incremental
OIL AND GAS
LTD

prospectus

For an offer of up to 17 million new ordinary fully paid Shares at a price of $0.30 per Share to raise up to $5,100,000, with the option to accept over-subscriptions of up to a further 7 million Shares to raise a further $2,100,000.

Important Information: This Prospectus provides important information to assist prospective investors in deciding whether or not to invest in the Company. It should be read in its entirety. If you do not understand it, you should consult your professional advisers. ABN 66 138 145 114.

KEY TERMS

The Offer Price per Share is $0.30.

Shares on issue as at the date of the Prospectus	92,796,682
New Shares to be issued under this Prospectus*	17,000,000
Total number of Shares on issue following the Offer*	109,796,682
Amount to be raised under the Offer*	$5,100,000
Options on issue as at the date of the Prospectus[1]	92,766,670
Convertible notes on issue as at the date of the Prospectus[2]	25,000,000

** These assume the Full Subscription*

Important dates

Date of this Prospectus	11 November 2010
Offer Open Date	18 November 2010
Offer Close Date	9 December 2010
Shares expected to be allotted	13 December 2010
Holding statements expected to be despatched	15 December 2010
Trading of Shares on the ASX expected to commence	21 January 2011

These dates and times are indicative only. Incremental Oil & Gas reserves the right to vary the dates and times of the Offer, without prior notice including closing the Offer before the scheduled Offer Close Date. Investors are encouraged to submit their Application Form and Application Monies as soon as possible.

Notes

(1): Options are unlisted and exercisable at 20 cents on or before 1 November 2014. Options will remain unlisted. Refer to section 10.6.

(2): Notes convertible at 20 cents on or before 2 July 2011, interest at 10% per annum. Refer to section 10.7.

Corporate Directory

Incremental Oil And Gas Limited. ACN 138 145 114

DIRECTORS
Chris Cronin, Chairman
Gerry McGann, Managing Director
Mark Stowell
Hon JAL (Sandy) Macdonald

CHIEF FINANCIAL OFFICER
Jonathan Asquith

COMPANY SECRETARY
Steve Robinson

REGISTERED OFFICE
Unit 2, 16 Phillimore Street
Fremantle, WA 6160

Tel: (08) 6219 5069
Fax: (08) 9481 2394
Web: www.incrementaloilandgas.com

SHARE REGISTRY
Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953
770 Canning Highway
Applecross WA 6153

Tel: (08) 9315 2333
Fax: (08) 9315 2233
Web: www.securitytransfer.com.au

PROPOSED ASX CODE
"IOG"

AUDITOR
Stantons International
Level 1,
1 Havelock Street
West Perth WA 6005

INVESTIGATING ACCOUNTANT
Stantons International Securities
Level 1, 1 Havelock Street
West Perth WA 6005

INDEPENDENT GEOLOGIST
Ray Pennell
Rigel Petroleum Consulting
2201 F Street
Bakersfield
California 93301, USA

RPS Energy Pty Ltd
38 Station Street
Subiaco WA 6008

INDEPENDENT SOLICITOR'S REPORT
Melvin Erhlich
4550 California Avenue (2nd Floor)
Bakersfield
California 93309, USA

AUSTRALIAN LEGAL ADVISER
Johnson Winter & Slattery
Level 1, London House
216 St Georges Terrace
Perth WA 6000

Important Notices

Lodgement and listing
This Prospectus is dated 11 November 2010 and a copy of this Prospectus was lodged with the ASIC on that date. Neither the ASIC nor the ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company will apply to the ASX for listing and quotation of the Shares on the ASX within 7 days after the date of this Prospectus. No securities will be issued on the basis of this Prospectus later than 6 months after the date of this Prospectus.

Note to Applicants
The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of the investor. Before deciding to invest in the Company, you should read the entire Prospectus. In particular, in considering the prospects for the Company, you should consider the risk factors that could affect the financial performance of the Company in light of your personal circumstances (including financial and taxation issues). You should seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital or the payment of a return on the Shares. No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or the Directors in connection with the Offer.

No offering outside Australia
This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Electronic Prospectus
This Prospectus is available in electronic form via the Internet at www.incrementaloilandgas.com. The Offer pursuant to this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. The Corporations Act prohibits any person from passing to another person the Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. During the Offer period, any person may obtain a hard copy of the Prospectus by contacting the Company.

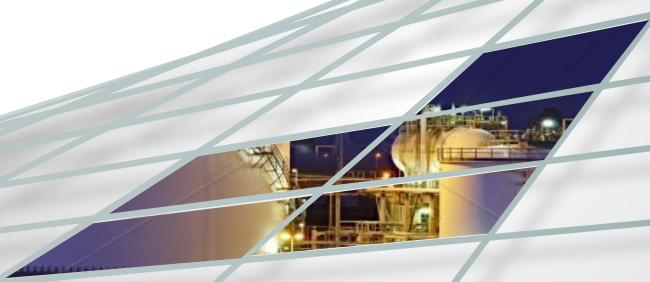
Exposure period
In accordance with the Corporations Act, this Prospectus is subject to an exposure period of seven days from the date of lodgement with the ASIC. This period may be extended by the ASIC by up to a further seven days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds, which examination may result in the identification of deficiencies in this Prospectus. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received during the exposure period and all Applications received during the exposure period will be treated as if they were simultaneously received on the date on which Applications open.

Photographs
Photographs used in this Prospectus are for illustration only and are not assets of the Company unless otherwise stated.

Financial amounts and time
Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated. Figures disclosed in this Prospectus are exclusive of goods and services tax unless otherwise stated. All times stated are Australian Western Standard Time (Perth time).

Glossary
Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Definitions in Section 11.

Contents



Letter from the Chairman

Dear Investor,
On behalf of the Directors of Incremental Oil and Gas Limited ("IOG" or "Company"), I am pleased to present this Prospectus to you and extend an invitation to you to become a shareholder of the Company.

IOG was formed in mid-2009 and the Board and executive are the same team that acquired, and then substantially increased oil production, in the Selmo oilfield in Turkey through the formerly ASX-listed Incremental Petroleum Limited ("IPM"). IPM was subsequently acquired by TransAtlantic Petroleum in March 2009 in an $86.5 million transaction. The IOG team thus bring a proven track record to this Initial Public Offering ("IPO").

IOG is a producing oil and gas company and its strategy is to identify and acquire low risk, underperforming oil fields and apply modern technical expertise to increase production and recoveries. IOG's primary focus is production rather than high risk exploration, with a strong emphasis on positive cashflow. The Company seeks to identify and evaluate opportunities to acquire and / or divest projects so as to upgrade the quality of its production and exploration portfolio.

IOG has been profitable over its first year of operations.

The focus of IOG's activity is onshore California. California is attractive because:

- The existing substantial oil production industry in California supports cheaper, competitive service suppliers
- Significant bypassed and undeveloped oil reserves have been left by early producers
- Fewer mid-sized oil companies, the innovators in the oil business, than in other regions of USA. IOG already ranks within the top 10% by production of oil companies in California.

The four IOG projects are shown on Figure 1 and details of the individual projects are presented in section 1 and in the Independent Experts' Reports in sections 4, 5 and 6.

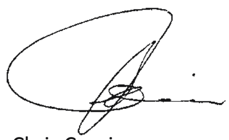
IOG's strategy is to develop these and other new, but yet to be secured, projects into a substantial production base. It is the current intention of the Board to distribute a portion of profits to shareholders by way of dividends subject to production reaching a stable level, in excess of 1000 bopd, the requirements of the Corporations Act, and maintaining prudent levels of working capital.

The proceeds of this capital raising primarily will be used to accelerate the drilling of the Round Mountain and Guijarral Hills Fields, plus additional development of the Sheep Springs Field.

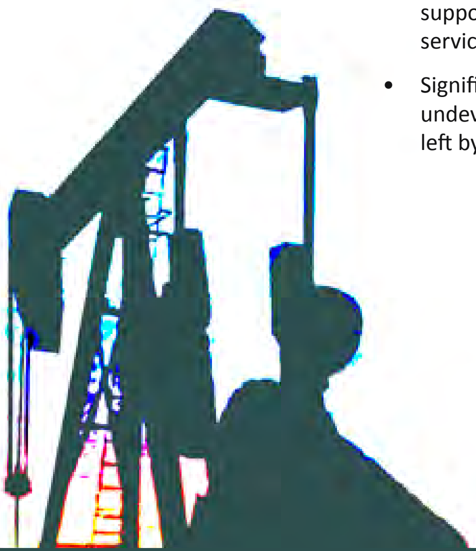
This Prospectus contains detailed information about IOG, including investment risks. I encourage you to read it carefully and seek appropriate professional advice before committing to invest.

I look forward to welcoming you as a fellow shareholder in IOG.

Yours sincerely



Chris Cronin
Chairman
11 November 2010



incremental

Investment Highlights

Investment Highlights

Proven Track Record

- The IOG team previously built a successful oil and gas company. Incremental Petroleum ("IPM") listed on the ASX in 2005 and was acquired by TSX listed TransAtlantic Petroleum Ltd in 2009:
  - IPM management turned a declining 1500 bopd oilfield in Turkey into a 2000 bopd field in less than four years. The IPM management team, along with IPM's joint venture partners, also commercialised a significant shallow gas project in Western Turkey
  - IPM was profitable throughout its life and paid dividends to its shareholders
- IOG management have extensive experience operating oil and gas projects
- IOG's team has demonstrated an ability to identify and quickly and efficiently evaluate new projects

Proven Production

- IOG acquired 100% of the Sheep Springs Oilfield near Bakersfield California on 1 January 2010. During the period from acquisition to 30 September 2010:
  - Average production has been 221 boepd
  - Average revenues have been US$0.45 million per month

Proven Reserves and Resources

- IOG's independently certified oil reserves (million barrels) in the Sheep Springs field, and resources in the Round Mountain and Guijarral Hills fields are:

PROJECT	1P RESERVES	2P RESERVES	2C RESOURCES	SOURCE
SHEEP SPRINGS	1.74	2.79		RPS, certified
ROUND MOUNTAIN			4.1	RIGEL
GUIJARRAL HILLS			1.8	RIGEL

Key Risks

Prospective investors in the Company should be aware that subscribing for securities the subject of this Prospectus involves a number of risks. An investment in IOG should be considered in light of the risks set out in Section 9 which include, but are not limited to:

- Environment Risks
- Title Risks
- Currency and Commodity Price Movements
- Operating Risks
- Exploration Risks

Development Projects

- IOG has two development projects:
  - The Round Mountain project has undeveloped, shallow oil resources and horizontal wells are planned
  - The Guijarral Hills project will be tested to attempt to establish production in identified reservoirs

Strong Financial Performance

- Since acquiring the Sheep Springs Oilfield, IOG has been profitable

High Upside Exploration Project

- The Raven Pass exploration project is a very large structure that is untested at depth. Although high risk, it could contain one of the larger undiscovered oilfields in California.

1. Investment Summary

Investment Summary

1.1 Overview of the Business

IOG is a production oriented oil company with a goal to increase production from underperforming oil fields whilst maintaining a conservative approach to managing risk.

The focus of IOG's activity is California. California is attractive for a number of reasons:

- A substantial oil production industry allowing cheap and competitive service suppliers
- A significant number of bypassed and undeveloped oil reserves left by early producers

The combined experience of IOG's senior management and directors affords IOG the ability to deliver on its strategy. IOG aims to operate projects and to maintain a high equity interest. IOG has secured four projects in California:

- Sheep Springs Producing Oilfield
- Round Mountain Development Project
- Guijarral Hills Development Project
- Raven Pass Exploration project

The Board believes these four projects in combination provide a balanced portfolio with underpinning positive cash flow, development potential with near term production expansion capability and exploration opportunity. The location of the four projects is shown in Figure 1.

Figure 1
Locations, IOG projects in California

1.2 Corporate Structure

Incremental Oil and Gas Limited
Australian Business Number 66 138 145 114
Incorporated 7/7/2009

Incremental Oil and Gas USA Holdings INC
File # 3281923,
Incorporated on 16/3/2010

Incremental Oil and Gas LLC
File # 200927510203
Formed on 1/10/2009

Incremental Oil and Gas (Round Mountain) LLC
File # 201017510162
Formed on 16/6/2010

Incremental Oil and Gas (Guijarral) LLC
File # 201017210068
Formed on 16/6/2010

1.3 Organisational Structure

IOG presently has three full time employees. Jim Hussey (Vice President USA) and Ertug Ergun (Petroleum Engineer) report to Gerry McGann (Managing Director). IOG also engages a number of contractors and consultants within a number of disciplines, on standard commercial terms.

Jonathan Asquith (CFO) and Steve Robinson (Company Secretary) work for the Company as contractors on a part-time basis.

1.4 Sheep Springs Producing Oilfield (100% working interest)

IOG acquired 200 acres within the Sheep Springs operating oilfield in January 2010. Production has increased from an average of 169 boepd at acquisition to an average rate of 221 boepd from January to September 30th 2010. This increase in production was due to operational improvements.

IOG drilled two additional wells in mid-2010. The total cost of the two wells was US$958,000, illustrating the low cost nature of operating in California. Each well intersected over 70 feet of hydrocarbon pay. The first well has produced mainly gas to date with the gas sales and export infrastructure currently being upgraded to accommodate the additional gas sales capability. The second well is currently being completed to be brought onto production.

IOG's leases in Sheep Springs host certified Proven Reserves and Probable Reserves of 2.79 million barrels of oil and 0.13 boe of gas (see section 5, Sheep Springs reserve report). At present rates of production this gives a field life of 38 years, demonstrating the long term production capacity of this oilfield.

Sheep Springs delivers cash flow and has development potential in both the deep Oceanic and the shallow heavy oil reservoirs.

Section 4 (the Independent Geologist's Report) sets out further details on the Sheep Springs development potential. Section 7 sets out further financial information regarding the Sheep Springs oilfield.

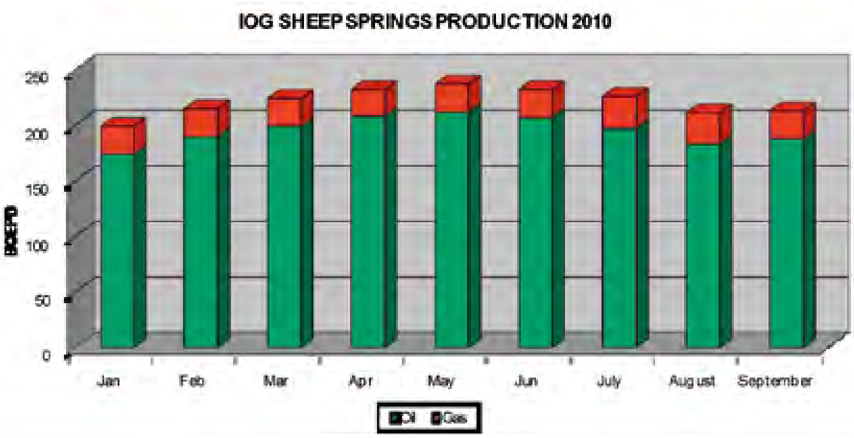


Figure 2
Sheep Springs production since January 2010

1.5 Round Mountain Development Project (100% working interest)

The shallow Round Mountain project is a development project. Oil production has been demonstrated within the oilfield by adjacent producers.

IOG's central lease location within the oilfield suggests that IOG could increase its oil production by drilling a number of horizontal wells.

The Round Mountain field has produced over 100 million barrels of oil. Most of this production was in the early part of the 20th century. The main reservoir section is at a depth between 1200 ft and 1600 ft. Modern drilling techniques, such as horizontal drilling, have been used since 1998 to revitalise the oilfield. The oil is of moderate gravity and does not require heating or steam injection to be produced at commercial rates. IOG plans to drill horizontal wells into the field. Subject to rig availability, it is currently proposed to commence drilling in late 2010 or early 2011.

Section 4 (Independent Geologist's Report) contains further details of the Round Mountain development project.

1.6 Guijarral Hills Development Project (80% working interest)

The Guijarral Hills project is situated approximately 90 km north of the Sheep Springs oilfield. IOG's leases are located within an oilfield that has produced over 50 million barrels of light oil, mainly in the 1950's.

With the deepest reservoir being the focus of early production, some of the shallower reservoirs have remained undeveloped or partially developed. These shallower reservoirs between 8,000 ft and 9,500 ft appear to contain light hydrocarbons. IOG has the right to earn an 80% working interest by funding a workover of an existing well to investigate and exploit these remaining reserves.

1.7 Raven Pass Exploration Prospect (100% working interest)

The Raven Pass prospect is a surface anticline with a strike length of over 10 kilometres. It is well defined by surface mapping, with 1500 ft of structural relief. It is located in the west of San Joaquin Basin, neighbouring giant oilfields such as Belridge. A shallow well drilled in the middle of the anticline flowed 52º API gravity oil, but the deeper reservoir section has not been tested, although it is productive in some nearby oilfields.

1.8 IOG Development Strategy

The IOG development strategy is initially focused on three projects:

- the development of the Round Mountain oilfield. Up to five horizontal wells are planned in 2011;
- the Guijarral Hills oilfield reservoirs will first be tested with a re-entry into an old well, followed by the selective drilling of at least one new well;
- the continued improvement of the Sheep Springs oilfield, with at least one new well planned in 2011. There are seven undeveloped productive reservoirs in the lease area and these reserves will be developed in a conscientious and conservative fashion. Section 4 (Independent Geologist's Report) contains further details of the undeveloped productive reservoirs.

Concurrent with the development of the above projects, IOG will continue to evaluate new projects for acquisition, consistent with available cashflow.

1.9 Key Financial Information

Section 7 contains further financial information.

7 July 2009 - 31 August 2010	$A'000
Oil and gas sales revenue	4,006
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1,768
Net profit before taxation (NPBT)	1,042
Net profit after taxation (NPAT)	567
Net Assets at 31 August 2010	8,002

1.10 Dividend Policy

The Company's strategy is to develop its projects and other new, but yet to be secured, projects into a substantial production base. It is the intention of the Board to distribute a portion of profits to shareholders by way of dividends subject to production reaching a stable level in excess of 1000 bopd, the requirements of the Corporations Act, and maintaining prudent levels of working capital.

1.11 Risks

There are a number of risks both specific to IOG and of a general nature, which can affect the operations, financial performance and the value of an investment in IOG. Although IOG attempts to mitigate risks many risks are outside the control of IOG and cannot be avoided. Section 9 (Risk Factors) describes in detail certain risks associated with an investment in IOG. Please read section 9 carefully and seek appropriate professional advice before committing to invest.

2. Details of the Offer

2 Details of the Offer

2.1 The Offer

By this Prospectus, the Company invites investors to subscribe for up to 17 million Shares at an Issue Price of $0.30 each to raise up to $5,100,000, with the option to accept over-subscriptions of up to 7 million Shares to raise a further $2,100,000. The Minimum Subscription is 10 million Shares for a total of $3,000,000

All Shares offered pursuant to this Prospectus will rank equally with existing Shares. Details of the rights attaching to Shares are set out in Section 10.5 of this Prospectus.

All application monies are payable in full on application.

The Company reserves the right to pay a 6% fee (+GST) for share applications bearing the stamp of a licensed security dealer or holder of an Australian Financial Services licence

2.2 Indicative Dates

Date of Prospectus	11 November 2010
Opening Date	18 November 2010
Closing Date (5PM Perth time)	9 December 2010
Expected date of allotment of Shares	13 December 2010
Expected date of dispatch of Holding Statements	15 December 2010
Expected date of quotation of Shares on ASX	21 January 2011

These dates are indicative only and may vary. The Company reserves the right to vary the opening and closing dates of the Offer without prior notice. Applicants are encouraged to apply as soon as possible after the Offer opens as the Offer may close earlier than the date specified above. The Company also reserves the right not to continue with the Offer at any time before the allotment of Shares to Applicants.

2.3 Underwriting

This Offer is not underwritten.

2.4 Capital Structure

The capital structure at completion of the Offer will be as set out in Table 1:

Table 1: Shares

	Minimum Subscription		Full Subscription		Maximum Subscription	
Issued Share Capital	Number Of Shares	% Of Shares	Number Of Shares	% Of Shares	Number Of Shares	% Of Shares
Total Shares on issue as at the date of the Prospectus	92,796,682	90.3%	92,796,682	84.5%	92,796,682	79.5%
New Shares to be issued pursuant to the Prospectus	10,000,000	9.7%	17,000,000	15.5%	24,000,000	20.5%
Total Shares on issue at completion of the Offer	102,796,682	100%	109,796,682	100%	116,796,682	100%

Table 2: Options and Convertible Notes

Granted Options	Number Of Options
Options on issue as at the date of the Prospectus	92,766,670
New options to be issued pursuant to this Offer	-
Total Options on issue at completion of the Offer	92,766,670
Total Convertible Notes on issue at completion of the Offer[1]	25,000,000

Note 1. Notes convertible at 20 cents on or before 2 July 2011, interest at 10% per annum. Refer to section 10.7.

2.5 Use of Funds

The Company proposes to fund its intended activities, as outlined in Table 3 below, from the proceeds of the Offer. These intended activities are development activities such as well workovers and drilling in relation to Round Mountain, Guijarral Hills and Sheep Springs and exploration activities in relation to Raven Pass. It should be noted that budgets will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities. This involves an ongoing assessment of each of the Company's projects and may lead to increased or decreased levels of expenditure on certain interests, reflecting a change in emphasis.

Table 3: Planned Use of Funds ($m)

	Minimum Subscription		Full Subscription		Maximum Subscription	
	$3m capital raising		$5.1m capital raising		$7.2m capital raising	
Budget Expenditure	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Costs of the issue	0.2		0.35		0.45	
Round Mountain	1		2		3.9	
Guijarral Hills			0.3	0.2	0.3	0.2
Sheep Springs	0.4		0.4		0.4	
Raven Pass				0.05		0.05
Working Capital	0.7	0.7	0.9	0.9	1.0	0.9
Total	**2.3**	**0.7**	**3.95**	**1.15**	**6.05**	**1.15**

2.6 Escrow Provisions

The Shares and Options on issue as at the date of this Prospectus may be subject to the restricted securities provisions of the Listing Rules. Accordingly, a proportion of the existing Shares and Options may be required to be held in escrow for a period of up to 24 months and may not be able to be sold, mortgaged, pledged, assigned, transferred or otherwise disposed of during that period.

2.7 Applications for Shares

If you wish to participate in the Offer, you must complete the Application Form enclosed with this Prospectus.

Applicants may apply for a minimum parcel of 7,000 Shares representing a minimum investment of $2,100. Applicants requiring additional Shares must apply for Shares in multiples of 3,000 Shares (equivalent to $900) thereafter. Applications for less than the minimum application of 7,000 Shares (equivalent to $2,100) will not be accepted.

2.8 Lodgement of Application Forms

All completed Application Forms, must be lodged at the Company's share registry, on or before the relevant Closing Date:

by post to

Incremental Oil and Gas Limited
- Share Offer
c/- Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6153
770 Canning Highway
Applecross WA 6153

or hand delivered to

Incremental Oil and Gas Limited
c/- Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

No brokerage or stamp duty is payable by Applicants in respect of their applications for Shares under this Prospectus. The amount payable on application will not vary during the period of the Offer and no further amount is payable on allotment.

Applications must be accompanied by payment in full in Australian currency of $0.30 for each Share applied for. Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank and should be made payable to "Incremental Oil and Gas Limited - Share Offer Account" and crossed 'Not Negotiable'.

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

A duly completed and lodged Application Form will constitute an offer by the Applicant to subscribe for the number of Shares applied for pursuant to the Application Form.

2.9 Allocation and Allotment of Shares

Subject to ASX granting approval for the Company to be admitted to the Official List, the Directors will finalise the allotment of the Shares as soon as possible after the Closing Date.

The Company retains absolute discretion in allocating Shares under the Offer and reserves the right to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies or to reject an Application. If the number of Shares allotted is fewer than the number applied for, surplus application money will be refunded without interest. The acceptance of Applications and the allocation of Shares are at the discretion of the Directors.

The Company will not be liable to any person not allocated Shares.

2.10 Application Monies Held in Trust

All Application Monies will be held in trust in a subscription account until allotment. The subscription account will be established and kept by the Company on behalf of the Applicants.

All interest earned on all Application Monies (including those which do not result in allotments of Shares) will be retained by the Company.

2.11 ASX Listing

Application will be made by the Company to ASX, within seven days after the date of this Prospectus, for the Company to be admitted to the Official List of ASX and for admission of the Shares offered pursuant to this Prospectus to quotation on ASX. If the Company is not admitted to the Official List of ASX and the Shares are not admitted to quotation within three months after the date of this Prospectus, all Application Monies will be refunded without interest.

ASX takes no responsibility for the contents of this Prospectus. In the event that ASX admits the Company to its Official List, it is not to be taken in any way as an indication of the merits of the Company or the securities offered pursuant to this Prospectus.

2.12 Taxation

The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant. IOG accepts no liability or responsibility in relation to any taxation consequences for any Applicant. Therefore it is the responsibility of any Applicant to satisfy themselves regarding the appropriate tax treatment for them.

2.13 CHESS

The Company will apply to participate in the Clearing House Electronic Sub-register System ("CHESS") operated by ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of ASX, in accordance with the ASX Listing Rules and the ASTC Settlement Rules.

The Company will not issue share certificates to Shareholders. Instead, as soon as practicable after allotment, successful Applicants will receive a holding statement (similar to a bank account statement) which sets out the number of Shares allotted. A holding statement will also provide details of a security holder's Holder Identification Number ("HIN") (in the case of a holding on the CHESS sub-register) or Shareholder Reference Number ("SRN") (in the case of a holding on the issuer sponsored sub-register).

Following distribution of these initial holding statements, an updated holding statement will only be provided at the end of any month during which changes occur to the number of Shares held. Shareholders may also request statements at any other time (although the Company may charge an administration fee).

2.14 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

2.15 Risk Factors

There are a number of risks both specific to IOG and of a general nature, which can affect the operations, financial performance and the value of an investment in IOG. Although IOG attempts to mitigate risks many risks are outside the control of IOG and cannot be avoided. Section 9 (Risk Factors) describes in detail certain risks associated with an investment in IOG. Please read section 9 carefully and seek appropriate professional advice before committing to invest.

2.16 Privacy Statement

If you complete an Application you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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3. Directors and Management

Directors and Management

3.1 Directors

Mr CHRIS CRONIN
B.Bus (Acc.) FAIM.
(Non-executive Chairman)

Chris has 33 years' experience in executive positions with some of the largest international companies in the oil and gas industry.

He retired from the position of Director, Corporate Strategy and Planning, Woodside Petroleum Ltd in October 2003 after 23 years of service. Key responsibilities during four years in this job included mergers and acquisitions, strategy and business planning, portfolio management (economics), and external affairs.

Other roles at Woodside included Director, Northern Australian Gas Projects and prior to that General Manager, Human Resources, IT and Corporate Affairs.

Prior to joining Woodside in 1980, Chris spent 9 years with BP Australia Ltd in marketing and personnel/industrial relations roles in both Victoria and W.A. Chris is a founding investor in IOG.

Current appointments in addition to IOG are:

- Deputy Chairman, Indian Pacific Ltd, owner and operator of the West Coast Eagles Football Club
- Chairman of the David Wirrpanda Foundation, a not-for-profit trust which provides assistance for the development of indigenous youth.

