

30 January 2015

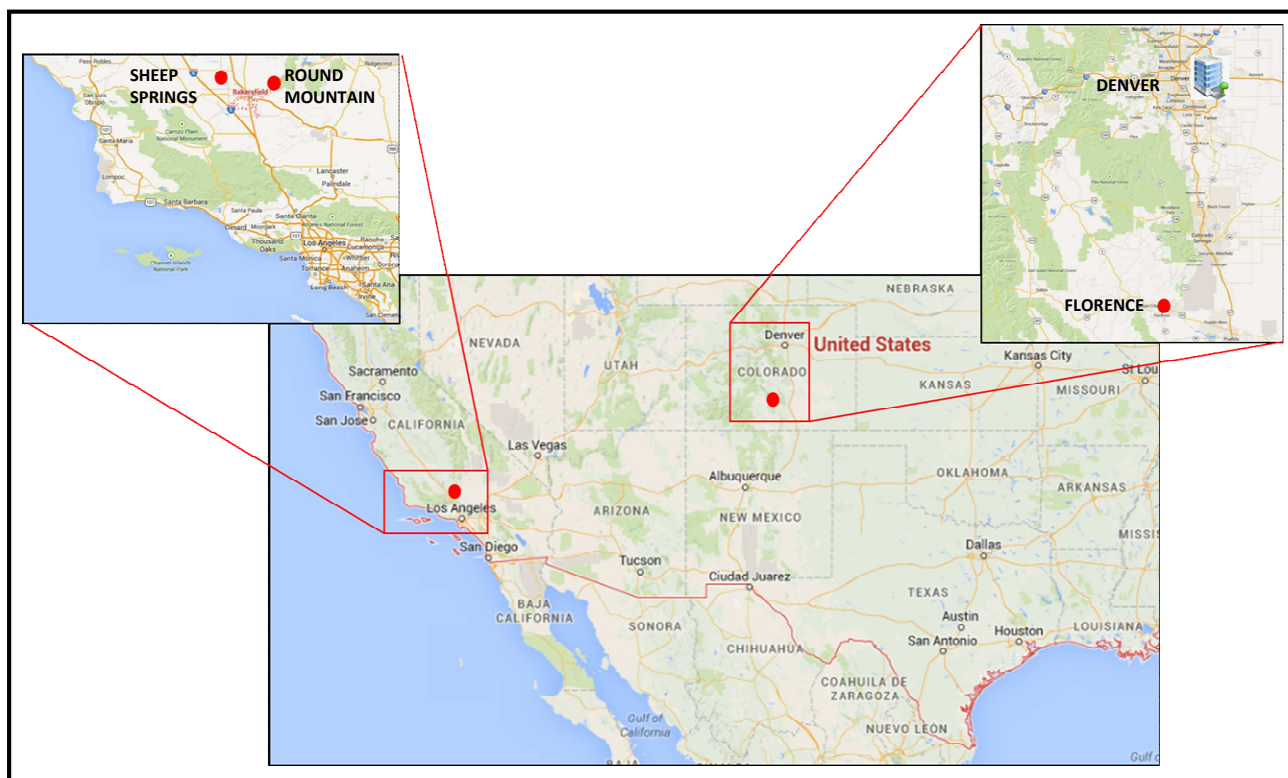
The Manager Companies
Company Announcements
Australian Securities Exchange
Level 40, Central Park 152-158 St George's Terrace
Perth WA 6000

ASX : IOG

QUARTERLY ACTIVITIES REPORT For the quarter ended 31 December 2014

HIGHLIGHTS

- Positive net cash flow for the quarter saw net cash on hand increase to US\$1.402M and debt reduced by US\$0.20M
- Increase in production from the Sheep Springs Field (Q4-14 avg - 77 boepd) to highest level in 2014
- The management team performed detailed due diligence on seven potential acquisitions in the quarter



