INCREMENTAL OIL AND GAS LIMITED

ABN: 66 138 145 114

Interim Financial Report
for the half year ended 30 June 2015

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2014 and any public announcements made by Incremental Oil and Gas Limited during the interim report period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Information

This half year report is of the group comprising Incremental Oil and Gas Limited ("the Company" or "Incremental Oil and Gas" or "the Parent") and its wholly owned subsidiaries (collectively "the Group").

The Group's functional and presentation currency is $US.

A description of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report on page 1. The directors' report is not part of the financial report.

Directors
Mark Stowell (Non-Executive Chairman)
John Whisler (Managing Director)
Gerry McGann (Non-Executive Technical Director)
Matthew McCann (Non-Executive Director)

Company Secretary
Simon Adams

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Unit 2, 16 Phillimore Street
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Australia

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Share Registry
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Perth WA 6000

Stock Exchange Listing
Australian Securities Exchange (ASX)
Home Exchange – Perth
Trading Code - IOG

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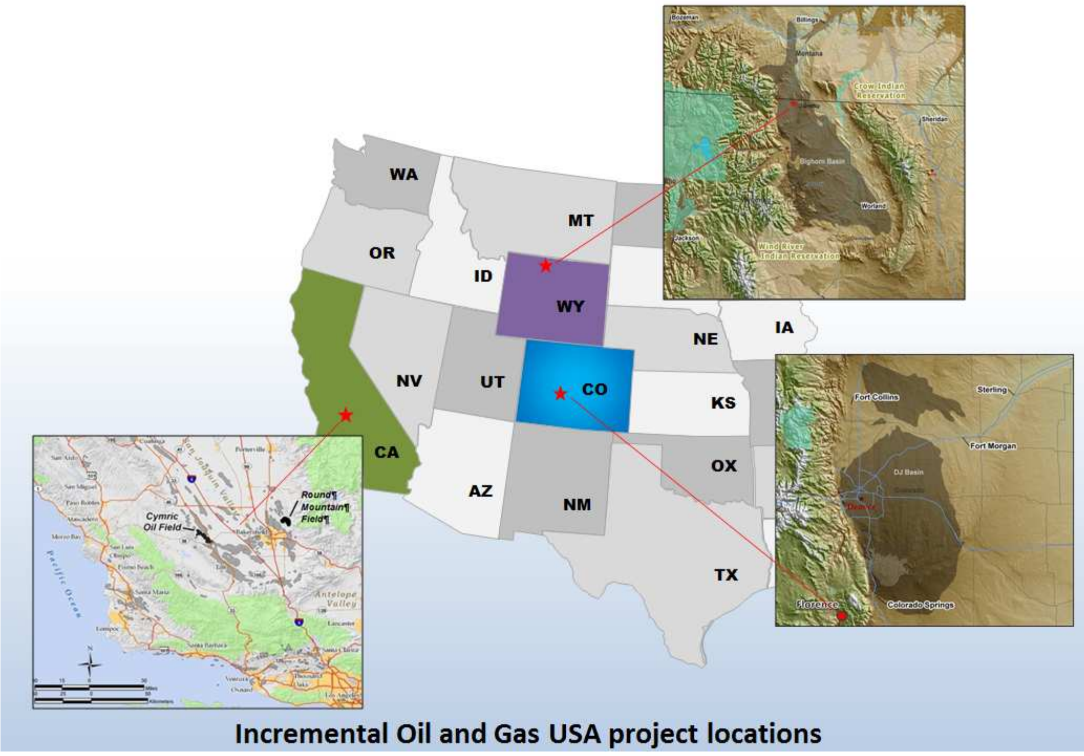
DIRECTORS' REPORT

The directors of Incremental Oil and Gas Limited ("Incremental" or "the Company") submit their report for the half year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001 the directors report as follows:

Review of operations

The Company's resources were focussed on the identifying new projects in the first half of 2015. After a long and diligent search, Incremental was successful in acquiring the Silvertip Field located in Big Horn Basin outside of Powell Wyoming. The negotiation, due diligence and closing process for this transaction was undertaken over a four month period with the settlement taking place on 30th June 2015. It is anticipated that this will be the first of a number of acquisitions that will be made to increase production, reserves and profitability for the Group.