Additional non executive appointments in the last 5 years include:

- Chairman Incremental Petroleum Ltd (July 2005-June 2009)
- Chairman Alinta Network Holdings Pty Ltd (July 2003-Feb 2007)
- Non Executive Director, Geodynamics Ltd (October 2003-Feb. 2007)
- President, Australian Institute of Management (WA) (May 2004-May 2006)
- Appointed to Chair the Inquiry into the failure by Western Power, to supply electricity to Western Australia during the period 16-18 February 2004.

Qualifications:

- Bachelor Business (Accounting), Curtin University, W.A., 1977
- Stanford Senior Executive Program, Stanford University, USA, 1993
- Fellow of the Australian Institute of Management

Mr GERRY McGANN
B. Sc (Hons).
(Managing Director)

Gerry has 40 years' experience in the upstream oil and gas industry, in a career that has spanned all five continents. As a petroleum geologist, he has been instrumental in the discovery of oilfields totalling more than 200 million barrels in Australia, Middle East and the North Sea, and been part of teams that have discovered substantially more. As Exploration Manager for Occidental Petroleum, Gerry was responsible in increasing production from 32,000 bopd to 52,000bopd in 3 years in Oman. Gerry was one of only seven exploration managers in Occidental Petroleum, and one of only four Chief Scientists in Baker Hughes (approximately 30,000 employees).

Gerry was a founding shareholder and Managing Director of Incremental Petroleum. He identified the Selmo Oilfield in South-east Turkey in 2005, and increased the production from a declining 1500 bopd to 2000 bopd when the company was taken over in March 2009. Additional appointments in the last 5 years include a non-executive director of Target Energy in 2009.

Gerry has taught Petroleum Geology at degree and post-degree level at Curtin University for seven years. He was the president of three chapters of the Society of Petrophysicists and Well Log Analysts (SPWLA) and has been an invited speaker to SPWLA and the Society of Exploration Geophysicists annual conventions. He has published 14 technical papers and is a certified petroleum geologist. He is a founding investor in IOG.

Hon J.A.L.(Sandy) MACDONALD
LLB. (Non-executive Director)

Sandy holds a Bachelor of Law from the University of Sydney and was admitted to the Roll of Solicitors in 1977. Sandy was elected to the Australian Senate in 1993. During his parliamentary career of 15 years he was Deputy Leader of the National Party in the Senate and served in the Howard Ministry as Parliamentary Secretary for Trade and Parliamentary Secretary for Defence. He also chaired the Senate Foreign Affairs, Defence and Trade Committee for eight years. Sandy had political responsibility for Austrade and has represented Australia at a high level. He has led delegations of both business and parliamentarians on behalf of Government to Turkey, the Middle East, Asia and the Pacific Rim.

On retiring from politics in 2008 Sandy was appointed a non executive director of Defence Housing Australia by the Australian Government. He currently serves on both the Board Audit Committee and the Board Property Committee. Sandy was a Director of Incremental Petroleum from 2008 until its takeover in March 2009. He is a founding investor in IOG.

Mr MARK STOWELL
B.Bus CA. (Non-executive Director)

Mark has over 20 years of corporate finance and business management experience in a large variety of roles. Mark's initial senior role was Manager of Corporate Finance at Arthur Andersen, involved in significant IPO and merger activity in the resource and energy sectors.

Mark was a founder and board member for seven years of Anvil Mining, a significant African based copper mining company, listed on the ASX and subsequently the Toronto Stock Exchange.

In 2004 he was a joint founder and Director of Incremental Petroleum Ltd and remains a non-executive director of Incremental Petroleum under the new owners subsequent to its acquisition by TransAtlantic Petroleum (TNP:TO).

Mark was a joint founder and now Chairman of Mawson West Ltd, a copper producer in Africa. Mark is a founding investor in IOG.

3.2 Management

IOG has an experienced and committed management team in place:

Mr JONATHAN ASQUITH
BA. (Hons) CA, MBA.
(Chief Financial Officer)

Jonathan is a Chartered Accountant with over 20 years corporate experience with major international accounting firms and commercial enterprises and has held senior executive positions with a number of public and listed Australian companies.

Jonathan holds a Masters of Business Administration from the University of Western Australia and brings to the company considerable experience in financial control and managment and strategic planning for developing businesses. Jonathan is also a non-executive director of Mawson West Ltd. Jonathan is a founding investor in IOG.

Mr JIM HUSSEY
M Pet Eng. University of Southern California
(Vice President, USA)

Jim first worked for Arco for seven years, where he contributed to an increase in production of 2,000 bopd over the projected field decline.

As Engineering Manager for Ferguson and Bosworth for 14 years, he was responsible for the company's producing and exploration operations.
Jim was then appointed President of Bosworth Oil Company, a significant independent, for three years. He was responsible for all day to day activities associated with the company.

Jim served for eight years as a consulting Engineer to Laymac Corporation, where he was responsible for the McDonald Anticline Field and the French Camp Gas Field. He then joined Occidental Petroleum Corporation for eight years until 2008, at the giant Elk Hills where he was responsible for reservoir engineering on the SouthEast Nose and W31S project areas. Concurrently, he worked for Laurus Capital Management where he analysed and recommended oil and gas investment opportunities presented to the Fund.

In mid-2008 he joined Incremental Petroleum as Vice President (USA) and was responsible for the day-to-day activities, including the drilling of two gas wells. Jim is a shareholder in IOG.

Mr STEVE ROBINSON
B.Sc.
(Company Secretary)

Steve is a Rhodes Scholar, business strategist and financial economist with 20 years' experience across the agribusiness and mining industries. Currently Steve is a Director of Lincoln Capital, a

corporate advisory firm providing commercial services predominantly to the mining sector.

Prior to forming Lincoln Capital, Steve held senior management roles in Barrick Gold, Iluka Resources Limited and WMC Resources Limited.

Steve is also a Director of Bulletin Resources Limited and DV01 Mechelle Limited.

Steve is an investor in IOG.

3.3 Employees

In addition to management as detailed above, the Company presently employs one Petroleum Engineer and a small number of contract employees in Australia and the US in connection with the performance of administrative and operational functions.

3.4 Corporate Governance

The Board is responsible for the overall corporate governance of the Company. The Board's responsibilities include:

- Formulating the strategic objectives of the Company and establishing goals designed to promote the achievement of those strategic objectives;
- ensuring that they maintain and inform themselves of the Company's business and financial status at all times;
- guiding and maintaining the Company's affairs and policies based upon adequate and accurate information;
- obtaining expert advice on matters outside of the expertise of the Company's internal resources;
- at all times exercising due care and diligence and sound business judgement in the performance of their duties;
- considering and approving proposals for the Company's annual budgets;
- ensuring that there are appropriate internal controls and ethical standards of behaviour adopted and met within the Company;
- ensuring that the business risks facing the Company are, wherever possible, identified and that appropriate monitoring and reporting controls are in place to manage these risks;
- evaluating the performance and determining the remuneration of senior executives and ensuring that appropriate policies and procedures are in place for recruitment and succession planning; and
- monitoring the performance of management against the goals and objectives established by the Board.

The Board is committed to the adoption of corporate governance practices and standards consistent with the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations", to the extent that these are relevant and appropriate for the size and nature of the Company. Policies reflecting those practices and standards will be published from time to time on the Company's website.

3.5 Board Committees

The Board is served by an Audit and Risk Committee, the purpose of which is to review and monitor the financial affairs of the Company.

At the discretion of the committee, the external auditor and other members of the Board and management will be invited to Audit and Risk Committee meetings. The Audit and Risk Committee will consider any matters relating to the financial affairs of the Company and any other matter referred to it by the Board.

The members of the Audit and Risk Committee are Mark Stowell (Chair) and Chris Cronin.

The Board is also served by a Remuneration and Nominations Committee, the purpose of which is to ensure the Company attracts and retains appropriate people by offering competitive remuneration packages, and to review Board composition and performance. The Committee will monitor and review:

- the remuneration arrangements for the Managing Director and other senior executives;
- the remuneration policies, personnel practices and strategies of the Company generally;
- any employee incentive scheme;
- the remuneration arrangements for non-executive members of the Board;
- the size and composition of the Board, and criteria for Board membership; and
- the membership of the Board and propose candidates for consideration by the Board.

The members of the Remuneration and Nomination Committee are Chris Cronin (Chairman) and Sandy Macdonald.

3.6 Ethical Standards

The Board believes that the success of the Company will be enhanced by a strong ethical culture within the organisation. As the Company grows, the need to ensure that ethical standards remain has led the Board to embrace policies to ensure that all Directors, executives and employees act with the utmost integrity and objectivity in their dealing will all people with whom they come in contact with during their working life.

3.7 Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant papers and is not present at the Board meeting whilst the matter is being considered.

3.8 Continuous Disclosure

The Board places a high priority on communication with Shareholders and is aware of the obligations it will have, once listed, under the Corporations Act and ASX Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.

The Company has adopted policies which establish procedures to ensure that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information.

3.9 Directors and Management dealing in Shares

The Company requires that:

- Unless there are unusual circumstances, trades in Shares by Directors and senior management are limited to stipulated periods such as immediately following the release of an annual report or price sensitive information; and
- Directors and senior management are aware of and observe their obligations under the Corporations Act not to buy or sell shares if in possession of price sensitive non-public information and to ensure that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell Shares or communicate such information to another party.

3.10 Confidentiality

In addition to obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants also have a duty of confidentiality to the Company in relation to confidential information they possess.

3.11 Independent Professional Advice

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the expense of the Company, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

incremental

4. Independent Geologist's Report

Independent Geologist's Report

RIGEL
Petroleum Consulting

Prepared for
INCREMENTAL OIL AND GAS
LTD October 14, 2010
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CONTENTS

INDEPENDENT GEOLOGIST'S REPORT ON THREE PROPERTIES IN THE SHEEP SPRINGS OILFIELD

SAN JOAQUIN BASIN, CALIFORNIA

SUMMARY

Incremental Oil and Gas (IOG) has 100% of the working interest in three leases within the Sheep Springs Oilfield in California. The Sheep Springs leases were purchased by IOG in January 2010. A series of new wells, plus re-completions in existing boreholes, are recommended to fully develop significant potential reserves in the principal Carneros reservoir at an average drill depth of 3,300 feet. An additional five producing zones all of which have been proven productive by nearby well tests remain to be evaluated and developed. These latter zones offer potential for a further substantial increase in production.
A development plan, outlined in this document is believed to offer reasonable cost estimates and production goals that are supported by the available geologic and engineering data.

When IOG acquired the field in January 2010, the average daily production was 169 boepd from nine wells. Since that time, daily production has increased to an average of 221 boepd. This increase has been achieved by the implementation of more robust oil field operating procedures.

1. INTRODUCTION

Incremental Oil and Gas (IOG) acquired a 100% working interest in three leases comprising 200 acres in January 2010. The leases lie within the Sheep Springs field area that is located in the southwestern portion of the prolific San Joaquin Valley, approximately 40 km west of the regional oil service center of Bakersfield (Figure 1).

The Sheep Springs Field is on trend with the Cymric field that has an estimated 120 million barrels of remaining reserves. The three billion barrel South Belridge Field, the sixth largest field in the USA, is about four miles to the east and north of Sheep Springs. The Sheep Springs area has produced over 7 MMB of oil and 5 BCF of gas from at least 5 stratigraphic horizons since the 1940's. The area has been used for oilfield activity since the 1940's and has good access and infrastructure (Figure 2).

The specific areas of the IOG leases are reported on in the independent lawyer's report presented in a separate section of this Prospectus.

2. SHEEP SPRINGS OILFIELD

2.1. GEOLOGY

The Carneros sandstones of the Miocene/ Temblor formation have produced the majority of the hydrocarbons recovered to date from the Sheep Springs field area. This producing zone was discovered in the nearby Cymric Field in 1946. Peak Carneros production of more than 9,000 BOPD was reached one year later. In 2009, Occidental Petroleum made a major hydrocarbon discovery from the Carneros sands some 30 km south of the Sheep Springs field.

The general stratigraphy of the Sheep Springs area is shown in Figure 3.

Figure 1. Location Map

Figure 2. Typical scene near the Sheep Springs Field

The Carneros reservoir, at an average depth of 3300 feet consists of two sands, separated by a shaley unit. Average porosity is 32% with an average permeability of 120 millidarcies. No seismic data is presently available over the IOG acreage and therefore the subsurface structure is presently determined exclusively from the extensive well control. The reservoirs generally dip eastward at an average of 10 degrees.

An east-west cross section (Figure 5) through the IOG leases illustrates the overall structural setting and the multiple oil-filled reservoirs in the area, most of which have not been produced to date on the IOG acreage.

The physical properties of the reservoirs shown in Figure 5 are summarized below:

Table 1. Reservoir Properties1

RESERVOIR NAME	Tulare	21 sand	Fitzgerald	Monterey	First Carneros	Main Carneros	Phacoides	Oceanic
Discovery date	1948	1929	1948	1984	1944	1944	1952	1947
Initial flow rate (bopd)	12	15	15	15	388	180	62	100
Initial reservoir pressure (PSI)	400	760	800	1040	1200	1200	2650	2700
Average depth (ft)	1420	2200	2450	2650	3300	3400	4600	4700
Average net thickness (ft.)	65	75	50	20	40	150	35	50
Porosity (%)	31	18	23	46	32	34	28	18
Oil saturation (%)	65	65	56	50	70	70	70	55
Average permeability (md)	800	300	700	1	600	1300	700	40
Oil gravity (API °)	12	15	16	21	24	25	33	41

There are 28 wells on the IOG acreage, many drilled in the 1940's. The 15 wells that have historically produced most of the hydrocarbons from the IOG acreage have yielded 630,000 barrels of oil at an average cumulative production of 42,708 barrels of oil per well. The most prolific well has produced over 210,100 barrels of oil.

Production from the leases now held by IOG rose dramatically to approximately 200 BOEPD in early 2008 (Figure 6). This increase is due to recent drilling of new wells. Production has been relatively stable since with little sign of production decline.

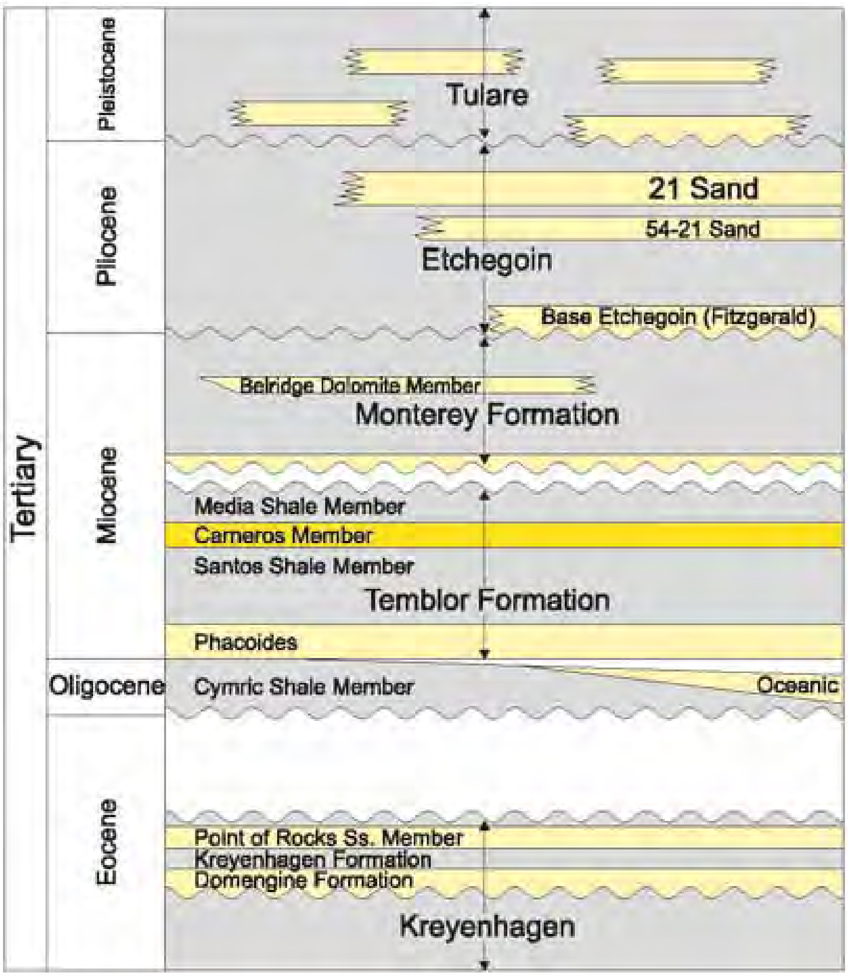

Figure 3. Stratigraphy, Sheep Springs Area

New vertical Carneros wells can be anticipated to average 50 BOPD in the first year of production. The shallow "21 Sand", 54-21 Sand and Fitzgerald Sand reservoirs of Pliocene Age (Figure 5) have all produced adjacent to IOG leases. These sands have typical initial production rates of between 10 and 35 BOPD. Horizontal drilling into these shallow Etchegoin formation reservoirs has not been attempted within the Sheep Springs acreage. However, these reservoirs have typically produced 20 to 60 BOPD initially from vertical wells in offset fields; and produced for many years with low decline rates. The reservoirs below the Carneros, i.e., the Phacoides and Oceanic sands, have tested at rates as high as 220 BOPD in wells on IOG's acreage; but have never been produced in a systematic fashion. These deeper reservoirs typically contain light hydrocarbons and have excellent reservoir properties. The Phacoides and Oceanic sands are considered to have the potential to produce at rates exceeding 100 BOPD per well.

2.2. RESERVES and RESOURCES

The reserve estimates for IOG acreage are the subject of a separate report summarized in this prospectus.

2.3. COMMERCIAL CONSIDERATIONS

The average royalty burden for the three IOG leases is 17%, which means that IOG receives 83% of the gross wellhead revenue before expenses. All wells are produced by beam pump. Power for the beam pumps is supplied by the local electrical grid. Oil is separated from the produced water, which is disposed of in two evaporation ponds. Oil is stored in three near-new 1000 barrel tanks on site and trucked to the local refinery as necessary. Oil attracts about a $3 a barrel discount to WTI price, with trucking costs included in that discount. The realized gas price to IOG is currently about 85% of the California listed price which is US$ 3.49 per MMBTU as of September 2010.

2.4. DEVELOPMENT PLAN

IOG has shown me their proposed development plan for the Sheep Springs field, as presented elsewhere in this document. The assumptions made on initial flow rates from new wells are consistent with tested rates in the various reservoirs within and adjacent to Sheep Spring's acreage.

As part of the Sheep Springs development plan, IOG drilled two wells in July 2010:

Well C-7 encountered 82 ft of net hydrocarbon pay. The well was completed in the First Carneros sand and has produced mainly gas since it came on production at rates exceeding 50 barrels of oil equivalent. The local gas sales infrastructure has to be upgraded to handle the additional gas and this work is currently underway.

The C-6 Sidetrack was a conservative re-drill of a junked well drilled by the previous operator. Logs suggest a total pay of 79 ft. The well is currently being completed for production in the main Carneros reservoir.

3. REFERENCES

1. California Oil and Gas Fields. Volume 1 Central California. Published by California Department of Conservation.

EVALUATION OF A LEASE COVERING 320 ACRES IN THE ROUND MOUNTAIN OILFIELD

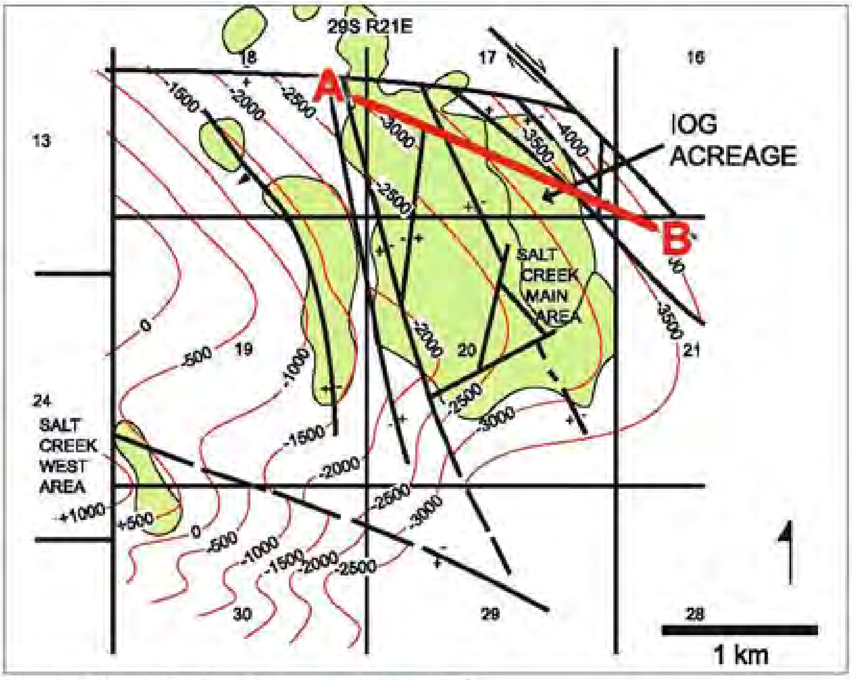

Figure 4. Depth Structure near top of Phacoides[1].

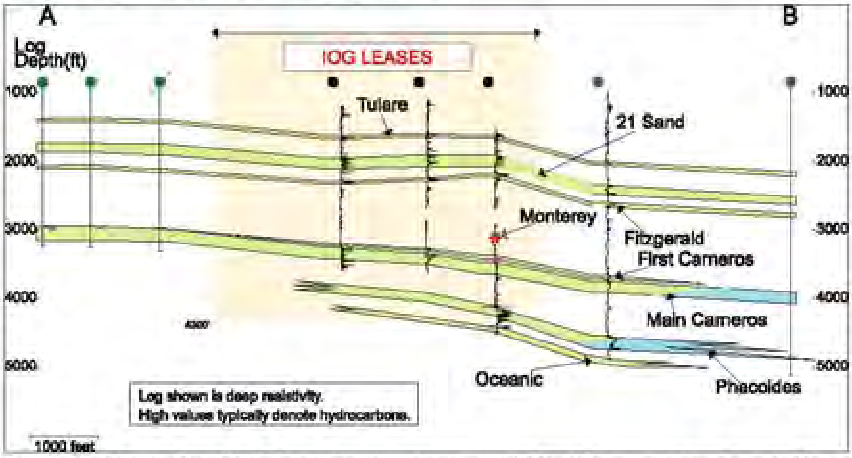

Figure 5. West to East (A-B) Cross Section showing oil-filled Reservoirs (in Green). The pink intervals are producing intervals.

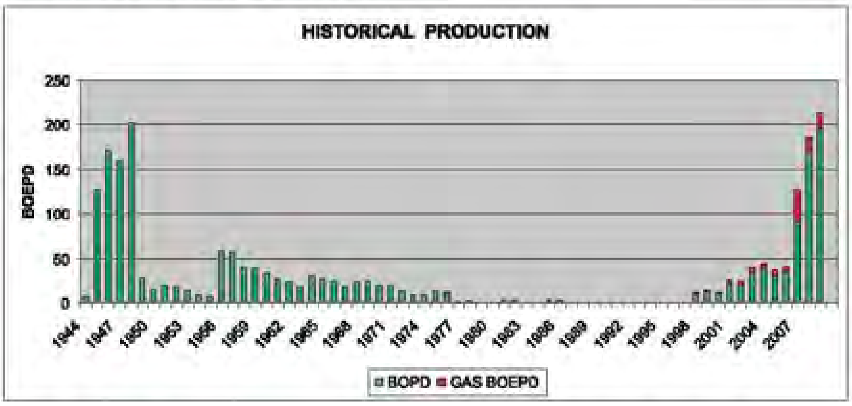

Figure 6. Sheep Springs historical production.

SAN JOAQUIN BASIN, CALIF ORNIA

EXECUTIVE SUMMARY

Incremental Oil and Gas (IOG) has farmed into a 320 acre lease located in the eastern part of the Round Mountain Oilfield. The lease adjoins acreage that is actively being developed in the 250 ft thick Pyramid Hill Miocene age sand reservoir by another operator. This reservoir unit was not developed by early operators because of its moderate to low permeability. Horizontal wells drilled into this sand in the area immediately adjoining the IOG acreage are reported to regularly produce more than 200 BOPD. I have been advised that IOG's development philosophy is simply to emulate the successful drilling and completion methods used by the offset operators.

IOG believes that this lease has the potential to produce in excess of 600 BOPD within 2 years. A review of the available data suggests that this goal can be attained. The geology appears to be relatively uncomplicated in the acquired acreage. Estimated recoverable proven plus probable (2C) resources are in excess of four million barrels of oil.

Figure 1. Location Diagram

1. FIELD DESCRIPTION and HISTORY

The Round Mountain Oilfield was discovered in 1927 and is located in the foothills of the Sierra Nevada Mountains, about ten miles northeast of Bakersfield, California (Figure 1). Neighboring fields include the giant Kern River Oil Field, the Mount Poso Oil Field and Kern Front Oil Field. Cumulative oil production of more than 110 million barrels and current production is about 6500 BOPD and 35 MCFD of gas.

The field was virtually abandoned in the 1940's until MacPherson Oil Company LLC (MOC), a private California based oil company, acquired a dominant interest in the field. By judicious use of horizontal drilling, MOC has increased the production from the field to more than 6000 BOPD (Figure 2). The IOG lease adjoins the MOC leases (Figure 3).

Figure 2. Round Mountain Production

PROPERTIES

A type log of the Round Mountain Field is shown in Figure 5. Oil is produced from four stratigraphic intervals, i.e., (1) Freeman-Jewett and (2) Pyramid Hill zones, both of which are of Miocene age, (3) Vedder zone, of Oligocene age, and (4) Walker zone, of Eocene-Oligocene age. The Vedder sequence has been the most productive interval in the field area and to date has yielded more than 50 million barrels of oil.

The Walker reservoir interval lies at an average depth in the IOG lease of approximately 1500 feet. It has an average net pay of 50 feet, an average porosity of 31% and an oil saturation of 40%. The average permeability to air is 1000 millidarcies, and it is, thus, an excellent reservoir.

The Vedder reservoir interval has an average net pay thickness of approximately 40 feet, an average porosity of 32%, an oil saturation of 30-35% and permeability to air of 1200 millidarcies. It is also an excellent reservoir. The base of the unit has rarely been penetrated in wells drilled to date; so its total thickness is poorly defined. The average depth to the top of the Vedder in the IOG lease is about 1380 feet.

The Pyramid Hill reservoir is typically intersected at a depth of approximately 1250 feet and has an average net pay of approximately 130 feet, an average porosity of 37%, an oil saturation of 35% and a permeability to air of between 6 millidarcies and 214 millidarcies, with an average of 37 millidarcies. It is a significantly poorer reservoir than the two underlying units due to the lower average permeabilities present.

The Pyramid Hill Formation thickens toward the east. A number of coarsening upwards sand cycles are observed (Figure 6).

Figure 6. West- East Structural Cross Section showing some of the Pyramid Hill depositional cycles. The displayed logs are SP (left track) and Resistivty (right track)

1.3. PETROPHYSICS

Many wells in this field were drilled before modern logs were available and only limited petrophysical analysis can therefore be performed. Resistivity logs over both the Pyramid Hill and Vedder formations show separation between the deep and shallow resistivity curves, suggesting that mobile hydrocarbons are present.

1.4. RESERVOIR ENGINEERING

1.4.1. RESERVOIR FLUIDS

Physical parameters for the produced hydrocarbons in the Pyramid area of the Round Mountain Field can be summarized as follows.

