

31 July 2013

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

QUARTERLY ACTIVITIES REPORT
For the quarter ended 30 June 2013

HIGHLIGHTS

New Niobrara wells being permitted in Florence

Florence Seismic bid

Seismic to start in Q3

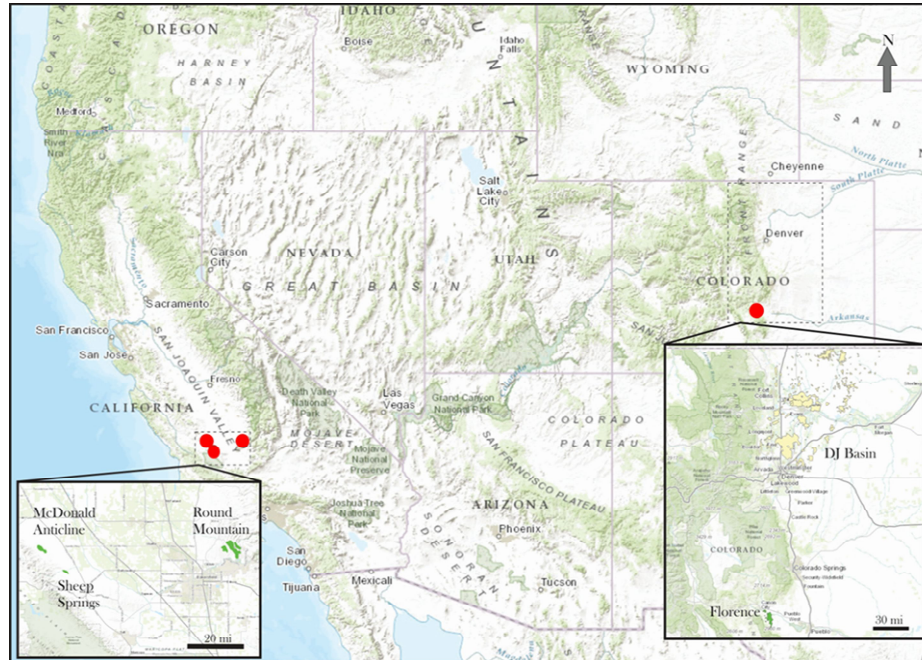


Figure 1. Incremental's project locations

1 FLORENCE OILFIELD: (100% working interest)

1.1 NEW WELLS:

Applications have been submitted to the Colorado regulatory authorities for approval to drill four wells in Florence. These wells will target the prospective Niobrara Formation. The location of the four wells is shown in Figure 2. The wells are designed to be drilled as either a 'resource play' to be drilled as a long horizontal well and then fraced, or to be drilled as a shallower inclined well to target natural fractures within the Niobrara. Two of the locations are within the existing 3D seismic area and two are outside the 3D. The 3D seismic is a very useful tool in identifying areas where there is a greater chance of significant natural fracturing within the Niobrara Formation. Permitting is expected to take at least 3 months. Incremental may decide not to drill all of these permitted wells, but permitting these four wells now will allow us options later in the year.

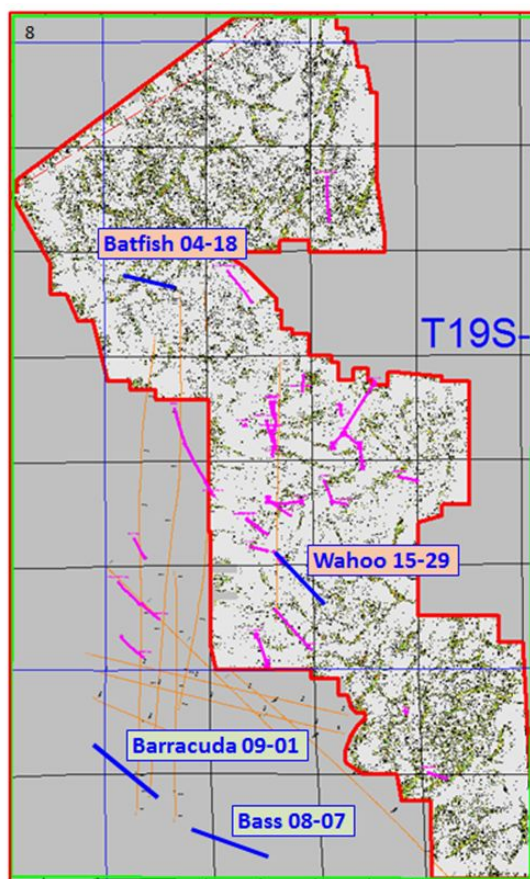


Figure 2 – Niobrara wells being permitted

1.2 GEOLOGY:

Incremental undertook a detailed geochemical project in the Quarter. This work was designed to identify the source and migration history of the oil in the Pierre and Niobrara reservoirs and had not been undertaken by previous workers in the area. The work to date is very encouraging for both the Pierre and Niobrara oils, which have been shown to be sourced from different source rocks. This new knowledge is important as the productive areas of Niobrara production further to the North being developed by Noble Energy Inc (NYSE – NBL) and others have been shown to be productive in relatively narrow bands of oil and gas maturity. Preliminary work by Incremental suggests that the company's leases in Florence are within

similar maturity bands. Noble are now producing >100k boepd from the Niobrara in fields north of Colorado and are spending nearly \$2 billion annually developing this unit in rocks that look identical to those found in Incremental's leases in Florence. (Figure 3).