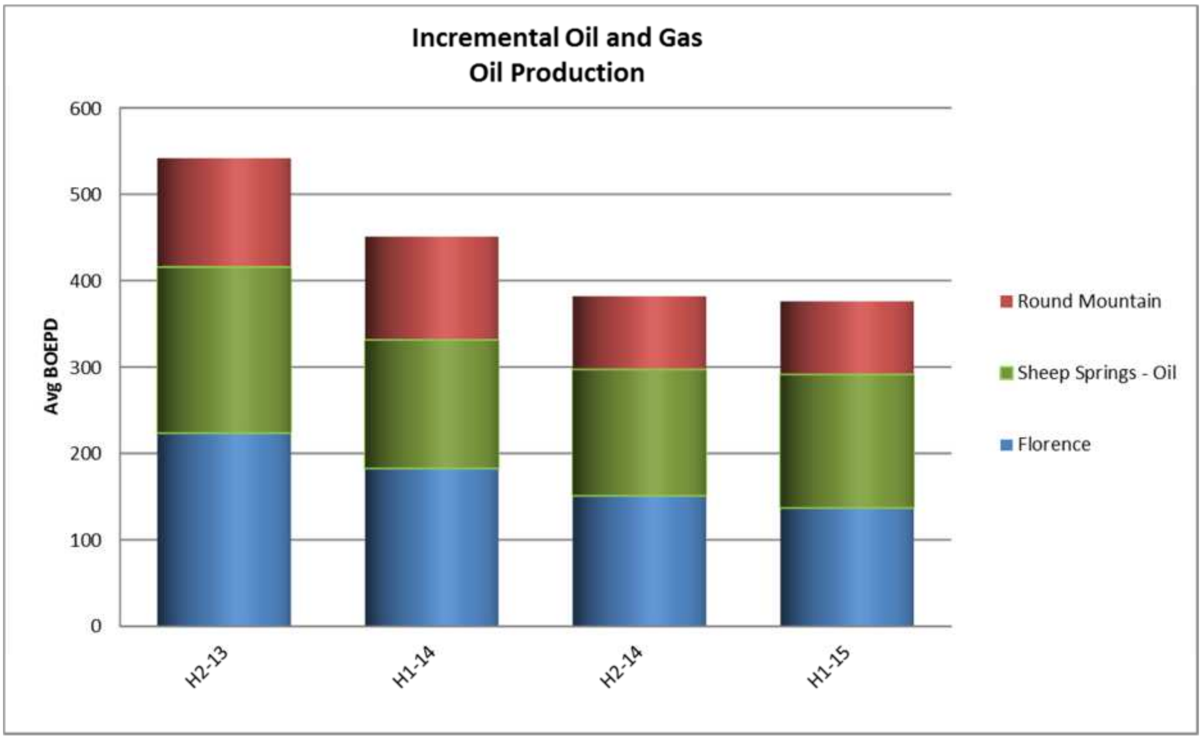
Project Location Map

Exploration/Production activities:

Incremental has not undertaken any exploration activity in the first half of the current financial year. The Company had discussions with a party that had some interest in drilling some new wells in the Florence Field on a drill-to-earn basis but no agreement was reached on this activity.

Production at all of the fields over the last two years has declined in line with expectations as reservoir energy drops but the rate of decline is low compared to previous years. These fields continue to be operated at a relatively low cost which makes them profitable, even at the lower oil prices that have been experienced in the first half of 2015.

No new drilling is planned for the Sheep Springs, Round Mountain or Florence Fields in the foreseeable future. The Company will focus its resources on investing in development of the Silvertip Field in Wyoming. The effective date for this field for Incremental was 1st June 2015, with a closing date of 30 June 2015, and some production of oil and gas was credited to the Company for June after the Field was returned to production on 21st of the month. Flush production of approximately 7,700 boe occurred in June to the benefit of Incremental. The first full month of commercial production at stable rates was measured in July 2015 levelling out at approximately 500+ boepd.



Oil production from fields in California and Colorado

Operating results for the year:

	Change from prior period	2015 US$	2014 US$
Revenues from ordinary activities	↓58%	1,620,517	3,887,220
Profit/(Loss) from ordinary activities after tax attributable to members	↓206%	(694,281)	657,094
Earnings before interest, tax, impairment, depreciation and amortization (EBITDA) (i)	↓106%	(85,367)	1,396,876

EBITDA[(i)] is reconciled to net profit/(loss) after tax as follows:

	2015 US$	2014 US$
EBITDA [(i)]	(85,367)	1,396,876
Interest income/(expense)	(48,511)	(82,535)
Depreciation and amortisation	(560,403)	(458,120)
Tax (expense) / benefit	-	(176,940)
Other non-operating (expenses) / income	-	(22,187)
Profit / (loss) after income tax	(694,281)	657,094

(i) EBITDA is a non-IFRS measure. The information is unaudited but is extracted from the audited financial statements. EBITDA is used as part of the key performance indicators for the management as it represents a more accurate measure of true cash performance of the company.

Revenue has decreased in H1-15 compared to H1-14 due to a decrease in average oil and gas prices and a decrease in production. The average oil and gas price achieved in H1-15 was $47.83/bbl and $1.69/Mcf respectively (H1-14 - $95.72/bbl and $2.89/Mcf). Production decline due to natural decline has resulted in the volume of oil decreasing from 39,576 bbls in H1-14 to 32,605 bbls in H1-15.

Field operating costs have reduced from $535,000 in H1-14 to $325,000 in H1-15. This equates to an average cost of $11/bbl in H1-15 compared to $14/bbl in H1-14. Savings were achieved through field efficiency measures that were initiated as a consequence of the drop in oil prices during Q4-14 and Q1-15.