RESERVOIR	API	GOR Scf/Stb	Initial Oil FVF	Gas Specific Gravity	Initial Reservoir Pressure	Reservoir Temperature
Walker	20	40	1.02	0.65	1425	113
Vedder	16	20	1.03	0.57	1930	102
Pyramid Hill	18	20	1.02	0.61	900	92

The oil produced is of moderate gravity and flows without the need for heating or steam injection. Significant volumes of water are produced in the Field; and it would be expected that IOG would dispose of produced water by injection.

Figure 3. Top Vedder Structure Map. The IOG acreage is shown in yellow.

As can be seen from the table above, the oil has a low gas-oil ratio and requires pumping from the onset of production.

The initial reservoir pressures are expected to have been significantly reduced as a result of previous offset production operations; and one of the first tasks for the overall evaluation of the total potential for the IOG acreage will be to gather current reservoir pressure data.

1.4.2. WELL PERFORMANCE

MOC has drilled successful horizontal wells into the Pyramid Hill Formation. IOG's consultants estimate that the dry hole cost is approximately $750,000 and the cost of a completed well is approximately $1 million. MOC have drilled 49 horizontal wells, and although they keep the results of the new horizontal wells confidential, their total production suggests that initial well production rates often exceed 200 bopd.

2. DEVELOPMENT AND MANAGEMENT PLAN

2.1. HYDROCARBONS IN PLACE and RESOURCES

Preliminary Pyramid Hill and Vedder Proven and Probable (2C) resources within the 320 acres have been calculated using the following parameters, as sourced from Reference 3. There is insufficient data at this time to determine the OIP or resources for the Walker reservoir unit.

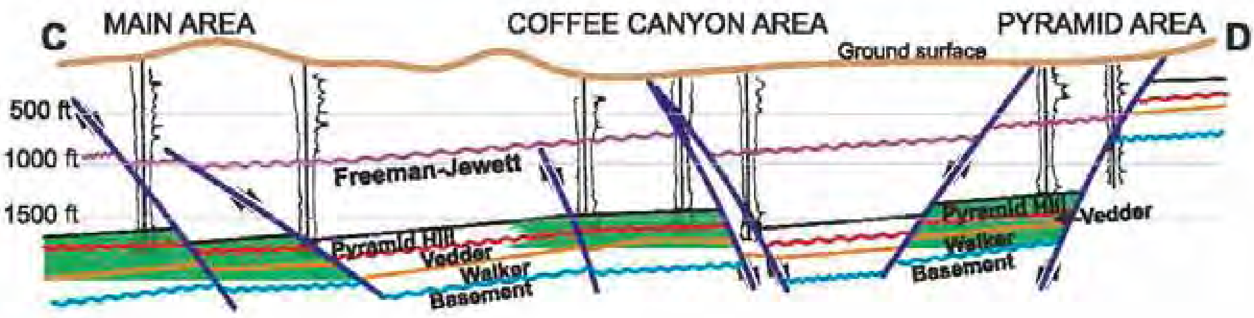

Figure 4. Generalized cross section C-D across the Round Mountain Field1.

	PYRAMID HILL	VEDDER	TOTAL
Average Porosity (PHI)	0.37	0.32	
Average Water Saturation (Sw)	0.35	.30	
Average Net to Gross or Net	0.6	40’	
Oil Formation Volume Factor (Bo)	1.02	1.03	
Average Recovery Factor(RF)	25%	30%	
Original Oil Water Contact (OOWC)	-380’ approx.	-580’	
Initial Stock Tank Oil in Place (STOIIP) - MMB	**14.3**	**4.72**	**19.02**
INITIAL OIL RESOURCES - MMB	**3.84**	**1.65**	**5.49**
OIL PRODUCED TO DATE - MMB		**1.42**	
EST. REMAINING PROVEN and PROBABLE OIL RESOURCES - MMB	**3.84**	**0.23**	**4.07**

2.2. FIELD MANAGEMENT PLAN

The IOG development plan, as presented to the author, is to attempt to emulate the procedures and outstanding success of the offset operator, MOC. The overall plan, as summarized below, seems a reasonable one based on the data available to me at this time.

The field development plan proposed by IOG at this time is:

	Time	Cost US - $k	ADDITIONAL OIL BOPD
Drill one vertical evaluation well	Q1 2011	600	50
Drill four horizontal wells, one dry	Q2 2011	4000	400
Drill four horizontal wells, one dry	Q1 2012	4000	300
Equipment	2011-12	1500	

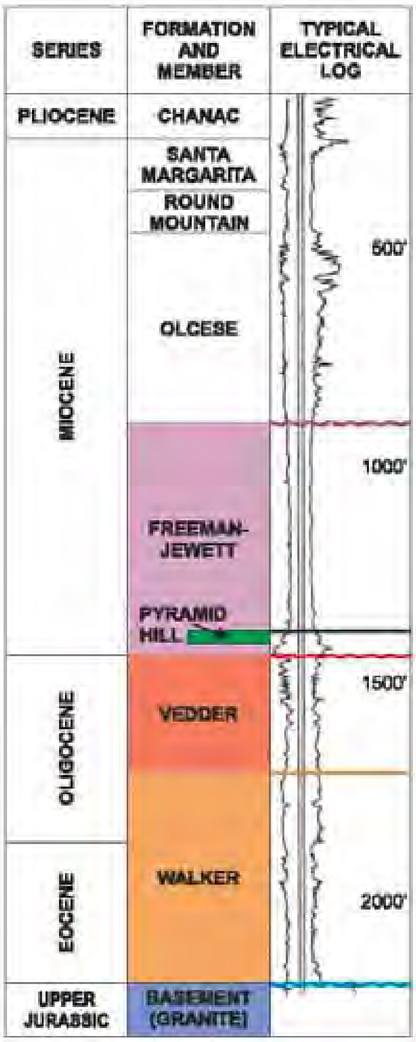

Figure 5. Round Mountain Stratigraphic Section

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2. 2008 DOGGR Annual Report

3. Oilfields of California DOGGR CD

4. Hosford, A., Magoon, L., Age, Distribution and stratigraphic relationship of Rock in the San Joaquin Province, California. Chapter 5 in Petroleum Systems and Geological assessments of Oil and Gas in the San Joaquin Basin Province, California. Published electronically by the USGS.

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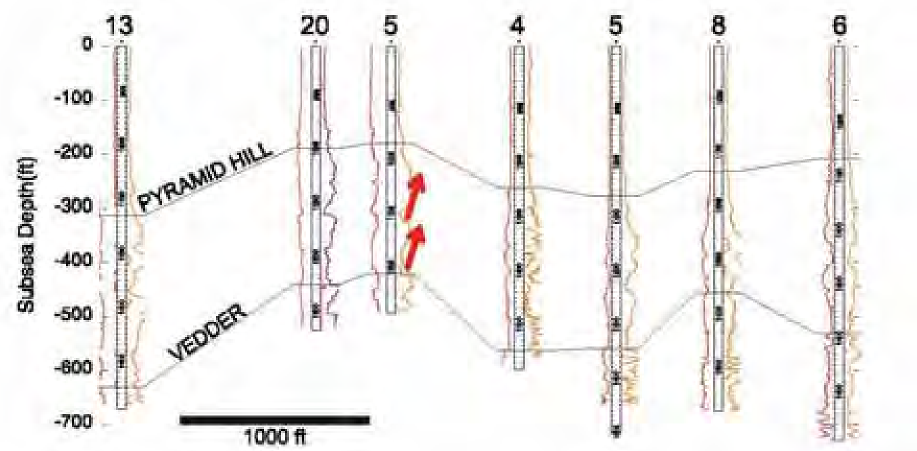


Figure 6. West- East Structural Cross Section showing some of the Pyramid Hill depositional cycles. The displayed logs are SP (left track) and Resistivty (right track).

AN EVALUATION OF LEASES HELD BY INCREMENTAL OIL AND GAS LTD IN THE GUIJARRAL HILLS OILFIELD

SAN JOAQUIN BASIN, CALIFORNIA

1. SUMMARY & RECOMMENDATIONS

Incremental Oil and Gas Guijarral LLC (“IOG”) has acquired 179 net acres of leases within the proven area of the southeast portion of the Guijarral Hills Oil Field located in the San Joaquin Basin of California. Further lease acquisition efforts are in progress in this area.
Four excellent reservoirs that have produced high gravity oil are present throughout the field area at depths ranging from 8,100 feet to 11,500 feet. All four reservoirs have produced oil on completion at rates exceeding 700 BOPD. All these sands are considered to be under-developed and capable of producing at high rates in future completions.

The shallowest reservoir the Sanger sand has produced in only three of the wells in the IOG leasing area. This sand has not been developed throughout a large area that needs to be drilled to recover the resources present.

The underlying Miocene Allison sand has not been produced in any wellbores in the lease area; but has been produced in offset acreage. This sand should be at virgin pressure in the acreage acquired by IOG; and based on offset data could flow at initial rates as high as 1,000 BOPD.

A third producing zone is the Basal Oligocene Leda sand which has only been produced in 10 wells in the updip portion of the IOG lease area. These wells were abandoned after producing significant volumes of oil from only a small portion of the total potential productive area.

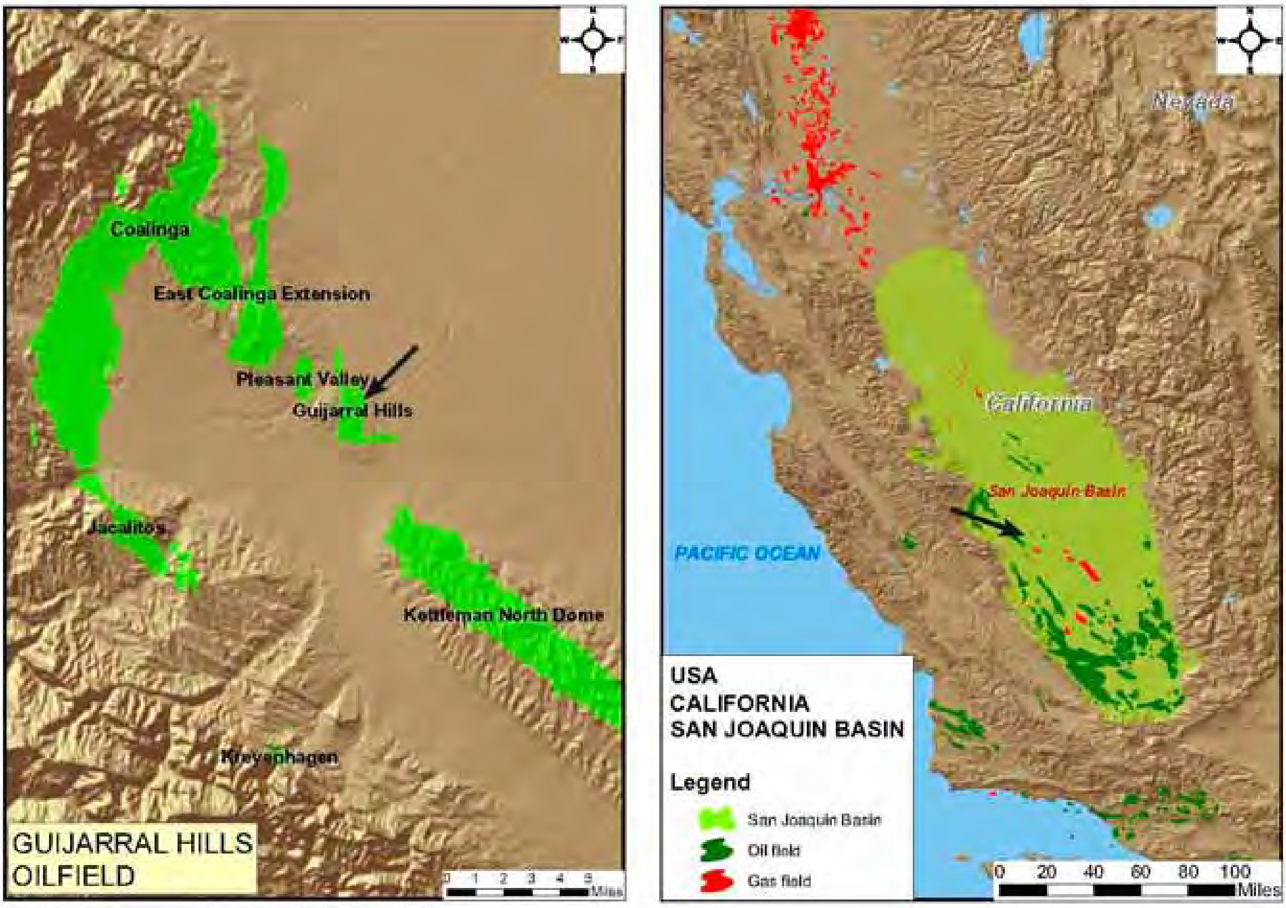


Figure 1: Location Maps, Guijarral Hills Oilfield.

The lowermost producing zone, the Eocene Gatchell sand, has produced large volumes of oil both updip and downdip within the IOG area of interest; but is considered to have very large remaining resources. Only the lower half of the Gatchell sand interval has been opened and produced. The Gatchell sand interval will be partially pressure depleted in the IOG acreage; but has impressive potential for future drilling and development.

The upper half of the Gatchell interval is a thick sandy sequence believed to be equivalent to the Adams sand which is productive nearby. This section appears to be oil bearing on logs and has only been opened in a minimal fashion in a few wellbores. The section is possibly less permeable than the lower portion of the Gatchell; but could produce considerable volumes of oil if opened and stimulated, thus increasing the reserves for the Eocene section by a substantial amount.

An estimate of IOG's share of the remaining Proven and Probable resources (2C) for the four reservoirs within the IOG lease that is majority held by IOG is 1.8 million barrels of oil. Resources for the IOG acreage where IOG holds a minority interest is not included in this estimate.

The IOG development scenario is to first re-enter the abandoned 44-1 well to test the Leda or Allison/Sanger reservoirs. This strategy appears to be prudent and economically advantageous. However, if the 44-1 well cannot be re-entered because of engineering problems or environmental reasons, then the farmout agreement allows another well to be substituted. An alternative procedure would be to enter one of the abandoned shallow Sanger sand producers, deepen the well to the Leda sand, and then make tests/completions in a new well bore. Under the farmout agreement, IOG would hold an 80% working interest in new completions after payout of costs.

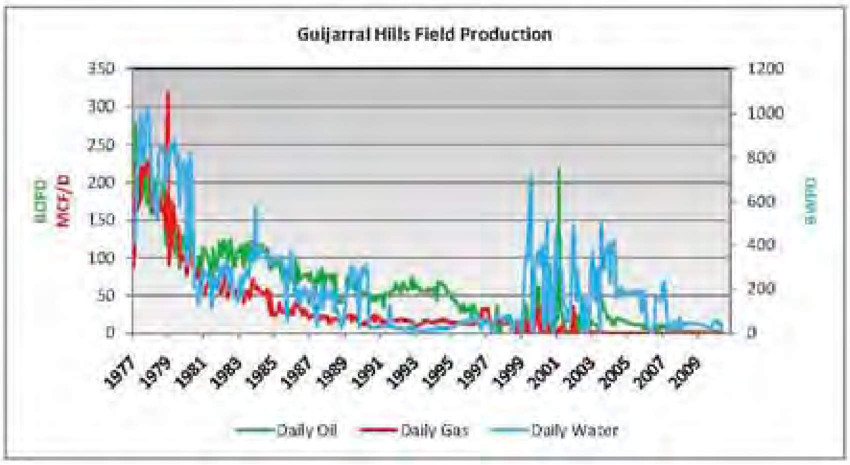


Figure 2: Guijarral Field Production since 1977[5].

2. FIELD DESCRIPTION

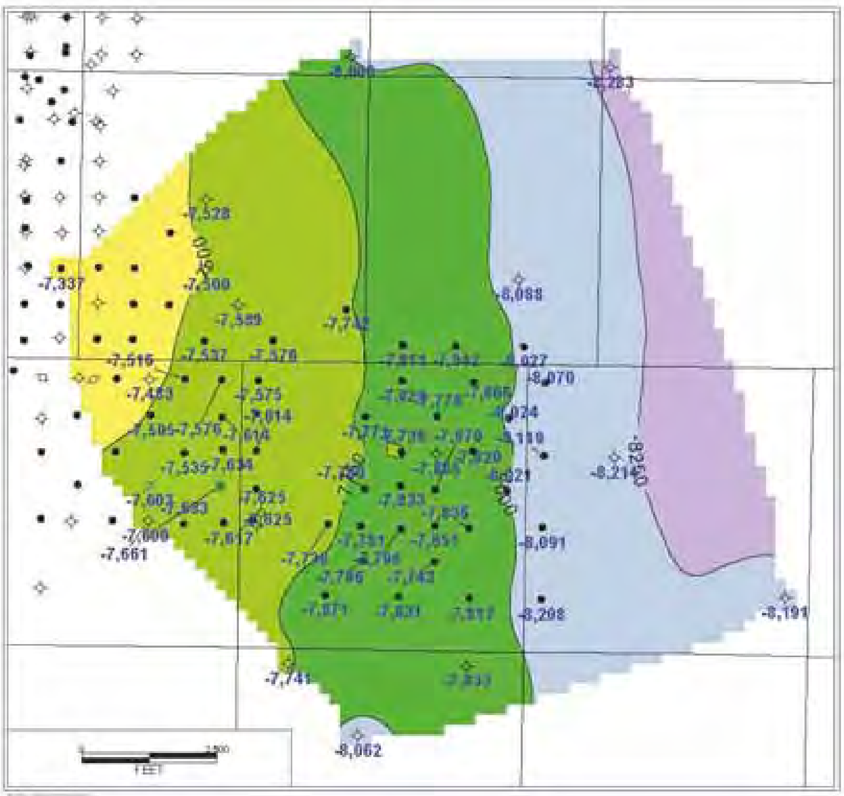
2. 1. INTRODUCTION & HISTORY

The Guijarral Hills field is located in the west central portion of the San Joaquin Basin of California (Figure 1). The overall producing area includes several unique producing intervals and covers approximately 2300 acres. The IOG acreage of interest is located in the southeastern portion of the field and includes a portion of the Main and Polvadero producing areas (see Figure 9). The field was discovered in 1948; and most of the development was completed by 1960. The field was effectively abandoned by the year 2000. Cumulative production from the Guijarral Hills field is more than 50 million barrels, with the majority of this production having been achieved by 1960. Most wells appeared to have flowed naturally at rates between several hundred and more than 1000 barrels of light gravity oil per day.

The individual wells drilled in this field were completed in only one of several possible producing zones present in each wellbore; and were never worked over or recompleted after the original completions. It appears no efforts were ever made to maintain or prolong the decline of formation pressures in the completion zones; and the wells were probably produced at rates which hastened rapid decline. Well spacing appears to have been too wide to adequately drain the reservoirs; and thus large amounts of oil remain to be produced throughout the proven field areas. It also appears that the proven areas can be extended into undrilled acreage and offset leases with new drilling efforts.

Accurate production data for the field is available only for the years 1977-2009 (Figure 2). Data for these years shows minimal and declining daily production due at least partially to a lack of investment, etc.; and no interest in recovery of oil from undrilled areas and/or workovers in existing wells. The lack of attempted workover effort is probably due to a lack of cemented casing isolating the sands in the prospective Miocene/Oligocene section.

Figure 3: Top Sanger Sand Depth Structure Map.



IOG holds one lease comprising 40 acres and a number of additional minority interests, comprising 537 gross acres, and a net 179 acres. Title details are the subject of the Legal Title report elsewhere in this prospectus.

2.2. STRUCTURE

The geologic structure in the Guijarral Hills area can be described as a relatively simple monocline with beds dipping 10^o-15^o to the east. Very little faulting has been observed; and the trapping and drainage of hydrocarbons is therefore not complicated by the presence of separate fault blocks with production coming from separate reservoirs whose limits are defined by fault closure. A structure map drawn on the top of the Sanger sand (Figure 3) shows the depth to this horizon throughout the area targeted by IOG for leasing. Title details are given in the Legal Title report elsewhere in this prospectus.

3. RESERVOIRS

The reservoirs in the Guijarral Hills field area are basically stratigraphic traps controlled by (1) pinchout, i.e., non-deposition of sand or (2) by lateral permeability changes in sands which restrict fluid movement. The Sanger/Allison and Leda reservoirs are limited by pinchout of the producing sands; and the Gatchell sand production is controlled by permeability changes within the depositional units.

Table 1: Average Reservoir Parameters1

Reservoir	SANGER	ALLISON	LEDA	GATCHELL
Average Depth (ft.)	8,300	8,700	9,100	10,500
Average Thickness (ft.)	20	50	125	170
Average Porosity (%)	28-33	19	15	12
Permeability (mD)	60	150	60	0-185
Oil Gravity (°API)	33-36	36-38	33-37	27-33
Initial Reservoir Pressure (psi)	4700	3375	3900	4685-5300
Abandonment Pressure (psi)	2300-3500		2500-3600	3300-3800
Recovery (%)	30-54	30	15-32	26-35

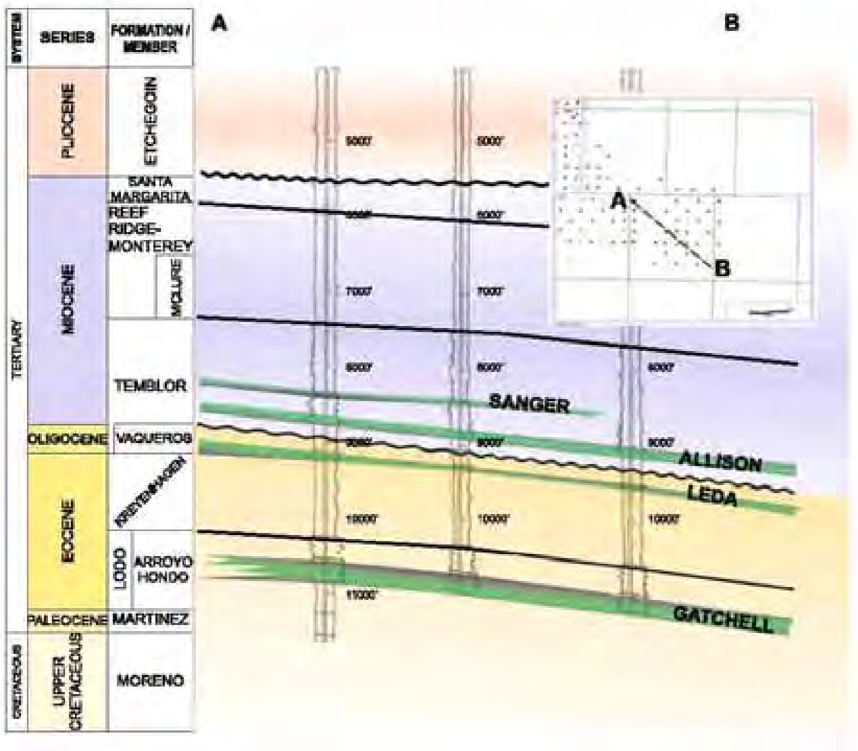


Figure 4: NW-SE Cross-Section with Sanger, Allison, Leda and Gatchell Sands highlighted.

3.1. SANGER/ALLISON

The Miocene Sanger and Allison units are each relatively thin sand bodies, which have wide distribution throughout the IOG leasing area. The Sanger is composed of fine to medium grained porous sand with a total thickness that generally varies from 15-30 feet (Figure 5). High initial productive rates from the Sanger completions indicate that these sands have high porosity and high permeability and will probably deplete rather rapidly. Solution gas appears to be the dominant drive mechanism in these sands. The Sanger sand thins and loses porosity and permeability towards the north and northeast.

The Miocene Allison sand is also a single sand unit which varies from 30-80 feet in thickness (Figure 6). This sand has never been produced in the IOG area of interest; but in offset acreage has yielded several thousand barrels of oil per day from a single well on completion. This sand may be at virgin pressure in the IOG lease area and could yield oil at very high rates from any completion.

3.2. LEDA

The Leda sand is the basal unit in the Oligocene sequence. A widespread producing sand sequence of equivalent age is found throughout the western portion of the San Joaquin Basin. The sand is generally 50 to 125 feet in thickness (Figure 7) and is present throughout the IOG leasing area; but has only been produced in a small zone in the western portion of the IOG area of interest (Figure 9). There are thin shaley beds with low permeability distributed throughout the Leda sand sequence, which affects vertical permeability and efficient drainage of oil. The Leda appears to thin downdip to the east; but has no oil-water contact in the IOG area and should produce at virgin pressure with high daily rates in new completions.

3.3. GATCHELL

The Eocene Gatchell sand is a thick sequence of alternating sands and thin shales/siltstones which has produced large volumes of oil. The upper half of this sequence is equivalent to the Adams sand, which produces in other areas. The upper sand sequence has not been tested or produced in the IOG area; but appears to be hydrocarbon bearing on logs. This portion of the Gatchell is over 300 feet thick and is possibly a source of considerable unproven reserves. Even though the upper sequence appears to be less permeable than the lower Gatchell, it could still provide large production potential, especially with the stimulation techniques available today. The lower portion of the Gatchell has been the production zone of choice in the IOG area (Figure 9) with productive sand that varies in thickness from 100 feet to 300 feet (Figure 8). This unit thickens rapidly downdip toward the south and east.

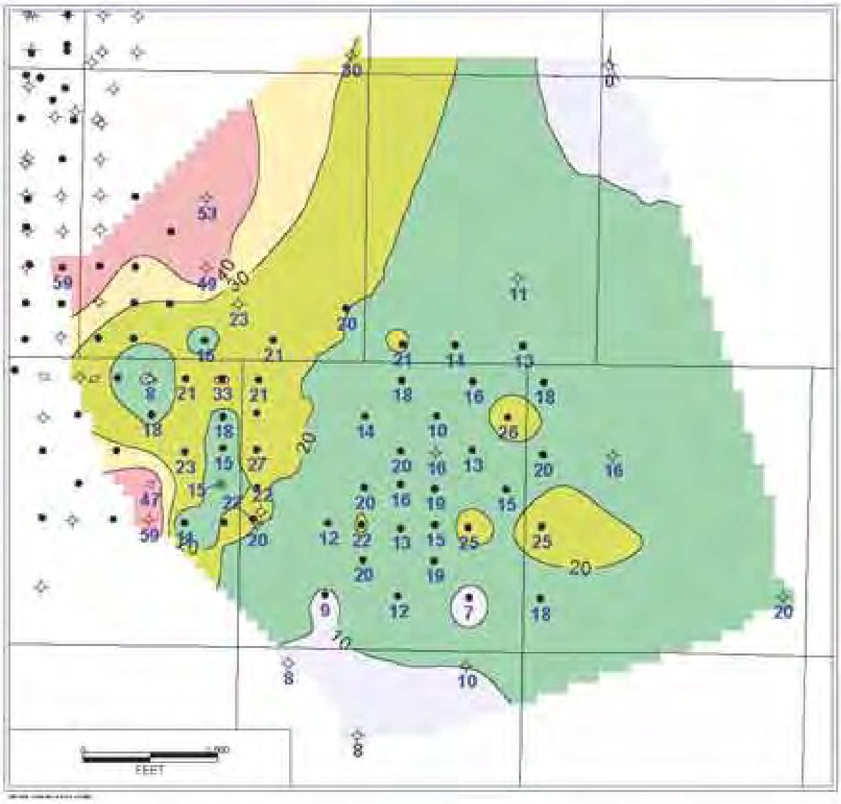


Figure 5: Sanger Net Reservoir Thickness

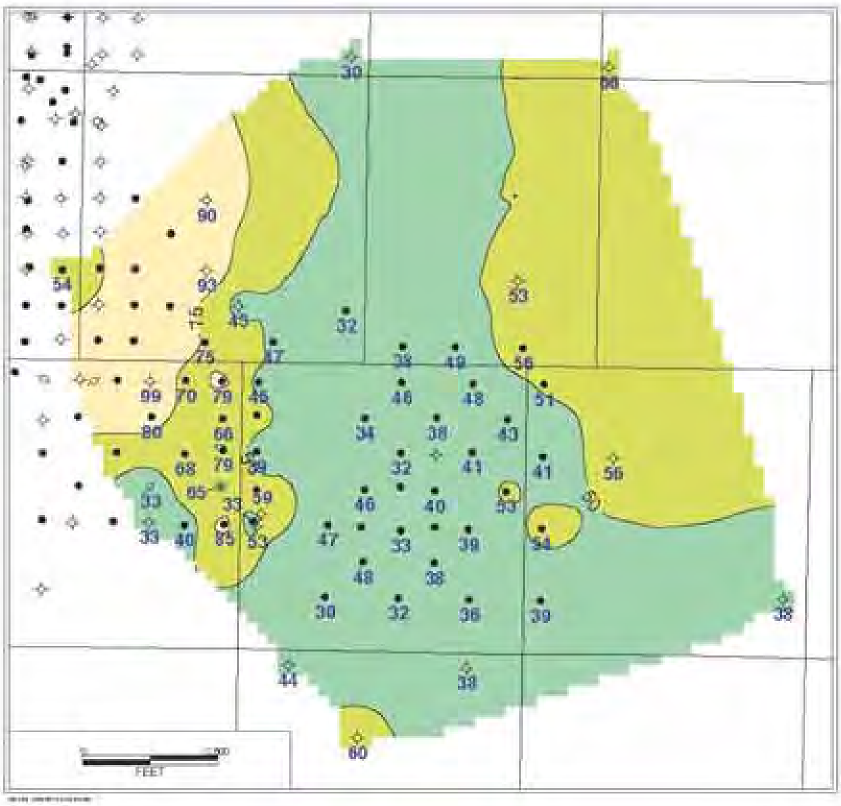


Figure 6: Allison Net Reservoir Thickness.

