

31 October 2017

ASX : IOG

QUARTERLY ACTIVITIES REPORT

For the period ended 30 September 2017

1 HIGHLIGHTS

- Gross Production for the quarter averaged 532 BOEPD
- Incremental carried out due diligence and entered into a binding letter of agreement to acquire properties in the Borie Oilfield, DJ Basin, Wyoming for ~A\$1.125M (US\$0.9M)
- Gas well recompletion program at Silvertip Field is progressing with permitting complete and bids being received for the work

2 PRODUCTION

Gross production across all fields in Q3-17 was 48,393 BOE, an average of 532 BOEPD.

Gross production for the last two quarters (Q3 and Q2-2017) and corresponding prior year quarter (Q3-2016) are shown in Table 1 below.

TABLE 1	Q3 2017	Q2 2017	Q3 2016 ¹
Gross Production			
Oil production (Bbls)	12,741	13,956	15,787
Gas production (BOE) ²	26,627	30,906	33,720
NGL production (Bbls)	9,025	11,260	9,429
Total barrels of oil equivalent (BOE)	48,393	56,122	58,936
Average BOEPD	532	617	641

1. Production shown in this table does not include Florence Oilfield (sold with an effective date of 31-Dec-16).

2. Gross gas production includes fuel gas used in the field and processing plant. Gas is converted to barrels of oil equivalent (BOE) using a conversion rate of 6 MCF of gas to 1 barrel of oil.

A two well recompletion program targeting gas formations is planned to commence in November 2017. This process uses the existing well bore to access previously bypassed gas reserves. The well bore is perforated at the depth of the remaining gas reserve. This is a much more cost-effective method of producing gas which would otherwise be uneconomic if a new well was drilled.

These gas well recompletions are timed to take advantage of anticipated higher gas prices through the winter months.

The California fields (Sheep Springs and Round Mountain) continued with stable production during the third quarter.

3 SALES REVENUE

Table 2 below shows **Net** volumes of oil, gas and NGL's sold and **Net** sales revenue for the last two quarters (Q3 and Q2-2017) as well as the corresponding prior year quarter (Q3-2016).

TABLE 2	Q3 2017	Q2 2017	Q3 2016
Oil Sold (Bbls) (Excl Florence Field 2016)	11,339	10,688	13,009
Oil Revenue (US\$) (Excl Florence Field 2016)	\$518,255	\$479,897	\$523,015
Average Sale Price (US\$/Bbl) ³	\$45.70	\$44.90	\$40.20
Gas Sold (MCF)	80,815	95,176	119,833
Gas Revenue (US\$)	\$240,740	\$303,524	\$312,514
Average Sale Price (US\$/MCF) ³	\$2.98	\$3.19	\$2.61
NGL Sold (Bbls)	7,380	9,213	8,316
NGL Revenue (US\$)	\$193,224	\$204,190	\$131,098
Average Sale Price (US\$/Bbl) ³	\$26.18	\$22.16	\$15.77
Total Net Barrels of Oil Equivalent sold ⁴	32,189	35,763	41,297
Total Net Sales Revenue (US\$)	\$952,218	\$987,611	\$966,627

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

4. 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.

4 BORIE OILFIELD ACQUISITION, DJ BASIN, WYOMING

Due diligence was performed on the Borie Oilfield to determine its potential as a suitable acquisition for Incremental. The field met most of the Company's acquisition criteria and negotiations to acquire the field were concluded in October with an offer of US\$900,000 accepted by the seller.

Selection Criteria	Information
• Oil weighted conventional assets	The Borie Oilfield is 100% oil producing. Production is from the Muddy (also referred to as J-Sand) Formation with vertical wells.
• Immediate/near-term cash flow	The Borie Oilfield is currently producing ~60 bopd (net) and it is profitable at oil prices below \$50/bbl. New wells and secondary recovery enhancement has the potential to increase production.
• New wells are economic at current oil prices	Three new proven undeveloped (PUD) well locations have been identified for future development – defined as proven undeveloped reserves.
○ Competitive lifting cost	Lifting cost is less than \$20 per barrel
○ Production decline	Production decline from the current operations is shallow.
• Onshore USA	Wyoming, DJ Basin.
• Infrastructure in place	Tank batteries, oil pipes, pump jacks, etc. are all included in the transaction.



Borie Oilfield Infrastructure

5 NEWPORTE FIELD EXPLORATION WELL

Incremental participated as a 10% working interest partner in the drilling of an exploration well in the Newporte Field, Williston Basin. The Hanson 33-43 well was spudded on June 26 and reached terminal depth of 9,400 feet (Deadwood Formation) on July 6. No commercial hydrocarbon shows were recorded and the well was plugged and abandoned by the Operator, Armstrong Operating, LLC.

A review of the results from the initial well shows that there is the potential for at least one of the remaining four prospects in this field to be drilled. Incremental will consider any participation in future wells on the merits of the individual wells as they are presented by the Operator.

6 CORPORATE

Incremental reviewed multiple asset opportunities and performed detailed due diligence on several. Along with the asset opportunities, the management team reviewed several drilling opportunities and is performing detailed due diligence on these.

Subsequent to the quarter end the Company announced a capital raise by way of a renounceable rights issue to assist in funding the Borie Oilfield acquisition to raise up to A\$2 million before costs.

7 CASH, AND BANK DEBT (Unaudited)

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

Cash (US\$) - \$1,248,900 (Q2-2017 - \$1,237,000)
(Q4-16 cash balance includes funds held on deposit as security for performance bonds - \$373,700)

Bank Debt (US\$) - \$6.448M (Q2-2017 - \$6.465M)

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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.