Interest and finance costs have decreased from $362,510 in H1-14 to $58,724 in H1-15.

Corporate activities:
Management and the Board continued to focus their efforts on identifying a suitable acquisition target for the US operations in H1-15. The core criteria for determining a suitable asset was that the project had to have existing production and positive cash flow and have the potential for future value adding development. The completion of the Silvertip Field acquisition was a significant milestone in the growth plans for the Company. A debt facility from ANB Bank was secured which meant that no additional capital was required to be raised to close the transaction.

There is an ongoing review of potential project acquisitions by the Company to replicate the success of the Silvertip purchase.

The names of the Company's directors in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr M. Stowell	Non-Executive Chairman	Appointed Chairman 20 May 2014 Appointed director July 2009 Last re-elected May 2014
Mr J. Whisler	Managing Director	Appointed director 1 July 2014 Appointed Managing Director 14 October 2014
Mr G. McGann	Non- Executive Technical Director	Appointed Director July 2009 Last re-elected May 2015
Mr M. McCann	Non-Executive Director	Appointed Director 4 April 2014 Last re-elected May 2014

Auditor Independence Declaration to the Directors of Incremental Oil and Gas Ltd

Section 307C of the Corporations Act 2001 requires our auditors, Ernst and Young, to provide the directors of Incremental Oil and Gas Limited with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of the director's report for the half-year ended 30 June 2015.

This report is made out in accordance with a resolution of directors made pursuant to s. 306(3) of the Corporations Act 2001.

On behalf of the directors

John W Whisler

John Whisler
Managing Director
20 August 2015

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Auditor's Independence Declaration to the Directors of Incremental Oil and Gas Limited

In relation to our review of the financial report of Incremental Oil and Gas Limited for the half year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
20 August 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	30 Jun 2015 $US	31 Dec 2014 $US
Current assets			
Cash and cash equivalents	4	495,434	1,361,814
Trade and other receivables	5	356,482	275,097
Inventories	6	129,911	439,326
Total current assets		981,827	2,076,237
Non-current assets			
Other financial assets		246,731	10,626
Oil properties	7	15,398,837	6,622,315
Exploration assets	8	4,695	-
Plant and equipment	9	4,394,943	1,019,175
Total Non-current assets		20,045,206	7,652,116
Total assets		21,027,033	9,728,353
Current liabilities			
Trade and other payables	10	329,766	443,364
Interest bearing liabilities	11	938,126	727,084
Taxes payable		126,273	126,273
Provisions	12	70,182	45,852
		1,464,347	1,342,573
Non-current liabilities			
Trade and other payables	10	34,000	134,410
Interest bearing liabilities	11	7,450,340	1,709,826
Provisions	12	7,241,777	1,104,749
Total non-current liabilities		14,726,117	2,948,985
Total liabilities		16,190,464	4,291,558
Net assets		**4,836,569**	**5,436,795**
Equity attributable to equity holders of the parent			
Issued capital	13	22,721,239	22,620,836
Shares reserved for employee share plan		(90,537)	(84,189)
Reserves		349,661	349,661
Accumulated losses		(18,143,794)	(17,449,513)
Total equity		**4,836,569**	**5,436,795**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE

	Notes	2015 $US	2014 $US
Oil and Gas Sales		1,620,517	3,887,220
Direct cost of sales:			
Royalty costs		(279,458)	(656,897)
Other production expenses		(517,495)	(628,878)
Amortisation and depreciation		(548,159)	(446,016)
Gross profit from operations		275,405	2,155,429
Other operating revenue		343	113
Administrative expenses		(644,662)	(558,422)
Other operating expenses		(266,643)	(400,576)
Interest and finance expenses		(58,724)	(362,510)
Profit/(loss) before income tax		(694,281)	834,034
Income tax (expense) / benefit		-	(176,940)
Profit/ (loss) after tax		(694,281)	657,094
Profit/ (loss) for the period attributable to members of the entity		(694,281)	657,094
Other Comprehensive income:			
Items that will not be reclassified to profit and loss		-	-
Items that may be reclassified to profit and loss		-	-
Other comprehensive income / (loss) for the period , net of tax		-	-
Total comprehensive income/(loss) for the period attributable to members of the entity		(694,281)	657,094
Basic earnings /(loss) per share attributable to ordinary equity holders of the entity **(US cents)**	14	(0.43)	0.42
Diluted earnings /(loss) per share attributable to ordinary equity holders of the entity **(US cents)**	14	(0.43)	0.42