4. WELL DATA &PERFORMANCE

The locations of the Sanger, Leda and Gatchell completions within the general IOG leased area are highlighted on Figure 9.

4.1. SANGER

Three Sanger wells have been produced in the IOG lease area (See Figure 9). A typical Sanger production profile with natural flow is shown in Figure 10, where the initial production was ~600 BOPD. The production profile illustrates that a rapid drop in reservoir pressure, with resulting production decline, can be expected from completions in this sand. In spite of the rapid decline, the three Sanger wells have produced 186 MBO, 269 MMCF gas and 355 MBW in the IOG area. The Sanger sands appear to be highly porous and permeable with solution gas drive as the principal recovery mechanism. Unless the oil production rates and associated gas production are both controlled, the production will decline rapidly and possibly leave considerable oil behind unless gravity drainage happens to function efficiently or well spacing is decreased.

4.2. ALLISON

There has been no recorded production from the Allison in the IOG area; and thus new Allison sand completions can be expected to be at virgin reservoir pressure. The Allison sands have better overall permeability than the Sanger sands; and with virgin reservoir pressure could produce at rates greater than 1000 BOPD. However, similar rapid production declines as seen for the Sanger sand could be expected.

4.3. LEDA

A typical Leda production profile is shown in Figure 11. An initial rate of >1000 BOPD declined to a plateau at about 300 BOPD for about 3 1/2 years. The reservoir then started a constant decline which eventually reached an uneconomic rate. Typical Leda wells produced a total of approximately 300 MBO and 300 MMCF of gas. Well spacing for Leda completions have probably been too large to adequately drain the Leda type lithology, thus leaving behind considerable oil resources.

Ten Leda producers, located in the updip portion of the IOG area (Figure 9), have produced a total of 2.2 MMBO, 1.6 BCF of gas and 367 MBW. The 10 producing wells were considered uneconomic and shut in by 1955.

In 1955, the 44-1 well was drilled in the IOG acreage in a downdip position from

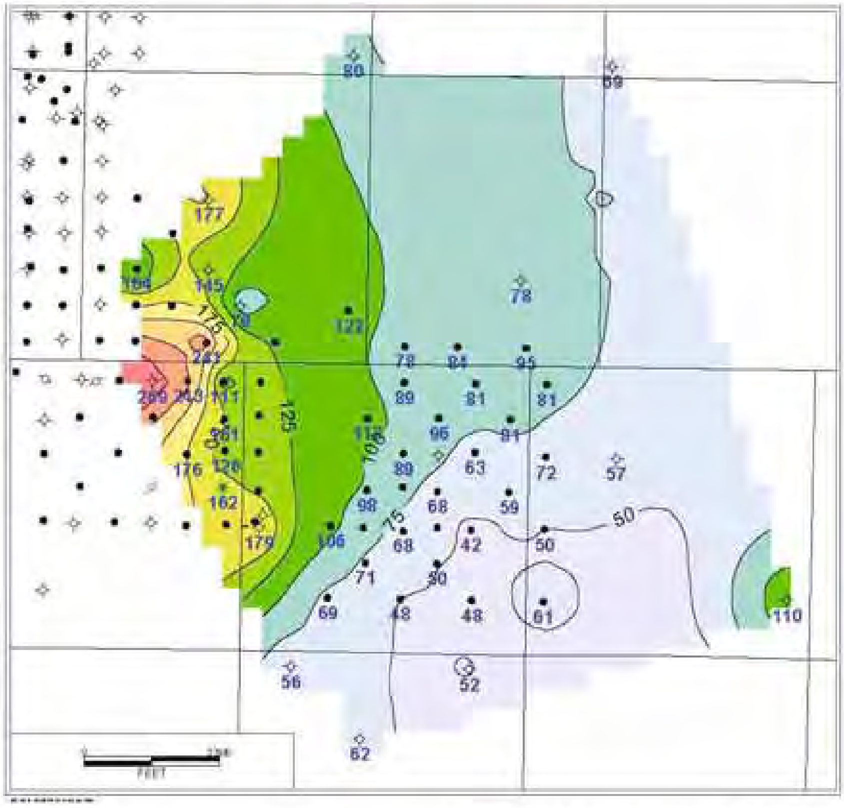


Figure 7: Leda Net Reservoir Thickness.

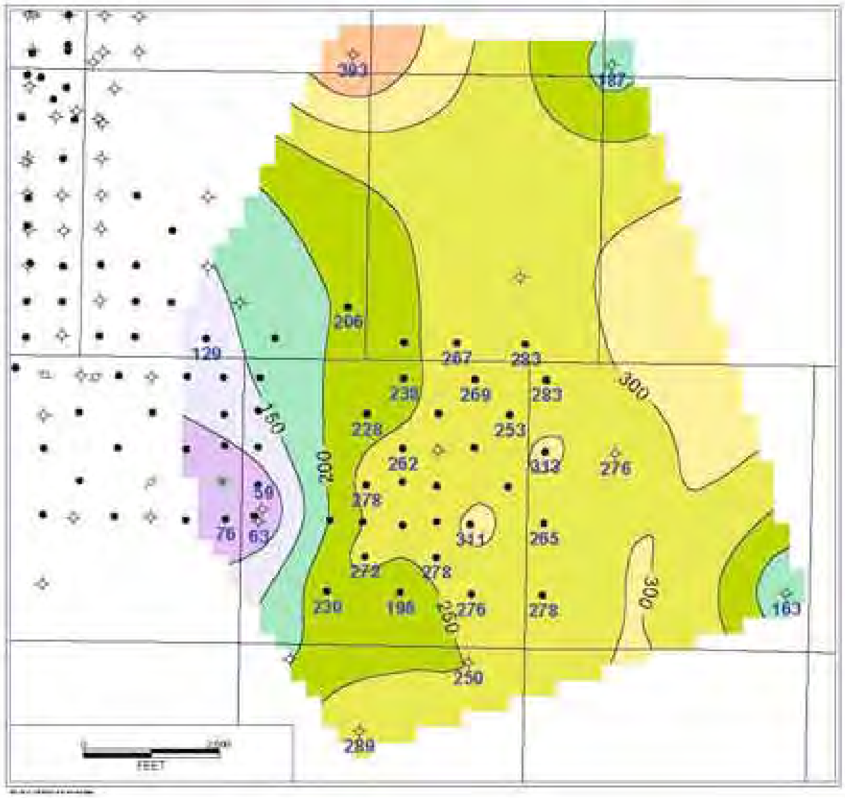


Figure 8: Gatchell Net Reservoir Thickness.

the original 10 completions mentioned above. The resistivity and sidewall cores through the Leda section in 44-1 suggest that the Leda section has virgin pressure and undrained oil. A possible reason for this pressure anomaly is a lack of well-developed lateral permeability within the Leda sands between the two areas, thus preventing significant fluid movement from one area to the other (Figure 13).

4.4. GATCHELL

A typical Gatchell production profile is shown in Figure 12. The 500 BOPD initial rate declines relatively quickly, with very little associated water production. The 24 Gatchell completions, shown on Figure 9, have produced 3.8 MMBO, 10.6 BCF gas and 690 MBW. Average cumulative production for the 24 Gatchell wells is approximately 160 MBO and 400 MMCF. The Gatchell sand section is characterized by rapid vertical and horizontal changes in porosity and permeability. Fracturing, horizontal drilling, or closer well spacing would possibly increase productive volume and productive well life for this sand (Figure 13).

The produced fluids from each formation are summarized in Table 2.

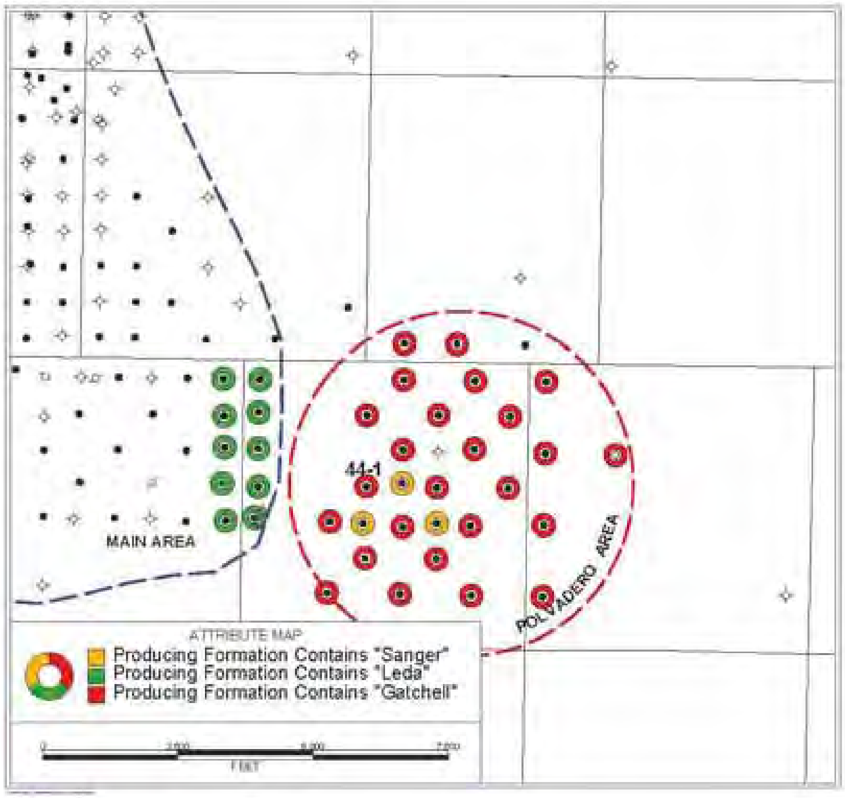


Figure 9: Sanger, Leda and Gatchell Producers around the IOG acreage

Table 2: Reservoir fluid parameters1

Parameter	Sanger	Allison	Leda	Gatchell
Oil Gravity (°API)	33-36	36-38	33-37	27-33
Gas Specific Gravity		0.95		0.65
GOR (scf/stb)	500	550	700	790
Formation Water Salinity (ppm)	7,900	48,000	26,500	6,900
Initial Oil Saturation (%)		55	67	69
Oil Formation Volume Factor (rvb/stb)		1.5	1.45	1.45
Bubble Point Pressure (psi)		2700	2700	4400

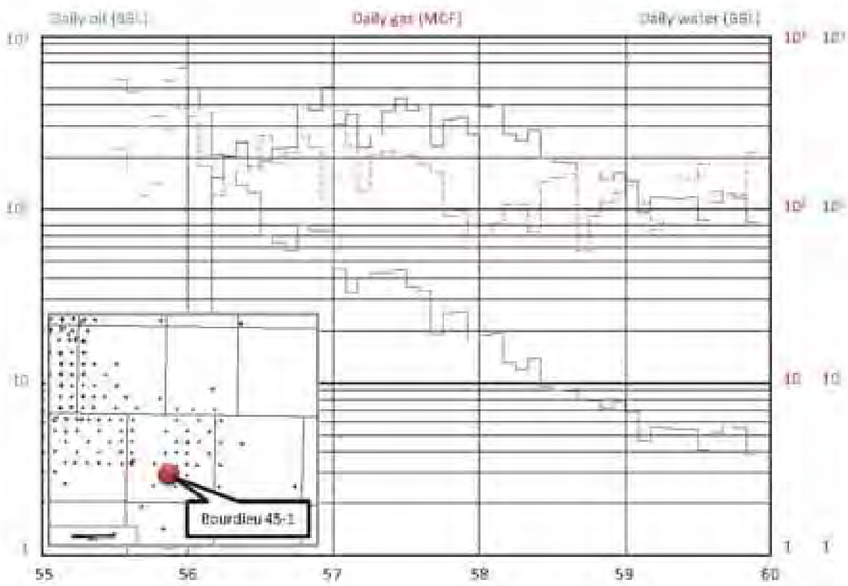


Figure 10: Typical Sanger Production Profile.

5. OIL IN PLACE & RESOURCES

Initial oil-in-place and remaining resources within the IOG majority held lease is given in Table 3. Oil-in-place was calculated conventionally, using the parameters cited in reference 1 or from well files. The resources for the leases that are minority held by IOG have not been included because the equity position in these leases means they are not yet suitable for drilling and exploitation. Leasing is ongoing in these minority held areas to upgrade the status of all leases to make them viable drilling targets.

Table 3: Oil in place and remaining resources of IOG's interest within the IOG majority held leases

	SANGER	ALLISON	LEDA	GATCHELL	TOTAL
STOIIP (mmbo)	0.3	0.8	1.8	3.3	6.2
Recovery range (%)	18-37	30	25-46	23-38	
Total drained from block (mmbo)	0.03	-	-	0.1	0.1
C10 Resources (mmbo)	0.08		0.8	1.2	2.3
C50 Resources (mmbo)	0.05	0.2	0.6	0.9	1.8
C90 Resources (mmbo)	0.03		0.5	0.6	1.3

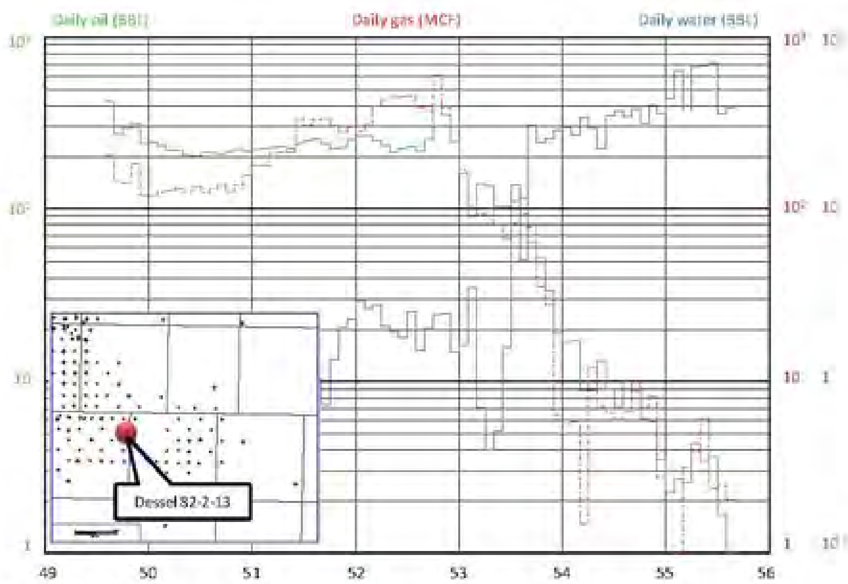


Figure 11: Typical Leda Production Profile

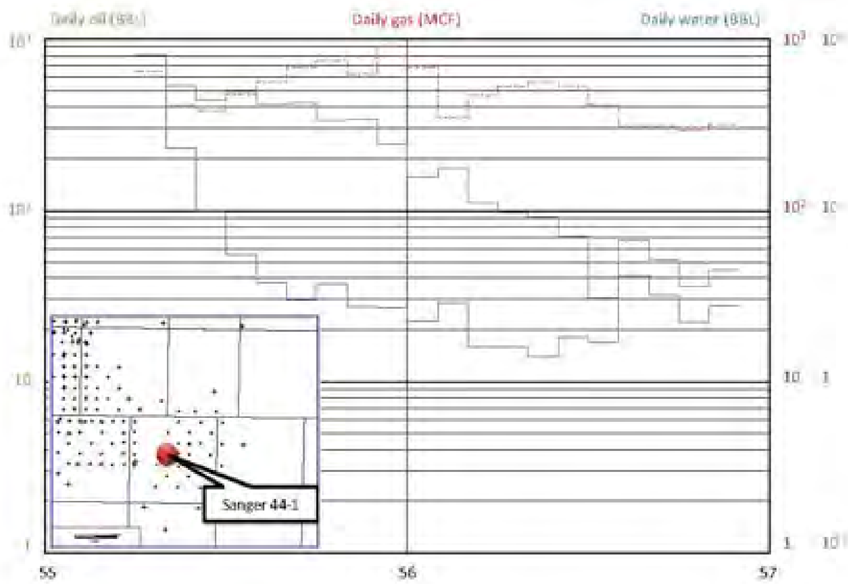


Figure 12: Typical Gatchell Formation production profile

5.1. DRAINAGE RADIUS & UNSWEPT OIL

Figure 13 shows the calculated drainage radii around the Sanger, Leda and Gatchell producers indicating the probable drainage area which supplies the cumulative production. It can be seen that there are apparently substantial areas of unswept oil in all three reservoir horizons. Wells in the Guijarral Hills field have been drilled at a well spacing of ±10 acres that has generally been shown to be too large for San Joaquin Basin completions with this type of lithology.

6. DEVELOPMENT CONCEPTS & COSTS

Nearly all wells were drilled in the 1950's, and were extensively cored through the Gatchell or Leda reservoirs. Even with more than 300 feet of core cut in each well, they were typically completed in 40 days, suggesting no significant drilling problems.

Recent estimates by IOG's consultants are in the range of a 30 day drilling time and a dry hole cost of US$ 1.2 million per well, with an additional US$ 415,000 for completion.

7. ECONOMICS

IOG will pay 100% of a workover to complete well 44-1, or an alternate well in the Sanger, Allison or Leda sands. IOG will earn 100% of revenue until payout and then will have an 80% Working Interest in all new completions. Royalty burdens are not to exceed 20%. New wells completed in any of the four reservoir sands would be anticipated to produce at an average initial rate of approximately 200 BOPD. As noted above, decline rates may be as high as 20% annually. On this basis, wells would be expected to pay out in less than six months after payment of royalties and costs.

8. REFERENCES

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2. Boles, J. R., Grivetti, M., 2000, Calcite cementation along the Refugio/Carneros fault, Coastal California: a link between deformation, fluid movement and fluid-rock interaction at a basin margin. Journal of Geochemical Exploration, Volumes 69-70, Pages 313-316.

3. Lillis, P. G., Magoon, L. B., Petroleum Systems of the San Joaquin Basin Province, California-Geochemical Characteristics of Oil Types in “Petroleum Systems and Geologic Assessment of Oil and Gas in the San Joaquin Basin Province, California”

4. Scheirer, A. H., Magoon, L. B., Age, Distribution, and Stratigraphic Relationship of Rock Units in the San Joaquin Basin Province, California Chapter 6 of “Petroleum Systems and Geologic Assessment of Oil and Gas in the San Joaquin Basin Province, California”

5. Division of Oil, Gas and Geothermal Resources webpage, California

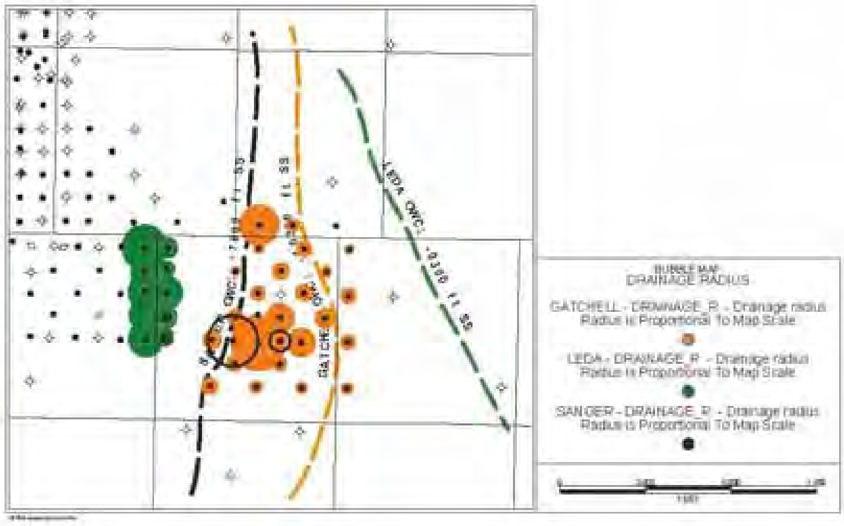

Figure 13: Sanger, Leda and Gatchell most likely Well Drainage Areas and present Oil-Water Contacts.

RAVEN PASS PROSPECT SUMMARY

The Raven Pass structure is a northwest-southeast trending surface anticlinal feature (Figure 1) approximately 8 miles in length and 1.5 miles in width. It is defined by surface mapping and has approximately 1500 feet of structural relief. The structure is located near the western limit of the San Joaquin basin and lies to the west of several major oilfields such as Belridge, Devil’s Den, and Lost Hills. The surface areal extent of the uplift covers more than 5,000 acres. A well, drilled in 1941 in the middle of the uplift, penetrated 80 feet of fractured shale with gas and oil shows between 3,750 feet and 3,830 feet. While circulating the well with mud, 15 barrels of 52º API gravity oil were recovered. Thus an active hydrocarbon system is demonstrated on this structure. The Raven Pass structure has only been penetrated by shallow wells. A deep test of Cretaceous sediments is proposed for the Raven Pass area after shooting about 50 miles of 2D seismic. The Raven Pass structure is one of the largest undrilled structures in onshore California. The recent major discoveries by Occidental further south in the San Joaquin Basin indicate the substantial undeveloped prospectivity of this region.

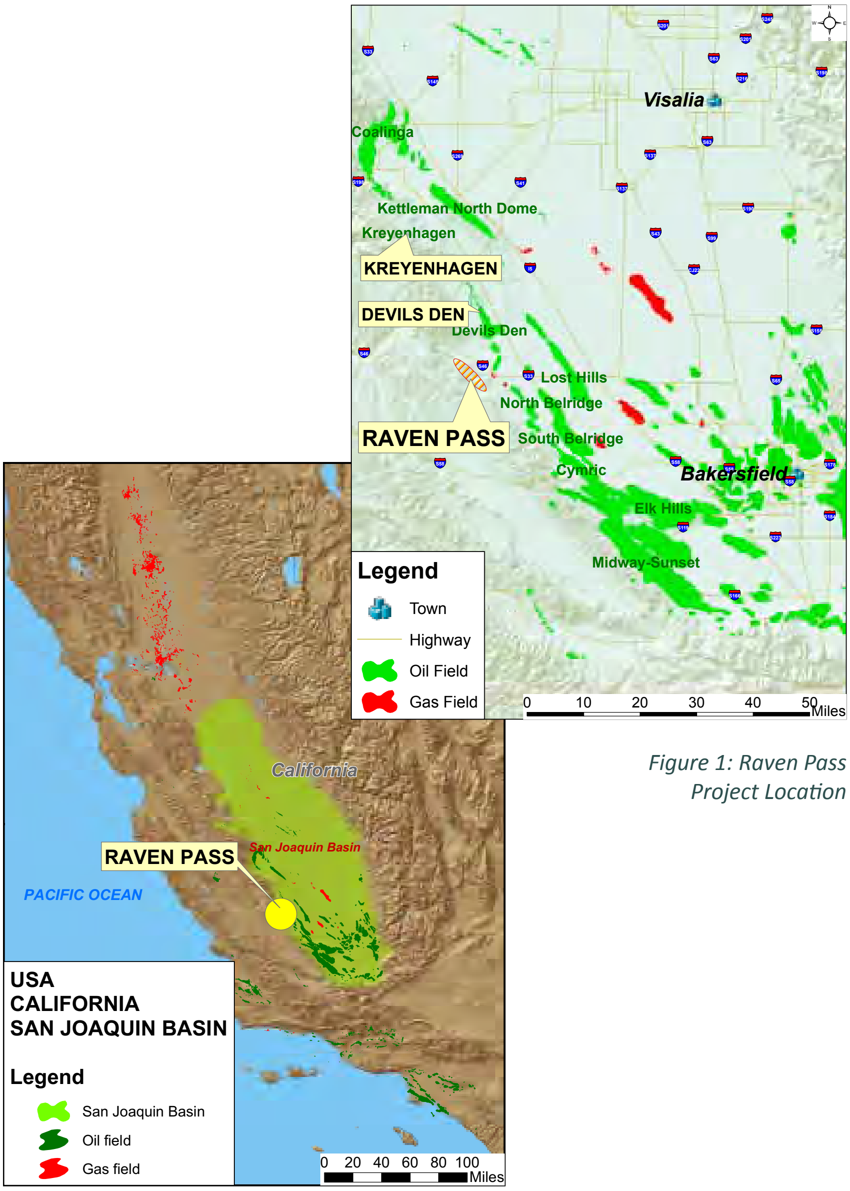

Figure 1: Raven Pass Project Location

Cretaceous sediments outcropping 10 miles to the north of Raven Pass have been described as permeable marine sands and fractured oil and gas shales. Seal and reservoir pairs are demonstrated in these outcrops. Additionally, the Cretaceous is productive in the Kreyenhagen Field approximately 25 miles to the northeast of Raven Pass. Cretaceous sands with oil and gas were recently reported in the Devil's Den oilfield, some 10 miles north-northeast of the prospective area. Although there has been minor light oil and dry gas production from Cretaceous sediments in the San Joaquin Basin, they have generally been neglected as a drilling objective due to the presence of shallow, more prolific targets. The anticipated stratigraphic section of the area, based on the sequence observed in the outcrops, is shown in Figure 2. There are three potential reservoir/seal pairs. The Tertiary section is shown as dominantly sandy with the regional McClure Shale topseal, but there are also potential intraformational seals within the Tertiary.

In the Cretaceous, the Red Man Sandstone and Serpiente/Aguila Sandstone sequences have regional topseals and could trap significant hydrocarbon volumes. The precise depths of intersection of these reservoirs are not known at present, and further seismic delineation of the feature will be necessary to assist in this regard. These reservoirs could contain as much as 200 MMB oil and 500 BCF of gas if the entire structure, as mapped at the surface, were found to be productive.

Incremental currently has 537 acres leased over the crest of the surface anticline.