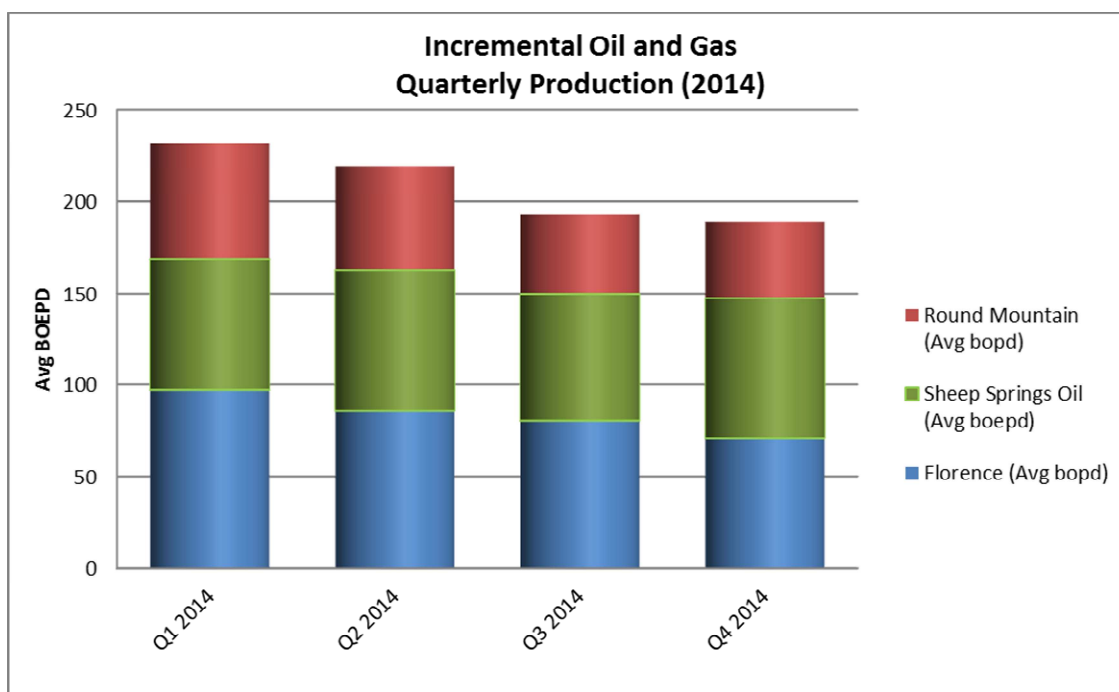
IOG Project Location Map

1 PRODUCTION

Details of cumulative production from Incremental's Oilfields in the last quarter and reference quarters are as follows:

	Q4 2014	Q3 2014	Q4 2013
Oil Production (Avg barrels per day)	183	187	247
Gas production that is sold (Avg 000's cubic ft/day)	244	39	66
Average daily production (barrels of oil equivalent - BOE)	224	193	258

In the last quarter, oil production was relatively stable compared to the prior quarter. The Sheep Springs Field achieved an increase in average boe production for the quarter with an increase in oil production and a return of gas production to a more normalised level after declines in 2014.



Florence Oilfield, Colorado

2 FLORENCE OILFIELD, COLORADO: (100% working interest)

There has been interest shown in Incremental's Florence Oilfield asset by a third party operator to review the seismic and well data from the deeper Niobrara horizons in the pursuit of a possible farm-out when commodity prices become more favourably. There has been no reported offset drilling activity surrounding Incremental's Florence leases in the last quarter.

Approximately 6,084 net acres are held by production or under lease as at the end of 2014. The decrease in net acreage held from 2013 (13,536) is a result of expiring leases and unmet drilling commitments.



Florence Oilfield, Colorado

3 SHEEP SPRINGS AND ROUND MOUNTAIN, CALIFORNIA: (100% working Interest)

Operations were normal at the Round Mountain Field in Q4-14. Average production for the field during the last quarter was 41 bopd, a decrease of 5% on the previous quarter. This decline is attributed to normal reservoir depletion. The Round Mountain water injection well accommodated 100% of the produced water during the last quarter which has had a positive impact on the field operating expenses.

The Sheep Springs Field saw an increase in oil production during Q4-14 with an average of 71 bopd compared to 63 bopd in the previous period. Production levels have increased from the field during the year and the Q4-14 output has been the highest quarterly production this year. A workover was undertaken on the C5 well in September which has resulted in increased production. We plan to increase gas production in Q1-15 by performing some infrastructure modifications and producing the SS#7 well.



Round Mountain – Smoot #1 well

4 BUSINESS DEVELOPMENT

Considerable time and resources have been invested in the identification and evaluation of new projects to acquire during Q4-14. The company undertook research and evaluation on seven projects in Wyoming, Oklahoma and Texas during this period. Some of these projects were attractive and met the criteria for assets to acquire. With a declining oil price during the quarter, bids were submitted to reflect the reality of valuation decline. After in-depth negotiations we were unable to come to agreeable terms on any acquisitions.

The M&A market for oil and gas assets in the USA is currently in an uncertain phase where assets that have positive cash flow are being tightly held. It is the Company's view that good quality assets will be offered up for sale by operators who are heavily leveraged and where banks apply pressure for debt reduction following loan redeterminations in H1-15. This is a great opportunity for IOG and we plan to take advantage of this as suitable asset come to the market. Acquisitions may be considered with equity partners to ensure that we have the best opportunity for success to participate in the purchase of any distressed assets.

5 FINANCIAL RESULTS AND CASH FLOW

Cash on hand at the end of Q4-14 was US\$1.402M (Q3-14 – US\$1.323M). Cash movement for the quarter (including comparison of previous quarter and prior year) is summarised as follows:

	Q4-14 US\$ '000	Q3-14 US\$ '000	2013 US\$ '000
Net proceeds from sales (after royalty interest payments)	\$1,133	\$1,410	\$9,521
Payments for production & administration	(\$836)	(\$752)	(\$4,877)
Leases & capital expenditure	-	-	(\$4,890)
Proceeds from issue of shares	-	-	\$112
Debt payments – principal and interest	(\$218)	(\$518)	(\$3,295)
Net cash increase/(decrease) for the period	\$79	\$140	(\$3,429)
Opening cash balance	\$1,323	\$1,183	\$3,970
Closing cash balance	\$1,402	\$1,323	\$541

Gross sales for the December 2014 quarter were US\$1.080 million (2014 full year - US\$6.363 million). There have been no significant development costs during the quarter and operating costs remained within budget.

With the decrease in the oil price, management continues to focus on cost control and maximising field efficiency and output. However, in the medium to long term, the acquisition of an earnings accretive project is seen as a priority to address long term growth.

The Company's average lifting cost for 2014 was approximately US\$16/Bbl. Royalties and production taxes are less than 20% on average across the fields that are operated. Based on these metrics these are cost effective fields compared to industry benchmarks.

With assets that have a low production decline rate and low operating costs, the company is in a position to maintain its operations while it seeks to acquire new growth assets.