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Issued capital	Shares reserved for employee share plan	Accumulated losses	Share option reserve	Total equity
	$US	$US	$US	$US	$US
At 1 January 2015	22,620,836	(84,189)	(17,449,513)	349,661	5,436,795
Profit attributable to members of the Group	-	-	(694,281)	-	(694,281)
Other Comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(694,281)	-	(694,281)
Share based payments	-	95,481	-	-	95,481
Transaction costs	(1,426)	-	-	-	(1,426)
Issue of share capital	101,829	(101,829)	-	-	-
At 30 June 2015	22,721,239	(90,537)	(18,143,794)	349,661	4,836,569
At 1 January 2014	22,430,823	(65,636)	(9,101,544)	334,666	13,598,309
Profit attributable to members of the Group	-	-	657,094	-	657,094
Other Comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	657,094	-	657,094
Share based payments	-	-	-	77,492	77,492
Issue of options	-	-	-	14,994	14,994
Issue of share capital	190,013	(190,013)	-	-	-
At 30 June 2014	22,620,836	(255,649)	(8,444,450)	427,152	14,347,889

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2015

	2015 $US	2014 $US
Cash flows from operating activities		
Receipts from customers	1,574,997	3,969,134
Payments to suppliers and employees	(1,707,774)	(3,302,838)
Interest received	343	113
Interest paid	(48,854)	(82,648)
Net cash (used in) /provided by operating activities	(181,288)	583,761
Cash flows from investing activities		
Oil property development expenditure	(4,040)	-
Refunds/(Payments) for performance bonds	(246,105)	-
Acquisition of Silvertip, net of cash acquired	(6,345,477)	-
Payments for purchases of property plant and equipment	(44,411)	(99,325)
Payments for exploration	(4,695)	(10,156)
Net cash used in investing activities	(6,644,728)	(109,481)
Cash flows from financing activities		
Proceeds/(costs) from issue of shares	(1,426)	-
Proceeds of borrowings	6,357,160	3,525,000
Repayment of borrowings	(392,334)	(3,352,286)
Net cash (used in)/provided by financing activities	5,963,400	172,714
Net (decrease)/increase in cash and cash equivalents	(862,616)	646,994
Exchange differences on cash balances held	(3,764)	951
Cash and cash equivalents at the beginning of the period	1,361,814	541,110
Cash and cash equivalents at end of period	495,434	1,189,055

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2015

1. Summary of significant accounting policies

The consolidated interim financial statements are for the group comprising Incremental Oil and Gas Limited ("the Company" or "Incremental Oil and Gas" or "the Parent") and its wholly owned subsidiaries (collectively "the Group").

Incremental Oil and Gas Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

These consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 20 August 2015.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Basis of preparation
These consolidated interim financial statements of the Group for the period ended 30 June 2015 are a general purpose condensed financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

These consolidated interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as the full financial report.

It is recommended that these consolidated interim financial statements be read in conjunction with the annual financial report for the year ended 31 December 2014 and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements under Corporations Act 2001.

The financial information for the half year ended 30 June 2015 is presented in US dollars which is Incremental Oil and Gas Ltd's functional and presentation currency.

Statement of compliance
The consolidated interim financial statements of the Group also comply with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

Going concern
As at 30 June 2015, the Group has a working capital deficiency of $0.483 million, has made an operating loss for the six months ended 30 June 2015 of $0.694 million and has had a net reduction in cash and cash equivalents of $0.866 million for the six month period.

Notwithstanding the above, the financial report has been prepared on a going concern basis as the Directors are satisfied that the Group will have access to sufficient working capital to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Pertinent facts relating to the assessment of the Group's ability to continue as a going concern are:

i. The Group's cashflow forecasts through to 30 September 2016 reflect that the Group will produce positive cash flows from its ongoing operations to enable the Group to meet its financial commitments and loan repayments as and when they fall due.

ii. An amended Credit Agreement with ANB Bank was executed on 19 June 2015 for a term loan of $4 million and a revolving credit facility of $7 million. The Group has utilised an amount of $5.4 million from the revolving credit facility for the payments required to settle the acquisition of the Silvertip Field on 30 June 2015. The balance of $1.6 million under the facility is available to the Group for working capital requirements. On 17 August 2015, the Group has drawn down a further $0.3 million under this facility.

New accounting standards and interpretations
From 1 January 2015, the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 January 2015.The Group has not elected to early adopt any new accounting standards and interpretations, New standards adopted by the Group include :

AASB 2014-1 Part A -Annual Improvements 2010–2013 Cycle
This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. AASB 2014-1 has had no impact on the financial position and performance of the Group.

Historical cost convention
These consolidated financial statements have been prepared under the historical cost convention.

2. Accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgements

Impairment of non-financial assets
In determining the recoverable amount of assets, estimations are made regarding the present value of future cash flows using asset-specific discount rates and a "value in use" discounting cash flow methodology. Additional disclosures are provided about the discount rate and any other significant assumptions in the notes. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Allowance for impairment loss on trade receivables
Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management.

Capitalised exploration and evaluation expenditure
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable, profits and net assets will be reduced in the period in which determination is made.