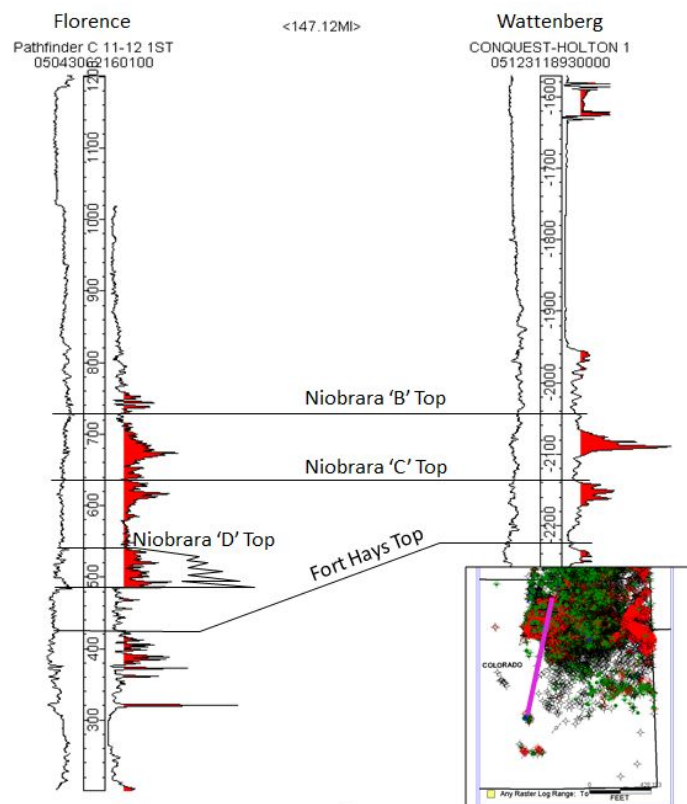


Figure 3. Comparison of the Niobrara Formation in the extremely productive area in northern Colorado (on right) and Florence. The high resistivity (and probably productive) intervals are shaded red.

The acquisition of additional 3D seismic data over the western portion of the Florence field has been initiated. Four companies bid on the seismic acquisition. This area had not previously had 3D acquired by earlier operators. This seismic data will be used to more accurately define drillable locations in the Pierre Formation and the Niobrara. Permitting is expected to start soon. An area of 6.2 square miles is programmed to be shot. It is anticipated that the permitting, planning and processing of data for this seismic program will take at least 6 months.

1.3 OPERATIONS:

An innovative workover was used during the quarter on two wells in the Field. A pulsed nitrogen high-pressure surging tool, currently in development, was used to unplugged perforations that have become plugged with the sloughing Pierre Shale. Early data suggests that it has increased production by about 35% in one well.

2 PRODUCTION

Total average production over the quarter was 327 boepd comprising 97% liquids.

2.1 FLORENCE, Colorado

The average Field production for the quarter was 150 bopd. The Field continues to decline as expected. The rapid rate of decline in the period since Incremental acquired the Field was anticipated and reflected in the purchase price. The rate of decline is now slowing to more conventional oilfield levels.

2.2 ROUND MOUNTAIN, California

The Round Mountain Field produced an average of 68 bopd over the quarter. This was 12% less than the preceding quarter, as the most recently drilled Smoot 8 declined.

2.3 SHEEP SPRINGS, California

All of the wells in Sheep Springs continue to produce as expected, at an average of 107 boepd. This represents a decrease in production of 5% on the previous quarter. The decrease is mainly due to natural decline.

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

	Q2 2013	Q1 2013	Q2 2012
Production (Av barrels oil per day)	315	404	585
Gas production (Av 000's cubic ft/day)	69	67	95
Average daily production (barrels oil equivalent)	327	415	601
Average price of oil sold (US\$/barrel)	\$92.53	\$97.40	103.3
Average price of gas sold (US\$/mcf)	\$2.30	\$2.20	1.55
Quarterly revenue US\$K	\$2,927	\$3,285	\$1,937*

- * Cash from Q2, 2012 revenue for the Florence field was offset against the purchase price consideration paid in July 2012 and revenue was treated as H2-12 for accounting purposes.

3 OTHER PROJECTS

3.1 McDONALD ANTICLINE, CALIFORNIA (75-100% WI)

A three month environmental survey is being completed on the proposed location for Incremental's first well on the McDonald anticline oilfield. This well is expected to be drilled in 2013 and will target at least four prospective oil bearing reservoirs. Total depth is programmed at 4500'.



Gerry McGann
Managing Director