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8 March 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 #1 discovery tests 100 bopd.

Incremental's Smoot #1 has been swab tested at rates exceeding 100 barrels of oil per day (bopd) with no water from a 40 foot interval. The well will be placed on permanent production with a beam pump in the coming days. More definitive production rates will be available once the well is pumped. A number of shallower pay intervals remain untested in Smoot #1 at this time.

Chris Cronin, Chairman of Incremental Oil and Gas commented, "Testing at rates exceeding 100 bopd from our first vertical well is extremely encouraging and moves our Round Mountain project into the production phase. We will now proceed to rapidly develop our lease in Round Mountain. This development will probably involve as many as ten new vertical and horizontal wells, targeting all of the pay zones identified in Smoot #1."

Incremental hold a 100% working interest in the Round Mountain lease and the drilling of Smoot #1 fulfills all of Incremental's farmin obligations.

Yours sincerely

A handwritten signature in black ink that reads "Gerry McGann". The signature is written in a cursive, flowing style.

Gerry McGann
Managing Director

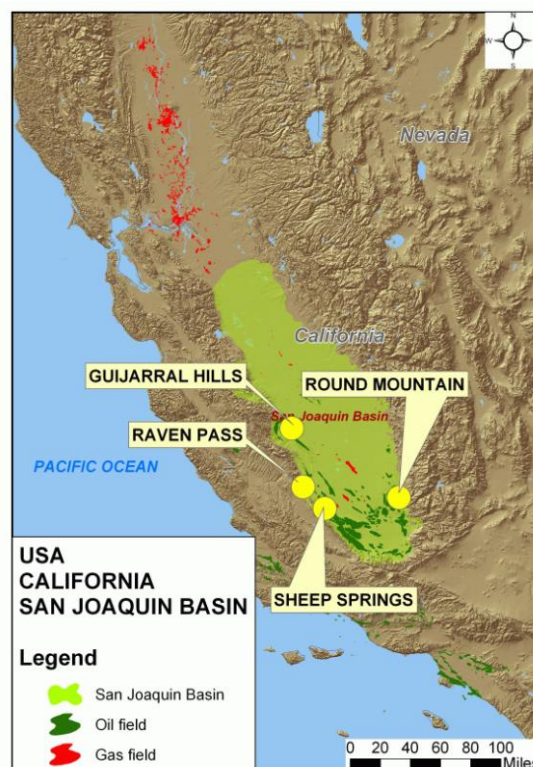
ABOUT INCREMENTAL OIL and GAS LTD

Incremental Oil and Gas Ltd (IOG) is a producing oil and gas company. Our strategy is to identify and acquire 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 Oilfield to low risk development projects at Round Mountain and 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