2. Accounting judgements, estimates and assumptions (Cont.)

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 9.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognised on the statement of financial position, Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Oil and Gas reserve and resource estimates

Oil and Gas reserves are estimates of the amount of oil and gas that can be economically and legally extracted from the Group's oil and gas lease properties. The Group estimates its oil and gas reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the reserve, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the reserves. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production ("UOP") amortisation

Estimated recoverable reserves are used in determining the amortisation of oilfield assets. This results in an amortisation charge proportional to the depletion of the anticipated remaining life of field production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Barrels of oil produced as a proportion of 1P developed reserves are used as the depreciation methodology. The calculation of the rate of UOP amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves for future capital expenditure changes. Changes to reserves could arise due to changes in the factors or assumptions used in estimating reserves. Changes are accounted for prospectively.

Restoration obligations

Where a restoration obligation exists, the Group estimates the future removal costs of oil and gas platforms, production facilities, wells and pipelines at the time of the installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability specific discount rates to determine the present value of these cash flows.

3. Business Combinations

Acquisitions in 2015

Acquisition of Silvertip Oil and Gas Field

On 30 June 2015, the Company completed the acquisition of a 100% interest in the Silvertip Oil and Gas Field ("Silvertip"), which is located in the Bighorn Basin in Wyoming. Silvertip is made up of leases covering approximately 5,200 acres. At the time of acquisition, there were 105 wells in the Field along with a gas processing plant, pumping and piping equipment for oil and gas, storage for oil and natural gas liquids (NGL's) and workshop facilities. The acquisition of Silvertip increases the oil and gas production and reserves and forms part of the Company's growth strategy.

Assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of the Group as at the date of acquisition (30 June 2015) were:

	Provisional Fair value recognised on acquisition US$
Assets	
Property, plant and equipment (Note 9)	3,247,011
Inventories (Note 6)	41,683
Oil Properties (Note 7)	9,443,288
	12,731,982
Liabilities	
Asset retirement obligation (Note 12)	(6,344,822)
Total identifiable net asset at fair value	**6,387,160**
Purchase consideration transferred	6,387,160

No gain or goodwill has arisen from the above acquisition.

The cash consideration was funded through a drawdown from the Company's debt facility provided by ANB bank and existing cash reserves. The details of ANB bank loan facilities are as follows:

Cash from bank loan provided by ANB as follows:

$1,000,000	Term Loan (See note 11)
$5,387,160	Line of Credit (See note 11)

The provisional fair value of the property, plant and equipment is based in part on an estimate of the replacement cost for items of plant and equipment relating to the gas processing plant, LNG storage and equipment including pumps and tubulars that are available for new wells from independent suppliers. An internal estimate of the salvage value of in-field surface equipment has been used for the fair value of remaining plant and equipment.

The fair value of inventory is based on the market price of oil and the time of purchase.

The fair value of oil properties is based on the estimated net present value of proved developed producing reserves as provided by an independent certified engineer.

A provisional asset retirement obligation of $6,344,822 has been determined based on the NPV of the estimated plug and abandonment cost of the wells in the Silvertip Field as follows:

- Life of field – based on certified reserve report
- Discount rate – based on US Government bond rate determined by life of field
- Inflation rate – the median of an inflation projection from a range of qualified banking and NGO institutions

Due to the proximity of the transaction to the reporting date, the initial accounting for the business combination was not finalised at the reporting date. Accordingly the Group has recognised the fair value of the assets acquired and liabilities assumed on a provisional basis.

3. Business Combinations (Cont.)

The Silvertip Field was partially shut in for the first six months of 2015 by the previous owner while repairs were undertaken on the gas processing equipment and as such, it is impractical to estimate the revenue and profit or loss that would have been contributed by Silvertip if the acquisition had occurred on 1 January 2015.

Analysis of cash flows on acquisition:

	US$
Net cash acquired with Silvertip (included in cash flows from operating activities)	(41,683)
Cash paid	6,387,160
Net cash flow on acquisition	**6,345,477**

Transaction costs of $55,953 were expensed and are included in administrative expenses in the statement of comprehensive income. The borrowing costs of $40,250 are capitalised and offset against the loan liability (see note 11).

	30 June 2015 $US	**31 December 2014 $US**
4. Cash and cash equivalents		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 30 June		
Cash at bank and on hand	495,434	1,361,814
	495,434	1,361,814
5. Trade and other receivables		
Oil and gas sales debtors	294,325	271,131
Other receivables	62,157	3,966
	356,482	275,097
Trade and other receivables do not contain impaired assets and are not past due.		
6. Inventories		
Oil inventory	129,911	162,073
Other inventory	-	277,253
	129,911	439,326
7. Oil properties		
Cost of acquisition and enhancement of production assets	42,705,576	33,482,626
Accumulated amortisation and impairment provisions	(27,306,739)	(26,860,311)
	15,398,837	6,622,315
Opening balance – 1 January	6,622,315	15,733,764
Acquisitions of Silvertip oilfield (Note 3)	9,443,288	-
Additions	4,040	104,466
Asset retirement obligation	(224,377)	(18,547)
Impairment (i)	-	(7,023,471)
Amortisation for the period	(446,429)	(2,173,897)
Closing balance	15,398,837	6,622,315

