

INCREMENTAL OIL AND GAS LIMITED

ABN 66 138 145 114

PROSPECTUS

For a renounceable pro-rata entitlement offer to subscribe for 1 New Share for every Share held at the Record Date at an issue price of \$0.01 per New Share to raise up to approximately \$2 million (before costs), together with 1 free attaching New Option for every New Share issued.

**THE ENTITLEMENT OFFER IS CURRENTLY SCHEDULED TO CLOSE AT 5.00PM (AEDT) ON
14 NOVEMBER 2017**

VALID ENTITLEMENT AND ACCEPTANCE FORMS MUST BE RECEIVED BEFORE THAT TIME.

Please read the instructions in this Prospectus and on the Entitlement and Acceptance Form regarding the acceptance of New Securities under the Entitlement Offer.

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT
SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD
CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.**

**NEW SECURITIES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE IN
NATURE.**

IMPORTANT INFORMATION

About this Prospectus

This Prospectus is dated 27 October 2017 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

The expiry date of this Prospectus is 5.00pm (AEDT) on the date that is 13 months after the date of this Prospectus (**Expiry Date**). No New Securities will be issued on the basis of this Prospectus after the Expiry Date.

This Prospectus is a transaction specific prospectus for an offer to acquire continuously quoted securities (as defined in the Corporations Act) (or options over them) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as a full form prospectus. In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

The New Securities offered under this Prospectus should be considered speculative in nature. Before applying for New Securities, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits and risks involved. Various risks may affect the future operating and financial performance of the Company and the value of an investment in the Company. Some of these risks are listed in Section 4 of this Prospectus. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

The potential tax effects of participating in the Entitlement Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

The Company will apply for Official Quotation by ASX of the New Securities offered by this Prospectus.

The Entitlement Offer is renounceable and is not underwritten.

A copy of this Prospectus is available for inspection at the registered office of the Company at 20 Howard Street, Perth, Western Australia 6000, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 5.3).

Applications for New Securities offered under this Prospectus can only be submitted on an original Entitlement and Acceptance Form or via the other methods set out in this Prospectus. The Corporations Act prohibits any person from passing on to another person the Entitlement and Acceptance Form unless it is accompanied by or attached to a complete unaltered copy of this Prospectus.

Any revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Entitlement Offer. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus, except as required by law, and then only to the extent so required.

Restriction on the distribution of this Prospectus

The Entitlement Offer is not being made to Shareholders or residents outside Australia and New Zealand.

This Prospectus and the accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy securities in any country other than Australia and New Zealand. In particular, any securities described in this Prospectus have not been, and will not be, registered under the *US Securities Act 1933* (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**).

The Entitlements and the New Securities in the Entitlement Offer are not being offered to the public within New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the Entitlement Offer, the New Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

In addition to the above, the Entitlements and the New Securities are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. The offer of New Shares is renounceable in favour of members of the public. This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

Privacy

If you apply for New Securities, you will provide personal information to the Company and the Registry. The Company and the Registry will collect, hold and use information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out herein and may disclose it for those purposes to the Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Broker stamping fees

The Company reserves the right to pay a fee of up to 6% (exclusive of GST) of amounts subscribed under valid Applications procured by brokers holding an Australian Financial Services Licence.

Broker stamping fees will only be paid by the Company where a Broker Fee Claim Form and schedule is submitted to the Registry by no later than the end of the Business Day following the Closing Date. The Broker Stamping Fee Claim Form and schedule can be obtained from the Registry.

Australian dollars

Unless otherwise specified, all references to "\$" are references to Australian dollars.

Defined terms and abbreviations

Terms and abbreviations used in this Prospectus are defined in the Glossary of Terms at the end of this Prospectus.

CORPORATE DIRECTORY

Directors

| | |
|----------------|------------------------|
| Mark Stowell | Chairman |
| John Whisler | Managing Director |
| Gerry McGann | Non-Executive Director |
| Matthew McCann | Non-Executive Director |

Company Secretary

Simon Adams

Principal and Registered Office

20 Howard Street
Perth, Western Australia 6000
Tel: + 61 (0) 8 6144 0590
Fax: + 61 (0) 8 6144 0593

Share Registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, Western Australia 6000
Tel: +61 1300 554 474

Securities Exchange Listing

Australian Securities Exchange
Home Branch – Perth
Level 40, Central Park
152-158 St George's Terrace, Perth, WA 6000

ASX Code

IOG

Company Website

www.incremental油和gas.com

Lawyers to the Company

Johnson Winter & Slattery
Level 4, 167 St Georges Terrace
Perth, WA 6000

Lead Manager to the Entitlement Offer

CPS Capital Group Pty Ltd
Level 45, 108 St Georges Terrace
Perth, WA 6000

INDICATIVE TIMETABLE FOR ENTITLEMENT OFFER*

| | |
|--|---|
| Announcement of Entitlement Offer | Monday, 30 October 2017 |
| "Ex" date (shares now trade without right to participate in the Entitlement Offer) Entitlement trading to commence on a deferred settlement basis | Wednesday, 1 November 2017 |
| Record Date for determining Entitlement to subscribe for New Securities (Record Date) | 7.00pm (AEDT) on Thursday, 2 November 2017 |
| Entitlement Offer opens (Opening Date) | Friday, 3 November 2017 |
| Entitlement trading ends | Tuesday, 7 November 2017 |
| New Securities quoted on a deferred settlement basis | Wednesday, 8 November 2017 |
| Closing date for Entitlement Offer (Closing Date) | 5.00pm (AEDT) on Tuesday, 14 November 2017 |
| Issue of New Securities and dispatch of confirmation of issue Deferred settlement trading of New Shares ends | Monday, 20 November 2017 |
| Normal trading of New Securities on ASX | Tuesday, 21 November 2017 |

* These dates are indicative only. The Company may vary the dates and times of the Entitlement Offer or withdraw it without notice. Accordingly, Eligible Shareholders are encouraged to submit their Entitlement and Acceptance Form as early as possible. Without limiting the foregoing, subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Entitlement Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of New Shares.

Table of Contents

| Clause | | Page No |
|--------|--|-----------|
| 1. | Details of the Entitlement Offer | 1 |
| 2. | How to apply | 4 |
| 3. | Purpose and effect of the Entitlement Offer | 12 |
| 4. | Risk factors | 16 |
| 5. | Additional information..... | 22 |
| 6 | Director's authorisation..... | 32 |

1. Details of the Entitlement Offer

1.1 Background

The Company is offering Eligible Shareholders the opportunity to subscribe, under the Entitlement Offer, for 1 New Share for every Share held on the Record Date at an issue price of \$0.01 to raise up to approximately \$2 million (before costs). The Entitlement Offer is renounceable which means that Eligible Shareholders may deal with their Entitlement in the manner described in Section 2.1.

The Entitlement Offer is not underwritten.

The Entitlement Offer allows Eligible Offerees who accept their Entitlement in full to apply for Additional Shares in excess of their Entitlement under the Top-Up Facility. Additional Shares will only be available where there is a shortfall between applications received from Eligible Offerees and the number of New Shares proposed to be issued under the Entitlement Offer. Additional Shares will be issued at the Issue Price of \$0.01 per New Share. If there is an over subscription for Additional Shares through the Top-Up Facility, then Eligible Offerees will receive Additional Shares on a pro-rata basis having regard to their Entitlements.

If any shortfall remains after the allocation to Eligible Offerees under the Top-Up Facility, the resulting shortfall may be placed by the Directors at their discretion in accordance with the Listing Rules and the Corporations Act.

Eligible Offerees who subscribe for New Shares under the Entitlement Offer or the Top-Up Facility are also being offered 1 free attaching New Option for every New Share issued.

It is proposed that the New Options will be listed on the ASX. Each New Option will have an exercise price of \$0.02 per New Option and will expire on 29 November 2019 and will otherwise be issued on the terms set out in Section 5.6.

All of the New Shares issued under this Prospectus (and Shares issued upon the future exercise of the New Options offered) will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 5.5 for further information regarding the rights and liabilities attaching to the New Shares.

1.2 Who is eligible to participate?

The Entitlement Offer is being extended to Shareholders that meet all of the following criteria:

- (a) they were registered as a holder of Shares at 7.00pm (AEDT) on the Record Date of Thursday, 2 November 2017;
- (b) they have a registered address in Australia or New Zealand;
- (c) they are not in the United States or a US Person or acting for the account or benefit of such persons; and
- (d) they are eligible under all applicable securities laws to receive an offer under the Entitlement Offer,

(Eligible Shareholder).

