

27 October 2016

ASX : IOG

## QUARTERLY ACTIVITIES REPORT

### For the period ended 30 September 2016

## 1 HIGHLIGHTS

- Q3-2016 average daily production of 695 BOEPD with September 2016 average daily production of 849 BOEPD
- 1200 MCFD Initial Production on 42-4F well - first Meeteetse Formation recompletion in the Phase II Work Program in the Silvertip Field
- Re-established 100 BOPD through well maintenance at Silvertip Field
- Net sales revenue increase by 7% over Q2-2016

## 2 PRODUCTION

Gross production across all fields in Q3-16 was 63,625 BOE, an average of 695 BOEPD. The recompletion of 42-4F well at the Silvertip Field on September 1, 2016 aided in increasing Incremental's September average gross production to 849 BOEPD.

Incremental's gross production from its oil and gas fields in the last two quarters (Q3-2016 and Q2-2016) and corresponding quarter (Q3-2015) are as follows:

|                                       | Q3<br>2016 | Q2<br>2016 | Q3<br>2015 |
|---------------------------------------|------------|------------|------------|
| <b>Gross Production</b>               |            |            |            |
| Oil production (Bbls)                 | 20,774     | 20,559     | 26,777     |
| Gas production (BOE) <sup>1</sup>     | 33,720     | 29,509     | 32,464     |
| NGL production (Bbls)                 | 9,429      | 8,795      | 13,970     |
| Total barrels of oil equivalent (BOE) | 63,923     | 58,863     | 73,211     |
| Average BOEPD                         | 695        | 647        | 796        |

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

The successful recompletion of well 42-4F in September 2016 increased the volume of gas processed and sold through the company's gas processing plant at the Silvertip Field. Since existing infrastructure was utilised, only minimal additional operating expenditures were incurred to extract and process this gas.

### 3 SALES REVENUE

**Net** volume sold<sup>2</sup> and **Net** revenue<sup>2</sup> for the last two quarters (Q2-2016 and Q3-2016) and the corresponding quarter last year (Q3-2015) are provided in the table below:

|                                                       | <b>Q3<br/>2016</b> | <b>Q2<br/>2016</b> | <b>Q3<br/>2015</b> |
|-------------------------------------------------------|--------------------|--------------------|--------------------|
| Oil Sold (Bbls)                                       | 17,069             | 17,449             | 21,050             |
| Oil Revenue (US\$)                                    | \$677,084          | \$687,663          | \$844,818          |
| Average Sale Price (US\$/Bbl) <sup>3</sup>            | \$39.67            | \$39.41            | \$40.13            |
|                                                       |                    |                    |                    |
| Gas Sold (MCF)                                        | 119,833            | 99,507             | 118,158            |
| Gas Revenue (US\$)                                    | \$312,514          | \$230,953          | \$342,982          |
| Average Sale Price (US\$/MCF)                         | \$2.61             | \$2.32             | \$2.90             |
|                                                       |                    |                    |                    |
| NGL Sold (Bbls)                                       | 8,316              | 7,181              | 11,204             |
| NGL Revenue (US\$)                                    | \$131,098          | \$120,130          | \$132,078          |
| Average Sale Price (US\$/Bbl) <sup>3</sup>            | \$15.77            | \$16.73            | \$11.79            |
|                                                       |                    |                    |                    |
| Total Net Barrels of Oil Equivalent sold <sup>4</sup> | 45,357             | 41,215             | 51,947             |
| Total Net Sales Revenue (US\$)                        | \$1,120,696        | \$1,038,746        | \$1,319,878        |

2. 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 revenue is Incremental's proportional share of the revenue after marketing and transportation fees and deductions.
3. Average Sale Price is net of refinery and transportation deductions.
4. Gas volume (MCF) is converted to Barrels of Oil Equivalent Sold (BOE) on a ratio of 6 MCF of gas to 1 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.

Average gas prices improved 13% in Q3-16 compared to the previous quarter. The increase of gas and NGL volume sold, coupled with the increase in gas prices led to an increase in gas and NGL sales revenue by 26%.

### 4 SILVERTIP DEVELOPMENT PROGRAM

The 42-4F well was successfully recompleted in the Meeteetse Formation on September 1, 2016 with a 5-day average initial production (IP) rate of 1,200 MCFD (30 day average 1,100 MCFD). The flowing casing pressure was greater than 400 PSI, indicating virgin pressure conditions with excellent flow characteristics.

Two wells were also recompleted successfully in the Mesaverde Formation. The results of these were below expectations and are undergoing further analysis of completion techniques to optimise production. Following to the success of the 42-4F well, Incremental is revising its near term strategy to focus on Meeteetse recompletions.

Incremental performed well maintenance in August 2016 to improve production efficiency and return 8 wells to production. These wells were focused on oil producing wells with 40 BOPD being returned back to production. There was also a corresponding uplift associated gas production.

Phase II Work Program at the Silvertip Field is ongoing with up to 13 recompletions expected in Q4 2016 (subject to permitting approvals).

## 5 CORPORATE

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A private placement, managed by Bell Potter Securities, raised A\$1.52M during the quarter. An Extraordinary General Meeting was held on 2<sup>nd</sup> September to ratify and approve the placement of these shares. All of the Directors participated in the placement purchasing 10.8% of the shares offered.

Capital raised from the placement is being utilized in part to fund Incremental's Phase II Work Program in the Silvertip Field. This program has already yielded positive results with production rates higher than projected and costs lower than budgeted.

The Managing Director, John Whisler, visited a number of fund managers and brokers in Sydney and Melbourne to provide an update on the progress made in the Silvertip Field. During this visit, Mr. Whisler made a presentation to investors at an event hosted by Canary Networks in Sydney. The interview is available at the following link:



[Interview with John Whisler, CEO, Incremental Oil and Gas Ltd](#)

## 6 CASH, AND BANK DEBT (Unaudited)

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

|                    |                                                                                                    |                     |
|--------------------|----------------------------------------------------------------------------------------------------|---------------------|
| Cash (US\$) -      | \$1,190,000                                                                                        | (Q2-16 - \$514,000) |
|                    | (Q3-16 cash balance includes final placement funds of ~US\$300,000 received after the quarter end) |                     |
| Bank Debt (US\$) - | \$8.032M                                                                                           | (Q2-16 - \$8.272M)  |

**Media Contacts:****Australia –**

Simon Adams, CFO

email : [sadams@i-og.net](mailto:sadams@i-og.net)

Phone : +61 (08) 6144 0590

Mobile : +61 (0)439 845 435

**USA –**

John Whisler, Managing Director

email : [jwhisler@i-og.net](mailto:jwhisler@i-og.net)

Phone : +1 (720) 763-3183

**Web site:** [www.incrementaloilandgas.com](http://www.incrementaloilandgas.com) **Twitter:** @IncrementalOG

## GLOSSARY

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|              |                                                                                                                                                                                                                                                                            |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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

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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.