

21st June 2011

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

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

Smoot 2 an oil producer

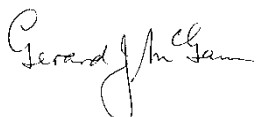
In the Round Mountain drilling campaign, Smoot 2 was spudded on June 5th and was drilled, logged and cased in three days. It was drilled for just \$280k which was 20% below budget. The well encountered the objective reservoirs close to prediction and has 61 feet of net oil pay. It was perforated over a 24' interval and placed on production on 16th June. I am pleased to announce that the well is producing oil on beam pump at more than 25 bopd. Once stabilized rates have been achieved they will be announced. Smoot 1 continues to average about 100 bopd with a trace of water.

Smoot 3 is being drilled as a horizontal well, and was spudded on 8th June. Progress had been hampered by a directional drilling assembly being stuck in the hole. The assembly has now been fished and casing is being run over the sloughing shale section. The well can then be drilled to total depth.

The Smoot 4 location and road have been built and the well will be drilled immediately after Smoot 3. It is also deviated from the vertical.

Incremental holds a 100% working interest in the Round Mountain lease. Oil is trucked to a nearby refinery and attracts close to West Texas Intermediate pricing.

Yours sincerely



Gerry McGann
Managing Director

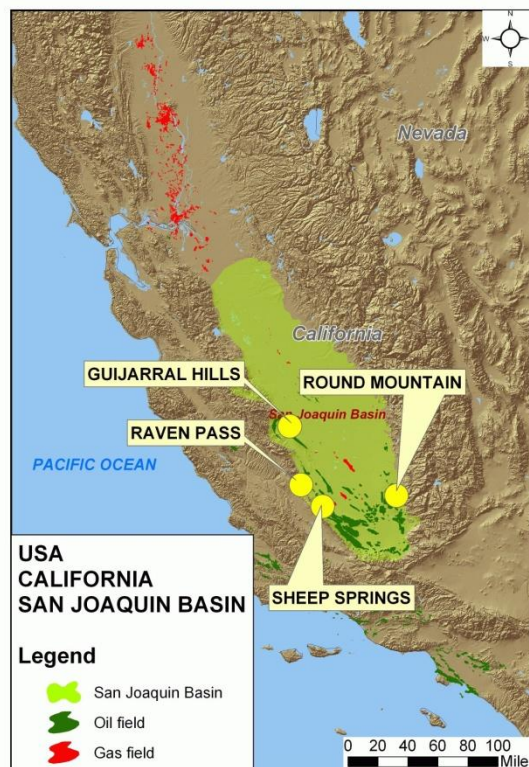
ABOUT INCREMENTAL OIL and GAS

Incremental Oil and Gas Ltd (IOG) is a producing oil and gas company. Our strategy is to identify and acquire underperforming oil fields and to increase production and recoveries. IOG's primary focus is production rather than high risk exploration, with a strong emphasis on positive cashflow.

The Board and Executive of IOG have a proven track record. They are the same team that acquired and substantially increased oil production in the Selmo oilfield in Turkey through the formerly ASX-listed Incremental Petroleum. This company was subsequently sold in March 2009 to TransAtlantic Petroleum in an \$86.5 million transaction.

IOG was launched in mid-2009 and has been profitable over its first year of operations.

IOG's focus is onshore California. The company has four current projects which are detailed on the website (incrementaloilandgas.com). These projects range from the producing Sheep Springs and Round Mountain oilfields to the low risk development project at Gujarral Hills and an exploration project at Raven Pass. IOG's strategy is to develop these and other new and yet to be secured projects into a substantial production base.



Incremental Oil and Gas project locations.

For additional information see www.incrementaloilandgas.com