The Entitlement Offer is not being extended to any Shareholder with a registered address outside Australia or New Zealand. By returning a completed Entitlement and Acceptance Form, or making a payment by BPAY®, you will be taken to have represented and warranted that you satisfy each of the above criteria.

The Entitlement Offer may also be accepted by investors who are persons who have purchased an Entitlement and who meet all of the following criteria:

- (a) they are registered as the holder of the Entitlement at the time of exercise;
- (b) they have a registered address in Australia or New Zealand;
- (c) they are not in the United States or a US Person or acting for the account or benefit of such persons; and
- (d) they are eligible under all applicable securities laws to receive an offer under the Entitlement Offer,

(Eligible Entitlement Holder).

IOG reserves the right to reject any Application that it believes comes from a person who is not an Eligible Offeree.

1.3 Opening and Closing Dates

As set out in the indicative timetable, the Entitlement Offer will open on Friday, 3 November 2017 and is anticipated to close on Tuesday, 14 November 2017 at 5.00pm (AEDT). The Opening Date and Closing Date for the Entitlement Offer are indicative only and subject to change without notice. The Company may vary these dates, including to close the Entitlement Offer early, extend the Closing Date or to withdraw the Entitlement Offer at any time prior to issue of the New Securities. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Entitlement and Acceptance Form as soon as possible after the Opening Date.

The Company will accept Entitlement and Acceptance Forms for the Entitlement Offer from the Opening Date until 5.00pm (AEDT) on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.4 Minimum Subscription

There is no minimum subscription under the Entitlement Offer.

1.5 No underwriting

The Entitlement Offer will not be underwritten.

1.6 Optionholders

Optionholders will not be entitled to participate in the Entitlement Offer in respect of their Existing Options unless they:

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Entitlement Offer as a result of being an Eligible Shareholder at 7.00pm (AEDT) on the Record Date.

If all holders of Existing Options elect to exercise their Existing Options prior to the Record Date, and are eligible to participate in the Entitlement Offer, a further 5,000,000 New Shares and 5,000,000 New Options may be issued under this Prospectus. However, having regard to the exercise price of the Existing Options and the Issue Price, the Directors believe that it is unlikely that any Existing Options will be exercised prior to the Record Date.

1.7 Overseas shareholders

This Prospectus and the accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

The Company has decided that it is unreasonable to make offers under this Prospectus to Shareholders with registered addresses outside of Australia and New Zealand (**Ineligible Shareholders**) having regard to the number of Shareholders in those places, the number and value of the New Securities they would be offered and the legal and regulatory requirements in those places and costs of complying with those requirements. Accordingly, the Entitlement Offer is not being extended to Ineligible Shareholders and no New Securities will be issued to Ineligible Shareholders.

In particular, the Entitlement Offer is not made in the United States or to persons (including nominees or custodians) acting for the account or benefit of a person in the United States, or to any person who is ineligible under applicable securities laws in any country to receive an offer under the Prospectus without any requirement for a prospectus or other disclosure document to be lodged or registered.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Entitlement Offer does not breach the laws in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those laws.

1.8 Appointment of Nominee

In accordance with ASX Listing Rule 7.7 the Company has appointed CPS Capital as nominee to sell the Entitlements to which Ineligible Shareholders are entitled. CPS Capital will have the absolute and sole discretion to determine the timing and price at which the Entitlements will be sold and the manner of any such sale.

The proceeds of the sale of Entitlements will firstly be applied against expenses of such sale, including brokerage.

The balance of the proceeds will then be forwarded (as soon as practicable) to the Ineligible Shareholders, in proportion to their share of such Entitlements. If the net proceeds of sale are less than the reasonable costs that would be incurred by the Company in distributing those proceeds, such proceeds may be retained by the Company.

Ineligible Shareholders may receive no net proceeds if the costs of sale are greater than the sale proceeds. In this regard, CPS Capital will not be required to sell Entitlements at a particular price.

Neither the Company nor CPS Capital will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price. If, in the reasonable opinion of CPS Capital, there is no viable market for Entitlements, or a surplus over the likely expenses of sale cannot be obtained, then those Entitlements will be allowed to lapse.

1.9 Appointment of Lead Manager

CPS Capital has been appointed as lead manager to the Entitlement Offer. The terms of the appointment of CPS Capital are summarised in Section 5.9.

1.10 Risks

A number of risk factors apply to subscribing for New Securities under the Entitlement Offer. Please refer to Section 4 for further information.

2. How to apply

2.1 Options available to you

Eligible Shareholders may take the following actions:

| Option available | Further information |
|---|---------------------------|
| Take up all of your Entitlement. | Sections 2.2, 2.3 and 2.5 |
| Take up all of your Entitlement and apply for Additional Shares under the Top-Up Facility. | Sections 2.2 to 2.5 |
| Take up part of your Entitlement and allow the balance of your Entitlement to lapse. | Sections 2.2, 2.3 and 2.5 |
| Sell all of your Entitlement on ASX. | Section 2.6 |
| Take up part of your Entitlement and sell part of your Entitlement on ASX. | Section 2.6 |
| Sell part of your Entitlement and allow the balance of your Entitlement to lapse. | Section 2.6 |
| Transfer all or part of your Entitlement to another person other than on ASX with or without taking up the balance. | Section 2.7 |
| Do nothing and allow your Entitlement to lapse. | Section 2.8 |

Shareholders who do not take up their Entitlements in full will have their percentage interest in IOG reduced.

Fractions arising in the calculation of Entitlements have been rounded up to the next whole number of New Shares and New Options (as applicable).

2.2 Complete the accompanying Entitlement and Acceptance Form or pay by BPAY®

If you decide to participate in the Entitlement Offer, you may do so by completing and returning the Entitlement and Acceptance Form and attaching payment by following the instructions set out on the Entitlement and Acceptance Form (see sections 2.3 and 2.5 below for more details).

Alternatively, you may participate by making payment via BPAY® in accordance with the instructions set out on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number).

If you take no action you will not be allocated any New Shares or New Options.

The issue of New Securities is scheduled to occur on or about Monday, 20 November 2017. IOG reserves the right to change dates in relation to the Entitlement Offer without prior notice to Shareholders.

2.3 Acceptance of Entitlement Offer and payment

You may take up all or part of your Entitlement by completing the Entitlement and Acceptance Form and attaching payment or by paying by BPAY® (see below for more details).

If you are not making payment by BPAY®, your completed Entitlement and Acceptance Form must be accompanied by a cheque in Australian currency for the amount of your Application money, payable to “Incremental Oil and Gas Limited – Entitlement Offer” and crossed “Not Negotiable”. You should ensure that sufficient funds are held in relevant account(s) to cover the Application monies. If the amount of your cheque for Application monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

If your payment is being made by BPAY®:

- (a) you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form;
- (b) if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have accepted your Entitlement in respect of such whole number of New Shares which is covered in full by your Application money; and
- (c) it is your responsibility to ensure that your BPAY® payment is received by the Registry by no later than 5.00pm (AEDT) on Tuesday, 14 November 2017. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Any payment received for more than your final allocation of New Securities will be refunded on or around the date which is 2 Business Days after the date of issue of New Shares under the Entitlement Offer. No interest will be paid to applicants on any payment received or refunded.

Refund amounts, if any, will be paid in Australian dollars. You will be paid by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders). Alternatively you will be paid by direct deposit where the Registry holds bank account details in respect of your Shareholding.

2.4 Top-Up Facility and Shortfall

Eligible Offerees (other than directors and related parties of IOG) may, in addition to taking up their Entitlements in full, apply for Additional Shares in excess of their Entitlements. Additional Shares will only be available where there is a shortfall between Applications received from Eligible Offerees for New Shares and the number of New Shares proposed to be issued under the Entitlement Offer. New Shares issued under the Top-Up Facility will be issued at the Issue Price of \$0.01 per New Share (along with 1 free attaching New Option for every New Share issued).

The allocation policy for Additional Shares subscribed for pursuant to the Top-Up Facility will be as follows:

- (a) Eligible Offerees who have applied for Additional Shares through the Top-Up Facility will receive the Additional Shares they have applied for unless there is an over subscription for Additional Shares through the Top-Up Facility, in which case Eligible Offerees will receive Additional Shares on a pro-rata basis having regard to their Entitlement; and
- (b) No Additional Shares will be issued to Eligible Offerees through the Top-Up Facility that would result in a particular Eligible Offeree having voting power of 20% or more in IOG based on substantial shareholder notices that have been lodged with ASX prior to the allocation of Additional Shares.