The Raven Pass structure lies near the basin margin where the Cretaceous section can be reached at relatively shallow depths. However, this area is a complexly faulted and folded. In my experience, the presence of a shallow closure does not necessarily indicate that underlying structure will form a coincident trap. Thus about 50 miles of 2D seismic program is planned by IOG before any well will be drilled on the structure.

Also, overall Cretaceous stratigraphy cannot be extrapolated with confidence into the Raven Pass area since there are no deep wells in the general area of the prospect which could help to define changes in thickness, lithologic type, depth, depositional trends, etc. within the Cretaceous section.

There is always the possibility to make a large discovery in the Raven Pass area, but like most deep exploration wells in undrilled areas, the lack of nearby well control makes any well on the prospect a true wildcat.

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1. Marsh, O. T., 1960, "Geology of the Orchard Peak Area", Special Report 62, California Division of Mines

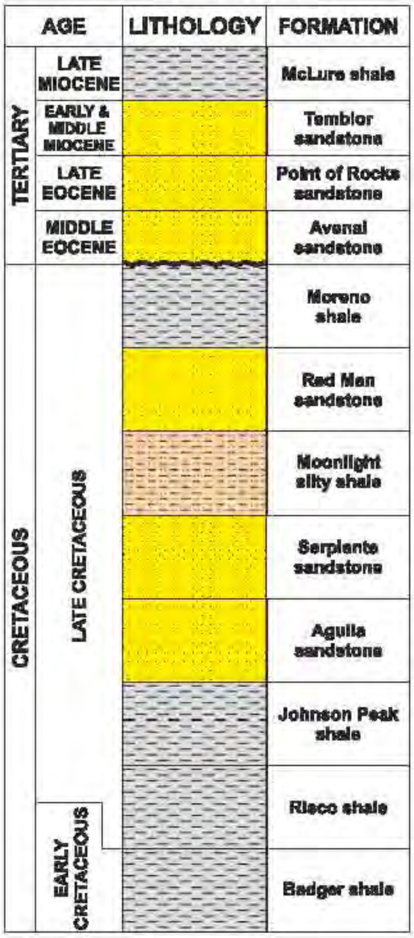

Figure 2. Anticipated straitgraphic section in the Raven Pass prospect[1]

MR. RAY PENNELL

Mr. Pennell received a B.S. and Master's degree in geology from Ohio State University.

He worked for Exxon from 1960 to 1974 in Peru, Venezuela, Australia and Louisiana in roles of increasing responsibility. He was responsible for supervision, successful exploration and drilling efforts for Amerada Hess Corporation in the Middle and Far East, where he prepared and monitored budgets amounting to $40,000,000 per year. In 1977, he joined Gulf Oil and worked in the USA and was Resident Manager of Gulf Oil, Ras Al Khaimah in the UAE. He was VP - Exploration for Mitsubishi International Corporation, Houston, Texas, organizing their US based exploration and production effort. Based on his recommendations, 62% of MIC's exploration investments were successful discoveries of gas or oil.

He later became Geology Manager for Berry Petroleum in California. He instigated studies that resulted in an increase in proven oil reserves from 36 MMBBLS in 1987 to 83 MMBBLS in 1993, while producing approximately 23 MMBBLS. He evaluated over 100 exploration prospects and numerous producing properties for purchase and/or investment.

In 1984, he formed his own company, Rigel Petroleum Consultants, where he has evaluated numerous exploration prospects and performed production geological studies and reservoir evaluation of presently producing fields located in California, Texas, the Far East, Latin America, Uinta Basin, the Gulf Coast and Rocky Mountain areas. During this period, he evaluated all of Aera Energy's California acreage for exploration potential in the Belridge and North Belridge field areas; as well as surrounding adjoining acreage throughout a 200 square mile area and recommended numerous prospective areas which were accepted for drilling by Aera Energy. He also was a member of a team which evaluated the Elk Hills property for Occidental Petroleum Company prior to their purchase of the field in 1998.

He is a member of the American Association of Petroleum Geologists and is a Certified Petroleum Geologist. He was a member of the consultant roster for the World Bank.

This report has been prepared by Ray Pennell of Rigel Petroleum Consulting for the purpose of inclusion in a prospectus for a share offering on the Australian ASX by Incremental Oil and Gas Ltd.

Mr Pennell has no direct or indirect interest in any of the leases or acreage described in this report, or any adjacent properties. Mr. Pennell has not previously been employed by IOG.

Ray Pennell
Rigel Petroleum Consulting
October 14, 2010

incremental

5. Sheep Springs Reserve Report

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Our Ref: DRG/WES/ACI03464

Email: david.guise@rpsgroup.com.au

Date: 9th November 2010

Incremental Oil and Gas Limited
20 Howard Street
PERTH
WA 6000
Attention: Gerry McGann

Dear Sirs,

Independent Geologist's Report
Sheep Springs Oilfield, Kern County, California

In response to your request, RPS Energy Pty Ltd ("RPS") has completed an Independent Geologist's Report on an asset held by Incremental Oil and Gas Limited ("IOG") in California for inclusion in a Prospectus. This evaluation covers the hydrocarbon Reserves in the Sheep Springs Oilfield in which IOG has an interest. We have estimated Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P) Reserves as well as Contingent Resources as of 1st August, 2010. The Reserves and Resource estimates in this report are estimated in accordance using standard petroleum engineering techniques and using the March 2007 SPE/WPC/AAPG/SPEE petroleum Resources Management System (PRMS).

The work was undertaken by a team of petroleum engineers, geoscientists and economists and is based on data supplied by IOG. Our approach has been to review the production and cost data supplied by IOG for reasonableness and then independently estimate ranges of recoverable volumes. We have estimated the degree of uncertainty inherent in the measurements and interpretation of the data and have calculated a range of recoverable volumes, based on predicted field performance for the property and the contracted gas sales for Sheep Springs.

IOG purchased a 100% working interest in three leases (Aera, North Stanford, South Stanford) covering 200 acres over part of the Sheep Springs Oilfield area from Brea Oil and Gas in January, 2010. Production rights above 1310.5m (4300ft) apply to the Aera lease. The leases are located near the southwest margin of the prolific San Joaquin Basin about 40 kms west of the regional oil service centre, Bakersfield, California.

The IOG leases currently produce (July, 2010) approximately 197 Bopd and 175 Mscfd of gas (combined Boe of 226 Bopd) mostly from the Main Carneros reservoir unit. Gas production was lifted on July 25th up to 300 Mscfd. The Stanford North lease currently has modest production, but has some further development potential. Several other reservoir units have confirmed oil in place and have been successfully tested within the leases and surrounding area. These units have further significant development potential. Both the Aera and Stanford North leases are held by production and the Stanford South lease is current until 2012. IOG is presently negotiating a farm-in for the area between the two Stanford leases. This technical assessment incorporates the results of the two most recent wells drilled in the Aera lease at C-6ST and C-7

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The Lower Miocene Main Carneros primary producing reservoir is a turbidite sand which averages 37m (120ft) thickness. Depth to production is generally shallower than about 1058mKB (3470ftKB) with an average depth of 1015m (3330ft). The Main Carneros is generally about 40m (130ft) deeper than the First Carneros. Thickness ranges from 15m to 61m (50ft to 200ft). Supplementary reservoir units which have been tested but are currently undeveloped include, in ascending stratigraphic order, the Oceanic, Phacoides, First Carneros, Fitzgerald, 54-21 and 21 sand units. There is, however, minor Fitzgerald production being made from one well. The deepest potential producing zone is the Oceanic at an average depth of 1432m (4700ft) and up to 1565m (5135ft) deep. Average depths for the 21 Sand, 54-21 Sand and Fitzgerald are 670m (2200ft), 701m (2300ft) and 762m (2500ft), respectively.

RPS has estimated a total Mean Original Oil-in-Place volume (STOIIP) of 16.90 MMbbls and a total Mean Original Gas-in-Place volume (GIIP) of 122.4 MMscf for both the Aera and North Stanford leases. The estimated volumes of oil (STOIIP) and gas (GIIP) for each reservoir in Sheep Springs Field are shown in Table 1 and Table 2 respectively. The developed / undeveloped reserves volumes and contingent resources are shown in Table 3 and Table 4.

Qualifications

RPS is an independent consultancy specializing in petroleum reservoir evaluation and economic analysis. Except for the provision of professional services on a fee basis, RPS does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report.

David R. Guise, P. Eng., Managing Director, Consulting – Australia Asia Pacific in RPS Energy Pty Ltd's Perth Office, has supervised this evaluation. Mr. Guise has in excess of 30 years of petroleum engineering experience. He is a Technical Director of RPS, a Registered Professional Engineer in the province of Alberta, Canada and a member of the Society of Petroleum Engineers. The other lead professionals involved in this work are RPS Employees and hold degrees in geology, geophysics, petroleum engineering and related subjects; and have relevant experience in the practice of geology, geophysics or petroleum engineering.

Basis of Opinion

The evaluation presented in this report reflects our informed judgment, based on accepted standards of professional investigation, but is subject to generally recognized uncertainties associated with the interpretation of geological, geophysical and engineering data. The evaluation has been conducted within our understanding of petroleum legislation, taxation and other regulations that currently apply to these interests. However, RPS is not in a position to attest to the property title, financial interest relationships or encumbrances related to the property. Our estimates of Reserves and Resources are based on data provided by IOG. We have accepted, without independent verification, the accuracy and completeness of this data.

The opinions and interpretations presented in this report represent our best technical interpretation of the data made available to us. However, due to the uncertainty inherent in the estimation of all sub-surface parameters, we cannot, and do not guarantee the accuracy or correctness of any interpretation and we shall not, except in the case of gross or wilful negligence on our part, be liable or responsible for any loss, cost damages or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees.

RPS

Except for the provision of professional services on a fee basis, RPS Energy Pty Ltd does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report

RPS accepts responsibility for the interpretations and professional opinions contained in this report, as set out in this part of this document, and to the best knowledge and belief of RPS, having taken all reasonable care to ensure that such is the case, the information contained in this report is in accordance with the facts and does not omit anything likely to affect the import of such information.

Yours faithfully
RPS ENERGY PTY LTD

DAVID R. GUISE
Managing Director – Consulting
Australia Asia Pacific

RPS

Summary Statement of Independent Geologist's Report

Sheep Springs Oilfield, Kern County, California

Prepared for Incremental Oil and Gas Limited

As of 1st August, 2010

STOIIP (Stock Tank Oil Initially In Place) (MMbbl)				
Reservoir Horizon	Low Estimate	Best Estimate	High Estimate	Mean
"21" Sand	4.74	6.25	8.20	6.38
"54-21" Sand	0.37	0.49	0.65	0.50
Fitzgerald	1.68	2.23	2.94	2.27
First Carneros	0.93	1.23	1.61	1.25
Main Carneros	2.95	3.89	5.09	3.97
Phacoides	1.46	1.86	2.38	1.90
Oceanic	0.46	0.62	0.82	0.63
Totals				16.90

Table 1 - Sheep Springs Field STOIIP

GIIP (Gas Initially In Place) (Bscf)			
Reservoir Horizon	Low Estimate	Best Estimate	High Estimate
First Carneros	0.054	0.072	0.094
Oceanic	0.036	0.048	0.064

Table 2 - Sheep Springs Field GIIP

Total Aera and Stanford North	Oil Reserves (MMbbls)			Gas Reserves (Bscf)		
	1P	2P	3P	1P	2P	3P
Developed	0.61	0.83	1.11	0.21	0.28	0.38
Undeveloped	1.13	1.96	3.53	0.28	0.48	0.87
Total	**1.74**	**2.79**	**4.65**	**0.49**	**0.76**	**1.25**

Table 3 – Sheep Springs Field Developed and Undeveloped Reserves as of 1 August 2010

RPS

Reservoir Horizon	Contingent Resources - Free Gas (Bscf)		
	1C	2C	3C
First Carneros	0.014	0.030	0.060
Oceanic	0.009	0.020	0.041
Total	**0.023**	**0.051**	**0.101**

Table 4: Contingent Resources as of 1 August 2010 – Free gas

6. Solictor's Report on Tenure

LAW OFFICES OF MELVIN L. EHRLICH

4550 California Avenue, Second Floor

Bakersfield, CA 93309

Telephone (661) 328-5308
Facsimile (661) 326-0418

November 2, 2010

The Directors
Incremental Oil and Gas Ltd.
20 Howard Street
Perth, WA 6000

Dear Directors:

Legal Report on U. S. Oil and Gas Leases

This legal report (the "Report") is being prepared for inclusion in a Prospectus to be issued by Incremental Oil and Gas Limited. This Report summarizes four (4) separate lease properties or prospects subject to farmin agreements.

I. Sheep Springs Leases - Cymric Oil Field - Kern County, California

Incremental Oil and Gas, LLC ("Incremental") is the current Lessee of three (3) Oil and Gas Leases (the "Leases"), all located in the Cymric Field (Sheep Springs Zone) in Kern County, California.

1. Scope of Instructions.

We have been instructed to:

1.1 Advise on Incremental's record title to the Leases as the result of a title search of the Official Records in Kern County, California.

1.2 Advise on the status of the Leases in which Incremental holds a working interest.

1.3 Provide an opinion of Incremental's right to continue to produce hydrocarbons and to conduct additional oil and gas exploration activities on lands covered by the Leases.

2. Executive Summary.

2.1 On the basis of the assumptions and qualifications set out in Section 5 as of the date of this Report, we have confirmed that:

a. Incremental has record title to the Leases (the Aera Energy Lease, the Stanford University Lease "A" and Lease "B") all located in the Cymric Field in Kern County, California.

b. Incremental owns a 100% working interest in the Leases, two of which (the Aera Energy Lease and the Stanford University Lease "A") are held by production of hydrocarbons, and the third Lease (Stanford University Lease "B") is held by paid-up rentals through October 18, 2012. Thus all three leases are valid at the time of writing this report.

c. (1) Incremental may continue to hold the Aera Energy Lease "so long thereafter as ... oil, gas or any of the other hydrocarbons covered by this Lease are produced therefrom...".

(2) The Stanford University Lease "A" may be held by Incremental "for so long thereafter as oil, gas or other hydrocarbon substances shall be produced from the leased land,... in quantities deemed paying by Lessee...".

(3) In the case of the Stanford University Lease "B", Incremental holds the Lease by paid-up rentals through October 18, 2012. The Lease will terminate unless Lessee, [on or before October 18, 2012] shall commence drilling operations for a well for oil and gas on the leased land and prosecute the drilling of such well with reasonable diligence until oil or gas is found in quantities deemed paying by Lessee...".

3. Background of Leases.

3.1 Incremental Oil and Gas, LLC, a California limited liability company, as Buyer, acquired the leasehold interest in three (3) Oil and Gas Leases (the "Leases") located in the Cymric Field of Kern County, California from three (3) independent oil and gas companies, as the Seller.

3.2 The transaction was closed through an escrow arrangement on December 30, 2009, in Bakersfield, California.

3.3 The three (3) Leases are in close proximity to one another. Aera Energy, LLC, a California limited liability company (primary members are Shell Oil Company and Exxon-Mobil) is the Lessor of one (1) Lease located in the Southeast Quarter (SE/4) of Section 17, Township 29 South, Range 21 East, M. D. B.&M. The other two (2) Leases are owned by the Board of Trustees of the Leland Stanford Junior University, a private educational institution of higher education, located in Palo Alto, California, as Lessor. Stanford University Lease "A" covers approximately 20 acres and is located in the North Half of the Northeast Quarter of the Northeast Quarter (N/2 NE/4 NE/4) of Section 20, Township 29 South, Range 21 East, M. D. B.&M. Stanford University Lease "B" also covers approximately 20 acres and is located in the South Half of the Southeast Quarter of the Northeast Quarter (S/2 SE/4 NE/4) of Section 20, Township 29 South, Range 21 East, M.D.B.&M.

3.4 The Aera Energy Lease and Stanford University Lease "A" are both held by production of hydrocarbons from oil and gas wells currently producing on the leased lands. Stanford University Lease "B" is held by paid-up annual rentals for a five year period beginning October 18, 2007 through October 18, 2012. The initial Lease contained a term of three (3) years (the "Primary Term") from and after October 18, 2007. Incremental recently negotiated a two-year extension of the Primary Term on February 12, 2010, which extended the Primary Term with the Lessor, to October 18, 2012.

4. Leases in Detail.

4.2 Aera Energy Lease

a. Incremental acquired the Aera Energy Lease which is currently held by production from eight (8) wells that produce from the Sheep Springs Zone in the Cymric Field of Kern County, California.

b. The Aera Energy Lease covers, "all oil and gas rights from the surface to a depth of 4300 feet" in the Southeast Quarter (SE/4) of Section 17, Township 29 South, Range 1 East, M.D.B.&M., Kern County, California (the "Subject Property").

c. Aera acquired the surface estate and mineral estate of the Subject Property on September 8, 1997 (Instrument No. 0197117698 of Official Records).

d. Aera granted an Oil and Gas Lease covering the Subject Property (the "Lease") to P. Witte Enterprises, Inc., a California corporation dated June 15, 1998 and recorded September 10, 1998 (Instrument No. 0198123358 of Official Records). By mesne assignments of record, the Lessee's interest is now owned by Incremental who acquired the Lease on December 30, 2009, from Etchegoin Oil LLC, a California limited liability company, as to an undivided 50% working interest; Kurt E. Sickles, an individual, as to an undivided 25% working interest; Brea Properties, Inc., a California corporation, as to an undivided 12.5% working interest, and Western Sierra Oil and Gas, Inc., a Nevada corporation, as to an undivided 12.5% working interest (the "Sellers").

e. The Aera Energy Lease that Incremental acquired included seven (7) wells on the Subject Property. The name and total depth of each well are: Sheep Springs #2 (4853'), Sheep Springs #2A (4939'), Sheep Springs #4 (3584'), Sheep Springs #6 (3568'), Sheep Springs #10 (3530'), Salt Creek #1 (2205') and Salt Creek #76A (3660'). The Lease was originally granted for shallow rights to the depth of each well as of April 15, 1998, as shown above. A Lease Amendment effective May 1, 2001, changed the depth limitation for all mineral rights underlying the Subject Property to 4300 feet. There are nine (9) wells currently producing on the Aera Lease. They are: C-1, C-2, C-3, C-4, C-5, C-7, Mobil 65, Sheep Springs #2A and Sheep Springs #10.

f. Any transfer of Lessee's working interest in the Aera Energy Lease requires Lessor's (Aera's) prior written consent. In addition, Lessor (Aera) has a thirty (30) day option to acquire Lessee's interest on the same terms and conditions of the interest which Lessee proposes to transfer. Aera declined to exercise the option and consented to the transfer by Sellers to Incremental by letter effective December 1, 2009.

4.3 Stanford University Lease "A" and Lease "B"

a. Incremental acquired two (2) Oil and Gas Leases from the Sellers (Brea Properties, Inc. - undivided 12.50% working interest; Etchegoin Oil, LLC - undivided 48.00% working interest; Western Sierra Oil and Gas, Inc. - undivided 37.50%; and Gary W. and Janis Catherine Brierly, husband and wife - undivided 2% working interest). Sellers acquired the two (2) Leases from the Board of Trustees of the Leland Stanford Junior University and The Board of Trustees of the Leland Stanford Junior University, as Trustees (collectively "Stanford University").

b. According to a Memorandum of Oil and Gas Lease recorded April 12, 2007 in the Official Records of Kern County, California, Stanford University Lease "A" dated March 20, 2007, affects the North Half of the Northeast Quarter of the Northeast Quarter (N/2 NE/4 NE/4) of Section 20, Township 29 South, Range 21 East, M.D.B.&M., Kern County, California. According to a Memorandum of Oil and Gas Lease recorded November 8, 2007, Stanford University Lease "B" dated October 18, 2007, affects the South Half of the Southeast Quarter of the Northeast Quarter (S/2 SE/4 NE/4) of Section 20, Township 29 South, Range 21 East, M.D.B.&M., Kern County, California.

c. Title to the minerals for the above-described lands covered by Stanford University Leases "A" and "B" are vested in:

(1) The Board of Trustees of the Leland Stanford Junior University, Trustees under the Will of Roy H. Anderson, known as the R. H. Anderson Memorial Fund, as to an undivided 76.7442% interest.

(2) The Board of Trustees of the Leland Stanford Junior University, as to an undivided 23.2558% interest.

(3) The surface rights to the above-described lands are vested in individuals (Carl F. Twisselman II and Martha M. Twisselman, husband and wife, as to an undivided 50% interest and Carl F. Twisselman, III and Stacy A. Twisselman, husband and wife, as to an undivided 50% interest).

d. Both of the Stanford University Leases have an Addendum attached to each Lease containing seven (7) additional Lease provisions, among which includes a requirement to obtain the Lessor's advanced written consent should the Lease be pooled, unitized or assigned. Consent to pooling, unitization or assignment shall not be unreasonably withheld. A letter on behalf of Sellers, dated December 17, 2009, and Requesting Consent to Assignments to Stanford University Board of Trustees, was approved and consented to on December 28, 2009.

e. Stanford University Lease "A" is currently held by production from one (1) producing well (H&P No. 1) on the lands covered by the Lease. Stanford University Lease "B" is a paid-up Lease for three (3) years beginning on October 18, 2007, with a two-year paid-up extension from October 18, 2010 to October 18, 2012. According to Paragraph 6. of Lease "B", "[T]his Lease shall terminate as to all rights and obligations created thereby unless Lessee... within said period commences drilling operations for a well for oil and gas on the leased land...until oil or gas is found in quantities deemed paying by Lessee. ..."

5. Assumptions and Qualifications.

In preparing this Report we have relied upon:

5.1 A. Chain of Title and Abstract effective November 4, 2009 at 7:30 a.m., along with documents, maps and associated materials regarding the Aera Energy Lease; and

5.2 A. Chain of Title and Abstract effective November 4, 2009 at 7:30 a.m., along with documents, maps and associated materials regarding the Stanford University Lease "A" and Lease "B".

Each Abstract was prepared by an independent title examiner.

II. Poso Creek Petroleum LLC - Farmin Agreement, Round Mountain Field, Kern County, California

On August 13, 2010, Incremental Oil and Gas (Round Mountain) LLC

("Incremental") entered into a "Farmin Agreement" as Farmee with Poso Creek Petroleum, LLC "Poso Creek") as Farmor, with the opportunity to obtain an oil and gas lease assignment of 320 acres on a "drill to earn" basis.

1. Scope of Instructions.

We have been instructed to:

1.1 Advise on the record title to the Coffee Section 8 Lease (the "1937 Lease") and the new January 1, 1999 Lease which are the results of a title search by Incremental to verify the Leasehold Title to the N/2, Section 8, T28S, R29E, M.D.M., Kern County, California (the "Subject Property"), and

1.2 Advise on the requirements of the Farmin Agreement by which Incremental will earn an assignment of oil and gas lease from Poso Creek covering the Subject Property.

2. Executive Summary.

2.1 Incremental, as Farmee, upon payment of a mutually agreeable, non-refundable Prospect Fee, executed a Farmin Agreement with Poso Creek, as Farmor on August 13, 2010, with the right, but not the obligation to earn an assignment of an oil and gas lease covering mineral rights in the Subject Property.

2.2 To earn an oil and gas lease assignment in the Subject Property from Poso Creek, Incremental (on or before September 1, 2011) is required to commence the drilling of an Initial Test Well to penetrate and log the Pyramid Hill formation ("Contract Depth").

3. Background of Leases Subject to Farmin Agreement.

3.1 The oil and gas lease covering the Subject Property and dated January 1, 1999 ("1999 Lease") by and between the Jim C. Smoot and Luise Smoot Trust u/t/d September 14, 1989, as Lessor, and Coffee Petroleum, Inc. as Lessee, is subject to the Farmin Agreement.

3.2 By Oil and Gas Lease Acquisition and Option Agreement dated August 13, 2010 and recorded August 19, 2010, between Coffee Petroleum, Inc. ("CPI") and Poso Creek Petroleum, LLC ("PCP"), CPI assigned and transferred to PCP the right to farmin or farmout all rights of the 1999 Lease and the assignment of the 1999 Lease upon Incremental earning an interest in the 1999 Lease pursuant to the Farmin Agreement.

4. Farmee's Drilling Obligation in Detail.

4.1 On or before September 1, 2011, Incremental agrees to commence the drilling of the Initial Test Well on the Subject Property, and diligently continue drilling to penetrate and log the Pyramid Hill formation (the "Contract Depth"). Upon timely drilling the Initial Test Well to Contract Depth, Incremental shall earn an assignment of all right, title and interest of Poso Creek, in and to the 1999 Lease covering the Subject Property, including one hundred percent (100%) working interest in the Initial Test Well.

4.2 The Abstract of Title for the Subject Property states that both the surface and the minerals of the Subject Property are owned by the Luise Smoot Family Trust u/t/d December 8, 2003. Over sixty percent (60%) of the prior lease covering the Subject Property (the "1937 Lease") has been quitclaimed and surrendered of record; however, several individual working interests have not been surrendered of record. Title curative requirements for curing this title defect are in the form of an Affidavit of Non- Production. Such document was prepared and executed by Virginia Judith Smoot, Successor Trustee, The Luise Smoot Family Trust u/t/d December 8, 2003, on October 29, 2010, and recorded at the Kern County Recorder's Office on November 1, 2010 as Document No. 00021052281.

5. Assumptions and Qualifications.

In preparing this Report we have relied upon:

5.1 A. Chain of Title and Abstract effective October 11, 2010 at 7:30 a.m. prepared by an independent title examiner, including:

a) Ownership Report dated October 11, 2010,

b) Chain Sheet from Patent forward, and

c) All documents referred on the Chain Sheet.

III. Development Prospect - Guijarral Hills Field (Polvadero Area) Fresno County, CA

Incremental Oil and Gas (Guijarral) LLC, ("Incremental") is the current Lessee of an Oil, Gas and Mineral Lease ("Said Lease"), located in the Guijarral Hills Field in Fresno County, California.

1. Scope of Instructions.

We have been instructed to:

1.1 Advise on Incremental's record title to Said Lease as the result of a title search of the Official Records in Fresno County, California.

1.2 Advise on the status of Said Lease in which Incremental holds a working interest.

2. Executive Summary.

On the basis of the assumptions and qualifications set out in Section 5 as of the date of this Report, we have confirmed that:

2.1 Incremental has record title to Said Lease located in the Guijarral Hills Field in Fresno County, California.

2.2 Incremental owns an undivided 80% working interest in Said Lease which is held by paid-up rentals through April 3, 2011.

2.3 Incremental holds Said Lease by paid-up rentals through April 3, 2011. Said Lease will terminate on or before the anniversary date of April 3, 2011 and annually thereafter when it will terminate on April 3, 2014, unless Incremental shall re-work either a plugged and abandoned well or commence drilling operations for a new well for oil and gas on the leased land and prosecute the re-working or drilling of either well with reasonable diligence until oil or gas is found in paying quantities.

3. Background of Leases.

3.1 Incremental, a California limited liability company and a subsidiary LLC of Incremental Oil and Gas USA Holdings, Inc., a California corporation, is the current Lessee of an Oil, Gas and Mineral Lease ("Said Lease") located in the Polvadero Area of the Guijarral Hills Field in Fresno County, California.

3.2 Incremental acquired Said Lease by executing a Farmout Agreement dated August 11, 2010 with Continental Energy Company as Farmor and Incremental as Farmee.

3.3 Upon execution of the Farmout Agreement, Incremental received from Farmor, an original executed Assignment of Oil, Gas and Mineral Lease ("Said Lease") dated August 11, 2010, recorded on September 1, 2010, as Document 2010-0113153 of the Official Records of the Fresno County Recorder.

