

29 March 2016

ASX : IOG

QUARTERLY ACTIVITIES REPORT For the period ended 31 March 2016

1 HIGHLIGHTS

- 1P Developed Reserves of 1.73 million BOE at 1 January 2016 (independently certified), an increase from 467 million BOE in 2015
- Operations remained cash flow positive at field level during the quarter despite low commodity prices
- Planning for a 24 well recompletion program finalised for Phase II Workover Program in Silvertip Field, Wyoming

2 PRODUCTION

The gross production from all fields in Q1-16 was 66,836 BOE, an average of 734 BOEPD. Production decreased from the previous quarter (75,637 BOE) as a result of 10 wells being shut-in. Management deferred repair of the 10 shut-in wells to maintain capital during a period of low commodity prices.

Incremental's cumulative gross production from its oil and gas fields in the last two quarters (Q4-2015 and Q1-2016) and corresponding production quarter last year (Q1-2015) are as follows:

	Q1 2016	Q4 2015	Q1 2015
Gross Production			
Oil production (Bbls)	22,988	28,346	15,866
Gas production (BOE) ¹	32,497	35,771	731
NGL production (Bbls)	11,351	11,520	-
Total barrels of oil equivalent (BOE)	66,836	75,637	16,598
Average BOEPD	734	822	184

1. Gross production for gas includes gas subsequently consumed in the field, plant, and the production of NGL's, which are extracted from natural gas at Incremental's processing plant.

3 SALES REVENUE

Net amount sold² and **Net** revenue³ for the last two quarters (Q4-2015 and Q1-2016) and the corresponding sales quarter last year (Q1-2015) are provided in the table below:

	Q1 2016	Q4 2015	Q1 2015
Oil Sold (Bbls)	18,186	21,855	10,742
Oil Revenue (US\$)	\$502,102	\$840,251	\$458,957
Average Sale Price (US\$/Bbl) ⁴	\$27.61	\$38.45	\$42.72
Gas Sold (Mcf)	104,162	120,351	4,211
Gas Revenue (US\$)	\$226,750	\$271,509	\$7,549
Average Sale Price (US\$/Mcf)	\$2.18	\$2.26	\$1.79
NGL Sold (Bbls)	9,265	9,451	-
NGL Revenue (US\$)	\$68,238	\$107,255	-
Average Sale Price (US\$/Bbl) ⁴	\$7.36	\$11.35	-
Total Net Barrels of Oil Equivalent sold ⁵	44,811	51,365	11,444
Total Net Sales Revenue (US\$)	\$797,090	\$1,219,015	\$466,506

2. Net amount sold is the oil, gas, and NGL's that is allocated solely to Incremental after taking into account payment to royalty owners, fuel use in the field and plant, and unaccounted for gas shrinkage and losses.
3. Net revenue is Incremental's proportional share (NRI) after refinery and transportation fees.
4. Average Sale Price includes refinery and transportation deductions.
5. Gas volume is converted to BOE on a 6 Mcf of gas to 1 barrel of oil ratio. NGL's are sold in gallons and converted to BOE on a 42 US gallons of NGL's per barrel of oil.

The price of WTI oil reached a 13 year low of \$26.20 per barrel in February 2016 but has since recovered to \$37 per barrel by the end of Q1-16. The CGI Rocky Mountains Natural Gas price fell to a low of less than \$1.50 per MMBTU in February 2016 and has increased since that time.

A portion of the natural gas sold from the Silvertip Field was forward sold for 12 months from April 1, 2016. Approximately 75% of current average gas sales volume has been forward sold at a price of US\$2.06/MMBTU to underpin the recompletion program and creating a hedge against any downturn in natural gas prices.

4 RESERVES

Independently certified reserves for Incremental's oil and gas fields were finalised and reported during the quarter. The reserves at January 1, 2016 were as follows:

Net reserves	Oil ('000 Bbls)	Gas (MMcf)	Total ('000 BOE)
1P proved developed producing	781	3,836	1,420
1P proved developed not producing	-	1,856	309
TOTAL 1P reserves	781	5,692	1,729

The 1P Reserves in the Silvertip Field represent 73% of Incremental's total 1P Reserves.

5 DEVELOPMENT PROGRAM

Incremental has utilised the results from test recompletions in 2015 to finalise a development program for 2016, the Phase II Workover Program, which will target shallow gas reserves in the Meeteetse and Mesaverde formations. These zones are at a depth between 2000-3000 feet from surface and lie above the Frontier formation which has been the primary target for oil and gas production in the Silvertip Field (see stratigraphic column diagram in Appendix 1 for details).

Forty (40) existing wells have been identified as having potential behind-pipe gas reserves that can be accessed from recompletions. The successful test recompletions carried out in 2015 proved that these formations will produce with a relatively low cost (\$25,000-\$35,000) acid stimulation rather than the more expensive fracture stimulation (\$125,000) used by other operators. The gas production from the Meeteetse and Mesaverde formation recompletions will be co-mingled with the Frontier oil and gas production so there is no additional operating expenditure required to produce the increased volume of hydrocarbons.

Twenty-four recompletions are expected to be performed in 2016 in the Phase II Workover Program. These twenty-four recompletions will generate net revenue of \$7 million over the field at current oil and gas prices with a \$1M capital expenditure. Permitting for the recompletions has commenced and is currently in process.

