

30 August 2013

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

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

### HALF YEAR FINANCIAL RESULTS

Incremental Oil and Gas Ltd has today filed its half year financial results to 30 June. A summary of the comprehensive income result is as follows:

	Six months to 30 June 2013	Six months to 30 June 2012
	US\$	US\$
Oil and Gas Revenue	6,290,986	4,084,962
Direct cost of sales	(2,424,366)	(1,560,604)
Non-operating costs	(1,759,682)	(1,266,389)
<b>Earnings before interest, depreciation, amortisation, impairment and taxation</b>	<b>2,106,938</b>	<b>1,257,969</b>
Interest (expenses/income) & finance charges	(179,050)	3,638
Depreciation & amortisation	(870,659)	(615,977)
Impairment	(6,428,498)	-
Foreign exchange movement	(13,105)	57,763
Net (loss)/profit before tax	(5,384,374)	703,939
Tax benefit/(expense)	1,907,891	(222,900)
<b>Net (loss)/profit after tax</b>	<b>(3,476,483)</b>	<b>480,493</b>

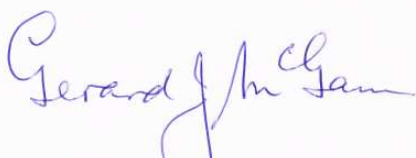
The Company recorded an increase of 54% in half year sales revenue resulting from the additional production from the Florence Oilfield. The ongoing strong cashflow from sales resulted in earnings before interest, tax, depreciation, amortisation and impairments (EBITDA) for the six months to 30 June of US\$2.11M (2012 - \$1.26M).

A net loss was due mainly to asset write-downs of \$6.43M for the period. The impairments were primarily from:

- (i) the wells costs of \$2.84M associated with the two uncommercial wells drilled at the Florence Oilfield.
- (ii) the Company has recently announced the sale of its Sheep Springs and Round Mountain Oilfields. This process commenced in June 2013 resulting in a reclassification of the oil producing properties and associated fixed assets being reclassified as current assets which are recorded at their market value. An impairment of \$3.14M resulted from this treatment which adversely effects the income statement but does not have a cash impact. Taking into consideration the capital and operating investments that have been made in these assets and the income and sales proceeds that will have been generated from acquisition to the time of sale, they have yielded a rate of return above 33%.

The sale of these projects (520 acres) will allow the Company to focus its resources on larger company-making projects such as the Niobrara formation in the Florence Oilfield (21,000 acres).

After settlement of the California oilfield sales, which is expected in September, the loan to RMB Australia Ltd (US\$4M) will be repaid in full and Incremental will have in excess of US\$10M of cash reserves and a net revenue stream from its existing Florence Oilfield which continues to cover operating costs.



**GERRY McGANN**  
**Managing Director**