3.4 According to the terms of the Farmout Agreement, Incremental may earn an interest in Said Lease covering certain real property in Fresno County, California described as: Township 21 South, Range 16 East, MDB&M, Section 1: SE/4 NW/4, comprising 40.0 acres more or less, as well as Incremental's right to obtain an oil and gas interest of any kind on lands that fall within an Area of Mutual Interest ("AMI").

4. Lease in Detail.

4.1 Within eighteen (18) months from the date of acceptance of the Farmout Agreement, Incremental has the option, but not the obligation, to re-enter a currently abandoned well on the leased land, the Chevron USA Inc. "Polvadero Unit" No. 44-1 Well or in the alternative, commence operations for drilling a new well on the leased land. Should Incremental complete either well to contract depth and obtain a well capable of production in paying quantifies, it shall be entitled to retain an undivided eighty percent (80%) working interest in Said Lease. Incremental's working interest is subject to a reservation by Farmor of a three and one-third percent (3.33%) of one hundred percent (100.00%) overriding royalty. Farmor expressly agrees that the total landowner royalty of sixteen and two-thirds percent (16-2/3%), plus the overriding royalty of 3-1/3%, shall not exceed twenty percent (20%).

4.2 Incremental is continuing to acquire leased acreage within a defined AMI.

4.3 According to an ownership report by an independent title examiner, Farmor (Continental Energy Company) acquired Said Lease from a private party (Eleanor E. Wilson) in California, who held the minerals as Trustee of a Survivor's Trust that was established under the Gilbert M. Wilson and Eleanor E. Wilson Revocable Trust of January 24, 1991. On July 8, 2010, Ms. Wilson transferred the minerals that were the subject of Said Lease (the reversionary interest) to herself and also had the trust transfer the Lessor's interest in Said Lease. Ms. Wilson, as an individual, then quitclaimed the minerals to four (4) named individuals (family members) and by a second document, assigned the Lessor's interest in Said Lease to the same four (4) individual owners. Each of the four (4) individual owners have an undivided 25% interest in the minerals underlying Said Lease and an undivided 25% interest in the Lessor's interest.

4.4 As stated earlier in this Report, Farmor assigned Said Lease to Incremental by Assignment of Oil, Gas and Mineral Lease dated August 11, 2010, the same day as the parties executed the Farmout Agreement. The Assignment to Incremental is expressly conditional on Incremental re-working a plugged and abandoned well, or completing a new well capable of producing in paying quantities on or before 18 months from the date of the Farmout Agreement. Should Incremental earn its working interest in Said Lease, Incremental and Farmor agree to execute a mutually acceptable Form 610-1982 Form Operating Agreement ("JOA") with COPAS attached, which shall designate Incremental as Operator and Farmor as Non-Operator. The JOA shall govern further exploration and development of the AMI and also cover operations in the Earning Well subsequent to Payout.

5. Assumptions and Qualifications.

In preparing this Report we have relied upon:

5.1 Ownership Report dated July 19, 2010, prepared by an independent title examiner.

5.2 a Chain Sheets and Abstract Documents from Patent to July 8, 2010 prepared by an independent title examiner.

5.3 a Review of Title by an independent title examiner dated July 28, 2010.

IV. Raven Pass Prospect - Kern County, California

Incremental Oil and Gas, LLC ("Incremental") is currently acquiring Oil, Gas and Mineral Leases in the Raven Pass Prospect as outlined by an AMI. Incremental has leased 537 acres over the crest of the Raven Pass Anticline.

1. On or about August 18, 2010, Incremental entered into a Farmin Agreement with E. W. Rennie, a Petroleum Consultant for Incremental. The name of the prospect is the Raven Pass Anticline Area located 60 miles northwest of Bakersfield, in the San Joaquin Valley, Kern County, California. The prospect area is subject to an AMI between the parties, which may be extended from time to time by mutual consent.
2. Incremental and E. W. Rennie agreed to the following pertinent deal terms:

2.1 A prospect fee was paid to E. W. Rennie upon acceptance of the prospect by Incremental.

2.2 Incremental agreed to pay a mutually agreeable fee on the spud-in of the initial test well and on each subsequent development well.

2.3 The oil and gas leases acquired in the AMI by Incremental will be subject to an overriding royalty interest of two percent of one hundred percent (2% of 100%), but proportionately reducible to the interest earned in the event of a farmin from a third party.

2.4 The overrides will be assigned to the Ernest and Lena Rennie Living Trust.

Consent.

1. The Ehrlich Law Firm consents to the inclusion of the Report in the Prospectus, in the form and context in which it is named.
2. The Ehrlich Law Firm has not authorized or caused the issue of the Prospectus, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any other part of the Prospectus.

Very truly yours,

LAW OFFICES OF MELVIN L. EHRLICH

By:

MELVIN L. EHRLICH, ESQ.

Mr Ehrlich worked for Exxon from 1974 to 1979 in three different divisions in Houston, Texas, Los Angeles, California and Anchorage and Alaska. During this tenure, he briefed Texas cases of interest to the Texas petroleum industry and prepared and presented papers analyzing industry cases within Exxon's divisional and legal departments. Mr Ehrlich also advised Long Beach District and assisted in drafting and negotiation of contracts for Exxon's Hondo platform. He also reviewed and analyzed proposed North Slope Borough zoning ordinances and Alaska legislation affecting Exxon.

From 1980 to 1988 Mr Ehrlich was employed at Tenneco Oil Company's Pacific Coast Division in Bakersfield, California, progressing to Senior Division Attorney. During this time, in addition to supervising the Law Department and Division Properties Department, Mr Ehrlich was chairman of the legal subcommittee that was responsible for drafting the unit agreement and unit operating agreement to unitize Kern County's Yowlumne Unit "B". He also coordinated the permitting strategy to obtain Los Angeles County Conditional Use Permit for the $35 million Placerita Cogeneration Facility in what is now the City of Santa Clarita.

In 1991 Mr Ehrlich joined the law firm Wild, Carter, Tipton & Oliver in Fresno, California, specializing in environmental law in thte oil and gas industry. In 1993, Mel joined Klein, DeNatale, Goldner, Cooper, Rosenlieb & Kimball, LLP, operating out of Kern County and specializing in oil and gas and environmental law. He became a partner of the firm in May 1998 and became "of counsel" to the firm in August 2002 upon establishing the Law Offices of Melvin L. Ehrlich. Since 2002 Mr Ehrlich has provided legal advice to a range of oil and gas companies.

In addition to his professional tenure as a legal counsel, Mr Ehrlich has also served the community on a number of boards and councils including the Executives Association of Kern County, the Leadership Advisory Council of the Greater Bakersfield Chamber of Commerce, and New Advances for People with Disabilities.

incremental

7. Financial Information

Financial Information

7.1 Introduction

This section sets out the historical Financial Information and pro-forma historical Financial Information. The basis of preparation and presentation is set out below.

The Financial Information has been prepared by IOG management and adopted by the directors. The Directors of IOG are responsible for the preparation and presentation of the historical and pro-forma financial information, including the determination of the pro-forma transactions. Stantons International Securities has prepared an Investigating Accountant's Report in respect of the pro-forma historical Financial Information. A copy of that report is set out in Section 8 of the Prospectus.

The historical and pro-forma historical Financial Information has been prepared in accordance with measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies are set out in Section 7.4 to the Financial Information. The historical and pro-forma Financial Information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports in accordance with the Corporation Act 2001.

7.2 Historical and pro-forma historical Financial Information

The historical and pro-forma historical information for IOG set out in the following pages comprises:

i) the consolidated results of IOG from 7 July 2009 to 31 August 2010;

ii) the consolidated statement of financial position of IOG as at 31 August 2010; and

iii) the consolidated pro-forma statement of financial position of IOG at 31 August 2010 adjusted to include funds to be raised by the Prospectus and the completion of transactions referred to in Section 7.3 below.

The historical and pro-forma historical Financial Information has been prepared on the bases detailed and in accordance with the accounting policies set out in Section 7.4.

7.3 Historical and Pro-forma Historical Financial Information

The historical Financial Information and historical pro-forma Financial Information set out on the following pages comprises:

i) the consolidated results of IOG from 7 July 2009 to 31 August 2010;

ii) the consolidated statement of financial position of IOG as at 31 August 2010; and

iii) the consolidated pro-forma statement of financial position of IOG at 31 August 2010 adjusted to include funds to be raised by the Prospectus and the completion of transactions as follows:

(a) the issue of 17,000,000 shares at 30 cents each to raise a gross $5,100,000 pursuant to the Prospectus;

(b) the payment of expenses of the Prospectus issue totalling an estimated $582,000 and expensing against share equity;

(c) the payment of the principal on the promissory note to Western Sierra Oil and Gas Inc. in the sum of $977,000 at an estimated exchange rate of 1AUD=0.97 USD (US$947,343) together with interest of approximately $5,000 (US$4,734) on 1 October 2010 with the difference of $79,000 between the carrying amount at 31 August 2010 of $1,056,000 and the amount paid credited to the income statement;

(d) the payment of interest at 10% per annum on $5,000,000 convertible notes amounting to approximately $125,000 for 3 months;

(e) the payment of the 31 August 2010 accounts payable of $285,000;

(f) the receipt of estimated revenue of $906,000 at an estimated exchange rate of 1AUD=$1.00 USD (US$906,000) from the sale of oil and gas for the months of September and October 2010 and the accrual of revenue for the month of November 2010 estimated at $470,000 (US$470,000);

(g) the payment of estimated oil and gas lease operating expenses of $153,000 at an estimated exchange rate of 1AUD=1.00 USD (US$153,000) and royalty costs of approximately $239,000 at an estimated exchange rate of 1AUD=1.00 USD (US$239,000) for the 3 months ended 30 November 2010;

(h) the incurring of estimated additional amortisation costs of approximately $153,000 (US$153,000) and depreciation of $13,000 for the 3 months ended 30 November 2010;

(i) the incurring of additional group administration and other costs of say $257,000 of which $77,000 (US$77,000) relates to the USA operations;

(j) the incurring of approximately $62,000 of exploration costs in the USA (approximately US$21,000 per month) of which 50% are expensed and 50% capitalised;

(k)The receipt of the 31 August 2010 accrued oil and gas revenues of $464,000;

(l) Estimated taxation of $188,000 (US$188,000) on USA operations net income earned for the 3 months ended 30 November 2010; and

(m) The extension for repayment of $2,250,000 of Convertible Notes to be no later than 2 July 2012.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Incremental 7 July 2009 to 31 August 2010 $000's
Oil & gas income	4,006
Interest income	21
Royalties paid	(648)
Amortisation and depreciation	(445)
Lease operating expenses	(431)
General, administration and other costs	(1,011)
Exploration	(13)
Share based payments	(135)
Interest paid	(302)
Net profit before tax	1,042
Income tax expense	(475)
Net profit after tax	567
Other comprehensive Income - FX reserve	(80)
Total (loss) and other comprehensive income	487

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is approximately $1,768,000. The above condensed statement of comprehensive income includes USA based operations from 1 January 2010 to 31 August 2010.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Incremental Consolidated 31 August 2010 $000's	Pro-forma Incremental Consolidated 31 August 2010 $000's
Current Assets			
Cash assets	3	971	4,756
Receivables and prepayments	4	496	502
Total Current Assets		1,467	5,258
Non Current Assets			
Investments	5	-	-
Other financial assets	6	112	112
Oil properties	7	12,413	12,260
Exploration and evaluation	8	251	282
Fixed assets	9	575	562
Total Non Current Assets		13,351	13,216
Total Assets		14,818	18,474
Current Liabilities			
Trade and other payables	10	285	-
Convertible notes	11	5,000	2,750
Loans	12	1,056	-
Total Current Liabilities		6,341	2,750
Non Current Liabilities			
Convertible Notes		-	2,250
Deferred taxation	13	475	663
Total Non Current Liabilities		475	2,913
Total Liabilities		6,816	5,663
Net Assets		8,002	12,811
Equity			
Issued capital	14	7,480	11,998
Option Reserve	15	35	35
Translation reserve		(80)	(80)
Retained earnings	16	567	858
Total Equity		8,002	12,811

The above condensed Statement of Comprehensive Income and Statements of Financial Position should be read in conjunction with the notes contained in Section 7.4

Section 7.4

Notes to the unaudited condensed Statement of Comprehensive Income and unaudited condensed Statements of Financial Position (historical and historical pro-forma)

1. Statement of Significant Accounting Policies

(a) Basis of Accounting

The unaudited consolidated condensed historical Statement of Comprehensive Income and unaudited condensed consolidated Statements of Financial Position have been prepared in accordance with applicable accounting standards, the Corporations Act 2001 and mandatory professional reporting requirements in Australia (including the Australian equivalents of International Financial Reporting Standards) and we have made such disclosures as considered necessary. They have also been prepared on the basis of historical cost and do not take into account changing money values. The accounting policies have been consistently applied, unless otherwise stated. The financial statements have been prepared on a going concern basis that is dependent on the IPO being successful and/or the Company raising additional seed capital to continue in business.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic unit will derive sufficient future assessable income to enable the benefits to be realised and comply with the conditions of deductibility imposed by law.

(c) Exploration, Evaluation and Development Expenditure

Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to Development.

Development

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs (together with any forecast future capital expenditure necessary to develop proved and probable reserves) are amortised over the estimated economic life of the field on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis.

(d) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. The carrying amount of the plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and their subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than the estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Trade and other accounts payable

Trade and other accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

(f) Recoverable Amount of Non Current Assets

The carrying amounts of non-current assets are reviewed annually by directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have been or will be discounted to present values in determining recoverable amounts.

(g) Operating Revenue

Revenue represents interest received and gross proceeds on oil and gas revenue (before deductions for royalties) on an accruals basis.

(h) Issued Capital

Ordinary Shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(j) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(k) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

(l) Share Based Payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes or Binomial option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(m) Foreign Currency Translation

The functional and presentation currency of Incremental Oil &Gas Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The current USA subsidiaries functional currency is in US dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. As at the reporting date the assets and liabilities of subsidiaries are translated into the presentation currency of Incremental Oil & Gas Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the exchange rate at the year end. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

	Note	Incremental Consolidated 31 August 2010 $000's	Pro-forma Incremental Consolidated 31 August 2010 $000's
3. Cash Assets			
The movements in cash assets are as follows:			
Balance at 31 August 2010		971	971
Issue of shares pursuant to the Prospectus	(a)	-	5,100
Prospectus issue costs	(b)	-	(582)
Repayment of promissory note and interest	(c)	-	(982)
Payment of convertible note interest	(d)	-	(125)
Payment of accounts payable	(e)	-	(285)
Receipt of oil and gas revenues	(f,k)	-	1,370
Oil and gas lease operating expenses and royalty costs	(g)	-	(392)
Group administration costs	(i)	-	(257)
Exploration costs	(j)	-	(62)
		971	4,756
4. Receivables			
Accrued oil and gas revenues		464	464
Other receivables		32	32
Balance at 31 August 2010		496	496
Receipt of accrued oil and gas revenues	(k)	-	(464)
Accrual of oil and gas revenue for November 2010	(f)	-	470
		-	502
5. Investments			
Shares in wholly owned subsidiaries		10	10
Less eliminated on consolidation		(10)	(10)
	-	-	
Loans to subsidiary		11,492	11,492
Less impairment write down		-	-
Less eliminated on consolidation		(11,492)	(11,492)
Total Investments		-	-
The recoverability of the investment and loans to subsidiaries by Incremental is dependant on the successful commercialisation of the oil and gas leases.			
6. Other financial assets			
Cash bonds		112	112
7. Oil Properties			
Balance 31 August 2010		12,413	12,413
Amortisation	(h)	-	(153)
		12,413	12,260
Comprising:-			
Costs		12,855	12,855
Accumulated amortisation		(442)	(595)
		12,413	12,260

	Note	Incremental Consolidated 31 August 2010 $000's	Pro-forma Incremental Consolidated 31 August 2010 $000's
8. Exploration and Evaluation			
Balance 31 August 2010		251	251
Exploration and evaluation capitalised	(j)	-	31
			282
9. Fixed Assets			
Plant and equipment, at cost		576	576
Less accumulated depreciation	(h)	(1)	(14)
Net written down value		575	562
10. Trade and other payables			
Balance at 31 August 2010		285	285
Less: Payment of trade and other payables	(e)	-	(285)
		285	-
11. Convertible Notes			
25,000,000 secured convertible notes at 20 cents each		5,000	5,000
Unless redeemed or converted earlier the Company will redeem 13,750,000 ($2,750,000) of the secured convertible notes on the maturity date of 2 July 2011 and these are treated as current liabilities. 11,250,000 ($2,250,000) of the secured convertible notes are due for repayment on 2 July 2012 and are thus treated as non current liabilities. The interest rate on the secured convertible notes is 10% per annum.			
12. Loans			
Balance at 31 August 2010		1,056	1,056
Interest for September 2010	(c)	-	5
Amount paid in cash to settle secured promissory notes and interest	(c)	-	(982)
Exchange gain transferred to retained earnings	(c)	-	(79)
		1,056	-
13. Deferred Taxation			
Balance at 31 August 2010		475	475
Estimated taxation on USA operations for the 3 months ended 30 November 2010		-	188
		475	663
The balance represents estimated net deferred tax liabilities in respect of the USA operations. There is no expected current tax payable. Incremental has incurred estimated tax losses in Australia and no deferred tax asset has been recognised in respect of these losses.			
14. Issued Capital Ordinary Shares			
92,796,682 shares at 31 August 2010		7,480	7,480
17,000,000 shares pursuant to the Prospectus	(a)	-	5,100
Less: estimated share issue costs	(b)	-	(582)
Pro-forma (109,796,682 shares)		7,480	11,998
In the event that the maximum subscription of $7,200,000 is received, the number of shares on issue would increase to 116,796,682 as 24,000,000 shares (instead of 17,000,000 shares) would be issued under the Prospectus, the issued capital would increase to $13,971,000 (cash capital raising costs would increase by $127,000 to $709,000) and cash at bank would increase to $6,729,000. In the event that the minimum subscription of $3,000,000 is received, the number of shares on issue would decrease to 102,796,682 as 10,000,000 shares (instead of 17,000,000 shares) would be issued under the Prospectus, the issued capital would decrease to $10,026,000 (cash capital raising costs would decrease by $128,000 to $454,000) and cash at bank would decrease to $2,784,000.			

	Note	Incremental Consolidated 31 August 2010 $000's	Pro-forma Incremental Consolidated 31 August 2010 $000's
Balance at 31 August 2010			
Share based payments-options (note 17)	(g)	35	35
		35	35
As at 31 August 2010 there are 92,766,670 share options on issue, exercisable at 20 cents each on or before 1 November 2014.			
16. Retained Earnings			
Balance 31 August 2010		567	567
Convertible notes and secured promissory notes interest	(c,d)	-	(130)
Exchange gain on repayment of secured promissory notes	(c)	-	79
Oil and gas revenues for 3 months ended 30 November 2010	(f)	-	1,376
Gas lease operating expenses and royalty costs	(g)	-	(392)
Amortisation of properties and depreciation	(h)	-	(166)
Additional group administration and other costs	(i)	-	(257)
Additional exploration costs expensed	(j)	-	(31)
Additional taxation on USA operations	(k)	-	(188)
		567	858

17. Share based payments

In terms of the employment contract Mr Hussey was granted 1,000,000 ordinary shares in the Company at a deemed 10 cents per share for no consideration. The amount of $100,000 has been expensed. Additionally, Mr Hussey received 1,000,000 options exercisable at 20 cents on or before 1 November 2014. The options have been valued based on the Black-Scholes model and using a deemed market price of 10 cents per share, volatility of 75%, interest rate of 4.75% and a discount factor of 30% for unlisted status. The deemed value of $35,000 for the 1,000,000 options has been expensed as a share based payment.

18. Contingent Liabilities and Commitments

Based on discussions with the Directors and legal advisors, to our knowledge, the Company has no other material commitment or contingent liabilities not otherwise disclosed in the Investigating Accountant's Report and in the Prospectus. Refer to the Independent Solicitor's Report on Tenure for further possible contingencies and commitments. A number of tenements may be subject to royalty payments on production of oil and gas.

For details on proposed exploration commitments on mineral tenements, refer to section 2.5 of the Prospectus.

19. Rental Of Premises Commitments

The Company and its subsidiaries have entered into lease premises commitments. The future minimum lease commitments approximate $51,000.

20. Management Agreements

The Company has entered into executive services agreements with Mr. McGann, the Managing Director of the Company at a minimum gross salary per annum of A$250,000 plus statutory superannuation, and with Mr. Hussey, the Vice President USA of the Company with a minimum base salary of US$200,000 per annum plus 75% of medical insurance for Mr and Mrs Hussey. In addition in consideration of the services provided by the non-executive Directors, the Company will pay Mr Cronin, as non-executive Chairman, a gross fixed fee of $75,000 and Mr Stowell and Mr Macdonald each a gross fixed fee of $50,000 per annum exclusive of superannuation.

Further details of the executive services agreement and non executive directors remuneration is outlined in the Material Contracts section 10 of the Prospectus.

21. WORKING CAPITAL

The company has sufficient working capital to carry out its stated objectives in this prospectus. Note that Holders of the Notes associated with directors and CFO (11.25m notes) have agreed to extend the term for repayment of the notes by up to 12 months at the discretion of the company, if not converted to shares by the holder on the conversion date. Note that conversion date does not extend.

8. Investigating Accountant's Report

Stantons International Pty Ltd trading as
Stantons International Securities
ABN 41 103 088 697
AFS Licence No. 319600

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11 November 2010

The Directors
Incremental Oil & Gas Limited
Level 1, 20 Howard Street
PERTH WA 6000

Dear Sirs

RE: INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

This report has been prepared at the request of the Directors of Incremental Oil & Gas Limited ("Incremental" or "the Company") for inclusion in a Prospectus to be dated on or around 11 November 2010 ("the Prospectus") relating to the proposed issue by Incremental of 17,000,000 shares to be issued at a price of 30 cents per share to raise $5,100,000. The Company reserves the right to accept over subscriptions for a further $2,100,000 (7,000,000 shares). The minimum subscription will be $3,000,000 (10,000,000 shares).

2. Basis of Preparation

This report has been prepared to provide investors with information on historical results, the consolidated statement of financial position of Incremental and the pro-forma consolidated statement of financial position of Incremental as noted in the Financial Information in Section 7 of the Prospectus. The historical and pro-forma Financial Information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports in accordance with the Corporation Act 2001. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. Stantons International Securities has not been requested to consider the prospects for the Incremental Group, the securities on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, has not done so, nor purports to do so. Stantons International Securities accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors are set out in Section 9 of the Prospectus.

3. Background

Incremental was incorporated on 7 July 2009 as Incremental Oil & Gas Pty Ltd with an issued capital of 1 share of $0.01. Following shareholder approval in February 2010, it altered its constitution to that of a public company and changed its name to Incremental Oil & Gas Limited on 16 March 2010. In September 2009, the Company issued 6 Management Shares at $0.01 each and a further 5 Management Shares at $0.01 each in December 2009. In September 2009, the Company issued 20,000,000 ordinary shares (and 1 free attached share option for each share subscribed for, exercisable at 20 cents each on or before 1 November 2014) to founders/promoters of the Company to raise a gross $200,000. In December 2009 the Company issued 53,650,000 shares at 10 cents (and 1 free attached share option for each share subscribed for, exercisable at 20 cents each on or before 1 November 2014) each to various investors to raise a gross $5,365,000 and 1,000,000 shares were issued to Mr Hussey as noted below for no cash consideration. Between January 2010 and April 2010, the Company issued a further 1,530,000 shares at 10 cents each to raise a gross $153,000 and 1,500,000 of such shares had free attaching share option exercisable at 20 cents each on or before 1 November 2014). Between 18 December 2009 and 2 February 2010, the Company issued 15,116,670 Convertible Notes at 10 cents each (convertible into one share at 10 cents each and 1 free attached share option for each convertible note subscribed for, with each share option exercisable into one ordinary share at 20 cents each on or before 1 November 2014) that may be redeemed by the Company for face value of the convertible note in cash at any time or converted automatically into 15,116,670 ordinary shares in Incremental upon the Company changing its status from proprietary to public company. The Company undertook to change its status from proprietary company to public within 6 months of the date of the Convertible Notes. No interest is payable on the convertible notes. On 31 March 2010 the Company issued a further 1,500,000 Convertible Notes on the same terms as the 15,116,670 Convertible Notes. On 16 March 2010 the Company converted to a public company and on 17 April 2010 all the Convertible Notes were converted into shares resulting in the issue of 16,616,670 shares at 10 cents each and 16,616,670 20 cent options. As at 31 August 2010 there were 92,766,670 share options outstanding.

Between 7 May 2010 and 13 August 2010 the Company issued 25,000,000 Secured Convertible Notes at 20 cents each with a maturity date of 2 July 2011 to raise a gross $5,000,000. At any time prior to the conversion date the Company may redeem the Secured Convertible Notes for the face value of the note. Unless redeemed or converted earlier, the Company shall redeem all the Secured Convertible Notes on maturity. The interest rate on the convertible notes is at the rate of 10% per annum. The Secured Convertible Notes are secured over the assets and undertakings of Incremental including the shares in Incremental Oil and Gas LLC (refer below). On 10 and 11 November 2010, 11,250,000 of the Secured Convertible Notes with a face value of $2,250,000 were re-negotiated so that the last date for repayment by the Company is 2 July 2012. The Secured Convertible Notes right to convert to shares in the Company however remain as 2 July 2011.

On 16 March 2010 Incremental Oil and Gas USA Holdings Inc. (“IOGUSA”) was incorporated and issued 1,000 common shares to Incremental for US$10. Incremental Oil and Gas LLC (“IOG LLC”) was formed on 6 October 2009, Incremental Oil and Gas (Round Mountain) LLC (“IOGRM LLC”) was formed on 1 July 2010 and Incremental Oil and Gas (Guijarral) LLC (IOGG LLC) was formed on 23 June 2010 to hold interests in various tenements/properties in the United States. IOGLLC, IOGRM LLC and IOGG LLC are 100% owned subsidiaries of IOGUSA. IOGUSA is funded by Incremental and an intercompany loan agreement has been entered into effective from 9 October 2009 between Incremental and IOGUSA for a maximum principal amount not to exceed US$50,000,000 and with a maturity date of approximately 60 months from the date of the agreement. The interest rate is set at the Applicable Federal Rate as published by the United States Internal Revenue Service which at 31 August 2010 was at 2.18% per annum. At 31 August 2010 the loan balance was approximately US$10,302,000.

Effective 31 December 2009, the Company through its wholly owned subsidiary Incremental Oil and Gas LLC (“IOG LLC”) acquired a 100% working interest in the Aera and Stanford Leases (“Sheep Springs”) in California. The purchase price of the Sheep Springs acquisition was $US12 million less net revenue from the sale of production attributable to the leases for the period from 1 September 2009 to 30 November 2009 amounting to US$875,000 and payable partly in cash (US$5,750,000 was paid prior to 31 December 2009) with the balance of US$5,375,000 vendor financed through Secured Promissory Notes. The Secured Promissory Notes which are secured under a Deed of Trust, Security Agreement and Financing Statement dated 30 December 2009 were due and payable no later than 1 July 2010 with interest accruing on the unpaid principal balance from the date of the Secured Promissory Notes at a rate of 6% per annum. From the date of issue of the Secured Promissory Notes to 2 June 2010 the sum of US$4,427,657 was paid in cash to various promissory noteholders to settle the equivalent amount of Secured Promissory Notes. The balance of Secured Promissory Notes of US$947,343 which were due to Western Sierra Oil and Gas Inc. were due and payable by 1 October 2010 in terms of an Amendment of Letter Agreement dated 10 May 2010 (US$952,080 that includes interest was paid on 1 October 2010). The net revenue interest on the Aera lease is 87.3333% and the net revenue interest on the Stanford lease is 81.2500%.

