

31 January 2107

ASX : IOG

QUARTERLY ACTIVITIES REPORT

For the period ended 31 December 2016

1 HIGHLIGHTS

- Company achieved record quarterly production of 817 BOEPD for Q4-16.
- Gas wells successfully recompleted contributed to a 27% increase in gas production for the quarter.
- Net sales revenue increased by 14% from Q3-16.

2 PRODUCTION

Gross production across all fields in Q4-16 of 75,118 BOE was the highest quarterly production that the Company has achieved, an average of 817 BOEPD. The December's gross production average from all fields was even more at 837 BOEPD.

Gas, oil and NGL production from the Silvertip Field increased by 23% as a result of the Phase II Work Program, which included recompletions and workovers, that were completed in Q4-16.

Incremental's gross production from its oil and gas fields in the last two quarters (Q4-2016 and Q3-2016) and corresponding quarter (Q4-2015) are as follows:

	Q4 2016	Q3 2016	Q4 2015
Gross Production			
Oil production (Bbls)	21,362	20,774	28,380
Gas production (BOE) ¹	42,693	33,720	34,641
NGL production (Bbls)	11,063	9,429	11,520
Total barrels of oil equivalent (BOE)	75,118	63,923	74,541
Average BOEPD	817	695	810

1. Gross gas production includes fuel gas used in the field and processing plant in addition to gas converted to NGL's.

3 SALES REVENUE

Net volume sold² and **Net** sales revenue² for the last two quarters (Q3-2016 and Q4-2016) and the corresponding quarter last year (Q4-2015) are provided in the table below:

	Q4 2016	Q3 2016	Q4 2015
Oil Sold (Bbls)	17,147	17,069	21,855
Oil Revenue (US\$)	\$776,184	\$677,084	\$840,818
Average Sale Price (US\$/Bbl) ³	\$45.27	\$39.67	\$38.45
Gas Sold (MCF)	152,051	119,833	120,351
Gas Revenue (US\$)	\$438,137	\$312,514	\$271,509
Average Sale Price (US\$/MCF)	\$2.88	\$2.61	\$2.26
NGL Sold (Bbls)	9,034	8,316	9,451
NGL Revenue (US\$)	\$212,156	\$131,098	\$107,255
Average Sale Price (US\$/Bbl) ³	\$23.49	\$15.77	\$11.35
Total Net Barrels of Oil Equivalent sold ⁴	51,522	45,357	51,365
Total Net Sales Revenue (US\$)	\$1,426,477	\$1,120,696	\$1,219,015

- Net volume sold reflects oil, gas, and NGL sales allocated to Incremental net of royalties, fuel gas used in the field and plant, and gas shrinkage and losses. Net sales revenue is Incremental's proportional share of the revenue after marketing and transportation fees and deductions.
- Average Sale Price is net of refinery and transportation deductions.
- Gas volume (MCF) is converted to Barrels of Oil Equivalent Sold (BOE) on a ratio of 6 MCF of gas per barrel of oil. NGL's are sold in gallons and converted to BOE on a ratio of 42 US gallons of NGL's per barrel of oil.

Oil, gas and NGL prices increased by 14%, 10% and 49% respectively. Gas prices remained higher in Q4-16 with a marked uplift in December due to colder winter temperatures and increased gas demand in the US.

4 SILVERTIP DEVELOPMENT PROGRAM

In Q4-16, eight recompletions were completed in the Silvertip Field. The average 15-day initial production (IP) rate for these wells was 157 MCFD.

The production data of the top three wells in the Phase II Work Program is as follows:

Well Number (Date of Recompletion)	30-Day IP (MCFD)	Production from Recompletion date to 31-Dec-16	Capital Cost	Net Revenue to 31-Dec-16
42-4F (2-Sep-16)	1,068	75,124	\$35,566	\$148,265
53-28F (20-Oct-16)	292	19,922	\$26,801	\$39,794
55-28F (30-Nov-16)	479	15,196	\$33,215	\$36,943

5 CORPORATE

Incremental is in negotiations of a PSA with Austin Exploration Ltd (ASX: AKK) to sell its membership interest in Incremental Oil and Gas (Florence) LLC, which owns the Florence Oilfield in Colorado for US\$2 Million

ANB Bank agreed to extend the Company's line of credit facility until July 2018. Incremental continues to meet all banking covenants continue to be met for the line of credit and term loans that are outstanding with the bank.

6 CASH, AND BANK DEBT (Unaudited)

Sales proceeds in Q4-16 (US\$1.28M) were the highest for the year as a result of increased production and higher commodity prices.

At the end of the quarter, the consolidated cash and bank debt position of the Company were as follows:

Cash (US\$) -	\$982,000	(Q3-16 - \$1,190,000)
	(Q4-16 cash balance includes funds held on deposit as security for performance bonds issued by ANB Bank)	
Bank Debt (US\$) -	\$7.792M	(Q3-16 - \$8.032M)

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GLOSSARY

Bbl	One barrel of crude oil, 42 US gallons volume liquid.
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.
MCF	One thousand cubic feet (natural gas volumetric measurement).
MMCF	One Million cubic feet.
MCFD	MCF per day.
NRI	Net Revenue Interest.
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.
Recompletion	After the initial completion of a well, the action and techniques of re-entering the well and redoing or repairing the original completion, or perforating another reservoir behind pipe higher or lower than the original completion to increase the well's productivity.
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.