If any shortfall remains after the allocation to Eligible Offerees as provided above, the Directors reserve the right to place the resulting shortfall at their discretion (at a price not less than \$0.01 per New Share and on the basis of 1 New Option for every New Share issued), within 3 months

from the closing date of the Entitlement Offer, subject to compliance with the Listing Rules and Corporations Act.

Eligible Offerees who apply for Additional Shares may be allocated a lesser number of Additional Shares than applied for, or may be allocated no Additional Shares at all, in which case excess Application money will be refunded without interest.

Refund amounts, if any, will be paid in Australian dollars. You will be paid by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders). Alternatively you will be paid by direct deposit where the Registry holds bank account details in respect of your Shareholding.

The Directors reserve their right to alter the allocation policy and to allocate and issue Additional Shares under the Top-Up Facility at their discretion.

If you wish to subscribe for Additional Shares in addition to your Entitlement then you should nominate the maximum number of New Shares you wish to subscribe for on the Entitlement and Acceptance Form and make payment for your full Entitlement plus the additional New Shares (at \$0.01 per New Share). You will receive 1 New Option for every New Share issued.

If your payment is being made by BPAY®:

- (a) you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form; and
- (b) if your payment exceeds the amount payable for your full Entitlement, you are taken to have accepted your Entitlement in full and to have applied for such number of Additional Shares which is covered in full by your Application money.

If you apply for Additional Shares under the Top-Up Facility and your Application is successful (in whole or in part) your Additional Shares will be issued at the same time as other New Shares are issued under the Entitlement Offer.

The Directors do not represent that any Application to participate in the Top-Up Facility will be successful. The Company reserves the right to issue to an Applicant for New Shares under the Top-Up Facility a lesser number of New Shares than the number applied for or reject an Application or not proceed with the issuing of the New Shares pursuant to the Top-Up Facility or part thereof. If the number of New Shares issued to an Applicant is less than the number applied for by the Applicant, surplus Application monies will be refunded to the Applicant in full. Interest will not be paid on any Application monies refunded.

2.5 Mail or deliver

It is important to note that the Entitlement Offer is scheduled to close at 5.00pm (AEDT) on Tuesday, 14 November 2017. To participate in the Entitlement Offer, your payment must be received no later than this date. Your completed Entitlement and Acceptance Form, together with Application money, should be mailed to:

Incremental Oil and Gas Limited
C/- Link Market Services Limited
GPO Box 3560, Sydney NSW 2001

or hand delivered to:

Incremental Oil and Gas Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(Please do not use this address for mailing purposes)

If your payment is being made by BPAY®, you do not need to mail or deliver the personalised Entitlement and Acceptance Form.

2.6 Selling your Entitlement on ASX

If you wish to sell all your Entitlement on ASX, you should instruct your stockbroker and provide details as requested on the Entitlement and Acceptance Form.

If you wish to sell part of your Entitlement on ASX and take up the remaining part and/or wish to allow a remaining part to lapse, you should:

- (a) in respect of the Entitlement to be sold, instruct your stockbroker and provide details as requested on the Entitlement and Acceptance Form; and
- (b) in respect of the part of your Entitlement you are taking up, follow the instructions set out in Sections 2.2, 2.3 and 2.5 above.

Entitlement trading on ASX is expected to commence on Wednesday, 1 November 2017 (on a deferred settlement basis) and to end on Tuesday, 7 November 2017.

2.7 Selling your Entitlement other than on ASX

You may elect to transfer all or part of your Entitlement to another person other than on ASX.

To do this, you must:

- (a) in respect to the Entitlement to be sold, complete and return a Renunciation and Transfer Form¹ (available from the Registry) to the Registry by 5.00pm (AEDT) on Tuesday, 14 November 2017 together with Application money payable (from the buyer) and a signed copy of the Entitlement and Acceptance Form (in respect of the New Shares being applied for by the buyer); and
- (b) in respect of any part of your Entitlement you are taking up, follow the instructions in Sections 2.2, 2.3 and 2.5 above.

2.8 If you wish to do nothing and allow your Entitlements to lapse

If you do not wish to take up your Entitlement you can simply do nothing.

If you have not completed your personalised Entitlement and Acceptance Form and it has not been received by the Registry at the address above by 5.00pm (AEDT) on the Entitlement Offer Closing Date of Tuesday, 14 November 2017, or alternatively have not made a payment through BPAY® before that time, then your Entitlement will lapse.

2.9 Representations by acceptance

A payment made through BPAY® or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite Application monies constitutes a binding offer to acquire New Securities on the terms and conditions set out in this Prospectus and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Securities. IOG's decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By making a payment by BPAY® or by completing and returning your personalised Entitlement and Acceptance Form with the requisite Application monies, you will also be deemed to have given the following acknowledgements, representations and warranties on behalf of each person on whose account you are acting:

- (a) you acknowledge that you have read and understand this Prospectus and your personalised Entitlement and Acceptance Form in their entirety;

¹ A Renunciation and Transfer Form may only be used for Issuer Sponsored holdings and the Registry will not process any transfers involving broker sponsored/CHESS sponsored holdings.

- (b) you agree to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus, and the Constitution;
- (c) you authorise IOG to register you as the holder(s) of New Securities issued to you;
- (d) you declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- (e) you declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- (f) you acknowledge that once IOG receives your personalised Entitlement and Acceptance Form or any payment of Application monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- (g) you agree to apply for and be issued up to the number of New Shares (and accompanying New Options) specified in the personalised Entitlement and Acceptance Form (including any Additional Shares and accompanying New Options where applicable), or for which you have submitted payment of any Application monies via BPAY®, at the Issue Price per New Share;
- (h) you authorise IOG, the Registry and their respective officers or agents to do anything on your behalf necessary for New Securities to be issued to you, including to act on instructions of the Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- (i) you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (j) you acknowledge that the information contained in this Prospectus and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Securities are suitable for you given your investment objectives, financial situation or particular needs;
- (k) you acknowledge the statement of risks in Section 4 of this Prospectus, and that investments in IOG are subject to risk;
- (l) you acknowledge that none of IOG, its related bodies corporate, affiliates and directors, or their respective officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of IOG, nor do they guarantee the repayment of capital;
- (m) you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date (as applicable);
- (n) you authorise IOG to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (o) you represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Securities (or where applicable, Additional Shares and accompanying New Options) and that you are otherwise eligible to participate in the Entitlement Offer;
- (p) you are an Eligible Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Securities under the Entitlement Offer;

- (q) you acknowledge that the New Securities have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside Australia;
- (r) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States; and
- (s) you agree that if in the future you decide to sell or otherwise transfer the New Securities, you will only do so in transactions where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or who is acting for the account or benefit of a person in the United States.

2.10 Representations by acquirers of Entitlements

Investors who acquire Entitlements on ASX or otherwise will, by acquiring those Entitlements, and by applying to take up all or part of those Entitlements, be deemed to agree to make and be subject to the representations, declarations, warranties and agreements in Section 2.9 (other than those that relate to being an Eligible Shareholder on the Record Date (if applicable) and with references to the personalised Entitlement and Acceptance Form to be read as including any other form provided or required to be provided to the Company, the Registry or the person's stockbroker). Also, by applying to take up all or part of those Entitlements, an investor who has acquired Entitlements will be deemed to have represented, warranted and declared that it is the registered holder of those Entitlements as at the date of exercise and will be taken to have agreed to become a member of the Company.

The Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States.

Investors should note that if you purchase Entitlements in a transaction on ASX or otherwise, in order to take up or exercise those Entitlements and subscribe for New Securities you:

- (a) must be an Eligible Entitlement Holder; and
- (b) must not be in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above eligibility criteria, you will not be entitled to take up Entitlements or subscribe for New Securities.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Entitlements (or apply for any Additional Shares under the Top-Up Facility). In the event that holders are not able to take up their Entitlements, those Entitlements will form part of the shortfall and be available for purchase by others under the Top-Up Facility (see section 2.4).

