

27 May 2014

The Manager Companies
Company Announcements
Australian Securities Exchange
2 The Esplanade
PERTH WA 6000

By: e-lodgement (ASX code: IOG)

Dear Sir/Madam

ISSUE OF OPTIONS
Appendix 3B

Further to the approval by shareholders at the AGM held on 13th May 2014, the Company wishes to advise that 400,000 unlisted options have been issued to Matt McCann (non-executive director). The options are exercisable at A\$0.07 each and expire on 26th May 2017 and have terms and conditions as set out in the notice of meeting as follows:

1. **Consideration for Grant and vesting:** No consideration is payable for the issue of the options and there are no vesting conditions in relation to the options.
2. **Right to Subscribe:** Each option gives the optionholder the right to subscribe for one fully paid, ordinary share in Incremental Oil and Gas Limited ("**Company**"), in accordance with these terms of issue.
3. **Exercise Price:** The exercise price payable upon exercise of each option is A\$0.07 ("**Exercise Price**").
4. **Expiry Date:** Each option automatically lapses at 5pm Perth time on 26 May 2017 being three years after the date of issue ("**Expiry Date**").
5. **Exercise Period:** Each option may be exercised at any time during the period commencing on the date of issue of the option and ending on the Expiry Date ("**Exercise Period**").
6. **Method of Exercise:** Options may be exercised by lodging with the Company during the Exercise Period:
 - (a) a duly signed written notice of exercise, in the format specified by the Company from time to time, specifying the number of options which are being exercised ("**Exercise Notice**"); and
 - (b) a cheque for the Exercise Price for the options being exercised (or a telegraphic transfer of cleared funds or a direct credit of cleared funds to the Company); and
 - (c) the certificate of the options being exercised, for cancellation by the Company.

An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price for the options being exercised in cleared funds.

7. **Takeovers Warranty:** Delivery of the Exercise Notice will constitute a warranty from the optionholder to the Company that the issue of shares upon exercise of the options will not result in a breach of the takeovers provisions in the *Corporations Act 2001* in relation to the Company.
8. **Issue of Shares:** Within 5 business days after receipt of a valid Exercise Notice accompanied by full payment of the Exercise Price and the option certificate, the Company will:
 - (a) issue the number of shares specified in the Exercise Notice;
 - (b) cancel the certificate for the options being exercised and update the option register accordingly; and
 - (c) if applicable, issue a new option certificate for any unexercised options.
9. **Ranking:** All shares issued upon the exercise of option will rank *pari passu* in all respects with other ordinary shares of the Company from the date of issue.
10. **Transfer of Options:** The options are not transferrable.
11. **No Rights to Participate in New Issues:** The optionholder has no right or entitlement, without exercising the option, to participate in new issues of shares offered to the Company's shareholders during the Exercise Period, whether by way of rights issue, bonus issue or other pro-rata offer of shares to shareholders. However the Company will ensure that for the purposes of determining entitlements to any such offer or issue, the record date will be a date at least 5 business days after the offer or issue is announced by the Company.
12. **Impact of Bonus Issue:** If the Company makes a "bonus issue" (as defined in the ASX listing rules) before the expiry date then upon exercise of an option the optionholder is entitled to have issued to it additional shares, in accordance with the requirements of Listing Rule 6.22.3 (or its replacement or successor).
13. **No Rights to Participate in Dividends:** The optionholder has no right or entitlement to participate in Company's dividends.
14. **Capital reconstruction:** If there is a reorganisation of the issued capital of the Company before the Expiry Date then the number of options to which an optionholder is entitled, or the exercise price (or both) will be reconstructed (as appropriate) in accordance with Listing Rule 7.22 (or its replacement or successor). The rights of the optionholder under these Terms of Issue may be amended to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
15. **No other rights:** The optionholder has no rights or entitlements in addition to those set out above to a change in the exercise price, or a change to the number of shares over which the option can be exercised.
16. **Legal representatives:** These terms of issue are binding on the personal and legal representatives of the optionholder.
17. **Quotation:** The options are unlisted and quotation of the options will not be sought.

Attached is an Appendix 3B.



Simon Adams
Company Secretary

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

INCREMENTAL OIL AND GAS LIMITED

ABN

66 138 145 114

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | UNLISTED OPTIONS |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 400,000 unlisted options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options (unlisted) can be converted to fully paid ordinary shares at an exercise price of A\$0.07 per share on or before 26 th May 2017 |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

<p>4 Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional ⁺securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Options do not rank equally and have no rights to participate in dividends until they are converted to ordinary shares at which time they do rank equally in all respects with all existing fully paid ordinary shares.</p> <p>The optionholder has no right or entitlement, without exercising the option, to participate in new issues of shares offered to the Company's shareholders during the Exercise Period, whether by way of rights issue, bonus issue or other pro-rata offer of shares to shareholders. However the Company will ensure that for the purposes of determining entitlements to any such offer or issue, the record date will be a date at least 5 business days after the offer or issue is announced by the Company</p>
<p>5 Issue price or consideration</p>	<p>Options - Nil</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Options were issued as part of the incentivisation for Mr McCann to join the Board of Incremental Oil and Gas Ltd as a non-executive director.</p>
<p>6a Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the ⁺securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>N/A</p>

⁺ See chapter 19 for defined terms.

6c	Number of +securities issued without security holder approval under rule 7.1	N/A	
6d	Number of +securities issued with security holder approval under rule 7.1A	N/A	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of +securities issued under an exception in rule 7.2	N/A	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B	26 th May 2014	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		156,242,680	Fully paid ordinary shares (ASX code – IOG)

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in section 2 if applicable)	Number	⁺ Class
		92,500,000	Options exercisable at 20c expiring on 01/11/2014
		5,000,000	Options exercisable at 14.85c expiring on 27/07/18
		400,000	Options exercisable at 7.0c expiring on 26/05/17
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the ⁺ securities will be offered	N/A
14	⁺ Class of ⁺ securities to which the offer relates	N/A
15	⁺ Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A

⁺ See chapter 19 for defined terms.

18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through	N/A

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

	a broker?	<input type="text"/>
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	⁺ Issue date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ☐ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories

1 - 1,000	0
1,001 - 5,000	0
5,001 - 10,000	0
10,001 - 100,000	1
100,001 and over	1

37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of ⁺ securities for which ⁺ quotation is sought	N/A	
39	⁺ Class of ⁺ securities for which quotation is sought	N/A	
40	<p>Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional ⁺securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	N/A	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another ⁺security, clearly identify that other ⁺security)</p>	N/A	
42	Number and ⁺ class of all ⁺ securities quoted on ASX (including the ⁺ securities in clause 38)	Number	⁺ Class
		N/A	

⁺ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:
(Director/Company secretary)

Date: 27 May 2014

Print name: SIMON ADAMS

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	156,103,680
Add the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • Include only ordinary securities here – other classes of equity securities cannot be added • Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed • It may be useful to set out issues of securities on different dates as separate line items 	139,000 (employee share plan - issued 8/7/13) Nil
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	156,242,680

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	23,436,402
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 Note: <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	139,000 shares (employee share plan - issued 7/8/13) 4,000,000 options – issued 7/8/13 1,000,000 options – issued 27/11/13 400,000 options – issued 26/05/14
“C”	5,539,000
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	23,436,402
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	5,539,000
Total [“A” x 0.15] – “C”	17,897,402 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	156,242,680
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	15,624,268
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	15,624,268
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	15,624,268 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.