



**InterOil Corporation
Elk-4 Well
Drilling Report No. 9
July 28, 2008**

Elk Prospect

Type: Gas appraisal / oil exploration well

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

Current Status: Currently preparing to complete Elk-4 as a gas and condensate producer. Additional testing across the total open hole interval will commence, following the setting of a 4 ½ inch production string.

Wireline logging was performed over the entire open hole section from 7,205 feet (2,196 meters) to 7,815 feet (2,382 meters). Third party evaluation of the logs indicate gas pay down to 7,668 feet (2,337 meters). While drilling, the well had liquid hydrocarbon (oil/condensate) shows from 7,618 feet (2,322 meters) to 7,763 feet (2,366 meters) with losses experienced at 7,815 feet. This prevented drilling deeper as losses could not be controlled by reducing mud weight without causing kicks from gas zones higher in the 697 foot (185 meter) open hole interval. Since the last drilling report, DST#3 and DST#4 were performed.

Results of DST#3

DST#3 was performed over the open hole interval from 7,632 feet (2,326 meters) to 7,815 feet (2,382 meters). The preliminary test was limited to gas and formation water as the packer and test tools were lost in the lower section of the hole.

Activity Post DST#3

The well was sidetracked around the stuck packers and drilled to 7,628 feet (2,325 meters), and DST#4 was performed.

Results of DST#4

DST#4 was successfully performed from 7,546 feet (2,300 meters) to 7,628 feet (2,325 meters) to isolate and test a matrix porosity zone identified on the logs to determine the condensate volumes over the zone. A rate of 18 bbls/mmcf of condensate was produced. This represents a 13 bbls/mmcf increase in condensate over the Elk-1 well.

The preliminary results of DST#4 are as follows:

| | |
|--|--------------|
| Reservoir Pressure at 7,549 feet (gauge depth) | 3,697 psia |
| Formation Flow Capacity | 36,342 md ft |
| Stabilized Gas Flowrate @ current skin | 10.4 MMcfd |
| Condensate to Gas Ratio | 18 bbl/MMcf |
| Calculated Stabilized Gas Flow Rate @ 0 skin | > 130 MMcfd |
| Sandface Absolute Open Flow | > 340 MMcfd |

The calculated stabilized flow is the rate expected at the sandface of the reservoir if all the skin damage was removed and there were no tubular constraints. No formation water was observed during this test.

Preliminary Test Result Highlights:

- Added 82 feet (25 meters) to the over all gas column since DST#2, for a total gas column of 541 feet (165 meters) in the Elk-4.
- Lowest known gas at 7,668 feet (2,337 meters).
- Total gas column between Elk-1 to Elk-4 is 2,028 feet (618 meters).
- Condensate recovery increased 260% over Elk-1 to 18 bbls/mmcf.
- Confirmed gas and condensate flow from matrix porosity.

Final results will be provided once a full technical evaluation is completed.

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 casing at 1,789 feet (540 meters). 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. Set 7-inch liner to 6,562 feet (2,000 meters) and cemented in place. Top of liner is at 3,366 feet (1,026 meters). A 5 ¹/₂ inch liner was then run down to 7,205 feet (2,196 meters) with the top of liner set at 6,211 feet (1,893 meters).

*(*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.) There is no assurance that any such reserves will be established.)*

Planned Total Depth:

Total Depth Reached

Operator:

InterOil subsidiary, SPI (208) Limited.

Prospect Description:

This well is targeting the Puri and Mendi, and Antelope Reef limestone.

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

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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.