



**InterOil Corporation
Elk-2 Appraisal Well
Drilling Report No. 5
August 13, 2007**

Elk Prospect

Type: Gas appraisal / oil exploration well

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

Current Status: Drilling at 10,545 feet (3,214 meters). Drilling has seen multiple indications of porosity and permeability, with increasing ROP (rate of penetration), hydrocarbon indications, and fluid losses throughout the lower Puri and Mendi limestone reservoirs.

Following DST#1, drilling resumed and two intervals were cored. In Core #1 – 8,718 feet to 8,754 feet (2,657 meters to 2,668 meters), fluorescence was observed in fractures. In Core #2 - 8,885 – 8,895 feet (2,708 - 2,711 meters) was sealed and both sent for analysis.

A total drilled thickness of the Puri Limestone reservoir is 1,929 feet (588 meters), the total drilled section of the Mendi Limestone reservoir is 948 feet (289 meters).

Current Data: Hydrocarbon Indicators:

Background, trip and connection gas have been recorded from the top of the limestone reservoir section at 7,777 feet (2,337 meters) to 9,771 feet (2,978 meters). Connection gas was as high as 34.75% with near continuous background gas during drilling operations. Cross plot data has shown a very strong trend line to the gas materially getting richer (heavier to the oil window).

Multiple oil indicators have been observed throughout a 594 foot section of the Puri and Mendi limestone, from 8,754 feet (2,668 meters) to 9,348 feet (2,849 meters). These indicators include recovery of oil/condensate in the drilling mud, fluorescence in cuttings, and oil/condensate recovered in core sections.

Operations have included performing simultaneous seismic and VSP (vertical seismic profile), to image the main reservoir sections from Elk-2 to Elk-1. Data recovery is targeted to allow processing of AVO. This key data will be used to co-ordinate the oil sidetrack to reach the Mendi porosity zone between Elk-1 and Elk-2.

A revised top of the Mendi limestone is 9,597 feet (2,925 meters) versus 8,257 feet (2,599 meters), based on biostratigraphic and strontium isotope age dating.

Total loss of circulation occurred at 9,800 feet (2,987 meters) and drilling operations has continued with mud cap drilling.

Forward Plan: Drill to the base of the Mendi limestone, full formation evaluation including: wireline logs, rotary sidewall cores, check shot, then complete and perform additional drill stem tests.

Past Data: Ran 7” Liner at 7,414 ft (2,259m) with top of liner at 5,755 feet (1,754 meters) and drilled 6 1/8 inch hole to 8,717ft (2,657m) with full returns. Set 9 5/8 inch casing to 5,939 feet (1,810 meters) and cemented in place. Installed a downhole 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).

(*note: Previous wells drilled in the area have experienced background gas, however background gas in no way confirms commercial accumulations of hydrocarbons. More definitive results on this well will be forthcoming when the well is completed with testing and logging completed. The Company does feel that a sizable resource has been confirmed, while further geological, geophysical and appraisal drilling will be needed for final commercial confirmation of gas reserves.)

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 August 2007, Elk-2 Appraisal Well Technical Update will be posted on our website on August 14, 2007.

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.