

31 October 2013

The Manager Companies
Company Announcements
Australian Securities Exchange
2 The Esplanade
PERTH WA 6000

QUARTERLY ACTIVITIES REPORT For the quarter ended 30 September 2013

HIGHLIGHTS

Florence Colorado-

- New acreage secured at Florence
- Seismic interpretation continues over Florence
- Two Niobrara wells being permitted in Florence
- Geochemical studies developing new insights at Florence

California -oil production assets- sale agreements executed

Average oil price received -\$105/bbl.

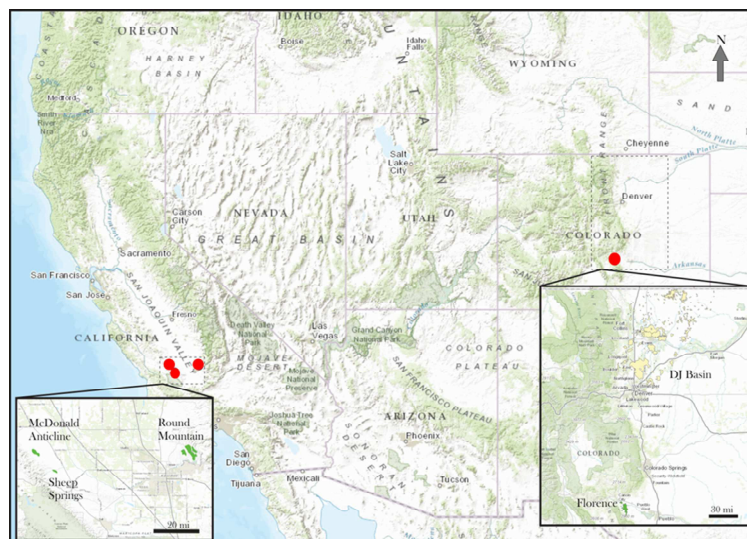


Figure 1. Incremental's project locations

1 FLORENCE OILFIELD: (100% working interest)

1.1 NEW WELL PERMITTING:

The permitting of two new Niobrara wells, Batfish and Bass (see Figure 2) is being actively pursued with the regulatory authorities. The application of two additional wells is awaiting resolution of minor technical and tenement issues before applications to drill can be lodged. The Batfish and Bass locations display apparent zones of naturally fractured rock on the 3D seismic at Niobrara level. The planning for drilling one or more of these wells in 2014 will entail a complete assessment and management of technical risks and ensuring that the drilling program is adequately capitalised. External factors such as the development of gas gathering and distribution infrastructure (currently not present in the area) also need to be dovetailed into the timetable for future programs.

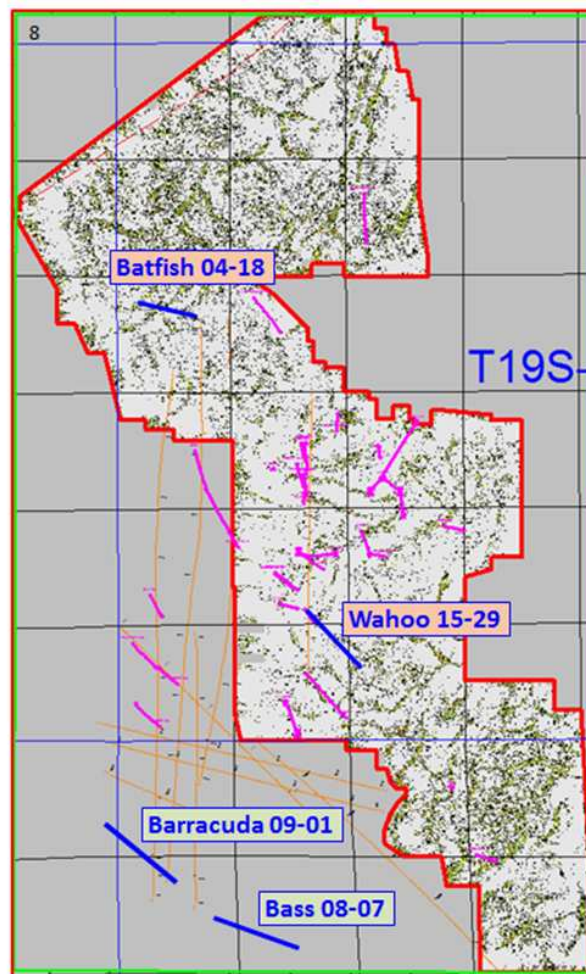


Figure 2 – Niobrara wells being permitted

1.2 LEASES:

Incremental has secured an additional 2340 net acres of mineral leases to the west of the existing leases.