On 13 August 2010 IOGRM LLC entered into a farmin agreement to earn an interest in an oil and gas lease dated 1 January 1999 (“1999 Lease”). As consideration for entering into this agreement IOGRM LLC paid a non refundable prospect fee of US$25,000 in August 2010 and is required on or before 1 September 2011 to commence drilling of an initial test well, the full cost to be borne solely by IOGRM LLC. On satisfying the conditions of the farmin agreement IOGRM LLC will be assigned title to the 1999 Lease (that expires in 2019) and will have a 100% working interest in the initial test well. Additionally the farmor and IOGRM LLC agree that the royalty burden of the 1999 Lease will not exceed 12.5%. IOGRM LL has an option to acquire the farmor’s interest in the Reserved Facilities (that includes existing wells) by paying the farmor the amount of US$1,200,000 by 1 July 2015.

On 11 August 2010 IOGG LLC entered into a farmin agreement to earn an 80% interest in an oil and gas lease dated 3 April 2010 (“Guijarral”). The farmor will retain a 3.33% royalty interest. As consideration for entering into this agreement IOGG LLC made two cash payments totalling US$150,000 in June 2010 and August 2010. Under the farmin agreement IOGRM LLC has the option but not the obligation for a period of 18 months to either re-enter a currently abandoned well or drill a new well.

The Company currently has four directors and has entered various executive contracts. Mr Gerry McGann, the Managing Director of the Company, has an employment contract with the Company dated 1 January 2010. The salary is A$250,000 per annum gross (plus statutory superannuation), increasing to A$300,000 per annum subject to the Company achieving average daily gross production of 400 boepd over a continuous 3 month period and further increasing to A$375,000 per annum subject to the Company achieving average daily gross production of 700 boepd over a continuous 3 month period. In addition one off cash bonuses may be paid. Mr Jim Hussey, the Vice President USA of the Company, has an employment contract with the Company dated 1 January 2010 which was subsequently modified on 7 August 2010. Salary is related to gross annual average oil production with a minimum base salary of US$200,000 and a maximum of US$300,000 per annum. Cash bonuses will be related to half yearly average oil production, as a percentage of the gross salary. Additionally as at date of signing contract Mr Hussey was granted 1,000,000 shares in Incremental (valued at $100,000 for IFRS purposes) and 1,000,000 20 cent share options expiring in 2014 (valued at $35,000 for IFRS purposes). The shares vest immediately on allotment and half the options vest after 6 months service and half the options after 12 months service. 75% of the medical insurance costs of Mr and Mrs Hussey are also payable by the Company. In consideration of the services provided by the non-executive Directors, the Company will pay Mr Cronin, as non-executive Chairman, a gross fixed fee of $75,000 and Mr Stowell and Mr Macdonald each a gross fixed fee of $50,000 per annum. In addition to these gross annual payments, the Company will pay each of the non-executive directors superannuation equal to 9% of the gross payment.

Potential investors should read the Prospectus in full that includes an Independent Geologist's Report, a Sheep Springs Reserves Report and an Independent Solicitors Report on Tenure. We make no comments as to ownership or values of the current and proposed oil and gas tenement interests of the Incremental Group. Further details on all significant contracts entered into by the Company since incorporation are referred to in the Material Contracts Section 10 of the Prospectus.

4. Scope of Examination

You have requested Stantons International Securities to prepare an Investigating Accountant's Report on:

a) the consolidated results of Incremental from 7 July 2009 to 31 August 2010;
b) the consolidated statement of financial position of Incremental as at 31 August 2010; and
c) the consolidated pro-forma statement of financial position of Incremental at 31 August 2010 adjusted to include funds to be raised by the Prospectus and the completion of transactions referred to in section 7.3

as noted in the Financial Section 7 of the Prospectus.

All of the Financial Information referred to above and included in Section 7 of the Prospectus has not been audited however has been subject to audit review. The Directors of Incremental are responsible for the preparation and presentation of the historical and pro-forma financial information, including the determination of the pro-forma transactions. We have however examined the Financial Information and other relevant information and made such enquiries, as we considered necessary for the purposes of this report. The scope of our examination was substantially less than an audit examination conducted in accordance with Australian Auditing Standards and accordingly, we do not express such an opinion. Our examination included:

a) discussions with directors and other key management of Incremental;
b) review of contractual arrangements;
c) a review of publicly available information; and
d) a review of work papers, accounting records and other documents.

5. Opinion

In our opinion, the pro-forma consolidated statement of financial position as set out in Section 7 of the Prospectus presents fairly, the pro-forma consolidated statement of financial position of Incremental as at 31 August 2010 in accordance with the accounting methodologies required by Australian Accounting Standards on the basis of assumptions and transactions set out in Section 7.3 to the Financial Information Section 7 of the Prospectus. No opinion is expressed on the historical results and statements of financial position, as shown in Section 7.3 of the Financial Information Section 7 of the Prospectus, except to state that nothing has come to our attention which would require any further modification to the Financial Information in order for it to present fairly, the statements of financial position as at 31 August 2010 and the results of the period identified.

6. Other Matters

At the date of this report, Stantons International Securities or Stantons International do not have any material interest in Incremental either directly or indirectly, or in the outcome of the offer. Stantons International Audit and Consulting Pty Ltd trading as Stantons International an audit firm were appointed as auditors of Incremental in October 2010. Stantons International Securities and Stantons International were not involved in the preparation of any other part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus. Stantons International Securities consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES

J P Van Dieren - FCA
Director

FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 11 November 2010

1. Stantons International Securities ACN 103 O88 697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report. Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

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9. Risk Factors

Risk Factors

9.1 Introduction

There are factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company and the value of Shares. Many of these factors are outside the control of the Directors. This Section identifies the areas that the Board believes are the major risks associated with an investment in the Company. Prospective new investors should consider the risk factors described below, read the Prospectus in its entirety and seek professional advice before deciding whether or not to apply for Shares.

9.2 Share Price Variation

The Shares are to be quoted on the ASX where their price may rise or fall in relation to the Offer Price. The Shares issued under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. The price of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of the Company and the Directors and Officers of the Company. Such factors include, but are not limited to, the demand for and availability of Shares, change in domestic and international oil prices, movement in domestic and international stock markets and general economic risks (as detailed in section 9.4).

Returns from an investment in the Shares may also depend upon general stock market conditions as well as the performance of the Company. There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the Offer Price.

9.3 Future Funding

The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of this Offer will be adequate to fund its business development activities, exploration programme and other objectives in the short term as stated in this Prospectus.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance

9.4 General Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

In addition to general economic conditions, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as general economic outlook, price of oil and commodities on international and domestic markets, interest rates and inflation rates, currency fluctuations, changes in investor sentiment toward particular market sectors, the demand for, and supply of, capital and terrorism or other hostilities.

9.5 Regulatory Risks

Changes in relevant taxes (including the GST), legal and administrative regimes and government policies in the USA, Australia and overseas may adversely affect the financial performance of the Company.

The Company requires approval from relevant regulatory bodies in order to explore, own tenure and operate in the USA. If these approvals are revoked or substantially changed, by the relevant regulatory authorities, this could have a material adverse impact on the Company. The costs of complying with applicable environmental and other regulations will also impact upon the financial performance of the Company.

Any change to the current rate of company income tax in the USA or Australia will impact upon Shareholder returns. Any change to the current rates of income tax applied to individuals and trusts may also impact upon Shareholder returns.

In addition, any change in tax arrangements between Australia and other jurisdictions could have an adverse impact on profits and the level of franking credits that may or may not be available to frank any future dividends.

9.6 Currency and Commodity Price Movements

Foreign exchange currency movements may have an adverse effect upon the financial position of the Company.

The revenues generated by, and certain costs incurred by, the Company are denominated in United States dollars, while other transactions and costs may be denominated in United States dollars or Australian dollars. Given that the Offer is in Australian dollars, stock is traded on the ASX in Australian dollars, and any dividends paid will be denominated in Australian dollars, the Company is exposed to the fluctuations and volatility of rates of exchange between the United States dollar and the Australian dollar. These exchange rates are determined in international currency markets.

Although the Board will assess the situation on a periodic basis, it does not presently intend to undertake currency hedging.

The revenues of the Company will also be materially impacted by fluctuations in the global prices of oil and gas, which are in turn affected by many factors beyond the control of the Company, such as supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

The Board generally believes that commodity hedging is usually restrictive and expensive, but at appropriate times will consider using options and possibly other market instruments, in accordance with professional advice as appropriate at the time.

9.7 Industry Competition Risks

The global oil and gas industry is characterised by significant competition and the presence of several large major independent companies. The large competitors may actively bid for access to new projects, equipment, infrastructure, labour and capital, placing competitive pressures on the Company.

In addition, the market for oil and gas in the future will be predicated by demand factors, as well as supply. Demand will be influenced by a number of general economic factors, but also in part by the level of consumer demand, access to alternative fuels, levels of domestic production and levels of imports of oil and gas.

9.8 Operating Risks

The operations of the Company are likely to be affected by various factors beyond its control, including the failure to achieve predicted well production flow-rates, operational and technical difficulties encountered in production, difficulties in sourcing, commissioning, operating and maintaining plant and equipment, sabotage, mechanical failure or plant break-down, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents or disputes, and unexpected shortages or an increase in the cost of consumables, spare parts, plant, equipment or labour.

Attempts to identify new hydrocarbons, or expand existing production, by additional or novel drilling methods, may also be unprofitable. In particular, there can be no assurance that the application of new production methods to the Round Mountain oilfield, such as horizontal wells, will be successful or profitable.

The exploration and development of petroleum properties entails unavoidable hazards, such as unusual or unexpected rock formation, formation pressures and climatic conditions. New and existing well bores may experience restricted hydrocarbon fluid entry, or excessive water ingress.

9.9 Loss of Key Personnel

The Company is reliant upon the skills of its Directors and key personnel. The Company's ability to retain the services of the key personnel or find timely replacements for the loss of such key personnel is critical to its success. If one or more of these officers or employees depart from the Company, it may have a detrimental impact on the Company. In addition, any future inability to hire and retain the services of additional technical personnel with appropriate qualifications may also have a material negative impact on the success of the Company's operations.

9.10 Exploration Risks

The assets acquired by the Company include one exploration project. Hydrocarbon exploration and development is a high risk undertaking. There can be no assurance that the Company's exploration activities will result in economic hydrocarbon discoveries or that the Company's attempts to develop and exploit such discoveries will be successful.

9.11 Estimation of Oil Initially in Place

The hydrocarbon estimates (including estimates of oil initially in place) contained in this Prospectus represent expressions of judgement based on knowledge, experience and industry practice. Except where expressly noted otherwise, those estimates do not represent statements of reserves within the meaning of either the Society of Petroleum Engineers (SPE) reserves definitions and resource classifications or the ASX Listing Rules.

The Company intends to commence additional investigations of the Round Mountain and Guijarral Hills projects in the foreseeable future with a view to preparing an estimation of reserves when practicable. This estimation will be reviewed periodically in order to (among other things) permit the Directors to calculate the carrying value of assets in accordance with accounting policies and standards (see Section 8).

9.12 Replacement of Reserves Risk

The Company's success is largely determined by its ability to find, develop or acquire additional oil and gas reserves that can be economically extracted. As oil and gas production will generally deplete existing reserves, the Company's reserves will decline unless it can successfully explore for, or acquire, replacement reserves.

9.13 Environmental Risks

The operations and proposed activities of the Company in the USA will be subject to USA laws and regulations concerning the environment. The Board intends that the Company will conduct its activities in compliance will all local environmental laws and regulations. Nevertheless, there are certain risks inherent in the Company's activities including accidental contamination and issues relating to flora and/or fauna.

In addition, the Company's operations and the industries using oil and gas produced by the Company, generate greenhouse gas emissions which have been linked to issues of climate change and global warming. A number of countries, including the USA and Australia, have introduced or are considering introducing regulatory responses to limit greenhouse gas emissions. Any such regulatory mechanisms could have a material adverse impact on the Company's operations and projects through either direct intervention on operations or through impacts on the demand for oil and gas.

9.14 Title Risks

The Company's main assets comprise contractual interests and petroleum titles in the USA, which are therefore subject to the petroleum and other laws of that country including obligations to make expenditures in order to maintain title in good standing. If the Company fails to meet its obligations in regard to maintaining tenure then the respective leases may expire or be forfeited, in which case the Company would lose any reserves attributable to that area and lose the opportunity to explore and develop any further, currently undefined, oil and gas that may exist in the respective tenure.

The title system in the USA relating to mineral rights (including oil and gas) does not provide for indefeasibility of title through registration. As a result, there is a risk that unregistered interests may exist or misdescriptions of titles or mineral rights may occur. Such defects may result in additional cost being incurred, inability or delay to access areas of land or loss of title.

Details of the material contracts and titles and their terms and conditions are set out in the Solicitors Report on Tenure in Section 6.

9.15 Insurance Risks

Insurance against all risks associated with the Company's operations is not always available or, if it is available, affordable.

The Company will maintain insurance where it is considered appropriate for its needs. However there are likely to be some risks, in particular those relating to terrorism, wilful damage and political risks, for which it will not be insured either because appropriate cover is not available or because the Board consider the required premiums to be excessive having regard to the risk mitigation provided.

9.16 Third Party Risks

The operations of the Company will require involvement with a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance on the part of such third parties may materially harm the performance of the Company. It is not possible for the Company to predict or protect itself against all such risks.

In particular, all production from the Sheep Springs oilfield is sold to a single customer, under a contract which is able to be terminated on one months' notice. Any termination, although considered unlikely, may materially impact on the revenues of the Company until alternative customers can be found, if indeed they are found.

9.17 Accounting Risks

As discussed in Section 7 and 8, the assets of the Company comprise primarily the assets of its USA subsidiaries.

The USA subsidiaries have maintained accounting books and records in accordance with relevant USA regulations.

The Company is required to prepare financial information in accordance with A-IFRS and other mandatory professional reporting requirements (Urgent Issues Group Interpretations). This basis differs from the basis of accounting currently adopted by the USA subsidiaries.

9.18 Tax Risks

The USA subsidiaries are USA-resident for tax purposes. Based on the information available as at the date of this Prospectus the Directors do not believe that there is any material liability for income tax in the USA. However it is possible that the Company will become liable to pay back taxes, interest and penalties in the USA in an amount that may be material.

9.19 Location Risks

The Company's projects are all located in California, USA. Given their specific regional location, the Company is exposed to localised events, including natural disasters or a change in the regulatory environment, either generally or specific to the oil and gas industry (including duties, taxes and royalty regimes).

9.20 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

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10. Additional Information

10 Additional Information

10.1 Registration

The Company was registered on 7 July 2009 in Western Australia.

10.2 Company Tax Status and Financial Year

The financial year of the Company ends on 31 December annually. The presentation currency of the Company for this Offer is Australian dollars, but the functional currency of US subsidiary entities is and will remain US dollars.

10.3 Legal Proceedings

The Directors are not aware of any litigation of a material nature pending or threatened which may significantly affect the Company.

10.4 Material Contracts

Set out below is a brief summary of certain contracts which have been entered into by the Company and which have been identified as material and relevant to potential investors.

Executive Contracts

Gerard McGann, Managing Director of the Company, has an employment contract with the Company dated 14 February 2010. The contract commenced on 1 January 2010.

The per annum gross salary under the contract is:

- $250,000;
- increasing to $300,000 subject to the Company achieving average daily gross production of 400 boepd over a continuous 3 month period; and
- further increasing to $375,000, subject to the Company achieving average daily gross production of 700 boepd over a continuous 3 month period.

In addition to the salary, one-off cash bonuses are applicable as follows:

- $50,000 on achieving average daily gross production of 300 boepd over a continuous period of 3 months.
- $60,000 on achieving average daily gross production of 400 boepd over a continuous period of 3 months.
- $60,000 on achieving average daily gross production of 600 boepd over a continuous period of 3 months.

The contract is to be re-negotiated subject to average production of the Company exceeding 1000 boepd per day. The contract may be terminated by either the Company or Mr McGann by providing three months notice in writing, with Mr McGann being entitled to the salary up to and including the date of termination.

Jim Hussey, Vice President USA of the Company, has an employment contract with the Company dated 5 January 2010, as amended on 7 August 2010. The salary under the contract (as amended) is related to gross annual average IOG oil production as follows:

< 200 bopd	US$160,000
from Board approval of two new significant projects (Round Mountain and Guijarral)	US$200,000
>400 bopd	US$250,000
>1000 bopd	US$300,000

The contract was modified on 7 August 2010 such that the base salary was increased to US$200,000, with other aspects remaining the same.

Cash bonuses are payable, related to half yearly average oil production, as a percentage of the gross salary as follows:

Half yearly production average > 500 bopd	20% of gross salary
Half yearly production average > 700 bopd	20% of gross salary
Half yearly production average > 1000 bopd	20% of gross salary

The contract specifies Share and Option bonuses, being one million Shares and one million $0.20 Options, with half of the Options vesting after six months service, and the remaining vesting after 12 months service. The Company also pays 75% of the cost of health insurance for Mr Hussey and his wife.

In the event that the contract is terminated by IOG, IOG agrees to pay Mr Hussey three months base salary as a severance payment. After two years continuous service, this payment will increase to four months base salary.

Non-Executive Directors

The Company has three non-executive directors. The annual fee for Mr Stowell and Hon J.A.L. Macdonald is $50,000, with Mr Cronin being paid $75,000 as chairman of the Board.

Non-executive directors may also be reimbursed for reasonable expenses incurred in attending board or committee meetings, on Company business or in carrying out their duties.

The non-executive directors must comply with the company's policies and committee charters, including the company's share trading policy and continuous disclosure policy.

Deeds of Access, Indemnity and Insurance

Each Director and the Company Secretary has entered into a Deed of Access, Indemnity and Insurance with the Company. This entitles each officer to access board papers, be indemnified from liability, and to have the Company take out and pay for directors and officers insurance to the extent the Company is able to obtain it.

Each officer may obtain independent professional advice at the Company's expense in accordance with the guidelines adopted by the Board from time to time or if the chairman has given his prior approval.

The indemnity and insurance obligations under each deed only apply to the extent permitted by law. The indemnity only applies to the extent that the director is not indemnified under any other indemnity. The insurance obligations do not extend to liabilities which are exceptions under the insurance policy in accordance with generally accepted insurance industry practices at the time the policy was procured.

Deed Poll Constituting Convertible Notes

On 23 April 2010 the Company executed a Deed Poll for the creation of secured convertible notes in the Company. The Deed Poll provides for the issue of convertible notes to sophisticated investors with a maturity date of 2 July 2011 and a conversion price of $0.20 per Share.

Pursuant to the Deed Poll, the Company raised $5 million during the period from April 2010 to August 2010 by way of issue of 25 million secured redeemable convertible notes. The key terms and conditions of these convertible notes, including the interest payable on the notes, are outlined in section 10.7.

Holders of the Notes associated with directors and CFO (11.25m notes) have agreed to extend the term for repayment of the notes by up to 12 months at the discretion of the company, if not converted to shares by the holder on the conversion date.

Fixed and Floating Charge - Convertible Notes

The convertible notes are secured against the Company's assets by way of a fixed and floating charge between the Company and Incremental Security Pty Ltd dated 23 April 2010. The charge was registered against the Company on 24 May 2010 as charge number 1980640.

A related Security Trust Deed between the Company, Incremental Security Pty Ltd (as chargee) and the various beneficiaries was executed on 23 April 2010.

Under the charge, the Company charges all of its property in favour of Incremental Security Pty Ltd to secure the punctual:

- payment of all money that the Company is liable to pay to the beneficiaries in relation to the convertible notes; and
- performance of all liabilities and obligations of the Company to Incremental Security Pty Ltd in connection with the notes or any loan from Incremental Security Pty Ltd to the Company.

Incremental Security Pty Ltd agrees to hold the benefit of the charge on trust for the beneficiaries.

The charge is a first ranking charge taking priority over all other security interests except those specified in the charge, the Deed Poll, the Security Trust Deed or the notes.

Incremental Security Pty Ltd may, by notice to the Company, convert the floating charge to a fixed charge or the fixed charge to a floating charge if it considers it necessary to protect or maintain the secured property or if there is a subsisting event of default.

Events of default under the charge include:

- failure to pay an amount due which is not remedied within three business days;
- failure to perform a provision of the charge or an associated document which is not remedied within 14 days;
- breach of certain warranties and undertakings;
- events of insolvency; and
- a change in control of the Company without Incremental Security Pty Ltd's prior written consent;

Incremental Security Pty Ltd has various powers in relation to enforcement of the charge, the Deed Poll and the Security Trust Deed and for the appointment of a receiver. The Company authorises Incremental Security Pty Ltd and any receiver to make calls on members of the Company for uncalled capital and sue to recover money due in relation to call if an event of default occurs.

The Company must pay default interest on unpaid amounts at the rate of 10% per annum accruing daily and capitalised on the last day of each calendar month. The maximum prospective liability under the charge is $7.5 million.

Oil and Gas Sales Contracts

Gas Purchase Contract

On 1 September 2010 the Company entered into a gas purchase contract with Plains Exploration & Production Company (Plains) under which the Company agrees to sell to Plains, and Plains agrees to purchase, all gas which the Company has available to deliver. The Company will deliver the gas to Plains' metering facilities near its Salt Creek lease in Kern County, California.

The contract term is a minimum of one year following the month in which gas deliveries commence under the contract, with provision for the contract to continue month to month after that time, unless terminated on 30 days written notice from either party. Plains agrees to pay the Company for gas received in a month on prices referenced to the NGI's Southern Border, SoCal Index, Baseload Delivery.

Oil Sales Contract

On 1 January 2010 the Company entered into an oil sale contract with Independent Oil Producers' Agency (Agency) for the sale and delivery of all crude oil produced from Sheep Springs Lease, Cymric Field, Kern County, California, other than crude oil payable in kind under existing royalty arrangements.

The Agency's obligation to purchase oil may be limited in certain circumstances to a net maximum quantity of crude oil determined in accordance with the contract. The Agency has a yearly right of first refusal to elect to take oil in excess of the net maximum quantity from the property. The contract continues until terminated by five years prior written notice.

The Company has entered into a collateral contract with the Agency in relation to the issuance of shares in the Agency to the Company.

The price under the contract is related to the greater of the average of the prices posted by Chevron USA Inc, Exxon-Mobil and ConocoPhillips and the price posted by ConocoPhillips.

Property Agreements

Sheep Springs

On 9 November 2009 the Company entered into an agreement to purchase certain leases (Aera Lease re SE/4 Section 17, T29S-R21E, MDB&M above 4,300' and the Stanford leases covering twenty acres as described in the agreement) and certain equipment from Brea Properties, Inc., Etchegoin Oil LLC, Western Sierra Oil and Gas Inc and Gary and Janis Brierley (Sellers).

Whilst the Company agrees to purchase a 100% of the working interest in the leases, the Area Lease remains subject to a net revenue interest of 16.6667% (LOR) by Aera Energy LLC, and the Stanford leases to an 18.75% (LOR) net revenue interest of Stanford University.

Round Mountain

On 13 August 2010 the Company entered into a farmin agreement with Poso Creek Petroleum LLC (Poso) in relation to Poso's lease of the North half of section 8, Township 28 South, Range 29 East MDB&M dated 1 January 1999. The farmin interest is all rights of Poso in the lease and 100% of the working interest in the initial test well and any production obtained from any depths, provided the Company does not challenge the right of Poso to wells, pipelines and surface facilities existing and operated by Poso at the date of the agreement (Facilities).

In order to earn the farmin interest, the Company agrees to commence drilling a test well by 1 September 2011 and diligently complete that well to penetrate and log the Pyramid Hill formation within 180 days after the date of actual drilling is commenced. In certain circumstances, a substitute test well. The Company must pay all the costs associated with the lease.

The parties agree that the royalty burden of the lease is not to exceed 12.5% as long as the Company holds title to the lease. The Company indemnifies Poso from all liability incurred in the event the royalty burden exceeds 12.5% through no fault of Poso at any time from completion of the initial test well or substitute well. Poso also grants the Company an option to purchase the Facilities.

Raven Pass

On 18 August 2010 the Company entered into a prospect agreement with petroleum consultant E.W. Rennie. The Company grants a 2% royalty on all leases acquired to be reduced proportionately to interest earned in the event of a farm-in from a third party.

Guijarral Hills Development Project

On 11 August 2010 the Company entered into an agreement with Continental Energy Company (Continental) to farm into a lease in Fresno, California (Township 21 south, Range 16 East, MDB&M lease). The Company is entitled to earn up to an 80% working interest in the lease, subject to the reservation by Continental of an overriding royalty of 3.33% of all hydrocarbons produced, saved or sold from the lease. The royalty is payable on amounts realised form the sale of hydrocarbons and, in relation to hydrocarbons used on the property, on current prices.

The Company has the option to earn the 80% interest, in the 18 months following signing of the agreement, by completing a specified well as a well capable of production of hydrocarbons in payable quantities or by commencing operations for a new well. The 18 months period may be extended by 6 months if the Company is delayed due to environmental permitting issues. The parties agree to execute a joint operating agreement with the Company as operator if the Company earns its 80% interest through the lease or completing a well on newly acquired acreage within the area defined in the agreement.

The Company agrees to free carry Continental for any earning well. Once the Company has recovered those earning costs from its 80% interest, Continental is obliged to meet 20% of costs going forward.

Each party grants to the other a right of first refusal in relation to acreage obtained within a defined area of mutual interest. If exercised, the other party must pay its percentage share (80% for the Company) of the acquisition costs.

10.5 Rights Attaching to Shares

There is only one class of shares on issue in the Company being fully paid ordinary shares. The rights attaching to Shares in the Company are:

- set out in the constitution of the Company, a copy of which is available for inspection at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules of ASX, the ASTC Settlement Rules and the general law.

The principal rights, liabilities and obligations of the Shareholders are summarised below.

Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands. Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded.

A poll may be demanded by at least five Shareholders entitled to vote on the resolution, Shareholders with at least 5% per cent of the votes that may be cast on the resolution of the poll or the chairperson. Each member has one vote on a poll for each fully paid share held with adjusted voting rights for partly paid shares. The chairperson has a casting vote when the votes on a proposed resolution are equal.

A member is not entitled to vote on a resolution if, under the Corporations Act or the Listing Rules, the notice calling the general meeting specified that the member must not vote or must abstain from voting or the vote must be disregarded for any purposes.

Dividends

The profits of the Company, which the Directors may from time to time determine to distribute by way of dividend, are divisible amongst the Shareholders in proportion to the number of Shares held by them, subject to the rights attaching to the Shares with special dividend rights. No Shares with special dividend rights are currently on issue.

Issue of further Shares

The Directors may (subject to the restrictions on the issue of shares imposed by the Constitution, the Listing Rules and the Corporations Act) issue, grant options in respect of, or otherwise dispose of Shares on terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

Variation of class rights

The rights attached to a class of Shares may, unless their terms of issue state otherwise, be varied with the written consent of 75% of the Shareholders of Shares of that class or by special resolution passed at a separate meeting of the Shareholders of the Shares of the class.