2.11 ASX quotation

An application will be made to ASX for the Official Quotation of the New Securities offered under the Entitlement Offer within seven days of the date of this Prospectus. Subject to approval being granted by ASX, it is expected that the quotation and trading of the New Securities issued under the Entitlement Offer will commence on Tuesday, 21 November 2017. If permission is not granted by ASX for the Official Quotation of the New Securities offered by this Prospectus within 3 months after the date of this Prospectus, the Company will repay, as soon as practicable, without interest, all Application monies received pursuant to this Prospectus, or take such other action as allowed under the Corporations Act.

2.12 Issue of New Securities

It is currently expected that the New Securities will be issued, and that confirmation of the issue of the New Securities will be dispatched, on or before Monday, 20 November 2017.

It is the responsibility of each Eligible Shareholder applying for New Securities to confirm their holding before trading in those New Securities on a deferred settlement basis. Any person who sells New Securities before receiving confirmation of their holding in the form of their confirmation statement will do so at their own risk. IOG and the Registry disclaim all liability, whether in negligence or otherwise, to any person who trades in New Securities before receiving their confirmation statement, whether on the basis of a confirmation of allocation provided by IOG, the Registry, a broker or otherwise.

2.13 Brokerage and duty

No brokerage fee is payable by Eligible Offerees who accept their Entitlement or subscribe for Additional Shares under the Top-Up Facility. No stamp duty is payable for subscribing for New Securities under the Entitlement Offer or for Additional Shares under the Top-Up Facility.

2.14 Taxation implications

The Directors do not consider it appropriate to give Shareholders or potential investors advice regarding the taxation consequences of subscribing for New Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders or potential investors. As a result, Shareholders and potential investors should consult their professional tax adviser in connection with subscribing for New Securities under this Prospectus.

2.15 Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 31 December 2016 is in the Annual Report which was released on the ASX on 3 April 2017.

A summary of activities relating to the Company is also set out in the Company's report for the half year ended 30 June 2017 which was released to the ASX on 31 August 2017 and the Company's quarterly activities reports lodged with ASX on 31 January 2017, 28 April 2017 and 31 July 2017. The Company's continuous disclosure notices (i.e. ASX announcements) since the date of lodgement of the Annual Report on 3 April 2017 are listed in Section 5.3.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders and potential investors review these and all other ASX announcements prior to deciding whether or not to subscribe for New Securities under this Prospectus.

2.16 CHESS and issuer sponsorship

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. All trading on ASX in Shares and in Options will be settled through CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and ASX Settlement Operating Rules. The Company's Registry operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. Both these sub-registers constitute the Company's principal register of shareholders.

Holders of New Securities will not receive a certificate but will receive a statement of their holding of New Securities.

If you are broker sponsored or a participant in CHESS, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of New Securities issued under this Prospectus and provide details of your holder identification number and in relation to the New

Options, the terms and conditions applicable to the New Options, including a notice to exercise the New Options.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Registry and will contain details of the number of New Securities issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. Shareholders may request a statement at any other time. However, a charge may apply for additional statements.

2.17 Enquiries concerning Prospectus

Enquiries concerning the Entitlement and Acceptance Form or relating to the Entitlement Offer and this Prospectus should be directed to the Company Secretary by telephone on +61 8 6144 0590.

3. Purpose and effect of the Entitlement Offer

3.1 Purpose of the Entitlement Offer

The purpose of the Entitlement Offer is to raise up to approximately \$2 million (before costs) from the issue of New Shares. The issue of New Options under the Entitlement Offer will not raise any funds.

The funds raised from the Entitlement Offer (net of costs) are planned to be used to:

- (a) acquire a circa 94% working interest (which will equal a circa 82% net revenue interest) in the Borie Oil Field in the Denver Basin (**Borie Project**); and
- (b) fund working capital towards further development of the Company's projects.

If, for any reason, the acquisition of the Borie Project does not close², then the funds intended for that acquisition are proposed to be used to acquire a project of similar scale and quality or, if such a project cannot be acquired on terms acceptable to the Company, then on working capital for the further development of the Company's projects.

The approximate breakdown of funds to be allocated to each activity (assuming the acquisition of the Borie Project closes) is set out in the table below:

| Activity | Funds allocated |
|--|--------------------|
| Acquire a circa 94% working interest (which will equal a circa 82% net revenue interest) in the Borie Project. | \$1,125,000 |
| Working capital towards further development of the Company's projects. | \$760,246 |
| Costs of the Entitlement Offer (see section 5.11). | \$136,700 |
| Total | \$2,021,946 |

If the Company raises less than the full subscription under the Entitlement Offer, the Company's current intention is that the funds will firstly be applied towards payment of the costs of the Entitlement Offer, secondly towards acquisition of the Borie Project (or a project of similar scale and quality, if available on terms acceptable to the Company) and thirdly towards working capital for the further development of the Company's projects.

3.2 Effect of the Entitlement Offer

The principal effect of the Entitlement Offer will be to increase the cash reserves of the Company by up to approximately \$2,021,946 (before costs and subject to rounding) immediately after completion of the Entitlement Offer. The extent to which cash reserves will increase will depend on the level of Applications received under the Entitlement Offer.

The effect of the Entitlement Offer on the capital structure of the Company is set out in section 3.3.

² See Section 4.1(c) for further details on transaction execution risk.

3.3 Effect on capital structure

The effect of the Entitlement Offer on the capital structure of the Company, assuming all New Shares offered under this Prospectus are issued (but no Existing Options are exercised before the Record Date), is set out below:

| | Number of Shares | Number of Existing Options (unlisted) ⁽¹⁾ | New Options Offered under this Prospectus ⁽³⁾ |
|---|--------------------|--|--|
| Balance at the date of this Prospectus | 202,194,580 | 5,000,000 | - |
| Maximum to be issued under the Entitlement Offer ⁽²⁾ | 202,194,580 | - | 202,194,580 |
| Total Securities on issue after the Entitlement Offer | 404,389,160 | 5,000,000 | 202,194,580 |
| Diluted capital position (if all Options exercised) | 611,583,740 | - | - |

(1) Details of Existing Options:

| Exercise Date | Exercise Price | Number |
|---------------|----------------|-----------|
| 27 July 2018 | \$0.1485 | 5,000,000 |

(2) Subject to rounding of Entitlements. Fractions arising in the calculation of Entitlements will be rounded up to the next whole number of New Shares or New Options (as applicable).

(3) The Company will apply for Official Quotation of the New Options issued under the Entitlement Offer.

3.4 Substantial Shareholders and effect on control

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

| Shareholder | No Shares held | Relevant interest |
|-----------------------------|----------------|-------------------|
| Gerry McGann ⁽¹⁾ | 24,715,004 | 12.22% |
| Mark Stowell ⁽²⁾ | 16,232,236 | 8.03% |

- Gerry McGann, a Director of IOG, controls shares in the Company which are held through two companies, McGann Pty Ltd and McGann Consulting Pty Ltd, which he controls and also through a holding in his wife's name.
- Mark Stowell, a Director of IOG, controls shares in the Company which are held through two companies, Merchant Holdings Pty Ltd and Ascot Park Enterprises Pty Ltd, which he controls.

In the event that all Entitlements are taken up by Eligible Shareholders there will be no change to the substantial holders on completion of the Entitlement Offer. Eligible Shareholders should note that if they do not participate in the Entitlement Offer, their holdings are likely to be diluted by up to approximately 50% (as compared to their percentage holdings as at the date of this Prospectus) assuming no New Options are exercised, or by up to approximately 67% if all New Options are exercised.

The Company will not issue any New Shares to Eligible Shareholders under the Top-Up Facility (or in placing any resulting shortfall) if the Company is aware that an issue of those New Shares would contravene section 606 of the Corporations Act (see also Section 2.4).

3.5 Pro-forma balance sheet

The pro-forma balance sheet of the Company is based on the statement of financial position as at 30 June 2017 that has then been adjusted (assuming the Entitlement Offer is fully subscribed) to reflect the issue of 202,194,580 New Shares at an issue price of \$0.01 and 202,194,580 free attaching New Options pursuant to the Entitlement Offer to raise up to approximately \$2,021,946 before the costs of the Entitlement Offer. The pro-forma balance sheet is prepared on the basis that the Entitlement Offer raises approximately \$1,885,246 (equivalent to US\$1,508,197) after costs. This has been reflected as an increase in cash reserves with a corresponding increase in issued capital. The pro-forma balance sheet does not take into account the additional amount of up to \$4,043,892 that may be raised if the maximum number of New Options are issued and exercised in the future.