7. Oil properties (Cont.)

(i) Impairment charge

As at 31 December 2014 the Company assessed each project to determine whether an indicator of impairment existed, including future selling price, future costs and reserves. As a result, the recoverable amounts of the cash generating units were formally estimated on the basis of value in use calculations using cashflow projections over the life of the oilfields resulting in an impairment loss of $7,524,896 ($7,023,471 relating to oil properties and $501,425 relating to property plant and equipment which combined make up the cash generating units) being recognised for the 2014 fiscal year. The following assumptions were used in the assessment of the cash generating units' recoverable amounts:

- Discount rate – the discount rate used for the assessment of operating oilfields with a similar production profile, similar characteristics as all existing oil fields is 10%, which was applied to the pre-tax cash flows, expressed in real terms. The discount rate was derived from the Group's weighted average cost of capital, with appropriate adjustments made to reflect the risks specific to the region and the oilfields.
- Oil price - as a result of oil price volatility experienced in 2014, the oil price for future cash flow generation has been based on the forward curve price at the date of assessment. Prices are adjusted to account for variances in refinery charges and oil quality, WTI crude oil prices in the range of $54.15 per barrel to $70.59 per barrel.

The biggest impact on impairment was from the decrease in oil price. The resulting impairment loss on each field in 2014 was as follows:

Cash Generating Unit	Recoverable amount	Description	Impairment
Sheep Springs	$4,348,388	Oil and Gas field	$4,317,484
		Plant and equipment	$113,030
Florence	$2,210,562	Oilfield	$852,053
		Plant and equipment	$328,473
Round Mountain	$910,124	Oilfield	$1,853,934
		Plant and equipment	$59,922
	$7,469,074		$7,524,896

Plant and equipment of $501,425 has been impaired as a part of the relevant CGUs on a pro-rata basis and it is included in the impairment amount in the table above.

A significant portion of undeveloped reserves are considered to be uneconomic at the prevailing price and have been categorised as Contingent Resource as at 31 December 2014.

For the 30 June 2015 half year, management has reviewed the key economic assumptions underpinning their impairment assessment including production profile, recoverable reserves and discount factor, noting these are still appropriate and have not changed significantly from 31 December 2014. Accordingly, management is of the view that the impairment made at 31 December 2014 remains appropriate and thus no reversal of the provision or further impairment of the oil properties is required.

	30 June 2015 $US	31 December 2014 $US
8. Exploration assets		
Exploration and evaluation assets at cost	4,695	-
Opening balance – 1 January	-	-
Additions	4,695	10,839
Amounts expensed	-	(10,839)
Transfer to oil production property	-	-
Closing balance	4,695	-
9. Plant and equipment		
Cost	5,264,517	1,789,039
Accumulated depreciation and impairment	(869,574)	(769,864)
Net carrying amount	4,394,943	1,019,175
Opening net book value at 1 January	1,019,175	1,614,587
Acquisition of Silvertip	3,247,011	-
Additions	44,411	135,505
Transfer	277,253	-
Disposals	(78,935)	(4,184)
Depreciation charges	(113,972)	(225,308)
Impairment charge -see Note 7 (i)	-	(501,425)
Closing balance: net of accumulated depreciation and impairment	4,394,943	1,019,175
10. Trade and other payables		
Current -		
Trade payables and accruals	329,766	443,364
Trade payables are non-interest bearing payables and are normally settled on 30 day terms.		
Non-current -		
Production taxes payable	34,000	134,410
Total trade and other payables	363,766	577,774
Production taxes are non-interest bearing payables that are owed to the State of Colorado.		

	30 June 2015 $US	31 December 2014 $US
11. Interest Bearing Liabilities		
Current -		
Term loan - secured	938,126	727,084
Line of credit - secured	-	-
	938,126	727,084
Non-current		
Term loan - secured	2,133,430	1,709,826
Line of credit - secured	5,316,910	-
	7,450,340	1,709,826

In May 2014 the Company had secured a loan facility with ANB Bank to repay a bank loan facility due to RMB Australia Holdings Ltd (RMB). The term loan drawn down to refinance the RMB loan was for an amount of $3.0M and is repayable monthly over 4 years with a maturity date of 1 May 2018 at an interest rate of 3.75% per annum. The balance of this loan as at 30 June 2015 was $2,105,197.

