



**InterOil Corporation
Elk-4 Appraisal Well
Drilling Report No. 2
January 17, 2008**

Elk Prospect

Type: Gas appraisal / oil exploration well

Location: PPL 238, Eastern Papua Basin
294,206m E, 9213,459m N

Current Status: Nippling up BOP and preparing to run in the hole with 8 1/2-inch bit to drill out the 9 5/8-inch casing shoe. The forward plan is to drill down to the primary target of the Puri and Mendi Limestone.

Drilled a 12 1/4-inch hole from 1,789 feet (540 meters) to 3,733 feet (1,127 meters). Set 9 5/8-inch casing to 3,717 feet (1,122 meters) and cemented in place. Installed a downhole deployment valve (DDV) within the 9 5/8-inch casing.

Past Data: Set 18 5/8-inch surface casing at 517 feet, (156 meters). Drilled a 17 1/2-inch hole to 1,792 feet (541 meters), followed by setting 13 3/8-inch intermediate casing at 1, 789 feet (540 meters).

Planned Total Depth: Approximately 8,000 feet (2,450 meters)

Operator: InterOil subsidiary, SPI (208) Limited.

Prospect Description: This well is targeting the Puri and Mendi, and the Antelope structure Reef limestone.

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

FOR INVESTOR RELATIONS ENQUIRIES:

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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.