



NEWS RELEASE

INTEROIL PREPARES TO DRILL INTO ANTELOPE-1 LIMESTONE RESERVOIR

December 18, 2008 - InterOil Corporation (IOL:TSX)(IOC:US NYSE Alternext) (IOC:POMSoX), a Canadian company with operations in Papua New Guinea, announced that it has begun preparing to run 9 5/8 inch casing after reaching the top of the limestone reservoir in the Antelope-1 well. The top of the limestone has been intersected at 5,735 feet (1,748 meters) which is 1,595 feet (486 meters) higher than where the top of the limestone was intersected in the Elk-4 well in the Antelope structure.

Drilling operations will resume following casing, targeting the limestone reservoir. Drilling is expected to resume in the next few days. A drilling report is attached and an updated technical presentation has been posted on the InterOil website: www.interoil.com

COMPANY DESCRIPTION

InterOil Corporation is developing a vertically integrated energy business whose primary focus is Papua New Guinea and the surrounding region. InterOil's assets consist of petroleum licenses covering about 8.7 million acres, an oil refinery, and retail and commercial distribution facilities, all located in Papua New Guinea. In addition, InterOil is a shareholder in a joint venture established to construct an LNG plant on a site adjacent to InterOil's refinery in Port Moresby.

InterOil's common shares trade on the Toronto Stock Exchange under the symbol IOL in Canadian dollars and on the NYSE Alternext US LLC (formerly the American Stock Exchange) in US dollars.

FOR INVESTOR RELATIONS ENQUIRIES:

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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 InterOil expects, believes or anticipates will or may occur in the future are forward-looking statements. In particular, this press release contains forward looking statements concerning drilling activities in the Elk/Antelope field. These statements are based on certain assumptions made by the Company based on its experience and perception of current conditions, expected future developments and other factors it believes are appropriate in the circumstances. No assurances can be given however, that these events will occur. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders. 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. Some of these factors include the risk factors discussed in the Company’s filings with the Securities and Exchange Commission and SEDAR, including but not limited to those in the Company’s Annual Report for the year ended December 31, 2007 on Form 40-F and its Annual Information Form for the year ended December 31, 2007. In particular, there is no established market for natural gas in Papua New Guinea and no guarantee that gas from the Elk/Antelope field will ultimately be able to be extracted and sold commercially.

Investors are urged to consider closely the disclosure in the Company’s Form 40-F, available from us at www.interoil.com or from the SEC at www.sec.gov and its and its Annual Information Form available on SEDAR at www.sedar.com.

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.



**InterOil Corporation
Antelope-1 Well
Drilling Report No. 3
December 18, 2008**

Prospect: Antelope

Type: Appraisal well

Location: PPL 238, Eastern Papuan Basin
294,277m E; 9,210,679m N - AGD 66, Zone 55

Current Status: Preparing to run 9 5/8 inch casing to 5,738 feet (1,749 meters) after reaching the top limestone at 5,735 feet (1,748 meters). This is 1,595 feet (486 meters) higher than the top limestone at Elk-4.

Past activity: Drilled a 13 inch top hole and 12 1/4 inch bottom hole section from 3,288 feet (1,002 meters) to 5,738 feet (1,749 meters). Coal and shallow marine fossils fragments were observed in the lower claystone section indicating a shallow marine depositional environment. Limestone and dolomite were present at the top of the carbonate reservoir interval. Back ground gas (C1-methane to C5-pentane)* was observed while drilling the lower claystone and carbonate interval.

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

Planned Total Depth: Approximately 8,200 feet (2500 meters)

Operator: InterOil subsidiary, SPI (208) Limited.

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

FOR INVESTOR RELATIONS ENQUIRIES: (See technical update on InterOil web site)

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