In June 2015, the Company finalized agreements with ANB Bank (ANB) to fund the acquisition of the Silvertip Oil and Gas Field in the Bighorn Basin, Wyoming. The facilities were approved on the basis of reserves and cash flow from the new and existing fields. The terms that were agreed were as follows:

a. Term Loan

Amount -	$1,000,000 (fully drawn on 30th June 2015)
Term -	5 years
Repayment -	monthly principal and interest amounts
Interest rate -	0.5% above the Prime Rate as published under “Money Rates” in the Wall Street Journal (currently 3.75% per annum)
Use of proceeds -	purchase of equipment at Silvertip Oil and Gas Field

b. Revolving Line of Credit

Facility amount -	$7,000,000 ($5,357,160 draw on 30th June 2015)
Term -	2 years
Interest rate -	0.5% above the Prime Rate as published under “Money Rates” in the Wall Street Journal (currently 3.75% per annum)
Repayment -	monthly interest only with principal due to be repaid on or before maturity. Any part of the principal that is repaid before the maturity date may be redrawn up until the maturity date of the loan.
Use of proceeds -	to be used for the funding of capital expenditures relating to the acquisition of oil and gas properties by the Company, drilling and well development and for general working capital purposes.

These loans are secured by mortgages over the Company’s producing oilfields in California, Colorado and Wyoming and fixed assets contained in these fields.

	30 June 2015 $US	31 December 2014 $US
12. Provisions		
Current		
Employee entitlements –annual leave	70,182	45,852
Non-current		
Asset retirement obligation	7,241,777	1,104,749

	Employee entitlements $US	Asset retirement obligation $US
As at 1 January 2015	45,852	1,104,749
Movement during the year	35,028	(201,445)
Acquisition of Silvertip	-	6,344,822
Utilised/ unwinding of discount	(10,698)	16,583
As at 30 June 2015	70,182	7,264,709
As at 1 January 2014	84,962	1,133,159
Movement during the year	69,326	(18,518)
Utilised/ unwinding of discount	(51,176)	(9,892)
Unused amounts reversed	(57,260)	-
As at 31 December 2014	45,852	1,104,749

13. Issued capital

	$US	$US
163,684,580 fully paid ordinary shares (31 December 2014: 160,336,680)	22,721,239	22,620,836
Shares reserved for employee share plan		
7,940,900 fully paid ordinary shares (31 December 2014: 4,593,000)	(90,537)	(84,189)

Movement in ordinary shares on issue	2015	
	$US	No
At 1 January 2015	22,620,836	160,336,680
Issued pursuant to employee share plan	100,403	3,347,900
At 30 June 2015	22,721,239	163,684,580

Movement in ordinary shares on issue	2014	
	$US	No
At 1 January 2014	22,430,823	156,242,680
Issued pursuant to employee share plan	190,013	4,094,000
At 30 June 2014	22,620,836	160,336,680

Share options

At 30 June 2015, there were the following unlisted options over unissued fully paid ordinary shares on issue:

5,000,000 options on issue with an expiry date of 27 July 2018 and an exercise price of A$0.1485.

400,000 options on issue with an expiry date of 26 May 2017 and an exercise price of A$0.07.

Share-based payments

In June 2015, 1,847,900 shares were issued to the employee share trust for the benefit of employees at a price of A$0.03cents per share. A further 1,500,000 shares at a price of AU$0.051cents per share were issued in June 2015 but had been expensed in the prior financial year. The shares were valued at the market price of an ordinary share on the grant date.

13. Issued capital (Cont.)

The equity remuneration is subject to service and performance conditions. A summary of the vesting terms for shares that have been issued to employees during the period are set out below:

No. of shares	Grant date	Vesting conditions	Shares vested (as at 30 June 2015)
1,847,900	21 May 2015	50% vest on 1 January 2016 50% vest on 1 January 2017 These shares do not have performance conditions attached to them as this served as part of the retention plan.	Nil
375,000	1 July 2014	On close of a project(s) acquisition(s) (Project A) which is(are) approved by the Board, and which individually or cumulatively contributes an average of 100 Gross boepd for 30 days (1)	Nil
375,000	1 July 2014	On production of above new Project A reaching an average of 200 Gross boepd over a continuous 6 month period(1)	Nil
375,000	1 July 2014	On close of project(s) acquisition(s) which take place after the project(s) in (i) above (Project B) which are approved by the Board, and which contributes an average of 300 additional Gross boepd for 30 days(1)	Nil
375,000	1 July 2014	When total company production reaches an average of 750 Gross boepd over a continuous 6 month period(1)	Nil

(1) There are service and various performance conditions attached to these awards

For the six months ended 30 June 2015, the Group has recognized $95,481 of share based payment expense in the statement of comprehensive income (30 June 2014: $77,491).

