

25 July 2016

ASX : IOG

QUARTERLY ACTIVITIES REPORT

For the period ended 30 June 2016

1 HIGHLIGHTS

- Production for Q2-16 was ~647 BOEPD;
- Engineering work and regulatory approvals for 9 recompletions at the Silvertip Field finalised. Preparations for these recompletions and an additional 10 workovers completed;
- Increase in gas and oil prices by 60% and 30%, respectively.

2 PRODUCTION

The gross production from all fields in Q2-16 was 61,019 BOE, an average of 671 BOEPD. Certain wells were shut in Q1-16 and Q2-16 due to mechanical issues which have impacted production. Shut in wells will be returned to production as part of the upcoming work program for Q3-16. These workovers will target predominantly oil wells.

Incremental's cumulative gross production from its oil and gas fields in the last two quarters (Q1-2016 and Q2-2016) and corresponding production in last year's quarter (Q2-2015) are as follows:

	Q2 2016	Q1 2016	Q2 2015
Gross Production			
Oil production (Bbls)	20,559	22,988	15,866
Gas production (BOE) ¹	29,509	32,497	731
NGL production (Bbls)	8,795	11,351	-
Total barrels of oil equivalent (BOE)	58,863	66,836	16,597
Average BOEPD	647	734	184

1. Gross gas production includes gas that is consumed as fuel for the field collection system and the processing plant used for production of NGL's, which are extracted from natural gas.

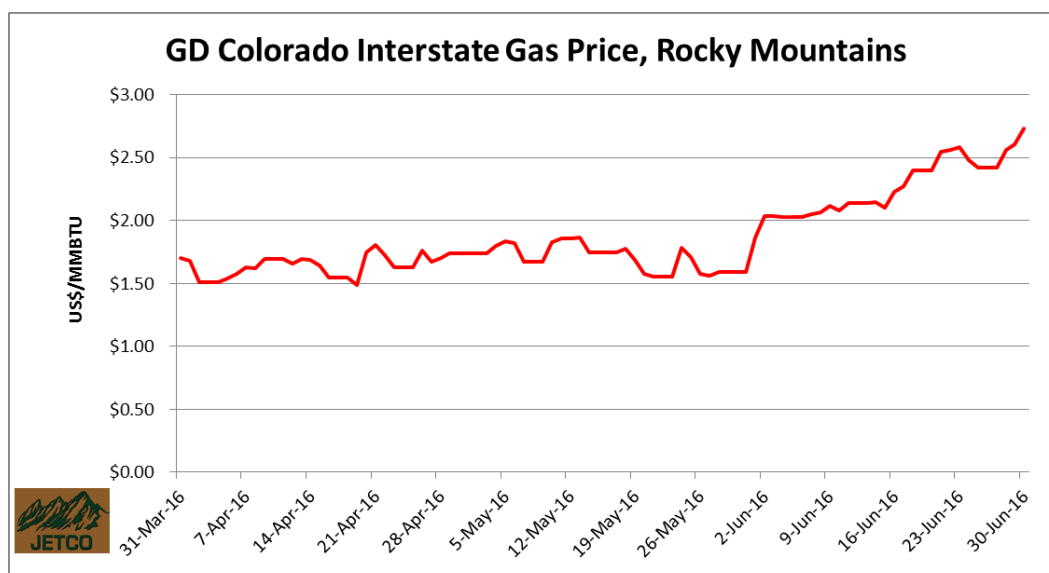
3 SALES REVENUE

Net volume sold² and **Net** revenue³ for the last two quarters (Q1-2016 and Q2-2016) and the corresponding sales quarter last year (Q2-2015) are provided in the table below:

	Q2 2016	Q1 2016	Q2 2015
Oil Sold (Bbls)	17,449	18,186	16,735
Oil Revenue (US\$)	\$687,663	\$506,805	\$858,423
Average Sale Price (US\$/Bbl) ⁴	\$39.41	\$27.87	\$51.29
Gas Sold (MCF)	99,507	104,162	2,570
Gas Revenue (US\$)	\$234,806	\$226,750	\$3,933
Average Sale Price (US\$/MCF)	\$2.36	\$2.18	\$1.53
NGL Sold (Bbls)	7,181	9,265	-
NGL Revenue (US\$)	\$120,130	\$68,238	-
Average Sale Price (US\$/Bbl) ⁴	\$16.73	\$7.36	-
Total Net Barrels of Oil Equivalent sold ⁵	41,215	44,811	17,163
Total Net Sales Revenue (US\$)	\$1,051,541	\$797,090	\$862,356