The pro-forma, unaudited balance sheet excludes movements from carrying out general business operations. The pro-forma, unaudited balance sheet is illustrative only and may not represent the financial position of the Company following the close of the Entitlement Offer. The pro-forma, unaudited balance sheet does not take into account the effect of any future exercises of any Options.

IOG's functional and presentation currency for financial reporting purposes is US dollars (US\$). For the purpose of presenting the pro-forma balance sheet below, Australian dollars are converted to US\$ at a rate of AU\$1.00 to every US\$0.80.

Consolidated balance sheet

| | | Adjustments \$US | UNAUDITED PRO-FORMA 30 June 2017 (Assuming raising of maximum subscription) \$US |
|--|---|---------------------|---|
| | Half Year Auditor Review 30 June 2017 \$US | | |
| Current assets | | | |
| Cash and cash equivalents | 864,713 | 1,508,197 | 2,372,910 |
| Trade and other receivables | 410,093 | | 410,093 |
| Inventories | 46,427 | | 46,427 |
| Assets held for sale | 3,664,086 | | 3,664,086 |
| Total current assets | 4,985,319 | 1,508,197 | 6,493,516 |
| Non-current assets | | | |
| Other financial assets | 388,480 | | 388,480 |
| Oil properties | 6,226,740 | | 6,226,740 |
| Plant and equipment | 2,697,676 | | 2,697,676 |
| Deferred tax asset | 20,910 | | 20,910 |
| Total Non-current assets | 9,333,806 | | 9,333,806 |
| Total assets | 14,319,125 | | 15,827,322 |
| Current liabilities | | | |
| Trade and other payables | 657,157 | | 657,157 |
| Interest bearing liabilities | 200,000 | | 200,000 |
| Taxes payable | 147,176 | | 147,176 |
| Provisions | 131,343 | | 131,343 |
| Liabilities held for sale | 439,139 | | 439,139 |
| Total current liabilities | 1,574,815 | | 1,574,815 |
| Non-current liabilities | | | |
| Trade and other payables | - | | - |
| Interest bearing liabilities | 6,299,173 | | 6,299,173 |
| Provisions | 3,795,471 | | 3,795,471 |
| Total non-current liabilities | 10,094,644 | | 10,094,644 |
| Total liabilities | 11,669,459 | | 11,669,459 |
| Net assets | 2,649,666 | 1,508,197 | 4,157,863 |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 23,807,156 | 1,508,197 | 25,315,353 |
| Shares reserved for employee share plan | 5,511 | | 5,511 |
| Reserves | 349,661 | | 349,661 |
| Accumulated losses | (21,512,662) | | (21,512,662) |
| Total equity | 2,649,666 | 1,508,197 | 4,157,863 |

3.6 Market price of Shares

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$0.025 per Share on 27 July 2017 and 13 October 2017

Lowest: \$0.015 per Share on 3 August 2017.

The latest available closing sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.016 per Share on 25 October 2017.

3.7 Dividend policy

The Company does not currently pay dividends. The Directors are not able to say when or if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

4. Risk factors

This Section discusses some of the key risks associated with an investment in IOG Securities. A number of risks and uncertainties, which are both specific to and of a more general nature, may adversely affect the operating and financial performance or position of IOG, which in turn may affect the value of Securities and the value of an investment in IOG.

The risks and uncertainties described below are not an exhaustive list of the risks facing IOG or associated with an investment in IOG. Additional risks and uncertainties may also become important factors that adversely affect IOG's operating and financial performance or position.

This document is not financial product advice and has been prepared without taking into account your investment objectives or personal circumstances. Before investing in Securities, you should consider whether an investment in Securities is suitable for you. Potential investors should consider publicly available information on IOG (such as that available on the websites of IOG and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

4.1 IOG specific risks

(a) Analysis of the Project

The Company has undertaken financial, operational, business and other analysis in respect of the Borie Project in order to determine its suitability from a technical, commercial and economic perspective for the Company.

It is possible that the analysis undertaken and the best estimates assumptions made by the Company draw conclusions and forecasts which are inaccurate or which may not be realised in due course (whether because of flawed methodology, misinterpretation of economic circumstances or otherwise).

To the extent that the actual results achieved by the Borie Project are weaker than those indicated by the Company's analysis, there is a risk that this may have an adverse impact on the financial position, financial performance and/or share price of the Company.

(b) **Technical Knowledge**

The Company has undertaken technical assurance for the Borie Project. It is considered that the Borie Project has robust estimates of cost and that there are sufficient prospects for the Borie Project to proceed to further development.

It is possible that despite the assurance work undertaken, circumstances may arise where technical failure will impact on the deliverability of the outcomes associated with the development of the Borie Project. Circumstances that have been identified as high technical risk include oil well deliverability, lower than expected reservoir deliverability over the life of the field, well system failure during the production cycle, and inlet pressure being below specification and unable to deliver at design rates for an extended period.

To the extent that technical failure cannot be successfully mitigated through planning and control practices, there is a risk that this may have an adverse impact on the financial position, financial performance and/or share price of the Company.

(c) **Transaction execution**

Completion of the purchase of the Borie Project is subject to finalisation of a mutually agreeable Assignment, Bill of Sale and Conveyance with the vendor as well as satisfaction of the Company at its sole discretion, including, but not limited to, a final land title review, asset verification, contract compliance, onsite inspection and environmental review. Until all of these conditions have been met, there is a risk that the acquisition of the Borie Project may not close. Under such circumstance, the Company would seek to acquire an asset of a similar size and quality to invest in, if such an acquisition can be made on terms acceptable to the Company.

(d) **Economic and Financial**

The Company has undertaken economic analysis in respect of the capital and operating costs associated with the development of the Borie Project. To the extent that the capital and operating costs are impacted by circumstances not covered by allowances and contingencies built into the project cost profile, there is a risk that the Project will incur over runs that may have an adverse impact on the financial position, financial performance and/or Share price of the Company.

(e) **Regulatory**

The operation of the Borie Project by the Company will need to comply with relevant governmental approvals and regulations. To the extent that the development plans for the field do not comply with all necessary permits, authorisations, agreements or licences, there is a risk that costs will be incurred to remediate non-compliance, with the potential to have an adverse impact on the project delivery.

(f) **Volatility of oil and gas prices**

The Company has assessed the feasibility of the acquisition and development of the Borie Project based upon the prevailing prices for oil and gas. Prices for oil and gas are subject to fluctuations and are affected by numerous factors beyond the control of the Company.

These factors include, but are not limited to, global consumer demand, national and international financial market conditions, uncertainty in commodity markets, political and economic conditions in oil producing countries, actions of the Organisation of the Petroleum Exporting Countries (OPEC) (or members thereof), government pricing regulations, taxation and availability of alternative and competing fuel sources.

Lower oil and gas prices may not only decrease revenue, but may also reduce the amount of oil and gas that can be economically produced. The Company has policies and procedures for entering into hedging contracts to mitigate against the fluctuations in oil price and exchange rates.

(g) Exploration and production

The future profitability of the Company and the value of its Securities are directly related to the results of exploration, development and production activities as well as costs and prices as noted above. Oil and gas exploration and production involves significant risk.

Exploration is a speculative endeavour with an associated risk of discovery of finding any oil and gas in commercial quantities and a risks associated with development of a field. No assurances can be given that funds spent on exploration will result in discoveries that will be commercially viable.

Development and production of oil and gas projects may be exposed to low side reserve outcomes, cost overruns, production decrease or stoppage, which may be the result of facility shutdowns, mechanical or technical failure and other unforeseen events. A significant poor development outcome or failure to maintain production could result in the Company lowering reserve and production forecasts, loss of revenue and additional operating costs to restore production. In some instances, a loss of production may incur significant capital expenditure, which could require the Company to seek additional funding.

(h) Drilling

Drilling of oil and gas wells is subject to numerous risks, many of which are beyond the Company's direct control. Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, unexpected drilling conditions, mechanical difficulties, delays in government or regulatory approvals, availability of the necessary technical equipment and appropriately skilled and experienced technicians. Drilling may result in wells that, whilst encountering oil and gas, may not achieve commercially viable results.

(i) Operating

Industry operating risks include, but are not limited to, fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties; or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against the Company.

(j) Reliance on key personnel and advisors

The ability of the Company to achieve its objectives depends on the engagement of key employees, directors and external contractors that provide management and technical expertise.

