

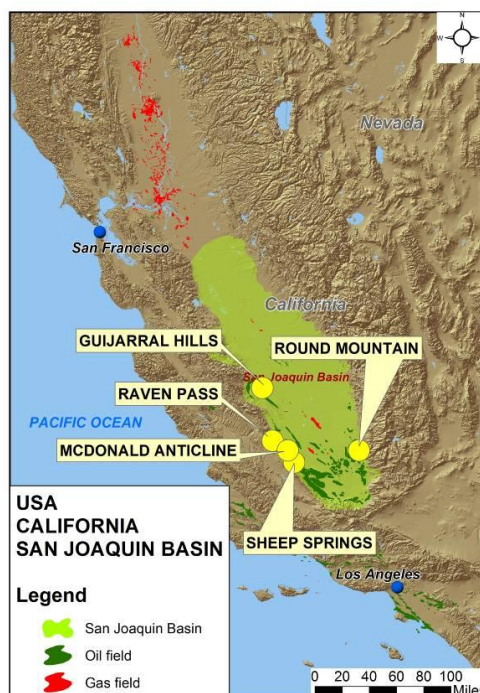
25th October 2011
Australian Stock Exchange
By ASX online

QUARTERLY ACTIVITIES REPORT

For the quarter ended 30 September 2011

HIGHLIGHTS

- Oil production is up 22% for the quarter
- 25% increase in sales revenue to \$2.28m for quarter
- Two new Round Mountain wells begin production
- Eight more Round Mountain wells planned
- New project at McDonald Anticline
- Average realized oil price of \$104/bbl
- Additional prospective leases acquired



Incremental Oil and Gas project locations

DRILLING

ROUND MOUNTAIN:

Smoot 4 was drilled to a total depth of 2700' without incident. Good shows were encountered between 1300' and 1800'. The drill string became stuck at 1900' whilst POOH to log. The fish was retrieved after 4 1/2 days. The hole was logged and 7" casing was run to 2693'. Net pay of 159' averaging 36% porosity was calculated in the Jewett and Pyramid Hill Formations.

Two new wells have been permitted and locations built in Round Mountain. They are expected to spud in early November. The performance of the horizontal well Smoot 3 has resulted in IOG drilling these new wells as vertical wells that will be fraced to increase producibility. Six additional wells are in the permitting phase in Round Mountain.

PRODUCTION

SHEEP SPRINGS:

One well had sanding problems and was down for four days in August. Otherwise Sheep Springs production has been normal.

ROUND MOUNTAIN:

Two new wells, Smoot 3 and 4 were successfully brought onto production in the quarter.

The horizontal Smoot 3 had excellent shows whilst drilling but initial attempts to produce the well at its apparent potential were disappointing. A polymer gel breaker treatment was performed and production after the treatment was 30 bopd/3 bwpd in contrast to the 19 bopd/5bwpd before the treatment. A further attempt to enhance production by perforating 325' of reservoir with deeply penetrating charges failed to increase production above this level.

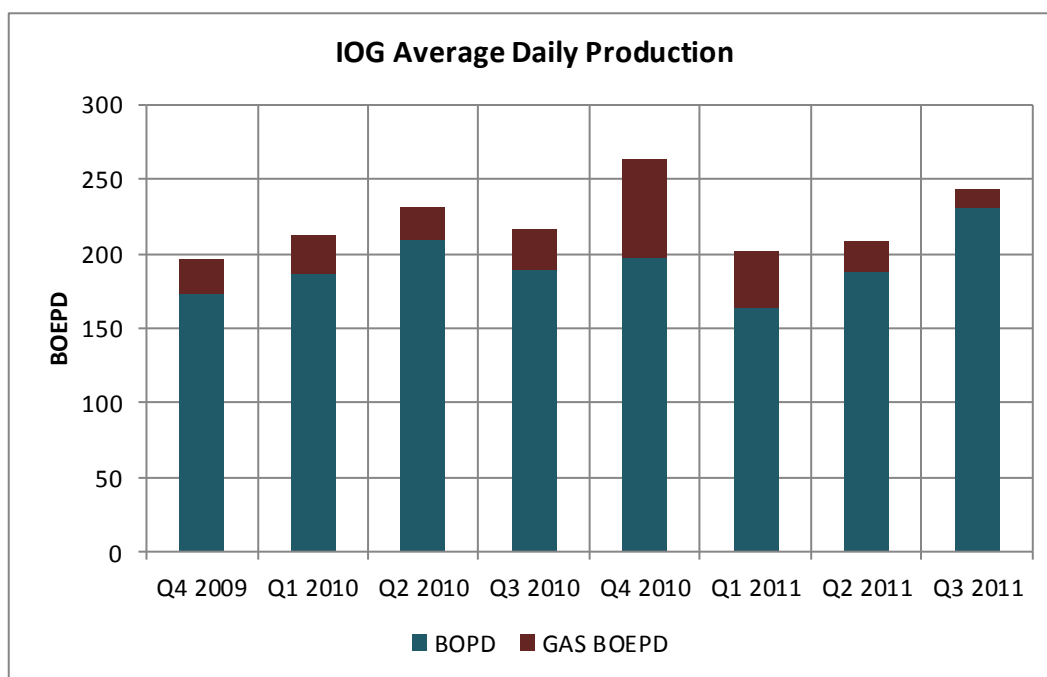
Smoot 4 was successfully fracture stimulated through perforations at 1616'-1621' and 1637'-1642' and the well was placed on production. Average production was 17 bopd and 197 bwpd. The present interpretation of this production behavior is that the stimulation intersected a natural fracture, thus allowing bottom water to enter the wellbore.

