ABN: 66 138 145 114

INCREMENTAL OIL AND GAS LTD

Interim Financial Report
for the half year ended 30 June 2011

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the period ended 31 December 2010 and any public announcements made by Incremental Oil and Gas Ltd during the interim report period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Information

This half year report is of the Group comprising Incremental Oil and Gas Ltd and its subsidiaries. The Group's functional and presentation currency is $US. In the prior period the parent company's functional and presentation currency was the $AUD and the functional currency of its subsidiaries was $US.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 2. The directors' report is not part of the financial report.

Directors
Chris Cronin (Non-Executive Chairman)
Gerry McGann (Managing Director)
Mark Stowell (Non-Executive Director)
Hon JAL (Sandy) Macdonald (Non-Executive Director)

Company Secretary
Susan Hunter (Appointed 1 February 2011)

Registered office
Unit 2, 16 Phillimore Street
Fremantle, WA 6160
Australia

Principal place of business
Unit 2, 16 Phillimore Street
Fremantle, WA 6160
Australia

Telephone: +61 8 6219 5069
Facsimile: +61 8 9481 2394
Web: www.incrementaloilandgas.com

Auditors
Stantons International
Level 1, 1 Havelock Street
West Perth WA 6005
Australia

Share Registrar
Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953
770 Canning Highway
Applecross WA 6153

Directors' Report

The directors of Incremental Oil and Gas Ltd ("Incremental" or "the Company") submit their report for the half year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001 the directors report as follows:

The names the directors of the Company during or since the end of the half year are:

Mr C. Cronin	Non-executive Chairman
Mr G. McGann	Managing director
Hon JAL Macdonald	Non-executive director
Mr M Stowell	Non-executive director

Review of operations

Following a capital raising and Initial Public Offer in 2010, Incremental listed on the Australian Securities Exchange on 18 January 2011.

On 2 July 2011, all of the debt of the Company was eliminated as all of the issued convertible notes of the company were converted into ordinary shares.

During the half year the company continued to operate the Sheep Springs Oilfield in California USA. In addition the Company commenced a drilling programme of four wells at Round Mountain in California USA. All of the wells encountered significant hydrocarbon pay.

Change in functional and presentation currency

Until 31 December 2010, both the functional and presentation currency of Incremental Oil and Gas Ltd (the parent) was Australian dollars ($). Each entity in the Group determined its own functional currency and items included in the financial statements of each entity were measured using that functional currency. The functional currency for the US subsidiary was the US Dollar.

At 1 January 2011 all companies in the group adopted the US Dollar as the functional and presentation currency (refer Note 2(e)).

Auditor Independence Declaration to the Directors of Incremental Oil and Gas Ltd

The auditor's independence declaration for the period ended 30 June 2011 has been received and is to be found on page 3.

This report is made out in accordance with a resolution of directors.

On behalf of the directors

Gerard McGann
Managing Director
31 August 2011

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

31 August 2011

Board of Directors
Incremental Oil and Gas limited
Unit 2, 16 Phillimore Street
Fremantle WA 6160

Dear Directors

RE: INCREMENTAL OIL AND GAS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Incremental Oil and Gas Limited.

As the Audit Director for the review of the financial statements of Incremental Oil and Gas Limited for the half year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

JP Van Dieren
Director

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	30 June 2011 $US	Supplementary Information Note 2 (e) 31 December 2010 $US
Current assets			
Cash and cash equivalents		4,454,843	5,114,421
Trade and other receivables		630,253	538,780
Inventories		22,302	44,521
Total current assets		5,107,398	5,697,722
Non-current assets			
Other financial assets		100,000	100,000
Oil properties		14,368,254	11,120,893
Exploration assets		306,324	388,797
Plant and equipment		498,091	510,149
Total Non-current assets		15,272,669	12,119,839
Total assets		20,380,067	17,817,561
Current liabilities			
Trade and other payables		2,439,794	714,286
Convertible notes		5,277,306	2,800,600
Total current liabilities		7,717,100	3,514,886
Non current liabilities			
Convertible notes		-	2,291,400
Deferred taxation		766,055	501,130
Total non-current liabilities		766,055	2,792,530
Total liabilities		8,483,155	6,307,416
Net assets		**11,896,912**	**11,510,145**
Equity attributable to equity holders of the parent			
Issued capital	1	12,627,704	12,604,832
Reserves		35,769	35,769
Accumulated Losses		(766,561)	(1,130,456)
Total Equity		**11,896,912**	**11,510,145**

