

25 July 2012

The Manager
Company Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

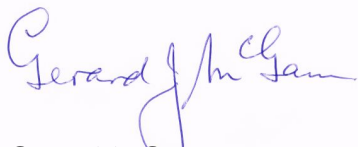
New Round Mountain Well to spud

Incremental Oil and Gas Ltd ("Incremental") is pleased to announce that Smoot 7 will spud as soon as the assigned rig becomes available. The well is a vertical stepout to the successful Smoot 1, drilled in February 2011. Smoot 1 intersected over 90 feet of pay in the Walker Formation, had an initial stabilized production rate of 103 bopd for over 30 days and has produced more than 20,800 barrels of oil to date. Smoot 7 will target the same interval, with a secondary objective being the shallower Pyramid Hill and Jewett Sands.

The well is expected to take three days and cost US\$480k to drill and complete. Total depth is planned at 1700 feet. Incremental holds a 100% working interest in the Round Mountain lease.

"The drilling of new wells in our recently acquired Florence Oilfield in Colorado is Incremental's top priority at the moment, but regulatory approvals to drill these wells will take one or two months and we plan to use this window to drill some of our attractive California prospects."

Yours sincerely



Gerry McGann
Managing Director