Water production in Round Mountain has presented some challenges over the quarter. IOG has submitted an application to drill a water disposal well at Round Mountain, to be drilled as soon as approval has been granted. In the meantime, produced water is trucked some 50km to a commercial disposal site. We are investigating other local options.

Additional prospective leases totaling some 160 acres have been added to IOG's Round Mountain inventory during the quarter, with additional leasing efforts ongoing.

Details of production for the quarter and reference quarters are:

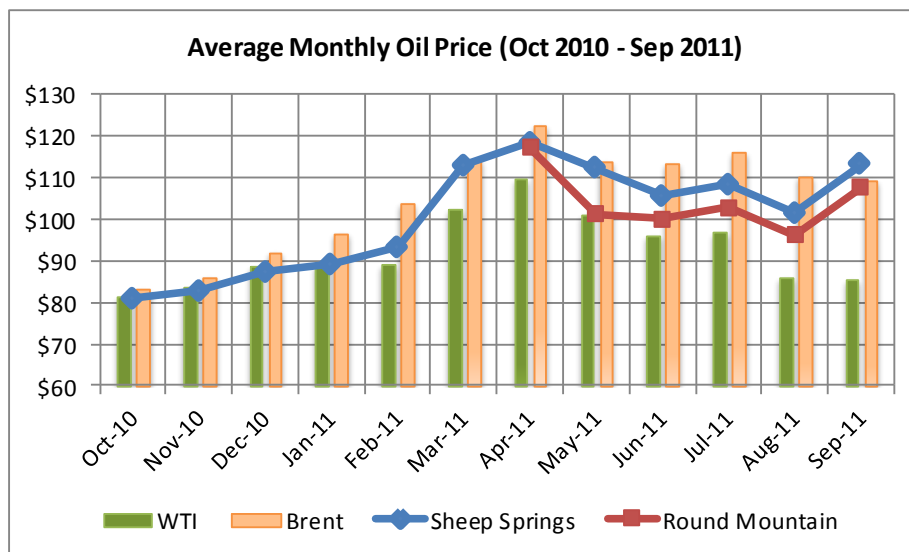
	Q3 2011	Q2 2011	Q3 2010
Production (Av barrels oil per day)	229	188	182
Gas production (Av 000's cubic ft/day)	72	117	163
Average daily production (barrels oil equivalent)	241	208	208
Average price of oil sold (US\$/barrel)	104.40	109.60	74.4
Average price of gas sold (US\$/mcf)	2.62	2.45	2.09
Quarterly revenue (US\$)	2,279,529	1,828,190	1,250,855



Average daily production graph by quarters

The 2011 third quarter oil production was 22% above the preceeding quarter. This is due to the contribution from the Round Mountain Field. Revenues increased by 25% from the previous quarter. Realized oil prices decreased slightly over the quarter from an average of \$109.60 in Q2 to \$104.4 per barrel in Q3.

As can be seen in the graph below, in recent months the realized price of IOG's crude is substantially above the often quoted West Texas Intermediate (WTI) and averages about \$4 per barrel below the dated Brent price.



OTHER PROJECTS

McDONALD ANTICLINE:

IOG has acquired significant mineral leases in the McDonald Anticline Field on the western margin of the San Joaquin Basin. This field has produced more than 22 million barrels of light oil from shallow, stacked sandstone reservoirs. We are currently undertaking additional leasing in the area. A number of potential drillable targets have already been identified for drilling in 2012.

RAVEN PASS:

During the quarter, we undertook extensive mapping in the exciting Raven Pass area. Whilst additional leasing is ongoing, a number of parties have shown interest in farming into this project with the aim of having the prospect drilled in 2012. IOG plans to retain a substantial interest in this project.

GUIJARRAL HILLS:

IOG has identified significant non-conventional potential in the IOG leases, with thick oil bearing shale sections now seen as being of greater commercial interest than the areas conventional oil potential. We are in the process of farming this acreage out to companies involved in non-conventional hydrocarbon exploration.

COMMUNITY

IOG is committed to reinvesting in the community. Your company has committed \$10,000 to the first microcredit project undertaken by Rotary International in the USA. This initial project to assist low socio-economic/unemployed women start their own business will be undertaken in a small town west of IOG's oil fields.

CORPORATE

Investors may be interested to view research on the company by Gordon Capital Research on the IOG webpage: IncrementalOilandGas.com

Gerry McGann

Gerry McGann
Managing Director