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16 February 2011

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

By: e-lodgement (ASX code: IOG)

Dear sir/madam

Round Mountain Smoot #1 begins drilling

Incremental's Smoot #1 spudded at about 20:00 on 15th February (California time). The well is programmed to drill vertically to a total depth of 2000 ft (609 m). The main targets are between 945 ft (288m) and 1200 ft (365 m). The well is anticipated to take about 5 days and should cost \$540,000.

Gerry McGann, Managing Director of Incremental Oil and Gas commented: "The drilling of our first well in Round Mountain marks the transformation of Incremental to a multi-project company. Recent horizontal wells close to our lease have been highly profitable. Incremental would hope to replicate this success later in 2011. Smoot #1 marks the first step in that process, which is gathering modern reservoir data. The well should be completed as a producer and well results will be used to plan a multi-well field development to be undertaken later this year."

Yours sincerely

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Gerry McGann Managing Director



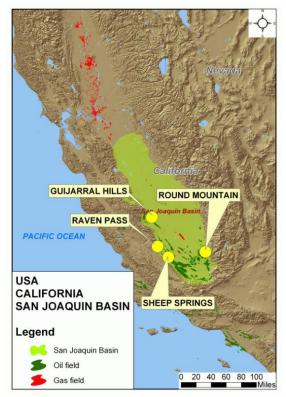
ABOUT INCREMENTAL OIL and GAS LTD

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 Guijarral 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