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2011

	Notes	2011 $US	Period from 7 July 2009 to 31 December 2010 $A
Oil and Gas Revenue		3,437,070	6,057,792
Other Revenue		34,830	31,273
Royalties paid		(541,487)	(939,640)
Depreciation		(40,474)	(66,582)
Amortisation		(393,400)	(693,089)
Exploration		(40,395)	(105,554)
Lease operating expenses		(338,999)	(784,777)
Other costs		(682,321)	(941,186)
Wages and salaries		(349,256)	(709,144)
Share based payments		-	(156,123)
Foreign exchange losses		(131,949)	(100,994)
Interest		(324,799)	(483,231)
Profit before income tax		628,820	1,108,745
Income tax expense		(264,925)	(492,076)
Profit after tax		363,895	616,669
Profit after tax attributable to the equity holders of the parent		363,895	616,669
Other comprehensive income/(loss) for the period			
Foreign currency translation differences		-	1,726,701
Total comprehensive income/(loss)		363,895	(1,110,032)
Total comprehensive income/(loss) attributable to the equity holders of the parent		363,895	(1,110,032)
Basic Earnings Per Share (cents)	2	0.33	0.95
Diluted Earnings per share (cents)	2	0.24	0.95

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Supplementary Information Note 2 (e)	**Issued capital**	**Accumulated losses**	**Other reserves**	**Total equity**
	$A	**$A**	**$A**	**$A**
Profit attributable to members of the Group	-	616,669	-	616,669
Other comprehensive income/(loss):				
Foreign currency reserve	-	-	(1,726,701)	(1,726,701)
Total comprehensive income for the period	-	616,669	(1,726,701)	(1,110,032)
Share option reserve	-	-	35,123	35,123
Issue of share capital	12,784,365	-	-	12,784,365
Capital raising costs	(407,272)	-	-	(407,272)
Effect of change in functional currency	227,739	(1,747,125)	1,727,347	207,961
At 31 December 2010	**$US**12,604,832	**$US** (1,130,456)	**$US** 35,769	**$US** 11,510,145
	$US	**$US**	**$US**	**$US**
At 1 January 2011	12,604,832	(1,130,456)	35,769	11,510,145
Profit attributable to members of the Group	-	363,895	-	363,895
Total comprehensive income for the period	-	363,895	-	363,895
Issue of share capital	53,417	-	-	53,417
Capital raising costs	(30,545)	-	-	(30545)
At 30 June 2011	12,627,704	(766,561)	35,769	11,896,912

The above Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2011

	2011 $US	Supplementary Information Note 2 (e) Period from 7 July 2009 to 31 December 2010 $A
Cash flows from operating activities		
Receipts from customers	3,348,947	5,528,746
Payments to suppliers and employees	(1,369,147)	(3,608,801)
Interest received	31,480	31,273
Interest paid	(2,438)	(168,131)
Net cash provided by operating activities	2,008,842	1,7873,087
Cash flows from investing activities		
Payments for oil properties	(2,633,154)	(12,947,219)
Payments for purchases of property plant and equipment	(28,416)	(634,048)
Payments for exploration	(83,079)	(422,697)
	-	
Net cash used in investing activities	(2,744,649)	(14,003,964)
Cash flows from financing activities		
Proceeds from issue of shares net of capital raising costs	32,099	12,650,165
Cost of share issue	(30,545)	(407,272)
Proceeds of borrowings	-	5,340,000
Repayment of borrowings	-	(340,000)
Net cash provided by financing activities	1,554	17,242,893
Net (decrease)/increase in cash and cash equivalents	(734,253)	5,022,016
Exchange differences on cash balances held	74,675	-
Cash and cash equivalents at the start of the period (US$)	5,114,421	-
Cash and cash equivalents at end of period	4,454,843	5,022,016

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

Incremental Oil and Gas Ltd is a company limited by shares incorporated in Australia whose shares commenced being publicly traded on the Australian Securities Exchange on 18 January 2011.

This financial report presents the financial statements of Incremental Oil and Gas Ltd (the Company) and its subsidiaries for the six months ended 30 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation and statement of compliance

These consolidated interim financial statements of the Company and its subsidiaries for the period ended 30 June 2011 are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB').

These interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as the full financial report.

It is recommended that these interim financial statements be read in conjunction with the annual financial report for the period ended 31 December 2010 and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements under Corporations Act 2001.

The interim financial statements have also been prepared on a historical cost basis, except for available-for –sale financial assets and derivative financial instruments which have been measured at fair value.

The financial information for the half year ended 30 June 2011 is presented in US dollars following a change of functional and presentation currency by the company as at 1 January 2011 from Australian dollars to US dollars.