	30 June 2015 $US	30 June 2014 $US
14. Earnings/(loss) per share		
Basic earnings per share amounts are calculated by dividing net profit/(loss) for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.		
The following reflects the income and share data used in the basic profit per share computations:		
Net (loss)/profit attributable to equity holders of the parent	(694,281)	657,094
	Cents per share ($US - cents)	**Cents per share ($US - cents)**
Basic earnings/(loss) per share (cents)	(0.43)	0.42
	No.	**No.**
The weighted average number of ordinary shares on issue during the financial period used in the calculation of basic loss per share	160,410,667	155,870,487
	Cents per share ($US - cents)	**Cents per share ($US - cents)**
Diluted earnings/(loss) per share (cents)	(0.43)	0.42
	No.	**No.**
The weighted average number of ordinary shares on issue during the financial period used in the calculation of diluted earnings per share	160,410,667	155,870,487

15. Segment reporting

The Group has determined that it operates in one operating segment, being oil and gas production and this is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources in the Group. Accordingly, the financial results of the segment are equivalent to the financial statements of the Group as a whole.

16. Events after the balance sheet date

Since the end of the period and up to the date of this report, no other matter or circumstance has arisen that has materially affected, or may materially affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

17. Contingent liabilities and commitments

The Group has no material contingent liabilities or commitments at balance date or date of this report.

18. Related party disclosures

There were no related party transactions to disclose in 2015 or 2014.

19. Financial instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the group as at 30 June 2015:

	Loans and receivables $US	Fair value through profit and loss $US	Fair value through other comprehensive income $US
Financial assets:			
Trade and other receivables	356,482	-	-
Total current financial assets	356,482	-	-
Other receivables	246,105	-	-
Other assets	626	-	-
Total non-current financial assets	246,731	-	-
Total financial assets	603,213	-	-
Financial liabilities:			
Trade and other payables	329,766	-	-
Term loan	200,000	-	-
Line of credit	738,126	-	-
Total Current financial liabilities	1,267,892	-	-
Trade and other payables	34,000	-	-
Line of credit	6,650,337		
Term Loan	800,000	-	-
Total non-current financial liabilities	7,484,337	-	-
Total financial liabilities	8,752,229	-	-

19. Financial instruments (Cont.)

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2015:

	Carrying amount $US	Fair value $US
Financial assets:		
Trade and other receivables	356,482	356,482
Total current financial assets	356,482	356,482
Other receivables	246,105	246,105
Other assets	626	626
Total non-current financial assets	246,731	246,731
Total financial assets	603,213	603,213
Financial liabilities:		
Trade and other payables	329,766	321,318
Term loan	200,000	200,000
Line of credit	738,126	738,126
Total current financial liabilities	1,267,892	1,259,444
Trade and other payables	34,000	34,000
Line of credit	6,650,337	6,650,337
Term loan	800,000	800,000
Total non-current financial liabilities	7,484,337	7,484,337
Total financial liabilities	8,752,229	8,743,781

The carrying value of the financial assets and financial liabilities approximate their fair value.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Incremental Oil and Gas Limited, I state that:

In the opinion of the directors

(a) The financial statements and notes of Incremental Oil and Gas Limited are in accordance with the Corporations Act 2001, including;

   (i) Giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half year ended on that date, and

   (ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

John W Whisler

John Whisler
Managing Director
Perth

20 August 2015

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Independent review report to the members of Incremental Oil and Gas Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Incremental Oil and Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Incremental Oil and Gas Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Incremental Oil and Gas Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
20 August 2015

APPENDIX 4D
ASX INFORMATION

The information that is required by the Australian Stock Exchange Limited Listing Rules is as follows.

1. Details of the results for this reporting period and the corresponding prior year period are provided elsewhere in this report.

2. Results for announcement to the market

		Change from Prior period	US$
2.1.	Revenues from ordinary activities	58% ↓	1,620,517
2.2.	Profit/(Loss) from ordinary activities after tax attributable to members	N/A	(694,281)
2.3.	Net profit/(loss) for the period attributable to members	N/A	(694,281)
2.4.	Dividends (distributions)	Nil	Nil

Revenue has decreased in H1-15 compared to H1-14 due to a decrease in average oil and gas prices and a decrease in production. The average oil and gas price achieved in H1-15 was $47.83/bbl and $1.69/Mcf respectively (H1-14 - $95.72/bbl and $2.89/Mcf). Production decline due to natural decline has resulted in the volume of oil decreasing from 39,576 bbls in H1-14 to 32,605 bbls in H1-15.

Field operating costs have reduced from $535,000 in H1-14 to $325,000 in H1-15. This equates to an average cost of $11/bbl in H1-15 compared to $14/bbl in H1-14. Savings were achieved through field efficiency measures that were initiated as a consequence of the drop in oil prices during Q4-14 and Q1-15.

Interest and finance costs have decreased from $362,510 in H1-14 to $58,724 in H1-15. Interest costs have decreased by $35,794 as a result of refinancing the debt in 2014 at a lower cost of funds.

Dividends were not considered by the Board due to reinvestment requirements for cash reserves into new projects.

	June 2015 US$	December 2014 US$
3. Net tangible assets per security	0.030	0.034

4. Control was neither gained nor lost over any entities during the half year.

5. No dividends were paid during the period

6. The Company does not have a dividend re-investment plan.

7. The Company does not have any Associated Companies or Joint Ventures.