

4th March 2013

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

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

Florence Field, Colorado – update

Incremental Oil and Gas Ltd has the following update on the current operations and plans in its wholly owned Florence Oilfield in Colorado.

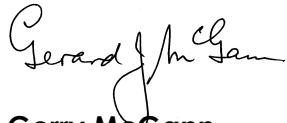
The Patti 32-29 Sidetrack began operations on 17th January. A hole was milled in the casing of the existing Patti well and a horizontal well drilled through the productive Pierre Formation as per directional plan to a total measured depth of 4367' (3143' true vertical depth). The horizontal section of the well was over 1000' long. There were minimal oil shows and the well will be used as a pressure support well and is expected to enhance production in the immediate area.

Aurora 24-21 well was spudded on 28th January and is a deviated well targetting a seismically defined anomaly. Excellent shows with free oil to surface were encountered below 2910' md. After 5 ½" casing was run to the total depth of 3260', the hole was swabbed with a workover rig. Only small oil inflows were noted and the well was then deepened to 3549'. The present operation is swabbing the well with a workover rig. To date minor volumes of oil have been recovered, and the well will be cleaned out with a bit in the coming days in an attempt to bring it on at a commercial rate.

Gerry McGann commented, "The main purpose of Incremental's first drilling campaign at Florence was to harness the considerable operational expertise in drilling these complex wells that the previous operator had acquired in drilling 24 wells (21 successful). This goal was achieved, with a number of enhancements to the existing standard operations. The drilling of Grouper and Dory has been deferred and the rig has been released.

The data acquired in this drilling campaign have high-graded the western areas of the Field and the next multi well drilling campaign in 3-4 months will concentrate in that area, which Incremental believe is highly prospective.

The Florence field continues to produce above expectations and has generated over \$10m in revenue (purchase price \$12.25m) in just 10 months since acquisition."

A handwritten signature in black ink, appearing to read "Gerry McGann". The signature is fluid and cursive, with the first name "Gerry" and last name "McGann" clearly distinguishable.

Gerry McGann
Managing Director