Comparative information has been re-presented where necessary to ensure conformity in presentation with revised accounting standards.

(b) Statement of compliance

The financial report, in so far as it relates to the Reviewed Information, complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

The accounting policies and methods of computation adopted in the preparation of the current financial review report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial period ended 31 December 2010.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The new and revised Standards and Interpretations have not resulted in any changes to the Group's accounting policies and have had no effect on the amounts reported in the current or prior periods.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Incremental Oil and Gas Limited ("Incremental Oil and Gas ") and its subsidiaries. Interests in associates are equity accounted and are not part of the Consolidated Entity.

Subsidiaries are all those entities over which Incremental Oil and Gas has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Incremental Oil and Gas controls another entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which Incremental Oil and Gas obtains control until such time as Incremental Oil and Gas ceases to control such entities.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their fair values at the date of acquisition. Any difference between the fair value of the consideration and the fair values of the identifiable net assets acquired is recognised as goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented with equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If Incremental Oil and Gas loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying value of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises and surplus or deficit in the statement of comprehensive income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

The Consolidated Entity has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures.*

Previously, transactions with non-controlling interests were treated as transactions with parties external to the Consolidated Entity. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Consolidated Entity ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Consolidated Entity has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer, being the entity that obtains control of another business (the acquiree). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed, in addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquires.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements, Consideration may comprise the sum of the assets transferred by the acquirer. Liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability off equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement comprehensive income.

(e) Foreign currency translation

Functional and presentation currency

Until 31 December 2010, both the functional and presentation currency of Incremental Oil and Gas Ltd and its Australian subsidiaries was Australian Dollars ($). Each entity in the Group determined its own functional currency and items included in the financial statements of each entity were measured using that functional currency. The functional currency for the US subsidiary was the US Dollar.

At 1 January 2011 all companies in the group adopted the US Dollar as the functional and presentation currency.

An entity’s functional currency is the currency of the primary economic environment in which the entity operates. The economic entity now has a significant US Dollar revenue stream and most of its costs are paid in US Dollars. Consequently the directors determined that the functional currency of the company and all its subsidiaries is US Dollars. The change in functional currency was applied with effect from 1 January 2011 in accordance with the requirements of accounting standards.

Following the change in functional currency Incremental Oil and Gas Ltd has elected to change its presentation currency from Australian Dollars to US Dollars. The directors believe that changing the presentation currency to US Dollars will enhance comparability with its industry peer group, a majority of which report in US Dollars.

To give effect to the change in functional currency and presentation currency all balances of entities with an Australian Dollar functional currency at 31 December 2010 were converted into US Dollars at a fixed exchange rate on 1 January 2011 of A$1.00:US$ 1.0184

31 December 2010 information

Information provided in relation to the period ended 31 December 2010 and the statement of financial position as at 31 December 2010 is Supplementary Information as the functional currency and the presentation currency of the Entity for the period ended 31 December 2010 was the Australian Dollar.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

To give effect to the change in functional currency and presentation currency all balances of entities with an Australian Dollar functional currency at 31 December 2010 were converted into US Dollars at a fixed exchange rate on 1 January 2011 of A$1.00:US$ 1.0184

Items relating to the consolidated statement of comprehensive income, the consolidated statement of cash flows, earnings per share and segment information for the period ended 31 December 2010 forming part of the Supplementary Information have presented in Australian Dollars.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgements

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment, including economic and political environments. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management.

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable, profits and net assets will be reduced in the period in which determination is made.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognised on the statement of financial position, Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.
Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Oil and Gas reserve and resource estimates

Oil and Gas reserves are estimates of the amount of Oil and Gas that can be economically and legally extracted from the Group's mining properties. The Group estimates its Oil and Gas reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the reserve, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the total reserves. Changes in the reserve estimates may impact upon the carrying value of exploration and evaluation assets, oil properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production amortisation

Estimated recoverable reserves are used in determining the amortisation of oilfield assets. This results in an amortisation charge proportional to the depletion of the anticipated remaining life of field production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production (UOP) depreciation methodologies are available to choose from. Changes are accounted for prospectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

1. Contributed Equity

	$US	No.
At 30 June 2011: 110,743,680 Fully paid ordinary shares	12,627,704	

Movement in ordinary shares on issue

At 1 January 2011	12,604,832	110,477,010
Issued pursuant to conversion of convertible note	21,318	100,000
Issued pursuant to exercise of options	32,099	166,670
Capital raising costs	(30,545)	-
At 30 June 2011	12,627,704	110,743,680