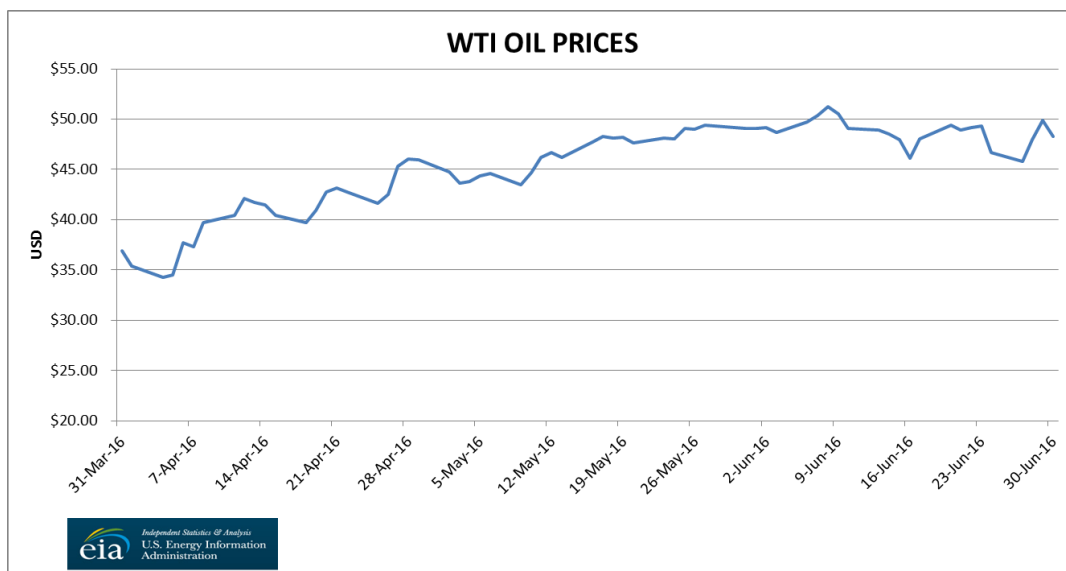
- Net volume sold is the oil, gas, and NGL's that is allocated to Incremental after taking into account royalty owners' interest, fuel use in the field and plant, and unaccounted for gas shrinkage and losses.
- Net revenue is Incremental's proportional share (NRI) after marketing and transportation fees/deductions.
- Average Sale Price is net of refinery and transportation deductions.
- Gas volume is converted to BOE on a 6 MCF of gas to 1 barrel of oil ratio. NGL's are sold in gallons and converted to BOE on a 42 US gallons of NGL's per barrel of oil.

The price of oil, natural gas and NGL's increased in Q2-16 after reaching long term lows in the first quarter of 2016. Spot oil price increased by approximately 30% in Q2-16 and spot natural gas prices rose by approximately 60% in the same period.



Note - Incremental's natural gas produced and sold from the Silvertip Field is benchmarked against Colorado Interstate Gas (CIG) prices.

1200 MMBTU per day of natural gas, or approximately 78% of current average gas sales volume, has been forward sold at a price of US\$2.06/MMBTU for 12 months from 1 April 2016. This forward sales contract was entered into in Q1-16 when gas prices were at a long term low.



4 SILVERTIP DEVELOPMENT PROGRAM

Incremental completed engineering work and has obtained the necessary regulatory approvals to undertake recompletions on 9 of the 15 wells that permits have been applied for in the Silvertip Field. The Phase II work program consists of 10 workovers and 24 recompletions.

The recompletion program is designed to target gas production from the shallow Meeteetse and Mesaverde Formations. The cost of the recompletions, which use existing well bores, is significantly lower than the drilling of any new wells. The timing of the recompletion program will ensure that the increased gas production coincides with the seasonal increase in natural gas prices in the northern winter period.

Testing has shown that acid stimulation is sufficient to increase production of gas from the target formations. Acid stimulation is less expensive, requires less regulatory approvals and is a quicker process than hydraulic fracture stimulation. This is a further cost saving to this program.

Permitting has been approved for 9 of the 24 recompletions. The remaining wells are being permitted as part of the Phase II work program.

5 CORPORATE

In April, the Managing Director travelled to Australia and along with the CFO and the Chairman, presented and met several new and existing brokers and investors in Sydney and Melbourne and held shareholder functions in both cities.

6 CASH and DEBT POSITION (Unaudited)

At the end of Q2-16, the closing cash balance and debt position for the Group were as follows:

Cash (US\$) - \$514,000 (Q1-16 - \$859,000)

Bank Debt (US\$) - \$8.26M (Q1-16 - \$8.50M)

Bank debt has been reduced by \$240,000 in the second quarter of 2016.

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GLOSSARY

Bbl	One barrel of crude oil, 42 US gallons volume liquid.	NGL	Natural gas liquids are naturally occurring elements found in natural gas, and include propane, butane and ethane, among others. The liquids are extracted from the natural gas and sold separately from the gas.
BOE	Barrels of oil equivalent, where the conversion of gas to BOE is determined using ratio of six (6) MCF of natural gas to one barrel of oil.		
BOEPD	Barrels of oil equivalent per day.	Recompletion	After the initial completion of a well, the action and techniques of re-entering the well and redoing or repairing the original completion to restore the well's productivity.
BTU	British Thermal Unit, a measure of energy.		
MCF	One thousand cubic feet (natural gas volumetric measurement).		
MMBTU	One million BTUs	Reserves	The volume of oil and gas that can be recovered at the surface. Generally used when the oil and/or gas can be produced commercially and within a time frame of up to 5 years.
MMCF	One Million cubic feet		
NRI	Net Revenue Interest	Workover	The repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons

Forward-looking Statements

This document may contain certain statements that may be deemed forward-looking statements. Forward-looking statements reflect Incremental's views and assumptions with respect to future events as of the date of this Press Release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Actual and future results and trends could differ materially from those set forth to various factors, many which are beyond our ability to control or predict. Some of the risk and other factors that could cause results to differ materially include but are not limited to: industry conditions, including fluctuations in commodity prices; governmental regulation of the oil and gas industry, including environmental regulation; economic conditions in the US and globally; geological, technical and drilling results; predicted production and reserves estimates; operational delays or unanticipated operating event; physical, environmental and political risks; liabilities inherent in oil and gas exploration, development and production operations; fiscal and regulatory developments; stock market volatility; industry competition; and availability of capital at favourable terms. Given these uncertainties, no one should place undue reliance on these forward-looking statements attributable to Incremental, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this Press Release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.