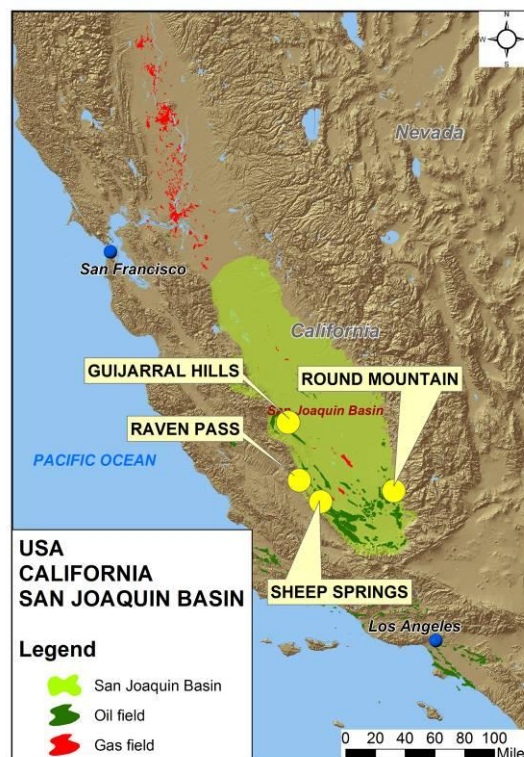


27th July 2011
Australian Stock Exchange
By ASX online

QUARTERLY ACTIVITIES REPORT **For the quarter ended 30 June 2011**

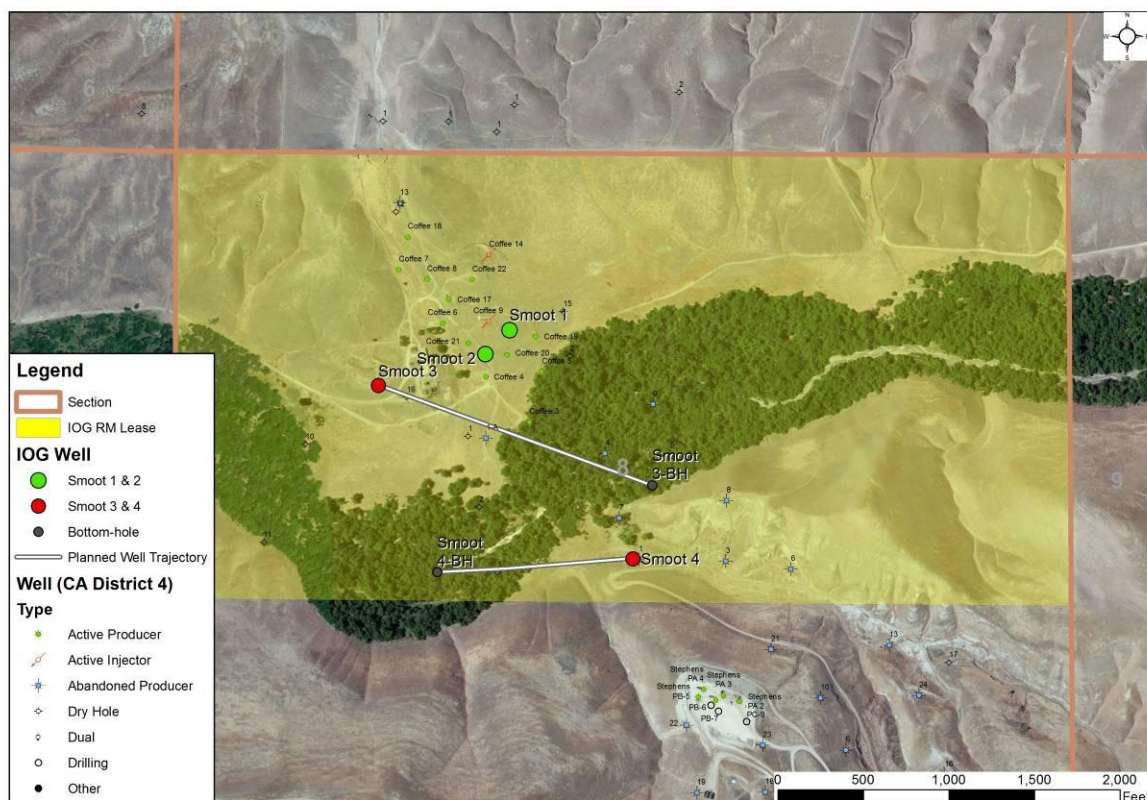
HIGHLIGHTS

- Three more successful wells at Round Mountain
- First Two Round Mountain wells paid out
- First horizontal well successfully completed
- Average oil production up 15% for quarter
- 21% increase in sales revenues to \$1.828m for quarter
- Field Mapping at Raven Pass
- Additional land leased during the quarter