1.3 SEISMIC:

During the quarter, Incremental has reprocessed and re-displayed all of the existing 3D seismic data from the Field. This was done to better image and display the various parameters encased within the seismic data such that possible fractures in the Pierre Shale and Niobrara Formation can be visualised. This work has identified at least two areas where natural fracture zones exist that were not identified on the conventionally displayed seismic data.

1.4 HYDROCARBON CHARGE ANALYSIS:

Incremental continues to work with international experts to gain a better understanding of the oil migration and charge history of oil and gas in the Florence Field, for both the shallow Pierre and the deeper Niobrara hydrocarbon zones. Analysis of a number of oil and source rock samples in the Field plus detailed interpretation of these data is developing a more comprehensive understanding of the type and volume of hydrocarbon fill that can be expected both in the undrilled western part of the Field in the shallow Pierre Formation and throughout the Field in the deeper Niobrara Formation. This analysis, once completed, will greatly aid identifying future drilling locations.

2 CALIFORNIA PROPERTIES (100% working Interest)

As previously announced, Incremental's producing Sheep Springs and Round Mountain fields in California have been sold under purchase and sale agreements and settlements are awaiting completion of finance processes by the buyers.

3 PRODUCTION

Total average production over the quarter was 284 boepd comprising 96% liquids. Production from the California oilfields that are being sold remains to the account of Incremental until the sales transaction is closed. The average gross oil price received over the quarter was \$105 per Bbl.

3.1 FLORENCE, Colorado

The average Florence Field production for the quarter was 118 bopd. The natural rate of decline is now slowing to more conventional oilfield rates, as anticipated (see Figure 3).

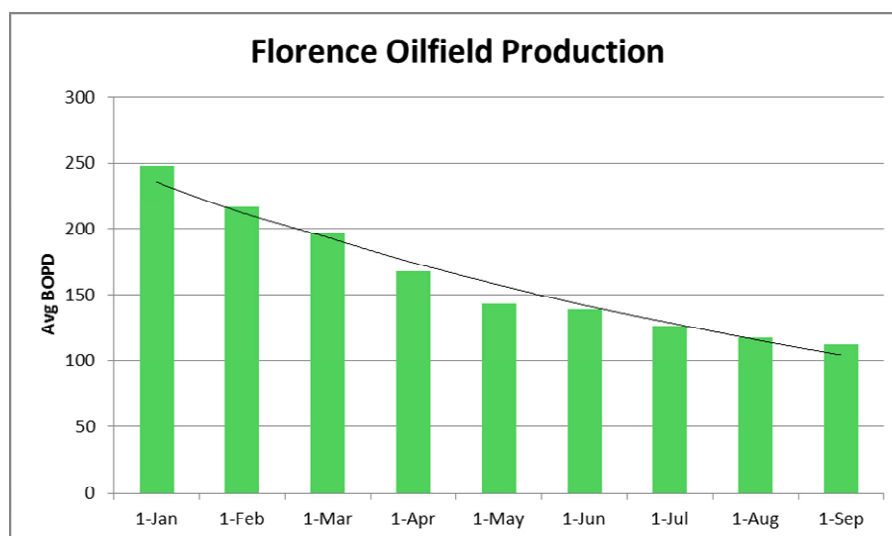


Figure 3 – Florence Oilfield production 2013

Since taking ownership of this Field in May 2012, Florence has produced more than 150,000 bbls of oil and grossed in excess of US\$12MM in oil sales.

Details of production for the cumulative production from all Incremental Oilfields in the last quarter and reference quarters are as follows:

	Q3 2013	Q2 2013	Q3 2012
Production (Av barrels oil per day)	273	315	629
Gas production that is sold (Av 000's cubic ft/day)	66	66	72
Average daily production (barrels oil equivalent)	284	327	601
Average price of oil sold (US\$/barrel)	\$105	\$96	\$88
Average price of gas sold (US\$/mcf)	\$2.19	\$2.30	1.55
Quarterly revenue US\$MM	\$2.514	\$2.870	\$4.979

4 NEW PROJECTS, USA

Incremental has spent considerable energy over the quarter reviewing a number of producing assets in the USA. These reviewed assets all have the following attributes:

- Conventional, shallow, light oil
- Positive cash flow from day 1
- Ability to at least replace California production being sold
- Ability for production and profitability to be significantly enhanced.



Gerry McGann
Managing Director