

6 June 2011

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

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

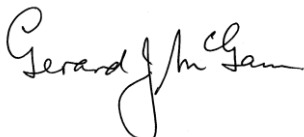
Round Mountain Drilling Starts

The next Round Mountain drilling programme commenced on June 5th with the spudding of Smoot 2. This well is a vertical stepout to the successful Smoot 1, drilled in February and continuing to perform extremely well. The average oil production from Smoot 1 has been 105 bopd with no water over the last 21 days.

Smoot 2 will be followed by a horizontal well drilled underneath the Mount Poso River. The third well will also be deviated from the vertical. The programme is expected to take 15-20 days and cost about \$1.5 million.

Incremental holds a 100% working interest in the Round Mountain lease and will report results from the drilling campaign as appropriate.

Yours sincerely



Gerry McGann
Managing Director

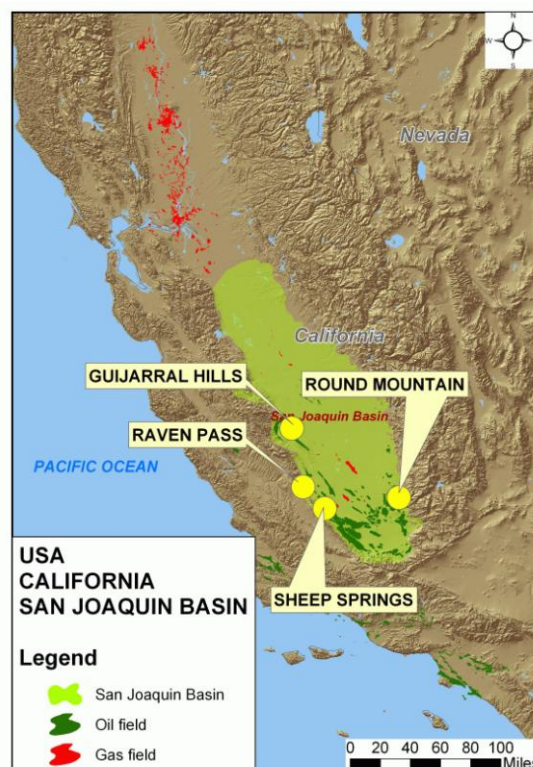
ABOUT INCREMENTAL OIL and GAS

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 (incremental油和gas.com). These projects range from the producing Sheep Springs and Round Mountain oilfields to the low risk development project at 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.incremental油和gas.com