Incremental Oil and Gas project locations

DRILLING ROUND MOUNTAIN OILFIELD



Round Mountain well locations

SMOOT 2 was a conservative offset about 170 feet SW of Smoot 1. It was spudded on June 5th and reached total depth of 1700' on 6th June. The well intersected the primary target low to Smoot 1 as predicted. Log analysis indicated 61 feet of net pay. A 24' interval was perforated and the well was placed on production on 16th June. Smoot 2 provided valuable information on oil/water contact, reservoir distribution and Smoot #1 reservoir drainage and area.

SMOOT 3 was a horizontal well, spudded on 8th June. The well was drilled without incident to 1514' where the drill string became stuck. Nine days were spent retrieving the fish. After 7 5/8" casing was set at 1800', a 810' long horizontal hole was drilled to a total depth of 2610'. Excellent shows were seen throughout, with oil over the shakers. A 4 1/2" slotted liner was run to 2610' and the rig moved off on 26th June.

SMOOT 4 was drilled as an inclined well to better site the surface location. It was drilled without incident to a total depth of 2700' with shows down to 2185'. The drill string became stuck at 1900' whilst pulling out of the hole to log. The fish was successfully recovered after 4 days. The well intersected 70 feet of hydrocarbon pay. The well will be brought onto production as soon as possible.

PRODUCTION

SHEEP SPRINGS:

There were some external power interruptions that resulted in the field being shut down for as long as 36 hours. We are looking at install an emergency generator to alleviate this problem in the future. Sheep Springs production over the quarter was also negatively impacted by the workover of C-5 (down three days, then successfully returned to production) and C-4.

During the quarter, well C-7 was shut in to preserve gas supplies for a future steam injection project.

ROUND MOUNTAIN:

Two wells, Smoot 1 and 2 were successfully brought on production in the quarter. Smoot 3 is being prepared for production at the end of the reporting period.

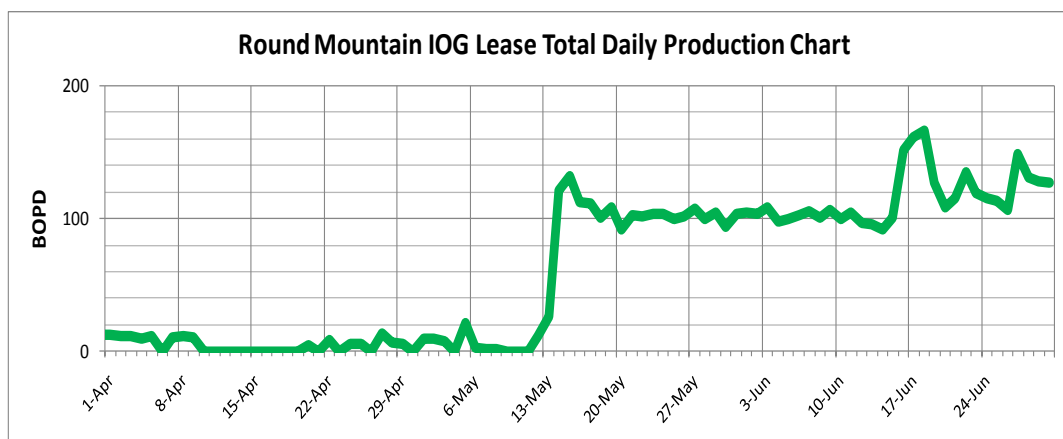
At **SMOOT 1**, there were initial problems during May in replicating the excellent flow rates achieved during testing, but after the initial 40' perforated interval was re-perforated on 6th May the well produced dry oil at rates averaging 102 bopd, as announced to the ASX on 24th May.

SMOOT 2 came on production on 16th June. Production stabilized at about 30 bopd at the end of the reporting period.

SMOOT 3 is being brought into production at the end the reporting period. Results will be announced as soon as they are available.

The four well programme at Round Mountain this year cost US\$2.6 million and over US\$800k of gross oil revenue has already been generated from Smoot 1 and 2, significantly exceeding the total cost of those two initial wells.

