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10 February 2011

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

By: e-lodgement (ASX code: IOG)

Dear sir/madam

INCREMENTAL's WELL H & P #2 DISCOVERS OVER 120 FEET OF PAY

The Incremental Oil and Gas Ltd ("Incremental" or "the Company") H & P #2 well reached total depth of 5000' (1524 m) at 2330 hours on 7th February 2011 (California time).

Wireline logs have been run. Further analysis is required to more accurately define type and thickness of reservoir hydrocarbons. Initial interpretation of the data suggests:

INTERVAL (ft)	GROSS INTERVAL (ft)	NET PAY (ft)	AV POROSITY %	ROCK TYPE	INTERPRETED FLUID	SHOWS DRILLING WHILE
2160 - 2250	90	26	35	Sandstone	Mod heavy oil	Good oil shows
2555 - 2600	45	28	35	Sandstone	Mod heavy oil	Good oil shows
3300 - 3480	180	Unknown at present	Fractures	Brittle Shale	Mod-Light oil	Excellent oil shows
3584 - 3718	130	43	32	Sandstone	Probable gas and light oil	Excellent oil & gas shows
4564 - 4602	38	24	23	Sandstone	Gas and light oil	Excellent oil & gas shows
TOTAL	483	121				

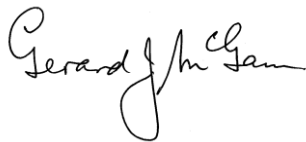
The well will be completed as a producer in the coming fortnight with a workover rig. The most likely completion interval at this stage is the Oceanic reservoir between the depths of 4564' and 4602', with shallower pays to be exploited later.

Gerry McGann, the Managing Director of Incremental observed: "The discovery of more than 120' of probable pay in an area that has been in continuous production for over 60 years validates Incremental's business model of using the team's knowledge to locate unexploited reserves in these old fields. The deeper light oil and gas will make our profitable Sheep Springs Field even more so and the shallower heavier oil will add to the Company's reserve base. Several months of production history will be needed before longer term producibility and reserves are established."

The H & P #2 well is about 40km west of Bakersfield, California. The main target of the well was the Oceanic reservoir prognosed at 4580' (1396 m). This reservoir has produced at rates exceeding 200 bopd of light (42° API) oil in nearby wells drilled in the 1940's.

The current operation is preparing to run 5½ inch casing. The well was drilled in record time and is currently under budget.

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

DEFINITIONS:

Pay- The thickness of reservoir rock along a wellbore that is interpreted to be capable of producing hydrocarbons.

Show – Indications of hydrocarbons encountered while drilling.

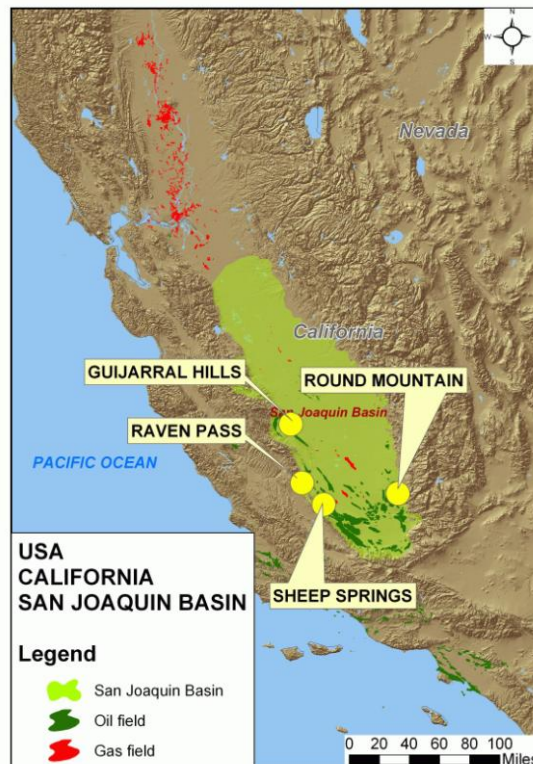
ABOUT INCREMENTAL OIL and GAS LTD

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.