Under section 246D of the Corporations Act, if the Shareholders of the class do not all agree to the variation or cancellation, Shareholders with at least ten per cent of the votes in the class of Shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

Transfer of Shares

Shareholders may transfer Shares by a written transfer instrument in the usual form or by a proper ASTC transfer. All transfers must comply with the Constitution, the Listing Rules, the SCH Business Rules and the Corporations Act. The Directors may refuse to register a transfer of Shares in circumstances including those permitted by the Listing Rules or ASX. The Directors must refuse to register a transfer of shares where required to do so by the Listing Rules.

General meeting and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution or the Corporations Act.

Winding up

Subject to any special resolution or preferential rights attaching to any Shares, Shareholders will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the Shares held by them, irrespective of the amounts paid or credited as paid on the Shares.

Directors - Appointment & Removal

The minimum number of Directors is 3 and the maximum is fixed by the Directors but may not be more than 9 unless the Shareholders of the Company pass a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that one third of the Directors plus any Director who has held office for 3 or more years or 3 or more annual general meetings (excluding the Managing Director) retire at each annual general meeting of the Company. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors - Remuneration

Under rule 8.3(a) of the Constitution, each director is entitled to such remuneration from the Company for his or her services as a director as the directors decide but the total amount provided to all directors for their services as directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. The current maximum aggregate sum approved by Shareholders at a general meeting is $250,000.

The amount fixed by the Company as remuneration for a director does not include any amount paid by the company or related body corporate:

- to a superannuation, retirement or pension fund for a director so that the company is not liable to pay the superannuation guarantee charge or similar statutory charge; or
- for any insurance premium paid or agreed to be paid for a director under rule 10.5 of the Constitution.

Amendment

The Constitution may be amended only by a special resolution passed by at least three quarters of the votes cast by Shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution must be given.

10.6 Terms of Options

The Company has issued Options as detailed in the Investigating Accountant's Report in section 8 at an exercise price of $0.20 each having the following terms and conditions:

- each Option entitles the holder to subscribe for one Share upon payment of the relevant exercise price;
- the Options are exercisable on or before 1 November 2014;
- the Options may be exercised in whole or in part, by notice in writing to the Company at any time prior to the expiry date;
- Option holders will be permitted to participate in new issues of securities on the prior exercise of the Option in which case the Option holders will be afforded at least 10 business days notice prior to and inclusive of the books close date (to determine entitlements to the issue) to exercise the Option;
- Shares issued on the exercise of the Options will be issued not more than 14 business days after receipt of a properly executed notice of "Exercise of Options";
- Shares allotted pursuant to the exercise of an Option will rank equally with the then issued Shares;
- in the event of any reconstruction (including consolidation, subdivision, reduction or returns) of issued capital of the Company , the number of Options or exercise price of the Options or both shall be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Option holders which are not conferred on Shareholders, and subject to rounding of Shares as sanctioned by the meeting of Shareholders approving the reconstruction of capital, in all other respects the terms for the exercise shall remain unchanged;
- any capital return to Shareholders will correspondingly reduce the Option exercise price; and
- any of the terms and conditions of the Options which do not comply with the Listing Rules may be varied by the Company to comply with the Listing Rules.

10.7 Terms and Conditions of Convertible Notes

The Company has issued convertible notes, as detailed in the Investigating Accountant's Report in section 8 and in the material contracts section 10.4, at an exercise price of $0.20 each having the following key terms and conditions:

- maturity date of 2 July 2011;
- conversion price of $0.20 per Share;
- the notes bear interest at the rate of 10% per annum, compounded monthly, on the face value payable by the Company on the conversion date or upon redemption;
- at any time prior to the maturity date, the Company may redeem the notes for the face value of the note, provided that not less than 30 days prior written notice of the Company's intention to redeem the notes has been given to note holders and the note holder does not elect in writing to convert their notes to Shares;
- note holders are entitled to require the Company to redeem a note for its total issue price immediately on demand if an event relating to the winding up of the Company, appointment of a receiver, administration or insolvency of the Company or any arrangement with the Company's creditors occurs;
- any note holder may elect by notice in writing, not less than 7 days prior to the maturity date, to redeem their notes on the maturity date instead of the Company converting those notes into Shares; and
- each Share issued upon conversion of the notes will, as from the conversion date, rank in all respects pari passu with the then issued Shares.
- 11,250,000 convertible notes are subject to a restriction on redemption, with IOG and the applicable note holders agreeing to extend the term of repayment of the notes to any time up to 2 July 2012, if not converted to shares on the conversion date.

10.8 Interests of Directors, Advisers and Promoters

Other than as stated in section 10.4, this section and elsewhere in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a director of the Company;
- none of the following persons:
  - (1) a Director or proposed Director of the Company;
  - (2) each person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
  - (3) a promoter of the Company; or
  - (4) a stockbroker to the issue of the Shares, holds or held at any time during the last two years an interest in:
  - (5) the formation or promotion of the Company;
  - (6) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
  - (7) the Offer of the Shares, or was paid or given or agreed to be paid or given any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the Offer of the Shares.

(a) Interests of Directors

The Directors are not required to hold any Shares under the provisions of the Company's Constitution.

Set out below are details of the interests of the Directors in securities in the Company immediately before the lodgement of the Prospectus with the ASIC. Interests include those held directly or otherwise.

Director and associated entities	Shares	Options ($0.20)[2]	Convertible Notes[3]
Chris Cronin[1]	6,000,002	6,000,000	1,500,000
Gerry McGann[1]	20,500,004	20,500,000	3,750,000
Mark Stowell[1]	9,900,002	10,200,000	3,500,000
Sandy Macdonald[1]	4,250,001	4,250,000	1,500,000

Notes:

1 All or some of these securities are held through associated entities.

2 The terms of these options are summarised in Section 10.6.

3 The terms of these convertible notes are summarised in Section 10.7.

The Directors are entitled to apply for Shares under the Offer.

Johnson Winter & Slattery of Level 1, 216 St Georges Terrace, Perth, Western Australia have acted as solicitors to the Offer and in that capacity have been involved in undertaking due diligence enquiries in relation to the legal matters and providing legal advice to the Company in relation to the Offer. The Company will pay approximately $45,000 to Johnson Winter & Slattery for these services. Johnson Winter & Slattery have provided other professional services to the Company during the last two years for which the Company have paid fees totalling approximately $6,000.

Melvin L. Ehrlich of 4550 California Avenue, Bakersfield, California 93309 has prepared the Solicitor's Report on Tenure included in section 6 of this Prospectus. In respect of this work the Company has agreed to pay approximately US$41,000. Mr Ehrlich has been paid approximately US$114,000 for other legal services since 2009.

Stantons International Securities of 1 Havelock Street, West Perth, Western Australia has prepared the Financial Information and Investigating Accountant's Report included in sections 7 and 8 respectively of this Prospectus and has assisted in the conduct of the due diligence programme related to preparation of this Prospectus and the Offer. In respect of this work the Company will pay approximately $25,000.

Stantons International of 1 Havelock Street, West Perth, Western Australia has been appointed as auditor to the Company for which they will be paid their usual commercial rates.

Ray Pennell, Principal of Rigel Petroleum Consulting of 2201 F Street, Bakersfield has prepared the Independent Geologist's Report included in Section 4 of this Prospectus. In respect of this work the Company has agreed to pay approximately US$20,000 for these services.

RPS Energy Pty Ltd, of 30 Station Street, Subiaco, Western Australia has prepared the reserve estimation, by way of an independent geologist report, that is summarised in Section 5 of this Prospectus. In respect of this work the Company has paid $30,000 for these services.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

10.9 Consents

Each of the parties referred to in this Section 10.9:

(a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Melvin Ehrlich has given his written consent to the inclusion in this Prospectus of his Solicitors Report on Tenure, and all statements referring to that report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Ray Pennell has given his written consent to the inclusion in this Prospectus of its Independent Consulting Geologist's Report, and all statements referring to that report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

RPS Energy has given his written consent to the inclusion in this Prospectus of its reserves and resources estimate provided to the Company by way of an Independent Geologist Report as summarised in the Reserves Report, and all statements referring to that report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Stantons International Securities has given its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report and all statements referring to that report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

(a) Johnson Winter & Slattery as solicitors to the Company;

(b) Melvin Ehrlich as independent solicitor in regards to the tenure report;

(c) Stantons International as auditor to the Company;

(d) Stantons International Securities as Investigating Accountants;

(e) RPS Energy as independent geologist in regards to the Reserves Report;

(f) Ray Pennell as Independent Geologist; and

(g) Security Transfer Registrars as share registrar of the Company.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

10.10 Costs of the Offer

The total estimated expenses of the Offer will be approximately $582,000 (assuming full subscription). These expenses include accounting fees, legal fees, ASX and ASIC fees, the cost of advertising, printing and distributing this Prospectus and other miscellaneous expenses as set out below:

All figures are exclusinve of GST	Minimum subscription	Full subscription	Max subscription
Brokerage fees	$180,000	$306,000	$432,000
Independent Geologist fees	$50,000	$50,000	$50,000
Investigating Accountant fees	$25,000	$25,000	$25,000
Independent Solicitor fees	$41,000	$41,000	$41,000
Australian legal fees	$45,000	$45,000	$45,000
Float management costs	$25,000	$25,000	$25,000
ASIC Lodging Fee and ASX Listing Fee	$63,000	$65,000	$66,000
Design and printing fees	$15,000	$15,000	$15,000
Other	$10,000	$10,000	$10,000
Totals	**$454,000**	**$582,000**	**$709,000**

Note: for the purposes of this table it is assumed that US$1 = A$1.

10.11 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Shares and Options in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

10.12 Tax Matters

The acquisition and disposal of Shares may have tax consequences for investors which will differ, depending among other things, on the nature, residence and financial affairs of each investor.

All investors should seek independent tax advice about the consequences of acquiring Shares.

10.13 Directors' Responsibility Statement and Consent

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive. In respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

The Directors report that after due enquiries by them, in their opinion, since the date of the financial statements in the financial information in Section 7, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets, liabilities, financial position, profits or losses, or prospects of the Company, other than as disclosed in this Prospectus.

In accordance with Section 720 of the Corporations Act, each of the Directors of the Company has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated 11 November 2010

Gerard J McGann

Signed for and on behalf of

Incremental Oil and Gas Limited
ACN 138 145 114

by Gerard McGann

Managing Director.

11. Definitions

11 Definitions

The following definitions apply throughout this document unless the context requires otherwise.

1P	See Proved Reserves.	**2P**	See Probable Reserves.
3P	See Possible Reserves.	**1C, 2C, 3C**	See Contingent Resources.
$	Australian dollars.	**3D seismic survey**	A seismic survey that can be processed as a cube.
abandonment pressure	The pressure at which the oilfield reservoir is usually deemed to be uneconomic to produce.	**anticline**	A structure in the subsurface in which rock layers have been folded to produce an arch or dome.
API gravity	A measure of the density of oil at surface conditions. API gravity is an inverse measure of the relative density of petroleum liquid. It is calculated as 141.5/SG -131.5.	**Applicant(s)**	Person(s) who submit valid Application Forms pursuant to this Prospectus.
Application	A valid application made to subscribe for a specified number of Shares pursuant to this Prospectus.	**Application Form**	The application form relating to the Offer which accompanies this Prospectus.
Application Monies	Monies received by the Company from Applicants.	**aquifer**	An accumulation of water underground that is held in rock that is porous and permeable thus allowing the water to flow in response to an imposed pressure gradient.
ASIC	Australian Securities and Investments Commission.	**ASTC**	ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532).
ASTC Settlement Rules	The settlement rules of ASTC.	**ASX**	ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
barrel (bbl)	A unit of measurement commonly used in quoting liquid hydrocarbon volumes (one barrel equals 42 U.S. gallons, 35 imperial gallons (approx) and 158.9 litres).	**basin**	A depression in the earth's surface containing relatively thick deposits of sedimentary rocks.
Board	The board of Directors	**beam pump**	See Sucker rod pump
boe/BOE	Barrels of oil equivalent. A unit of energy based on the approximate energy released by burning one barrel of crude oil. One boe is roughly equivalent to about 6000 cubic feet of natural gas.	**boepd**	Barrels of oil equivalent per day.
bopd	Barrels of oil per day, a unit commonly used to describe daily rates of hydrocarbon liquids production from a producing well.	**bscf**	Billions of standard cubic feet.
Contingent Resources	Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. These resources may be further subdivided into proven (1C), probable (2C) and possible (3C) contingent resources.	**Closing Date**	5pm Western Standard Time on 9 December 2010, or such other date determined by the Board.
Company	Incremental Oil and Gas Limited ABN 66 138 145 114.	**closure**	On an isolated structural high, the area enclosed by the lowest closing contour.
completions	The mechanic aspects that allow a well to be produced and determine where the production comes from. In the Independent Geologist's Report the term often relates to the reservoir interval that is open to flow.	**Constitution**	The Constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).	**deposition**	The process of depositing unconsolidated sediments, usually in a basin.

Directors	The Directors of the Company.	**Electronic Prospectus**	An electronic version of the Prospectus.
Existing Shareholders	Individuals or entities that currently hold shares or options in IOG.	**fault/faulting**	Any brittle failure of rock layers along which rocks are displaced on one side relative to the other.
field	A subsurface accumulation of hydrocarbons.	**fold**	Deformation of a rock surface.
formation	A formal term used to reference a genetically related rock unit (e.g. the Pyramid Hill Formation).	**formation volume factor**	The reservoir volume of produced fluids at reservoir conditions divided by its volume at standard surface conditions.
feet/ft	Feet. 0.3048 metres.	**giant oilfield**	A field that has or is capable of producing more than 1 billion barrels of oil.
Gas Specific Gravity	Is the ratio between the density of the actual gas and the density of air.	**geological times**	• Cretaceous: The period from roughly 141 to 65 million years ago; • Eocene: The period from roughly 56 to 35 million years ago; • Jurassic : The period from roughly 200 million years ago to 145 million years ago; • Miocene : The period from roughly 23 to 5 million years ago; • Oligocene: The period from roughly 35 to 23 million years ago; • Pliocene: The period from roughly from 5.3 million to 2.6million years ago; • Pleistocene: The era from roughly 2.6 million years to 12,000 years ago.
geology	The study of the earth and the processes affecting its crust.	**geophysics**	The study of rock properties and stratigraphy through the use of analytical methods involving various types of data collection and interpretation.
GIP	Gas in place.	**GIIP**	Gas initially in place.
GOR	Gas-Oil ratio, the volumetric ratio of produced gas in scfgd to produced oil, in barrels.	**HIN**	Holder Identification Number.
horizontal wells	Wells that are drilled with their producing section almost horizontal (>80 degrees from the vertical).	**hydrocarbons**	A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.
IFRS	International Financial Reporting Standards.	**Issue**	The issue of Shares pursuant to this Prospectus.
Lease Area	An area of land granted by the legal mineral rights holder for a period whereby exploration and production for oil and gas can be undertaken.	**Listing Date**	The first day on which the Shares trade on ASX, anticipated to be 21 January 2011. (Refer to page 2).
Listing Rules	The official listing rules of ASX	**lithology**	The physical, sedimentary, or mineralogical characteristics of a rock.
Mbbl	One thousand barrels.	**MBO**	Thousand barrels of oil
MBW	Thousands barrels of water	**MMBO**	Million barrels of oil
MMCF	Million cubic feet of gas	**MSCFGD**	Thousand cubic feet of gas per day at standard conditions.
MMbbl	One million barrels.	**MMSCFGD**	Million cubic feet of gas per day at standard conditions.
mD	Millidarcy, a unit of measurement used to describe permeability, i.e., the tendency for liquids to flow through a rock unit. A high permeability indicates a good reservoir.		

normal fault	A fault caused by tensional forces in which the hanging wall is downthrown.	**Offer**	The invitation to the public made in this Prospectus to subscribe for Shares.
Offer Period	The Period commencing on the Opening Date and ending on the Closing Date.	**Offer Price**	$0.30 per Share.
Official List	The official list of ASX.	**oil field**	A subsurface accumulation of hydrocarbons.
oil initially in place	See the definition of STOIIP.	**oil saturation**	The fraction of the pore space that contains oil.
Opening Date	The date the Offer opens being 18 November 2010, or such other date determined by the Board.	**Option**	Options to subscribe for a Share on the terms and conditions set out in Section 10.6 of this Prospectus.
OWC	Oil-water contact, the interface between oil-bearing rock and water-bearing rock or more precisely the depth below which no movable oil remains and above which movable oil is present.	**pay, hydrocarbon pay**	The thickness of reservoir rock along a wellbore that will produce hydrocarbons.
permeability	A measure of the ability of liquids to flow through a porous solid (see also the definition of mD).	**Perth time**	Australian Western Standard Time, Perth, Western Australia.
petroleum	(See the definition of Hydrocarbons).	**Possible Reserves**	Possible reserves are attributed to known accumulations that have a less likely chance of being recovered than probable reserves. This term is often used for reserves which are claimed to have at least a 10% certainty of being produced (P10). Reasons for classifying reserves as possible include varying interpretations of geology, reserves not producible at commercial rates, uncertainty due to reserve infill (seepage from adjacent areas) and projected reserves based on future recovery methods. They are referred to in the industry as 3P (proved plus probable plus possible).
porosity	The percentage of open pore space in a rock.	**Probable Reserves**	Unproved reserves are based on geological and/or engineering data similar to that used in estimates of proved reserves, but technical, contractual, or regulatory uncertainties preclude such reserves being classified as proved. Probable reserves are attributed to known accumulations and claim a 50% confidence level of recovery. Industry specialists refer to them as P50 (i.e., having a 50% certainty of being produced). These reserves are also referred to in the industry as 2P.
Prospectus	This Prospectus and includes the Electronic Prospectus.	**Proven Reserves**	Estimated quantities of hydrocarbons that geological and engineering data demonstrate will be recoverable from known oil and natural gas reservoirs under existing economic and operating conditions.
Recoverable Reserves	That proportion of the oil and/or gas in a reservoir that can be removed using currently available techniques.	**Reserves**	The volume of oil or gas that can be recovered from the subsurface. Generally used in the context of commerciality.
reservoir	A porous rock unit in which hydrocarbons occur in an oil field.	**residual oil saturation**	The saturation of oil that remains behind after displacement of the oil by another phase, for example water or gas.
sand/sandstone	Sandstone is a sedimentary rock composed mainly of sand-sized minerals or rock grains.	**seal**	An impermeable rock unit that prevents hydrocarbons from escaping from the reservoir.
Section	A section of this Prospectus.	**sediment**	Generally, water borne debris that settles out of suspension.
sedimentary rock	A type of rock formed by aggregation of sediments.	**shale**	A very fine grained rock often thinly layered. An important seal and source rock.

Share(s)	Fully paid ordinary share(s) in the Company.	**show**	An indication while drilling that hydrocarbons are present in the well. It does not necessarily indicate that the hydrocarbon is producible or commercially viable.
Shareholder	The registered holder of Shares.	**Share Registry**	Security Transfer Registrars Pty Ltd of 770 Canning Highway, Applecross, Western Australia 6153.
source/source rock	An organic rich rock (typically shale) capable of generating hydrocarbons under certain conditions of temperature and pressure.	**SRN**	Shareholder Reference Number.
STOIIP	An abbreviation of Stock Tank Oil Initially In Place. This is the volume of oil that is in the reservoir prior to any production taking place. The volume is assumed to be measured at surface conditions after the originally dissolved gas has been released from the oil.	**stratigraphy**	The study of the vertical and horizontal distribution of stratified rocks, with respect to their age, lateral equivalence, and environment of deposition.
strike length	The length along the axis of a structure.	**structure**	A geological feature usually higher in elevation than the surrounding rock, formed by local deformation of the rock layers.
structural relief	Difference in elevation of parts of deformed stratigraphic horizon. Often indicates the maximum possible oil column that can be accommodated in a structural trap.	**structural trap**	Generally, a hydrocarbon trap formed by dipping rock layers and/or faults.
sucker rod pumps	A type of pump that is used to aid the movement of oil up the well to surface and where the pump is mechanically driven from surface.	**tax Law**	Australian income tax legislation, and established interpretations of that legislation.
TD	Total Depth of a well.	**TNP**	TransAtlantic Petroleum.
thrust fault	A failure of the earth's crust where ground on one side of the fault moves up and over adjacent ground.	**trap**	Structure capable of retaining hydrocarbons.
trend	A particular direction in which similar geological features are repeated.	**US$ or USD**	Dollars of the United States of America.
unswept Oil	Oil that is potentially mobile but that has been bypassed by the fluids that have displaced (swept) the oil to the production wells.	**USA**	United States of America.
water cut	The volumetric fraction of the produced liquids that is water.	**wildcat**	An exploratory oil well drilled in land not known to be an oil field.
working interest	An interest in an oil and gas lease that gives the owner of the interest the right to drill for and produce oil and gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations. The share of production to which a working interest owner is entitled will always be smaller than the share of costs that the working interest owner is required to bear, with the balance of the production accruing to the owners of royalties. For example, the owner of a 100% working interest in a lease burdened by a landowner's royalty of 12.5% would be required to pay 100% of the costs of a well but would be entitled to retain 87.5% of the production	**workover**	An activity where the well is entered in order in carry out work that will significantly alter the state of the well. For example this might be to acidize the producing interval, or to install a pump, or to change the production tubing.

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APPLICATION FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
770 Canning Highway, APPLECROSS WA 6153
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Incremental Oil and Gas Ltd

ABN: 66 138 145 114

BROKER STAMP

Broker Code

Advisor Code

PLEASE READ CAREFULLY ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM
Before completing this Application Form you should read the accompanying Prospectus and the instructions overleaf. Please print using BLOCK LETTERS.

I/We apply for:

, , Shares at AUD $0.30 per share
or such lesser number of Shares which may be allocated to me/us by their Directors.

I/We lodge full application of monies of:

A$, , .

Full Name of Applicant / Company
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Joint Applicant #2
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Joint Applicant #3
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Account Designation (e.g.: THE SMITH SUPER FUND A/C)

< >

Postal Address
Unit / Street Number Street Name or PO BOX

Suburb/Town/City State Postcode

Country Name (if not Australia)

CHESS HIN (where applicable)

X

If an incorrect CHESS HIN has been provided (e.g.: incorrect number, registration details do not match those registered) any securities issued will be held on the Issuer Sponsored subregister.

Contact Name

Contact Number

( )

Email Address

@

Tax File Number / Australian Business Number

Tax File Number of Security Holder #2 (Joint Holdings Only)

Declaration and Statements:
(1) I/We declare that all details and statements made by me/us are complete and accurate.
(2) I/We agree to be bound by the Terms & Conditions set out in the Prospectus and by the Constitution of the Company.
(3) I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Securities to me/us.
(4) I/We have received personally a copy of the Prospectus accompanied by or attached to this Application form before applying for the Securities
(5) I/We acknowledge that returning the Application Form with the application monies will constitute my/our offer to subscribe for Securities in the Company and that no notice of acceptance of the application will be provided.

REGISTRY DATE STAMP

E & O.E.

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 11 NOVEMBER 2010 AND ANY RELEVANT SUPPLEMENTARY PROSPECTUS.

This Application Form relates to the Offer of Fully Paid Shares in Incremental Oil and Gas Ltd pursuant to the Prospectus dated 11 November 2010.

APPLICATION FORMS

Please complete all parts of the Application Form using BLOCK LETTERS. Use correct forms of registrable name (see below). Applications using the wrong form of name may be rejected. Current CHESS participants should complete their name and address in the same format as they are presently registered in the CHESS system.

Insert the number of Shares you wish to apply for. The application must be for a minimum of 7,000 Shares and thereafter in multiples of 3,000 Shares. The applicant(s) agree(s) upon and subject to the terms of the Prospectus to take any number of Shares equal to or less than the number of Shares indicated on the Application Form that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details of statements made are complete and accurate.

No notice of acceptance of the application will be provided by the Company prior to the allotment of Shares. Applicants agree to be bound upon acceptance by the Company of the application.

Please provide us with a telephone contact number (including the person responsible in the case of an application by a company) so that we can contact you promptly if there is a query in your Application Form. If your Application Form is not completed correctly, it may still be treated as valid. There is no requirement to sign the Application Form. The Company's decision as to whether to treat your application as valid, and how to construe, amend or complete it shall be final.

PAYMENT

All cheques should be made payable to **Incremental Oil and Gas Ltd** and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid.

Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Do not forward cash as receipts will not be issued.

LODGING OF APPLICATIONS

Completed Application Forms and cheques must be:

Posted to:	**OR**	**Delivered to:**
Incremental Oil and Gas Ltd C/- Security Transfer Registrars Pty Ltd PO Box 535 APPLECROSS WA 6953		Incremental Oil and Gas Ltd C/- Security Transfer Registrars Pty Ltd 770 Canning Highway APPLECROSS WA 6153

Applications must be received by no later than 5.00pm on the Closing Date 9 December 2010 which may be changed immediately after the Opening Date at any time and at the discretion of the Company.

CHESS HIN/BROKER SPONSORED APPLICANTS

The Company intends to become an Issuer Sponsored participant in the ASX CHESS System. This enables a holder to receive a statement of holding rather than a certificate. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise, leave this box blank and your Shares will automatically be Issuer Sponsored on allotment.

TAX FILE NUMBERS

The collection of tax file number ("TFN") information is authorised and the tax laws and the Privacy Act strictly regulate its use and disclosure. Please note that it is not against the law not to provide your TFN or claim an exemption, however, if you do not provide your TFN or claim an exemption, you should be aware that tax will be taken out of any unfranked dividend distribution at the maximum tax rate.

If you are completing the application with one or more joint applicants, and you do not wish to disclose your TFN or claim an exemption, a separate form may be obtained from the Australian Taxation Office to be used by you to provide this information to the Company. Certain persons are exempt from providing a TFN. For further information, please contact your taxation adviser or any Taxation Office.

CORRECT FORM OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Incremental Oil and Gas Ltd. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable names below:

TYPE OF INVESTOR	**CORRECT**	**INCORRECT**
Individual Use given names in full, not initials.	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations.	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names.	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use trustee(s) personal name(s), Do not use the name of the trust.	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Estate John Smith A/C>	Estate of Late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners' personal names. Do not use the name of the partnership.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Superannuation Funds Use the name of the trustee(s) of the super fund.	Jane Smith Pty Ltd <JSuper Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

APPLICATION FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
770 Canning Highway, APPLECROSS WA 6153
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Incremental Oil and Gas Ltd

ABN: 66 138 145 114

BROKER STAMP

Broker Code

Advisor Code

PLEASE READ CAREFULLY ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM
Before completing this Application Form you should read the accompanying Prospectus and the instructions overleaf. Please print using BLOCK LETTERS.

I/We apply for:

, , Shares at AUD $0.30 per share
or such lesser number of Shares which may be allocated to me/us by their Directors.

I/We lodge full application of monies of:

A$, , .

Full Name of Applicant / Company
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Joint Applicant #2
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

Joint Applicant #3
Title (e.g.: Dr, Mrs) Given Name(s) or Company Name

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Contact Name

Contact Number

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@

Tax File Number / Australian Business Number

Tax File Number of Security Holder #2 (Joint Holdings Only)

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(1) I/We declare that all details and statements made by me/us are complete and accurate.
(2) I/We agree to be bound by the Terms & Conditions set out in the Prospectus and by the Constitution of the Company.
(3) I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Securities to me/us.
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Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
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Superannuation Funds Use the name of the trustee(s) of the super fund.	Jane Smith Pty Ltd <JSuper Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

PRIVACY STATEMENT Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

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