

28 July 2015

The Manager Companies  
Company Announcements  
Australian Securities Exchange  
Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

ASX : IOG

**QUARTERLY ACTIVITIES REPORT**  
**For the quarter ended 30 June 2015**

## 1 HIGHLIGHTS

- Acquisition of Silvertip Oil and Gas Field for \$6.3M was finalised on 30<sup>th</sup> June. This project represents an increase of 150% in group proven developed producing reserves.
- Production increase of 3% in Q2-15 from CA and CO fields

## 2 PRODUCTION

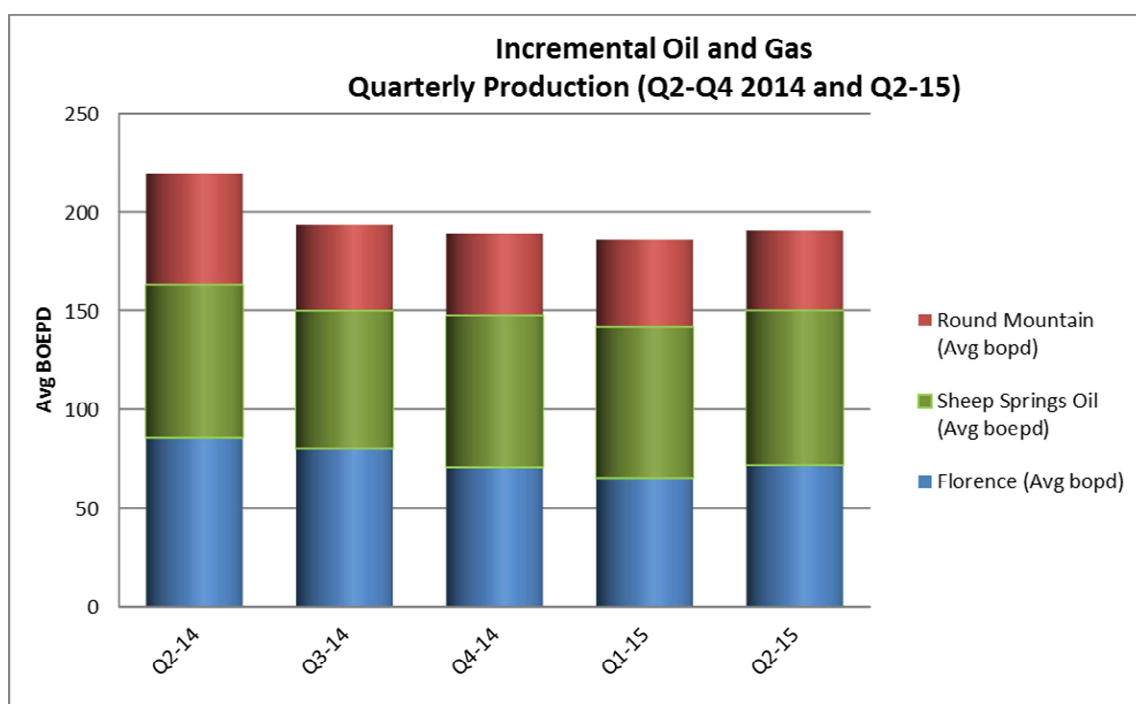


Figure 2: Average daily production by quarter (excluding Silvertip Field)

Details of cumulative production from Incremental's Oilfields in the last quarter and reference quarters are as follows:

	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q2 2014</b>
Oil Production (Avg barrels per day)	184	177	209
Gas production that is sold (Avg 000's cubic ft/day)	37	49	63
Average daily production (barrels of oil equivalent - BOE)	190	185	219

Production from the Sheep Springs and Florence Fields was higher in Q2-15 than the previous quarter.

### **3 SILVERTIP, WYOMING: (100% working interest)**

---

Incremental secured ownership of the Silvertip Field in the Bighorn Basin, Wyoming on 30<sup>th</sup> June 2015.

The acquisition of this Field was a significant announcement for the Company after a long search for an appropriate asset. The Silvertip Field produces a mixture of oil and high BTU gas. The transaction was closed with debt funding provided by ANB Bank<sup>1</sup>.

The Silvertip Field covers an area of 5,200 net acres of which 85% is held by production. There are certified proven developed producing 1P reserves of 581,000 BOE. The field was acquired with a gas processing plant and equipment.

The first operational phase for the field will be the return of some shut-in wells to production and the optimisation of production. Incremental has identified a number of behind pipe opportunities from this multi-stacked reservoir field for future development.

### **4 FLORENCE, COLORADO: (100% working interest)**

---

Oil production in Q2-15 (6,500 Bbls) was higher than in the previous quarter (5,800 Bbls). The decline of production from this field has slowed significantly and is now relatively stable. No development work has been undertaken at the Florence Field during the quarter with the exception of a pump changeover in one well which did result in a temporary increase in production.

### **5 SHEEP SPRINGS AND ROUND MOUNTAIN, CALIFORNIA: (100% working Interest)**

---

The Sheep Springs Field production during Q2-15 (6,500 boe) was higher than the previous quarter (6,000 boe). No development work was carried out in the field in the last quarter.

There were no development activities at the Round Mountain Field in Q2-15. The field produced 3,600 Bbls in Q2-15, compared to 3,900 Bbls in the previous quarter.

---

<sup>1</sup> ANB Bank is a large, independently owned, US based bank with over 30 banking centres in Colorado, Wyoming and Kansas. Its parent company, Sturm Financial Group, Inc. is headquartered in Denver, Colorado and has over \$2 billion in assets. ANB Bank provides banking and loan facilities for a number of emerging energy sector companies in the Mid-Continent USA.

## 6 BUSINESS DEVELOPMENT

---

The Company will continue to look at opportunities to expand its production base through further acquisitions while it undertakes the integration of the Silvertip project into the asset portfolio. The Company's recent success in closing the Wyoming purchase is likely to attract interest from other potential sellers in Wyoming and other Mid-con states.

## 7 CASH FLOW RESULTS

---

Cash on hand at the end of Q2-15 was US\$0.742M (Q4-14 – US\$1.158M). Cash movement for the quarter (including comparison of prior full year movement) is summarised as follows:

	<b>Q2-15 US\$ '000</b>	<b>Q1-15 US\$ '000</b>	<b>2014 US\$ '000</b>
Net proceeds from sales (after royalty interest payments)	\$ 836	\$ 636	\$6,961
Payments related to production & administration	(\$ 751)	(\$ 597)	(\$5,243)
Leases & capital expenditure	\$ -	(\$ 30)	(\$ 240)
Production tax	(\$ 200)	-	-
Debt repayments – principal and interest	(\$ 226)	(\$ 213)	(\$ 647)
Proceeds from borrowings	\$6,357	-	-
Purchase of Silvertip assets	(\$6,432)	-	-
Net cash increase/(decrease) for the period	(\$ 416)	( \$204)	\$ 831
Opening cash balance	\$1,158	\$1,362	\$ 541
Closing cash balance	\$ 742	\$1,158	\$1,362

Operating costs remained within budget and lower than for the same period in 2014. The average oil price achieved in Q2-15 was \$51.10 per barrel (Q1-15 - \$42.60 per barrel).