

28 April 2017

ASX : IOG

## QUARTERLY ACTIVITIES REPORT For the period ended 31 March 2017

### 1 HIGHLIGHTS

- Payback of Silvertip gas well recompletion program within 6 months;
- Florence Oilfield sold for \$2M.

### 2 PRODUCTION

Gross production across all fields in Q1-17 was 56,862 BOE, an average of 632 BOEPD(excludes Florence Oilfield).

Incremental's gross production for the last two quarters (Q1-2017 and Q4-2016) and corresponding quarter (Q1-2016) are as follows:

	Q1 2017	Q4 2016	Q1 2016
<b>Gross Production (Excl Florence Field)</b>			
Oil production (Bbls)	12,770	16,760	17,802
Gas production (BOE) <sup>1</sup>	34,354	42,693	32,497
NGL production (Bbls)	9,738	11,063	11,351
Total barrels of oil equivalent (BOE)	56,862 <sup>2</sup>	70,516	61,650
Average BOEPD (Excluding Florence Field)	632	766	677
Florence oil production (Bbls)	-	4,603	5,185
	56,862	75,118	66,835
Average BEOPD (Including Florence)	632	817	734

1. Gross gas production includes fuel gas used in the field and processing plant in addition to gas converted to NGL's.
2. Production down for Q1-17 at the Silvertip Field due to 4-day field shutdown to repair and refurbish compressors and delayed well workovers due to weather conditions.

### 3 SALES REVENUE

**Net** volume sold<sup>2</sup> and **Net** sales revenue<sup>2</sup> for the last two quarters (Q1-2017 and Q4-2016) and the corresponding quarter last year (Q1-2016) are provided in the table below:

	<b>Q1 2017</b>	<b>Q4 2016</b>	<b>Q1 2016</b>
Oil Sold (Bbls) <b>(Excl Florence Field)</b>	11,696	13,709	14,160
Oil Revenue (US\$) <b>(Excl Florence Field)</b>	\$560,897	\$608,644	\$399,321
Average Sale Price (US\$/Bbl) <sup>3</sup>	\$47.96	\$44.40	\$28.20
Gas Sold (MCF)	108,647	152,161	104,162
Gas Revenue (US\$)	\$286,948	\$438,223	\$266,750
Average Sale Price (US\$/MCF) <sup>3</sup>	\$2.64	\$2.88	\$2.18
NGL Sold (Bbls)	7,959	9,044	9,266
NGL Revenue (US\$)	\$217,465	\$212,447	\$68,235
Average Sale Price (US\$/Bbl) <sup>3</sup>	\$27.32	\$23.49	\$7.36
Total Net Barrels of Oil Equivalent sold <sup>4</sup>	37,600	48,113	40,786
Total Net Sales Revenue (US\$)	\$1,065,310	\$1,259,313	\$694,309

3. Net volume sold reflects oil, gas, and NGL sales allocated to Incremental net of royalties, fuel gas used in the field and plant, and gas shrinkage and losses. Net sales revenue is Incremental's proportional share of the revenue after marketing and transportation fees and deductions.