If the Company cannot secure external technical expertise (for example to carry out drilling) or if the services of the present management or technical team cease to be available to the Company, this may affect the Company's ability to achieve its objectives either fully or within the timeframes and the budget that it has forecast. Additionally, industrial disruptions, work stoppages and accidents in the course of operations may adversely affect the Company's performance.

(k) Reliance on third party infrastructure

The Company will rely on third party transportation infrastructure in order to deliver its production to the market. Any delay or failure to access or properly maintain operating infrastructure or shared facilities may have a material adverse effect on the Company.

(l) **Reserves and resource estimates**

Oil and gas reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter or become uncertain when new information becomes available on the oil and gas reservoirs through additional drilling or reservoir engineering tests over the life of a field.

In addition, reserve and contingent resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. The actual reserves or contingent resources may differ from those estimated which may result in the Company altering its plans which could have either a positive or negative effect on its operations.

Changes in reserve estimates could also impact the Company's ability to maintain its borrowing capacity with its current or future lenders.

(m) **Environmental**

The Company's exploration, development and production activities are subject to state and federal environmental laws and regulations in the United States.

Oil and gas exploration, development and production can be potentially environmentally hazardous giving rise to substantial costs for environmental rehabilitation, damage control, and losses. The Company's operations will be subject to environmental controls relating to hazardous operations.

The legal framework governing this area is complex and constantly developing. There is a risk that the environmental regulations may become more onerous, making the Company's operations more expensive or cause delays. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

(n) **Legislative changes, government policy and approvals**

Changes in government, monetary policies, taxation and other laws in the United States, Australia or internationally may impact the Company's operations and the value of its shares.

The Company requires government regulatory approvals for its operations.

The impact of actions, including delays and inactions, by state and federal governments may affect the Company's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, production and exploration activities. This may from time to time affect timing and scope of work to be undertaken. No guarantee can be given that all necessary permits, authorisations, agreements or licences will be provided to the Company by government bodies, or if they are, that they will be renewed, or that the Company will be in a position to comply with all conditions that are imposed.

(o) **Access to Capital Markets**

The Company's business relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available to the Company on favourable terms or at all. Failure to obtain additional funding may cause the Company to postpone any development plans, forfeit rights to some or all of its projects or reduce its operating structures, including staff and overhead levels, which may delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Any additional equity financing may dilute existing shareholdings.

(p) **Occupational health and safety**

Exploration and production of oil and gas may expose the Company's staff and contractors to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Company's

employees or contractors suffered injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Company's business and reputation.

(q) **Insurance**

Insurance of all risks associated with oil and gas exploration and production is not always available and, where available, the cost can be high. The Company maintains insurance within a coverage range that it considers to be consistent with industry practice and appropriate for its needs. The occurrence of an event that is uninsurable, not covered, or only partially covered by insurance could have a material adverse effect on the Company's business and financial position.

(r) **Exchange rates**

The Company's future revenue from oil sales will be received in US dollars which subjects the Company to exchange rate volatility and fluctuations when converting that revenue into Australian dollars. Accordingly, any appreciation or depreciation of the Australian dollar against the US dollar will affect the Company's value independently of its operational success or otherwise.

(s) **Option Risk and Dilution**

Options are, by their nature, only of value at times when the exercise price is lower than the price of the underlying Shares. There is no guarantee that the New Options will, at any particular time, have an exercise price which is lower than the price of the Shares. The New Options may be "out of the money" and may therefore have little or no value, and may expire at a time when they have no value.

On completion of the Entitlement Offer, there will be up to a further 202,194,580 Options (subject to rounding) on issue (assuming the Entitlement Offer under this Prospectus is fully subscribed and no other Options are issued or exercised).

If exercised, these New Options will be converted into Shares, thereby causing the shareholdings of Shareholders to be diluted by up to 33% (on the basis that the Entitlement Offer is fully subscribed, all of the New Options offered under this Prospectus are issued, no other Shares are issued and no Existing Options on issue at the date of this Prospectus are exercised). However, each New Option has an exercise price of \$0.02 which means that the Company will receive additional funds of up to approximately \$4,043,892 (before costs) upon exercise of the New Options, if all New Options the subject of the Entitlement Offer are issued and subsequently exercised.

4.2 General risks

(a) **Potential for dilution**

If shareholders do not take up all of their Entitlement under the Entitlement Offer, then their percentage holding in the Company may be diluted.

It is not possible to predict what the value of the Company or New Securities will be following the completion of the Entitlement Offer and the Directors do not make any representation as to such matters.

The historical trading price of the Company shares on ASX prior to this Prospectus being lodged is not a reliable indicator as to the potential trading price of New Securities after completion of the Entitlement Offer.

(b) **General market and share price**

There are general risks associated with investments in equity capital such as the Company's Shares. The trading price of the Company's Shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Issue Price.

Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- commodity prices;
- changes in interest rates and the rate of inflation;
- changes in government legislation and policies, including taxation laws and foreign investment legislation;
- announcement of new technologies; and
- geo-political instability, including international hostilities and acts of terrorism.

Further, the effect of these conditions on the Company's ability to refinance its debt obligations, and the terms on which any such refinancing can be obtained, is uncertain. If these conditions result in the Company being unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse impact on its financial position, financial performance and/or share price. The operational and financial performance and position of the Company's share price may be adversely affected by a worsening of international economic and market conditions and related factors. It is also possible that new risks might emerge as a result of global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable.

(c) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) **Taxation**

The acquisition and disposal of New Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All Eligible Shareholders are urged to obtain independent financial advice about the consequences of acquiring New Securities from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for New Securities under this Prospectus.

4.3 Speculative investment

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Securities offered under this Prospectus. Potential investors should consider that an investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Securities pursuant to this Prospectus.

5. Additional information

5.1 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities (and options over them) in section 713 of the Corporations Act. This enables listed disclosing entities to issue a prospectus with less rigorous disclosure requirements if:

- (a) the securities offered by the prospectus were enhanced disclosure securities at all times in the 3 months before the date of the prospectus; and
- (b) during the shorter of the period during which the securities were quoted and the period of 12 months before the date of the prospectus, the company was not subject to certain exemptions or declarations prescribed by the Corporations Act.

Securities are enhanced disclosure securities if:

- (a) the company is included in the official list of ASX; and
- (b) the Listing Rules apply to those securities.

The information in this Prospectus principally concerns the terms and conditions of the Entitlement Offer and the information necessary to make an informed assessment of:

- (a) the effect of the Entitlement Offer on the Company;
- (b) the rights and liabilities attaching to the New Securities offered by this Prospectus; and
- (c) the rights and liabilities attaching to the underlying Shares.

As the Company has been listed on ASX since 21 January 2011, a substantial amount of information concerning the Company has previously been notified to ASX and is therefore publicly available.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the New Securities.

5.2 Regular reporting and disclosure obligations

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require the Company to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware concerning the Company which a reasonable person would expect to have a material effect on the price or value of securities in the Company.

The Company is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an auditor's report.

All announcements made by the Company are available from ASX.

5.3 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC.

During the period that the Entitlement Offer remains open, the Company will provide free of charge to any person who requests it, a copy of:

- (a) the Company's Annual Report for the year ended 31 December 2016, being the last financial year for which an annual financial report has been lodged with the ASIC in relation to the Company before the issue of this Prospectus; and
- (b) the Company's Half Year Report for the year ended 30 June 2017, being the half-year financial report lodged with the ASIC by the Company after the lodgement of the Annual Report referred to in Section 5.3(a) and before the issue of this Prospectus; and
- (c) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company after 3 April 2017 (being the date of lodgement of the most recent Annual Report referred to in paragraph (a)) and the date of issue of this Prospectus. These notices are listed below:

| Date | Description of announcement |
|-----------|---|
| 3-Apr-17 | Appendix 4G – Disclosure of Corporate Governance Principals and Recommendations |
| 3-Apr-17 | Annual Report – 2016 |
| 20-Apr-17 | Appendix 3Y – Mark Stowell (Purchase 73,048 shares) |
| 26-Apr-17 | Florence Sale Finalised |
| 28-Apr-17 | Quarterly Activity Statement – Q1-17 |
| 2-May-17 | AGM Notice |
| 23-May-17 | 2016 Corporate Governance Statement |
| 26-May-17 | Expiry of Unlisted Options |
| 26-May-17 | Appendix 3Y – Matthew McCann (Options Expired) |
| 29-May-17 | Drilling Joint Venture – Williston Basin |
| 31-May-17 | AGM Presentation |
| 31-May-17 | Results of AGM |
| 14-Jun-17 | Drilling JV Update |
| 22-Jun-17 | Appendix 3Y – Mark Stowell (Purchase 22,236 shares) |
| 27-Jun-17 | Williston Basin – well spud |
| 28-Jun-17 | Williston Basin – Drilling Update |
| 4-Jul-17 | Williston Basin – Drilling Update |
| 7-Jul-17 | Williston Basin – Drilling Update |
| 10-Jul-17 | Williston Basin – Final Drilling Report |