2. Earnings per share

	2011 $US	Supplementary Information Note 2 (e) 2010 $A
Basic earnings per share amounts are calculated by dividing net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The following reflects the income and share data used in the basic profit per share computations:		
Net profit attributable to equity holders of the parent	363,595	616,669
	Cents per share ($US)	**Cents per share ($A)**
Basic earnings per share	0.33	0.95
	No.	**No.**
The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic loss per share	110,607,012	64,968,407
	Cents per share ($US)	**Cents per share ($A)**
Diluted earnings per share	0.24	0.95
	No.	**No.**
The weighted average number of ordinary shares on issue during the financial period used in the calculation of diluted earnings per share	148,754,725	68,968,407

Diluted earnings per share in the prior period is the same as basic earnings per share as no options were dilutive during the period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

3. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in one operating segment, being oil and gas production and two geographical segments being Australia and the USA and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

Geographical segments
The Group's geographical segments are determined based on location of the Group's assets.

Period ended 31 December 2010	**Australia**	**United States**	**Adjustments**	**Consolidated**
	$A	**$A**	**$A**	**$A**
Revenue				
Income	1,209,124	6,057,792	(1,209,124)	6,057,792
Total segment revenue	1,209,124	6,057,792	(1,209,124)	6,057,792
Segment Profit/(Loss)	(1,810,918)	1,447,282	1,472,381	1,108,745
Income tax expense	-	(492,076)	-	(492,076)
Segment loss after income tax expense	(1,810,918)	(955,206)	1,472,381	616,669
Assets				
Segment assets	4,626,708	12,868,934	-	17,495,642
Liabilities				
Segment liabilities	5,408,482	784,976	-	6,193,458
Other				
Depreciation of segment assets	4,841	754,830	-	759,671

Half year ended 30 June 2011	**Australia**	**United States**	**Consolidation Adjustments**	**Consolidated**
	$US	**$US**	**$US**	**$US**
Revenue				
Income	996,854	3,431,954	(956,908)	3,471,900
Total segment revenue	996,854	3,431,954	(956,908)	3,471,900
Segment Profit/(Loss)	(133,973)	762,793	-	628,820
Income tax expense	40,192	(305,117)	-	(264,925)
Segment Profit/(Loss) after income tax expense	(93,781)	457,676	-	363,895
Assets				
Segment assets	3,274,446	17,105,621	-	20,380,067
Liabilities				
Segment liabilities	5,982,654	2,500,501	-	8,483,155
Other				
Depreciation of segment assets	2,928	37,546	-	40,474

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2011

4. Events after the balance sheet date

On 2 July 2011 interest due on convertible notes totalling $US 616,675 was paid to note holders and all of the issued convertible notes of the company were converted into ordinary shares by way of an issue of 24,900,000 ordinary shares.

Except for the foregoing, there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen after the end of the half year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

5. Contingent Liabilities

The Company has no material contingent liabilities at balance date or date of this report.

6. Comparatives

The comparatives in respect of the statement of comprehensive income, statement of cash flow and statement of changes in equity are for the period from 7 July 2009 to 31 December 2010 and are stated in Australian Dollars. Amounts shown in the statement of financial position at 31 December 2010 are shown in United States Dollars.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Incremental Oil and Gas Ltd I state that:

1. In the opinion of the directors

   (a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including;

   (i) giving a true and fair view of the group's financial position as at 30 June 2011 and of its performance for the half year ended on that date, and

   (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) There are grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Gerard McGann
Director
Perth
31 August 2011

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International
Chartered Accountants and Consultants

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
INCREMENTAL OIL AND GAS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Incremental Oil and Gas Limited, which comprises the condensed statement of financial position as at 30 June 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Incremental Oil and Gas Limited (the consolidated entity). The consolidated entity comprises both Incremental Oil and Gas Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Incremental Oil and Gas Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Incremental Oil and Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Incremental Oil & Gas Limited on 31 August 2011.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Incremental Oil and Gas Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

J P Van Dieren
Director

West Perth, Western Australia
31 August 2011

ADDITIONAL STOCK EXCHANGE INFORMATION

The additional information is required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Results for announcement to the market

		$US
2.1 Revenues from ordinary activities		3,471,900
2.2 Profit from ordinary activities after tax attributable to members		363,895
2.3 Net profit for the period attributable to members		363,895
2.4 Dividends (distributions)	Nil	

Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

None

3.0 Net tangible assets per security at 30 June 2011: $US 0.11 (31 December 2010: $A0.10)

4.0 Control was neither gained or lost over any entities during the half year.

5.0 No dividends were paid during the period

6.0 The Company does not have a dividend re-investment plan.

7.0 The Company does not have any Associated Companies.