limited.

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

The June 2007 Elk-2 Appraisal Well Technical Update has been posted on our website.

FOR FURTHER INFORMATION: www.interoil.com

FOR INVESTOR RELATIONS ENQUIRIES:

North America

David Larson

david.larson@interoil.com

Phone: +1 281 292 1800

Australasia

Anesti Dermedgoglou

anesti@interoil.com

Phone: +61 7 4046 4600

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.

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.