| Date | Description of announcement |
|-------------|---|
| 31-Jul-17 | Quarterly Activity Statement – Q2-17 |
| 3-Aug-17 | Change of Auditor |
| 9-Aug-17 | Silvertip Recompletions – Permitting under way |
| 17-Aug-17 | Enercom Conference Corporate Presentation |
| 31-Aug-17 | Half Year Report |
| 9-Oct-17 | Trading Halt |
| 12-Oct-17 | Acquisition of Borie Oilfield |
| 12-Oct-17 | Equity Raising – Renounceable Rights Issue |
| 12-10-17 | Prospectus – Appendix 3B – Option holder letter |
| 13-Oct-17 | Eligible and Ineligible shareholder letters |
| 17-Oct-17 | Borie Field Overview Presentation |
| 18-Oct-17 | Despatch of Prospectus and Entitlement Forms |
| 23-Oct-2017 | Borie Field 1P Reserves Uplift Group by 55% |
| 24-Oct-17 | Investor Roadshow Presentation |
| 26-Oct-17 | Trading Halt |

5.4 No information excluded from continuous disclosure

Other than as set out in this Prospectus and the accompanying documents, there is no information which:

- (a) has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the New Securities being offered by this Prospectus.

5.5 Rights attaching to Shares

A summary of the rights attaching to Shares in the Company is set out below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and

liabilities which attach to Shares in any specific circumstances, the Shareholder should seek independent legal advice.

(a) Voting

At a general meeting of the Company, on a show of hands every Shareholder present has one vote. At the taking of a poll, every Shareholder present and whose shares are fully paid has one vote for each of his or her shares. On a poll, the holder of a partly paid share has a fraction of a vote with respect to the share. The fraction is equivalent to the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited).

(b) General meetings

Each Shareholder is entitled to receive notice of general meetings of the Company and to receive all notices, financial statements and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

(c) Dividends

The Directors may pay any interim and final dividends that, in their judgment, the financial position of the Company justifies, and fix the amount and the method of payment of any interim or final dividend. All dividends must be paid to the Shareholders in proportion to the number of shares held and the amount paid on the shares.

(d) Transfer of shares

Generally, all shares in the Company are freely transferable, subject to the procedural requirements of the Constitution, and to the provisions of the Corporations Act and the Listing Rules. The Directors may decline to register an instrument of transfer received where the transfer is not in registrable form or where refusal is permitted under the Listing Rules. If the Directors decline to register a transfer, the Company must give notice of the refusal as required by the Corporations Act and the Listing Rules.

(e) Variation of rights

The Company may only vary the rights attaching to any shares with the written consent of the holders of 75% of the shares of the class, or by a special resolution passed at a separate meeting of the holders of shares of the class.

(f) Directors

The minimum number of Directors is three and the maximum is nine. Currently, there are four Directors. Directors must retire on a rotational basis so that one-third of Directors must retire at each annual general meeting. Any other Director who has been in office for three or more years must also retire. A retiring Director is eligible for re-election. The Directors may appoint a director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

(g) Decisions of Directors

Questions arising at a meeting of Directors are decided by a majority of votes. If the votes are equal on a proposed resolution, the Chairman has a casting vote. Where only two directors are present or entitled to vote at a meeting of directors and the votes are equal on a proposed resolution, the Chairman does not have a casting vote.

(h) Issue of further shares

Subject to the Constitution, the Corporations Act and the Listing Rules, the Directors may issue, allot, or grant options for, or otherwise dispose of shares in the Company on such terms as they think fit. In particular, the Company may issue preference shares which are, or at the option of the Company or Shareholder are, liable to be redeemed

or convertible into ordinary shares. Each preference share confers on the holder a right to receive a preferential dividend and rights on winding up.

(i) Officers' indemnity

To the full extent permitted by law, the Company must indemnify each officer on a full indemnity basis against all losses, liabilities, costs, charges and expenses incurred by the officer as an officer of the Company or of a related body corporate, including liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome.

(j) Alteration to the Constitution

The Corporations Act provides that the Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting. At least 28 days' notice of the intention to propose the special resolution must be given.

(k) Listing Rules prevail

To the extent that there are any inconsistencies between the Constitution and the Listing Rules, the Listing Rules prevail.

5.6 Rights and liabilities attaching to the New Options

The New Options to be issued under this Prospectus will be issued on the following terms and conditions:

(a) Entitlement

Subject to adjustment in accordance with these terms and conditions, each New Option entitles the Optionholder to subscribe for one (1) unissued Share upon payment of the Exercise Price (as defined below) before the Expiry Date (as defined below).

(b) Exercise Price

The exercise price of each Option is \$0.02 (**Exercise Price**)

(c) Expiry Date

An Option is exercisable at any time after the date of issue and on or before 29 November 2019 (**Expiry Date**). Options that are not exercised by the Expiry Date shall lapse.

(d) Notice of Exercise

The New Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each New Option being exercised. Any notice of exercise of a New Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(e) Minimum number of New Options exercised

The Optionholder may not exercise less than 1,000 New Options at any one time, unless the Optionholder has less than 1,000 New Options in which case the Optionholder must exercise all their New Options together.

(f) Shares issued on exercise

Shares issued on exercise of the New Options rank equally with the Shares of the Company on issue at the date of this Prospectus.

(g) Quotation of shares on exercise

Application will be made by the Company to ASX for official quotation of Shares issued upon the exercise of the New Options.

(h) No certificate

No certificate will be issued if the New Options are granted quotation on ASX.

(i) Timing of issue of Shares

After a New Option is validly exercised, the Company must as soon as possible:

- (i) issue the Share; and
- (ii) do all such acts matters and things to obtain the grant of quotation for the Share on ASX no later than 10 Business Days from the date of exercise of the New Option.

(j) Participation in new issues

An Optionholder may participate in new issues of equity securities to holders of Shares if and to the extent that:

- (i) a New Option has been exercised; and
- (ii) a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

Optionholders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Optionholders with notice prior to the record date to determine entitlement to any new issue of securities made to Shareholders generally, in accordance with the requirements of the Listing Rules.

(k) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other equity securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the Optionholder would have received if the Option holder had exercised the New Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(l) Adjustment for rights issue

If the Company makes a pro-rata issue of Shares to existing Shareholders (other than a bonus issue), the Exercise Price of a New Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

O = the old Exercise Price of the New Option

E = the Number of underlying Shares into which one (1) New Option is exercisable

- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro-rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro-rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new Share.

(m) Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to the reorganisation at the time of the reorganisation.

(n) Quotation of New Options

An application for quotation of the New Options will be made by the Company to ASX.

(o) New Options transferable

The New Options are transferable. New Options may be transferred in the same manner as Shares unless classified as restricted securities under the Listing Rules and may be exercised by any other person or body corporate.

(p) Exercise instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the New Options with the appropriate remittance should be lodged at the Company's share registry.

(q) Voting and dividend rights

The New Options carry no rights to vote at a meeting of Shareholders, and no rights to dividends.

5.7 Directors' interests

Except as disclosed in this Prospectus, no Director or proposed director, and no firm in which a Director or proposed director has an interest:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Entitlement Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Entitlement Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Entitlement Offer.

The table below shows the interest of each Director (whether held directly or indirectly) in Securities as at the date of this Prospectus:

| Name | Shares | Unlisted Options |
|----------------|---------------|-------------------------|
| Mark Stowell | 16,232,236 | 5,000,000 |
| John Whisler | 6,365,100 | Nil |
| Gerry McGann | 24,715,004 | Nil |
| Matthew McCann | 1,238,000 | Nil |

Directors may hold the relevant interests in Shares shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

The Board recommends all Eligible Shareholders take up their Entitlement. As John Whisler and Matthew McCann are US Persons, they are ineligible to participate in the Entitlement Offer. Directors and related entities of the Company are not entitled to participate in the Top-Up Facility without Shareholder approval, which is not intended to be sought.

