

4 July 2012

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

By: e-lodgement

(ASX code: IOG)

Dear Sir/Madam

FLORENCE OILFIELD ACQUISITION FINALISED

I am pleased to announce that the purchase of the Florence oilfield in Colorado, USA has been successfully completed. Incremental Oil and Gas Ltd ("Incremental") now controls the oilfield, with 21 producing wells and 20,500 acres of leases approximately 100 miles south of Denver Colorado.

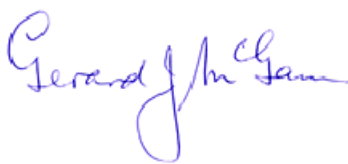
The Florence field has produced nearly 36,000 barrels of oil for Incremental's account since May 1, the effective change of ownership date pursuant to the purchase and sale agreement. Incremental plans to increase production at the Florence field from the current levels achieved by the seller while also continuing to develop its California projects. Average production to Incremental's account for all of its fields for the month of June was approximately 750 bopd.

Three locations have been chosen as targets for the first drilling campaign in the Florence oilfield that will commence as soon as state government permitting is approved. Drilling will initially target the fractured Pierre Shale formation, the source of all current production from the Florence oilfield.

Extensive potential is present in the deeper Niobrara Formation which is a well recognised producing formation and is presently being drilled immediately to the west of our leases by other operators.

Part funding for the Florence acquisition was provided by an US\$8M loan facility from RMB Resources (part of the investment bank, First Rand Ltd). The balance of the purchase price and working capital requirements have come from production cashflow and a recent equity raising through a placement of 20M shares. This substantial acquisition and the resultant production increase was achieved with minimal dilution to existing shareholders.

Incremental has sufficient working capital to fund the planned drilling programs in Colorado and California for the remainder of 2012.



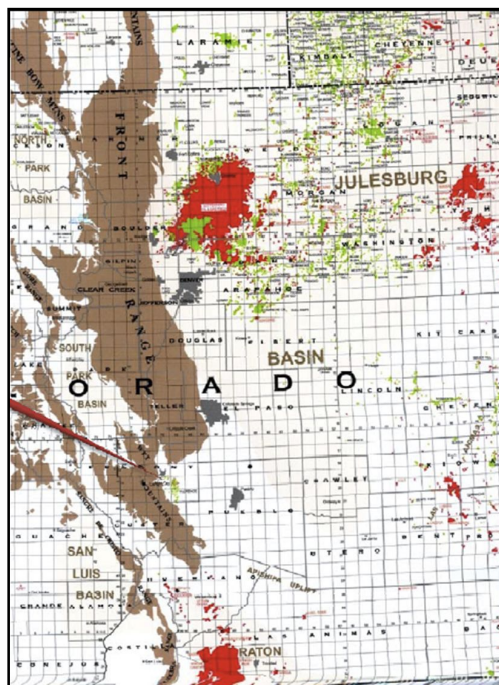
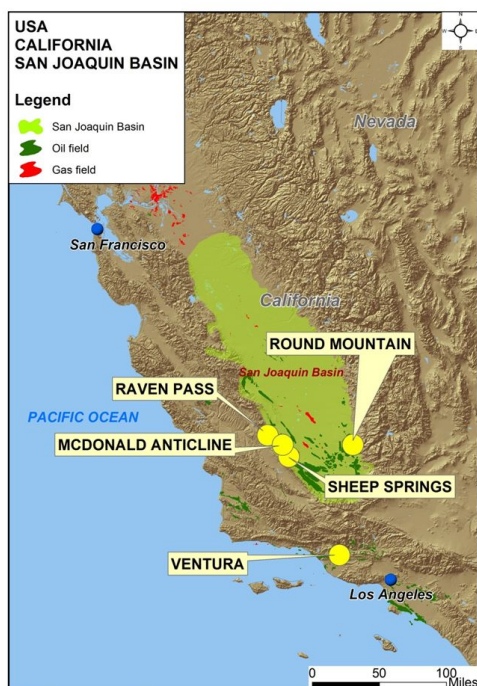
GERRY MCGANN
Managing Director
ABOUT INCREMENTAL OIL and GAS LTD

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

IOG's focus has been onshore California and Colorado. The company has five current projects in California which are detailed on the website. These projects include producing oilfields at Sheep Springs and Round Mountain and prospective projects at Ventura, McDonald Anticline and Raven Pass.

The Florence oilfield in Colorado shows a strong history, both historical and recent, of good production from the Pierre Zone. There is also potential production from the deeper Niobrara which can be explored in the future.

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 California and Colorado.

For additional information see the Company's web site
www.incrementaloilandgas.com