

4 July 2011

The Manager Companies  
Company Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000  
By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

**Round Mountain Drilling and Production Update**

**Drilling**

The Company has successfully drilled an 810' horizontal section in Smoot 3 in the Round Mountain drilling campaign (100% Incremental). A slotted production liner has been run to total depth. Excellent oil shows and log-while-drilling hydrocarbon indications were observed throughout the whole of the horizontal section. The rig was released on 26<sup>th</sup> June and the well should be on production in the coming weeks. The Company will provide an update once stabilized rates have been achieved.

Smoot 4 was spudded on 28<sup>th</sup> June and is also deviated from the vertical. Moderate to good oil shows were observed from 1300' to 1980' measured depth. The well was drilled to a total depth of 2700'. The current operation is removing stuck drill pipe in preparation for logging.

**Production**

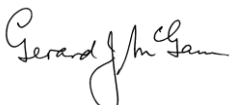
Smoot 2 has now been producing for several weeks at an increased average rate of 30 bopd with about 120 bwpd.

Gerry McGann, Managing Director of Incremental commented "I am very pleased with our drilling campaign at Round Mountain. It appears that all four wells have been successful in intersecting producible oil. Incremental's average production from Round Mountain already exceeds 125 bopd from the first two wells. Once Smoot 3 and 4 are brought onto production, the combined production of Round Mountain and our 100% Sheep Springs will take Incremental another step closer to becoming a substantial, low cost oil producer."

**Corporate**

All 24,900,000 convertible notes held by 42 entities were converted into Incremental fully paid ordinary shares on July 2<sup>nd</sup>, thus clearing \$4.98m debt. I'm pleased to announce that the Company is now debt free.

Yours sincerely



Gerry McGann  
Managing Director