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25 March 2011

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

By: e-lodgement (ASX code: IOG)

Dear sir/madam

H & P #2 flows 275 million cubic feet of gas a day

Incremental's H & P #2 at Sheep Springs has flowed gas at a rate of 275 mcfgd (46 boepd) through a 10/64" choke from a 29 foot interval between 3682 and 3711 feet in the Carneros Formation. No water or hydrocarbon liquids have been produced to date. The deeper Oceanic reservoir was abandoned after it swabbed non-commercial volumes of oil plus water.

The H & P #2 well was drilled as part of Incremental's ongoing efforts to maintain production and the excellent profitability of the Sheep Spring asset and today's gas production rates are evidence of that programme's success.

In other news, the Smoot #1 at Round Mountain is expected to be perforated and brought into production over the coming days.

Yours sincerely

A handwritten signature in black ink that reads "Gerry McGann". The signature is written in a cursive, flowing style.

Gerry McGann
Managing Director

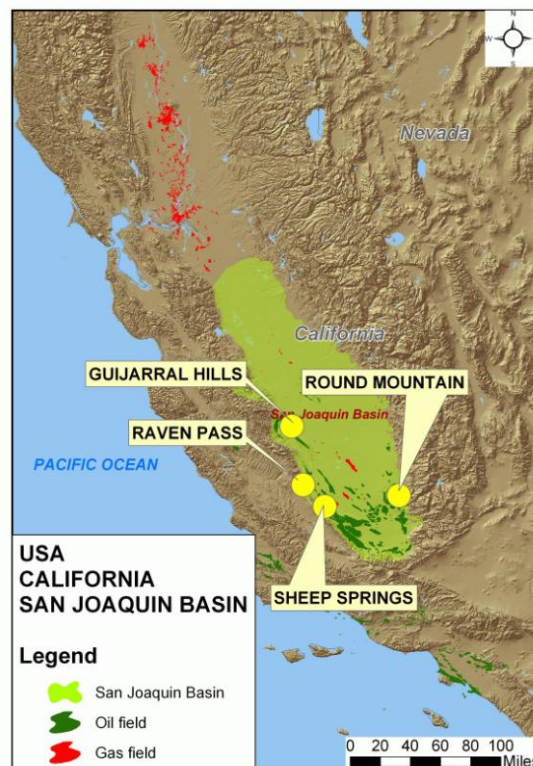
ABOUT INCREMENTAL OIL and GAS LTD

Incremental Oil and Gas Ltd (IOG) is a producing oil and gas company. Our strategy is to identify and acquire underperforming oil fields and to increase production and recoveries. IOG's primary focus is production rather than high risk exploration, with a strong emphasis on positive cashflow.

The Board and Executive of IOG have a proven track record. They are the same team that acquired and substantially increased oil production in the Selmo oilfield in Turkey through the formerly ASX-listed Incremental Petroleum. This company was subsequently sold in March 2009 to TransAtlantic Petroleum in an \$86.5 million transaction.

IOG was launched in mid-2009 and has been profitable over its first year of operations.

IOG's focus is onshore California. The company has four current projects which are detailed on the website (**incrementaloilandgas.com**). These projects range from the producing Sheep Springs Oilfield to low risk development projects at Round Mountain and Gujarral Hills and an exploration project at Raven Pass. IOG's strategy is to develop these and other new and yet to be secured projects into a substantial production base.



Incremental Oil and Gas project locations.

For additional information see www.incrementaloilandgas.com