

29 January 2016

ASX : IOG

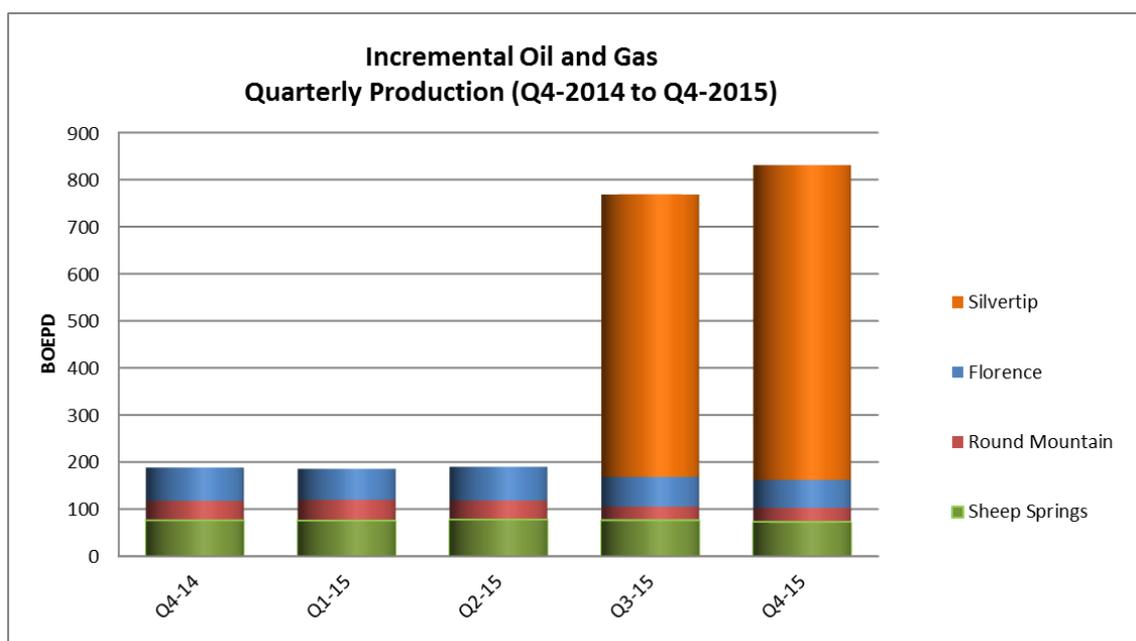
QUARTERLY ACTIVITIES REPORT For the period ended 31 December 2015

1 HIGHLIGHTS

- Highest quarterly production in the Company's history (822 BOEPD)
- Eight workovers were completed in Q4-15 bringing the total to 27 in the first phase of development at the Silvertip Field since its acquisition
- Two successful pilot recompletions performed at the Silvertip Field have proven behind pipe productivity
- Silvertip independently certified Proven Developed Producing (PDP) reserves increased by 75% to 1,021.7 MBOE
- Bank debt reduced by \$242,000

2 PRODUCTION

The gross production from all fields in Q4-15 was 75,637 BOE with an average of 822 BOEPD, the highest quarterly production rate for the Company.



Gross BOEPD production including oil, natural gas and NGL's

Cumulative **gross** production from Incremental's oil and gas fields in the last quarter, year to date (2015) and corresponding quarter and year to date last year (2014) are as follows:

| | Q4 2015 | Year to Date¹ 2015 | Q4 2014 | Year 2014 |
|---------------------------------------|--------------------|--|--------------------|----------------------|
| Gross Production | | | | |
| Oil production (Bbls) | 28,346 | 87,727 | 16,880 | 73,145 |
| Gas production (boe) ² | 35,771 | 69,592 | 524 | 2,754 |
| NGL production (Bbls) | 11,520 | 25,490 | - | - |
| Total barrels of oil equivalent (boe) | 75,637 | 182,809 | 17,404 | 75,899 |
| Average boepd | 822 | 501 | 189 | 208 |

1. Fiscal year from 1 January. Silvertip production from 1 July 2015.
2. Gas production includes fuel gas consumed in field and plant. A portion of the natural gas produced from the Silvertip Field is used as fuel to operate the Company's gas gathering system and liquids stripping and gas compression plant. NGL's are extracted from natural gas at the stripping plant owned by the Company, stored on-site and collected by the customer

3 SALES REVENUE

Details of **net** revenue for the last quarter, year to date (2015) and the corresponding quarter and year to date last year (2014) are shown below.