The IOG Round Mountain production is shown below:



Incremental's plan is to observe production trends in our new Round Mountain wells for several months before initiating additional activity.

WORKOVERS

SHEEP SPRINGS:

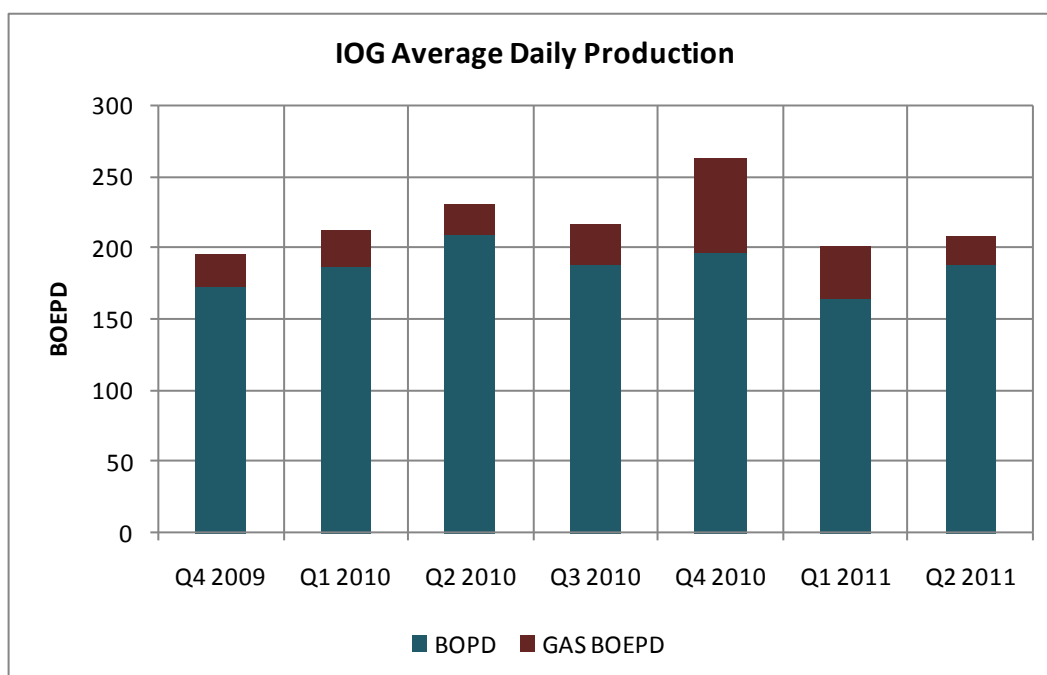
The long awaited **C-4** FracPac was performed by Halliburton on June 21st in an attempt to increase production and limit sand ingress. Production increased from 6 bopd to 12 bopd after the job.

H & P #2 was perforated in the Carneros over a 30' interval. The well flowed dry gas at 275 thousand cubic feet per day. The well then loaded up with fluids and has died. We are evaluating re-completion options in the well.

Three wells underwent an inexpensive chemical treatment during the quarter. Production increased by about 6 bopd as a result of this work, resulting in payout of the treatment in just a matter of months.

Details of production for the quarter and reference quarters are:

	Q2 2011	Q1 2011	Q2 2010
Production (Av barrels oil per day)	188	164	192
Gas production (Av 000's cubic ft/day)	117	222	414
Average daily production (barrels oil equivalent)	208	203	261
Average price of oil sold (US\$/barrel)	109.60	98.50	83.66
Average price of gas sold (US\$/mcf)	2.45	3.14	3.21
Quarterly revenue (US\$)	1,828,190	1,512,760	1,548,094



Average daily production graph by quarters

The 2011 second quarter oil production was 15% above the preceeding quarter. This is mainly due to the contribution from the Round Mountain Field. Revenues increased by

21% from the previous quarter. Realized oil prices increased over the quarter from an average of US\$89.50 in Q1 to \$109.60 in Q2.

OTHER PROJECTS

In The Gujarral Hills and Raven Pass projects geological studies continued and an additional 152 net acres of prospective leasehold was added during the quarter. In the prospective Raven Pass project, an extensive field mapping project was undertaken, and available seismic purchased.

CORPORATE

\$5million in convertible notes were all converted to shares on July 2nd. Incremental now has no debt.

A handwritten signature in black ink, appearing to read 'Gerry McGann', written in a cursive style.

Gerry McGann
Managing Director