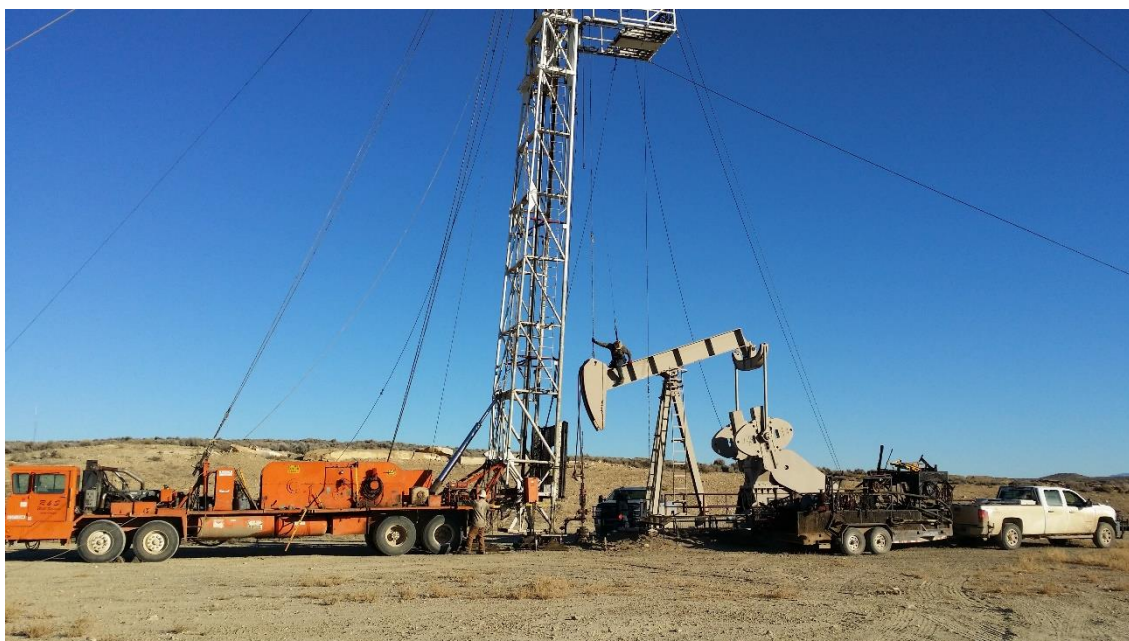
4. Average Sale Price is net of refinery and transportation deductions.

5. Gas volume (MCF) is converted to Barrels of Oil Equivalent Sold (BOE) on a ratio of 6 MCF of gas per barrel of oil. NGL's are sold in gallons and converted to BOE on a ratio of 42 US gallons of NGL's per barrel of oil.

The oil price increased from Q4-16 to Q1-17 reflects a decrease in refinery deduction effective from January 1, 2017 for the Silvertip Field. There was a significant increase in oil, gas and NGL prices from Q1-16, which was at the bottom of the last price cycle, to Q4-16 and Q1-17.

## 4 SILVERTIP DEVELOPMENT PROGRAM

Eight recompletions were carried out in the Silvertip Field from September to November 2016. The revenue, net of royalties, from these wells paid out the total capital costs of this program as at the end of March 2017. The production from these wells has resulted in the reclassification of reserves from Proved Developed Not Producing (PDNP) to Proved Developed Producing (PDP) in these wells which increases their value.



## 5 CORPORATE

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In March 2017, Incremental entered into a purchase and sale agreement with Austin Exploration Ltd (ASX: AKK) to sell the Florence Oilfield in Colorado, for US\$2 Million. The effective date of this transaction was December 31, 2016. This transaction closed on April 25<sup>th</sup> with all monies owed having been received.

A gas forward sales agreement that was put in place in February 2016 to provide some certainty around forward gas sales given gearing levels at the time, expired at the end of March. All gas sales are now priced at market rates.

## 6 CASH, AND BANK DEBT (Unaudited)

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At the end of the quarter, the consolidated cash and bank debt position of the Company were as follows:

Cash (US\$) -                      \$966,000        (Q4-16 - \$982,000)  
(Q4-16 cash balance includes funds held on deposit as security for  
performance bonds issued by ANB Bank - \$372,000)

Bank Debt (US\$) -              \$7.525M        (Q3-16 - \$7.792M)

The above balances do not take into account the proceeds from sale of the Florence Oilfield.

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## GLOSSARY

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Bbl	One barrel of crude oil, 42 US gallons volume liquid.
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.
BOEPD	Barrels of oil equivalent per day.
MCF	One thousand cubic feet (natural gas volumetric measurement).
MMCF	One Million cubic feet.
MCFD	MCF per day.
NRI	Net Revenue Interest.
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.
Recompletion	After the initial completion of a well, the action and techniques of re-entering the well and redoing or repairing the original completion, or perforating another reservoir behind pipe higher or lower than the original completion to increase the well's productivity.

## Forward-looking Statements

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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.