

22 February 2011

The Manager Companies  
Company Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

By: e-lodgement (ASX code: IOG)

Dear sir/madam

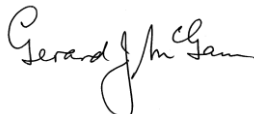
**Smoot #1 oil discovery initiates IOG's second oilfield project**

Incremental's Smoot #1 has intersected at least 100 ft of net oil bearing reservoir between 950 ft and 1500 ft. Excellent oil shows were seen over the same interval and a detailed review of the discovery is continuing. Four cores were cut to gain physical samples of the reservoir between 1050 ft and 1167 ft. The well was drilled to a total depth of 1875 ft where basement was intersected. Wireline logs including image logs, pressure measurements and sidewall cores were run and the casing cemented to total depth. The rig has been released with the well drilled below budget.

Detailed analysis of the complex wireline logging suite and core data will take some time. A further announcement will be issued when a full report is available.

Gerry McGann, Managing Director of Incremental Oil and Gas commented, "The Smoot #1 well appears from this early data to be an excellent result, but care must always be exercised when evaluating early data. With two successful wells in our first month since listing, Incremental can now plan with confidence to build production from a portfolio of projects. Both the Smoot #1 at Round Mountain and H&P #2 well in Sheep Springs will be completed as producers in the coming weeks."

Yours sincerely



Gerry McGann  
Managing Director

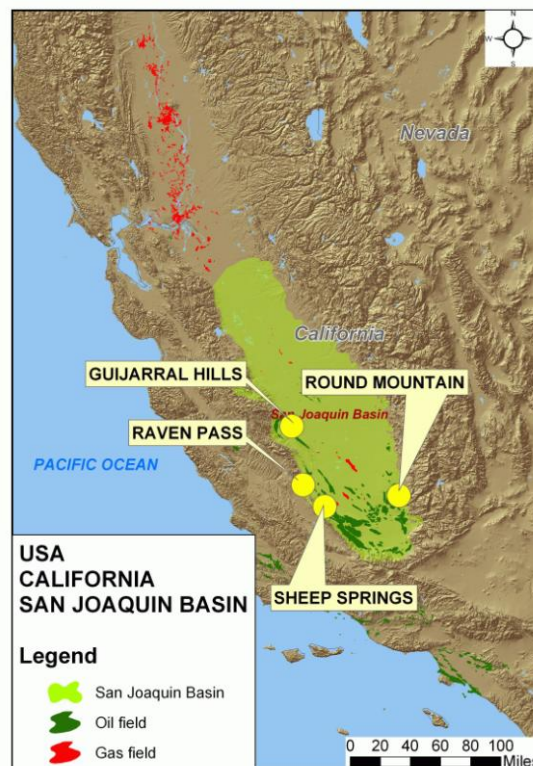
## ABOUT INCREMENTAL OIL and GAS LTD

Incremental Oil and Gas Ltd (IOG) is a producing oil and gas company. Our strategy is to identify and acquire underperforming oil fields and to increase production and recoveries. IOG's primary focus is production rather than high risk exploration, with a strong emphasis on positive cashflow.

The Board and Executive of IOG have a proven track record. They are the same team that acquired and substantially increased oil production in the Selmo oilfield in Turkey through the formerly ASX-listed Incremental Petroleum. This company was subsequently sold in March 2009 to TransAtlantic Petroleum in an \$86.5 million transaction.

IOG was launched in mid-2009 and has been profitable over its first year of operations.

IOG's focus is onshore California. The company has four current projects which are detailed on the website (**[incrementaloilandgas.com](http://incrementaloilandgas.com)**). These projects range from the producing Sheep Springs Oilfield to low risk development projects at Round Mountain and Gujarral Hills and an exploration project at Raven Pass. IOG's strategy is to develop these and other new and yet to be secured projects into a substantial production base.



Incremental Oil and Gas project locations.

For additional information see [www.incrementaloilandgas.com](http://www.incrementaloilandgas.com)