

9 February 2012

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

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

### **Two new producers at Round Mountain**

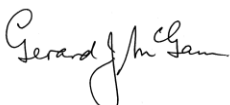
**Smoot 6** in Incremental's 100% owned Round Mountain project was brought onto production on 1<sup>st</sup> February. The well was drilled in late November and fracture stimulated in two separate stages between 1315' and 1542'. The tight supply of contractor's equipment in California resulted in the fracturing operation being delayed several times.

Most of the 600 barrels of frac water has now been recovered from the well. The well is still cleaning up with a total fluid rate of about 130 barrels a day. This rate suggests that the fracture stimulation has increased the productivity of the reservoir substantially. The oil percentage of the produced fluid has been increasing as the frac water is eliminated from the well and is currently 15% (i.e 16 bopd). It will take several more weeks before the oil production rate is stabilized, but present indications are that the well will become a profitable producer.

**Smoot 4**, which was drilled in June last year was also fracture stimulated in January in the Jewett Formation between 1386' and 1497'. The well had previously been producing about 20 bopd and 150 bwpd from the deeper Pyramid Hill Formation, which has temporarily been isolated. Most of the frac water has now been pumped and the well is producing about 20 bopd. When the well is returned to co-mingled (Pyramid Hill plus Jewett Formations) production, it could reasonably be expected to produce in excess of 35 bopd.

Gerry McGann, Incremental's Managing Director commented, "The production rates from recent frac jobs are the fruits of knowledge gained at Round Mountain over the last year. With six wells drilled by Incremental in the field, we have determined that fraced vertical wells yield good production rates from relatively inexpensive wells. We will wait on stabilized rates in the coming weeks before firmly committing to extra wells in the Round Mountain Field but present indications are that a second drilling campaign will be undertaken in early Q2 2012.

Yours sincerely



Gerry McGann  
Managing Director