| | Q4 2015 | Year to Date 2015 | Q4 2014 | Year 2014 |
|---|--------------------|------------------------------|--------------------|----------------------|
| Oil sold (Bbls) | 21,855 | 70,383 | 13,523 | 59,411 |
| Oil Revenue (US\$) ³ | \$840,251 | \$3,002,578 | \$890,211 | \$5,262,047 |
| Average Sale Price (US\$/Bbl) ⁴ | \$38.45 | \$42.66 | \$65.83 | \$88.57 |
| | | | | |
| Gas sold (Mcf) | 120,351 | 245,008 | 2,620 | 12,578 |
| Gas Revenue (US\$) ³ | \$271,509 | \$625,172 | \$6,715 | \$41,595 |
| Average Sale price (US\$/Mcf) ⁴ | \$2.26 | \$2.55 | \$2.56 | \$3.31 |
| | | | | |
| NGL sold (Bbls) | 9,451 | 20,623 | - | - |
| NGL Revenue (US\$) ³ | \$107,255 | \$238,935 | - | - |
| Average Sale Price (US\$/Bbl) ⁴ | \$11.35 | \$11.59 | - | - |
| | | | | |
| Total barrels of oil equivalent sold (BOE) ⁵ | 51,365 | 131,841 | 13,960 | 61,507 |
| Total Sales Revenue (US\$) ⁴ | \$1,219,015 | \$3,886,685 | \$896,926 | \$5,303,642 |

3. Revenue is net of lease royalty interests and fuel gas usage.
4. Price is net of marketing/transportation deduction.
5. Gas volume is converted to barrels of oil equivalent on the basis of 6 Mcf of gas to 1 barrel of oil. NGL's are sold in gallons and converted to barrels of oil equivalent on the basis of 42 US gallons of NGL per barrel of oil.

Although production volumes have increased significantly from the 2014 as a result of acquiring the Silvertip Field, revenue has been adversely impacted by lower oil prices (down 41% in Q4-15 compared to Q4-14).

4 SILVERTIP, WYOMING: (100% working interest)

Production from the Silvertip Field averaged 659 BOEPD in Q4-15 compared to 626 BOEPD in Q3-15. Oil production increased by 17% in Q4-15 from the previous quarter. Gas production increased 11% quarter on quarter while NGL production decreased by 18%.

The first phase of the Silvertip work program was completed in November 2015. Since Incremental took control of Field operations in July 2015, 27 workovers have been completed to bring wells back onto production and/or improve their efficiency and extraction rates. A further two gas wells underwent behind pipe recompletions. The total cost of these workovers and recompletions was approximately \$585,000.

The gas well recompletions were successful and they have proven behind pipe productivity from reservoirs shallow to the main producing zone in the field. Further analysis has shown that additional recompletions can be undertaken economically at current gas prices from existing well bores.

A new independently certified reserve report for the Silvertip Field was compiled following work done as detailed above and the PDP reserves have increased 75% to 1,021.7 MBOE.

5 SHEEP SPRINGS, ROUND MOUNTAIN AND FLORENCE: (100% working interest)

Production details from Sheep Springs, Round Mountain and Florence in Q4-15 (and relevant prior periods) are as follows:

| (BOEPD) | Q4-15 | Q3-15 | Q4-14 |
|----------------------------|-------|-------|-------|
| Sheep Springs, California | 74 | 78 | 77 |
| Round Mountain, California | 30 | 29 | 41 |
| Florence, Colorado | 59 | 63 | 71 |
| TOTAL | 163 | 170 | 189 |

Operations at these fields continue at current steady state with continued focus on lowering operating costs and efficiencies.

6 BUSINESS DEVELOPMENT

The work program for the first half of 2016 will focus on increasing production and extracting value from the behind pipe opportunities at the Silvertip Field with a focus on gas wells. Permitting for up to 15 gas well recompletions will be sought from the Wyoming State and Federal Authorities and Incremental will manage the implementation timetable for these in 2016/17.

Two new gas well locations that were approved for drilling prior to Incremental taking over the field in July 2015 have been analysed by Incremental's technical team and are considered to be low risk operationally and with attractive economics at current gas prices. The permits for drilling these wells will be renewed with development to be scheduled into the H2-16 work program.

Drill rig and other contractor costs associated with well recompletions and new wells have dropped significantly in the last 12 months which assists significantly in improving the economics.

7 CASH and DEBT POSITION (Unaudited)

All projects operated by Incremental were profitable at the field level. Approximately \$242,000 was invested in workovers and recompletions in the quarter.

At the end of Q3-15, the closing cash balance and debt position for the Group were as follows:

| | |
|--------------------|-------------------------------|
| Cash (US\$) - | \$445,000 (Q3-15 - \$462,000) |
| Bank Debt (US\$) - | \$8.278M (Q3-15 - \$8.520M) |

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GLOSSARY

| | | | |
|---------------|--|-----------|---|
| Bbl - | One barrel of crude oil, 42 US gallons volume liquid | EBITDAX - | Earnings before interest, income tax, depreciation, depreciation, amortisation and exploration (including dry hole, impairment, abandonment and workover expenses). EBITDAX includes state severance, ad-valorem and conservation taxes - Colorado 6% and Wyoming 10.6% to 12.7%, after transport and refinery deduct. EBITDAX is a non IFRS value and is unaudited |
| Behind pipe - | Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production. | Mcf - | One thousand cubic feet (natural gas volumetric measurement) |
| 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 | 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 |
| BOEPD - | Barrels of oil equivalent per day | | |
| BTU - | British thermal unit - a measure of energy | | |
| Condensate - | Natural-gas condensate is a low-density mixture of hydrocarbon liquids that are present as gaseous components in raw natural gas. | | |