5.8 Directors remuneration

The Constitution provides that each Director is entitled to such remuneration from the Company for his or her services as a Director as the Directors decide but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting.

The Directors (and their associated entities) received the following remuneration for the previous two financial years:

Remuneration for the year ended 31 December 2016

| Director | Directors Fees, Consultancy Fees and Salary (US\$) | Superannuation (US\$) | Bonus (US\$) | Share Based Payments (US\$) | Total (US\$) |
|-----------------------|---|------------------------------|---------------------|------------------------------------|---------------------|
| Mark Stowell | 55,699 | 2,499 | Nil | Nil | 58,198 |
| John Whisler | 280,308 | 11,193 | 45,000 | 26,557 | 363,058 |
| Gerry McGann | 37,061 | 3,521 | Nil | Nil | 40,582 |
| Matthew McCann | 36,496 | Nil | Nil | Nil | 36,496 |

Remuneration for the year ended 31 December 2015

| Director | Directors Fees, Consultancy Fees and Salary (US\$) | Superannuation (US\$) | Bonus (US\$) | Share Based Payments (US\$) | Total (US\$) |
|-----------------------|---|------------------------------|---------------------|------------------------------------|---------------------|
| Mark Stowell | 54,477 | 5,038 | Nil | Nil | 59,515 |
| John Whisler | 300,000 | 12,453 | 32,500 | 96,969 | 441,922 |
| Gerry McGann | 43,216 | 3,359 | Nil | Nil | 46,575 |
| Matthew McCann | 39,996 | Nil | Nil | Nil | 39,996 |

5.9 CPS Capital Engagement

On 10 October 2017, the Company and CPS Capital entered into an agreement under which CPS Capital will act as lead manager in relation to the Withdrawn Offer. This engagement was subsequently extended to include the Entitlement Offer. Under the agreement, the Company will pay CPS Capital a 'Lead Manager' fee of \$30,000 (which CPS Capital may consider taking in the form of New Shares pursuant to any shortfall under the Entitlement Offer, in lieu of cash) and a 'Placement' fee of 6% on any shortfall under the Entitlement Offer that is subsequently placed to investors by CPS Capital, both of which are exclusive of GST.

In addition, the Company will pay CPS Capital for certain expenses incurred in connection with the Entitlement Offer.

5.10 Interests of other persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of the Company holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Entitlement Offer; or
- (c) the Entitlement Offer,

and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of the Company or in connection with the Entitlement Offer.

Johnson Winter & Slattery have acted as lawyers to the Company in connection with the Entitlement Offer and the Withdrawn Offer. The Company estimates that it will pay Johnson Winter & Slattery approximately \$65,000 (excluding GST and disbursements) for these legal services.

CPS Capital has been appointed lead manager for the Entitlement Offer and as sale nominee for the Ineligible Shareholders. CPS Capital will be paid the fees set out in Section 5.9 for its services as lead manager and sale nominee. CPS Capital may also earn additional stamping fees and introductory fees (see the Important Information section of this Prospectus under the heading "Broker stamping fees").

5.11 Expenses of Entitlement Offer

The estimated expenses of the Entitlement Offer (including expenses of the Withdrawn Offer) are as follows:

| | \$ |
|--------------------------------------|------------------|
| ASIC Lodgement fee | \$4,800 |
| ASX quotation fee | \$20,900 |
| Legal and preparation expenses | \$65,000 |
| Lead manager and sale nominee fees | \$30,000 |
| Printing, mailing and other expenses | \$16,000 |
| Total | \$136,700 |

In addition to the above expenses, the Company reserves the right to pay a fee of 6% (exclusive of GST) of amounts subscribed under valid Applications procured by brokers holding an Australian Financial Services Licence. Broker stamping fees will only be paid by the Company where a Broker Fee Claim Form and schedule is submitted to the Registry by no later than the end of the Business Day following the Closing Date. The Broker Stamping Fee Claim Form and schedule can be obtained from the Registry.

5.12 Consents

Each of the parties referred to in this Section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than as specified in this Section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this Section; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus other than the reference to its name and the statement (if any) included in this Prospectus with the consent of that party as specified in this Section.

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC:

- (a) Johnson Winter & Slattery have given, and at the time of lodgement of this Prospectus, have not withdrawn, their written consent to being named in this Prospectus as lawyers to the Company in respect of the Entitlement Offer in the form and context in which they are named.
- (b) Link Market Services Limited has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus as the share registry to the Company in respect of the Entitlement Offer in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of the Prospectus other than being named as the share registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.
- (c) CPS Capital has given, and at the time of lodgement of this Prospectus, has not withdrawn, its written consent to being named in this Prospectus as lead manager and sale nominee for the Ineligible Shareholders in respect of the Entitlement Offer in the form and context in which it is named. CPS Capital has had no involvement in the preparation of any part of the Prospectus.

6 Director's authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

This Prospectus is signed for and on behalf of Company by:



Mark Stowell
Chairman
Incremental Oil and Gas Limited

Dated: 27 October 2017

Glossary of terms

\$ means Australian dollars.

Additional Shares means New Shares applied for by an Eligible Offeree that are in excess of the Eligible Offeree's Entitlement.

AEDT means Australian Eastern Daylight Savings Time.

Applicant means a person who submits an Entitlement and Acceptance Form.

Application means a valid application for New Shares (and free attaching New Options) made on an Entitlement and Acceptance Form.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

ASX Settlement Operating Rules means the operating rules of ASX Settlement and, to the extent that they are applicable the operating rules of each of ASX and ASX Clear Pty Limited ACN 001 314 503.

Board means the Directors meeting as a board.

Borie Project has the meaning given in Section 3.1.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHES means ASX Clearing House Electronic Subregistry System.

Closing Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Company or **IOG** means Incremental Oil and Gas Limited (ASX: IOG) ABN 66 138 145 114.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means *Corporations Act 2001* (Cth).

CPS Capital means CPS Capital Group Pty Ltd.

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Entitlement Holder has the meaning given in Section 1.2.

Eligible Offeree means Eligible Shareholders and Eligible Entitlement Holders.

Eligible Shareholder has the meaning given in Section 1.2.

Entitlement means the number of New Shares for which an Eligible Offeree is entitled to subscribe for under the Entitlement Offer (ignoring the Top-up Facility).

Entitlement and Acceptance Form means the personalised entitlement and acceptance form which details your Entitlement, to be completed in accordance with the instructions provided.

Entitlement Offer means the 1 for 1 (1:1) renounceable pro-rata entitlement offer to subscribe for New Shares at the Issue Price (together with 1 free attaching New Option for every New Share issued) set out in this Prospectus and the Entitlement and Acceptance Form.

Existing Options means the 5,000,000 unquoted Options on issue in the capital of the Company as at the date of this Prospectus.

GST has the meaning given in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) as amended;

Ineligible Shareholders has the meaning given in Section 1.7.

Issue Price means \$0.01 per New Share.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.

Listing Rules means the Listing Rules of ASX.

New Option means a free attaching option granting the holder the right to acquire one Share on the exercise of the option, on the terms and conditions set out in Section 5.6.

New Securities means New Shares and New Options (including any issued under the Top-Up Facility).

New Shares means a Share issued under the Entitlement Offer.

Official List means the official list of ASX.

Official Quotation means quotation on the Official List.

Opening Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Option means an option to acquire a Share.

Optionholder means a holder of an Existing Option or a New Option (as the context requires).

Prospectus means this prospectus dated 27 October 2017 and lodged with ASIC and includes any supplementary or replacement prospectus.

Record Date means the date identified as such in the indicative timetable, or such other date as announced to ASX by the Company.

Registry means Link Market Services Limited ACN 083 214 537.

Section means a section of this Prospectus.

Security means a Share or Option.

Shareholder means a holder of Shares.

Share means a fully paid ordinary share in the capital of the Company.

Top-Up Facility the mechanism by which Eligible Offerees can apply for Additional Shares (along with free attaching New Options) as described in Section 2.4.

US\$ means United States Dollars.

US Person a "US Person" as defined in Regulation S under the US Securities Act.

US Securities Act the US Securities Act of 1933, as amended.

Withdrawn Offer means the 5 for 7 renounceable pro-rata entitlement offer announced to ASX on 12 October 2017 which offer has been withdrawn as announced to ASX on 30 October 2017.