6 CASH and DEBT POSITION (Unaudited)

At the end of Q3-15, the closing cash balance and debt position for the Group were as follows:

Cash (US\$) -	\$859,000 (Q4-15 - \$767,000)
Note - \$322,000 of cash is held on deposit as security for performance bonds.	
Bank Debt (US\$) -	\$8.5M (Q4-15 - \$8.3M)

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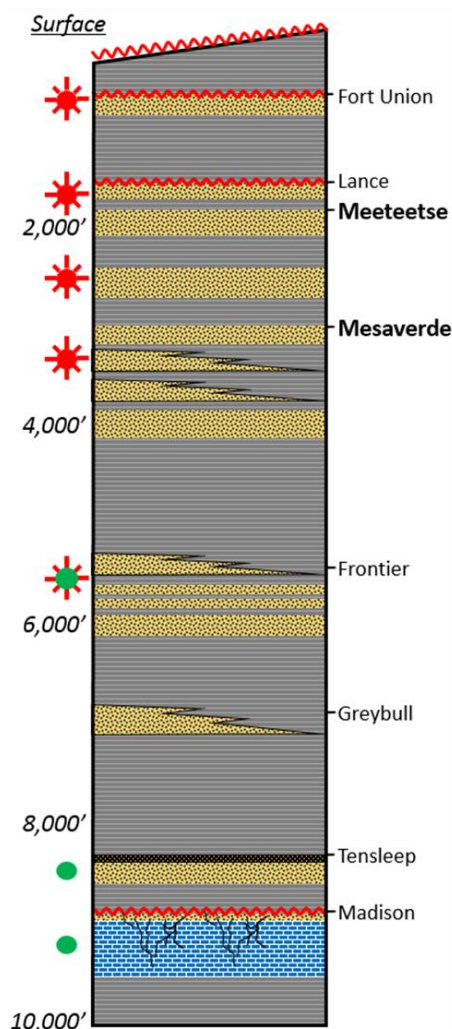
GLOSSARY

1P Reserves	Quantities of petroleum, which by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations	MCF	One thousand cubic feet (natural gas volumetric measurement).
		MMBTU	One million BTUs
		NGL	Natural gas liquids are naturally occurring elements found in natural gas, and include propane, butane and ethane, among others. The liquids are extracted from the natural gas and sold separately from the gas.
Bbl	One barrel of crude oil, 42 US gallons volume liquid.	Recompletion	After the initial completion of a well, the action and techniques of re-entering the well and redoing or repairing the original completion to restore the well's productivity.
Behind-pipe	Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.	Reserves	The volume of oil and gas that can be recovered at the surface. Generally used when the oil and/or gas can be produced commercially and within a time frame of up to 5 years.
BOE	Barrels of oil equivalent, where the conversion of gas to BOE is determined using ratio of six (6) MCF of natural gas to one barrel of oil.	Workover	The repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons
BOEPD	Barrels of oil equivalent per day.		
BTU	British Thermal Unit, a measure of energy.		
EBITDA	Earnings before interest, income tax, depreciation and amortisation. EBITDA includes state severance, ad-valorem and conservation taxes (Colorado 6% and Wyoming 10.6% to 12.7%) after transport and refinery deduction. EBITDAX is a non IFRS value and is unaudited.		

APPENDIX 1
SILVERTIP FIELD STRATIGRAPHIC COLUMN

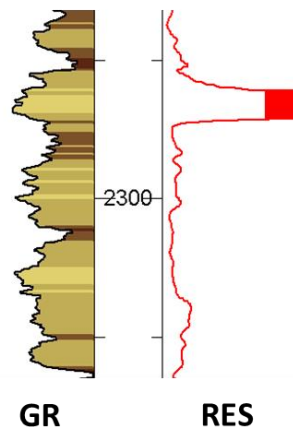
PROVED DEVELOPED NON-PRODUCING SHALLOW GAS

20+ WELLS TARGETING 3 BCFG – LOW COST RECOMPLETIONS

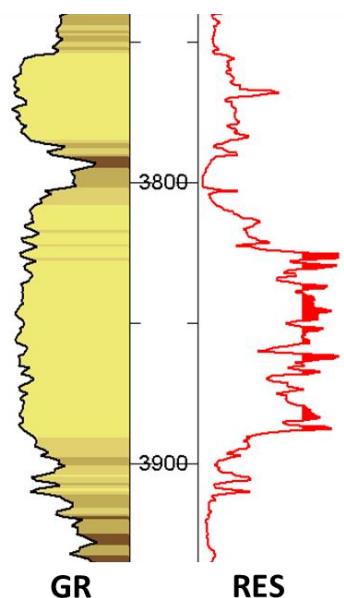


- ◆ Proven infield production from both Meeteetse and Mesaverde
- ◆ Low cost re-completions of existing wellbores
- ◆ 20+ wells identified with pay in Meeteetse and/or Mesaverde

MEETEETSE RECOMPLETION



MESAVERDE RECOMPLETION



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Forward-looking Statements

This document may contain certain statements that may be deemed forward-looking statements. Forward-looking statements reflect Incremental's views and assumptions with respect to future events as of the date of this Press Release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Actual and future results and trends could differ materially from those set forth to various factors, many which are beyond our ability to control or predict. Some of the risk and other factors that could cause results to differ materially include but are not limited to: industry conditions, including fluctuations in commodity prices; governmental regulation of the oil and gas industry, including environmental regulation; economic conditions in the US and globally; geological, technical and drilling results; predicted production and reserves estimates; operational delays or unanticipated operating event; physical, environmental and political risks; liabilities inherent in oil and gas exploration, development and production operations; fiscal and regulatory developments; stock market volatility; industry competition; and availability of capital at favourable terms. Given these uncertainties, no one should place undue reliance on these forward-looking statements attributable to Incremental, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this Press Release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.