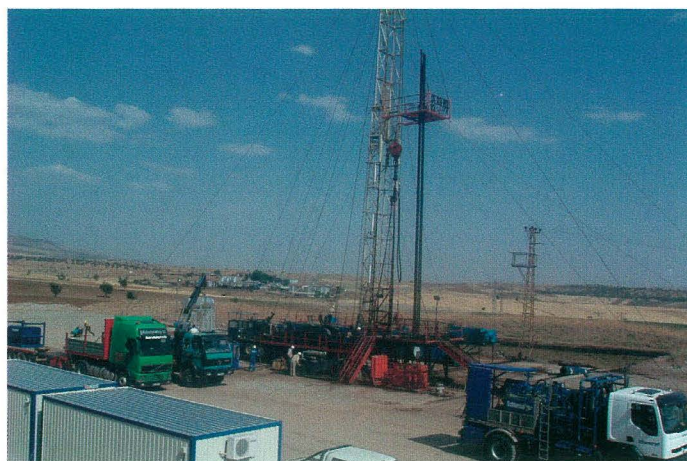


Incremental Produces 132,511 bbl From Selmo Field, Turkey



The Selmo oilfield is the second largest oilfield in Turkey by cumulative production. It has estimated oil initially in place of approximately 500 MMbbl, with a low recovery factor, about 82 MMbbl produced to date.



New rig in operation at Selmo oilfield, setting a cement plug in Selmo-41. The Selmo production facilities are in the background.

Incremental Petroleum's 100% owned Selmo oilfield in Turkey has produced 132,511 bbl of oil in its third quarter of operation. The company has reported revenues from oil sales of over \$10 million in the quarter, with net cash on hand of \$9.5 million and receivables of \$7.1 million at 30 June.

"We are again very pleased with the performance of the Selmo field during this quarter", Chairman, Chris Cronin, said. "Although production levels were below target in April, due to labour problems related to renegotiation of the industrial agreement covering field staff, field operations returned to

normal in May. The continuing high oil prices and steady production have kept us strongly cash flow positive during the quarter."

"Having built up a substantial cash reserve during past quarters, we decided to use cash flow from the second quarter's activities to purchase a drilling rig for the site, in addition to the workover rigs acquired with the Selmo purchase."

Cronin said the Perth based company has commenced an ultra-short-radius drilling programme, planning to re-enter six vertical wells and target horizontal completions with

the aim of boosting production. "With the current ultra-short-radius drilling programme we wanted to be sure we would have the capacity to see this and future programmes through without undue reliance on external providers. The rig is performing very well and we regard it as a valuable long term asset."

Cronin said he expected the \$1.3 million rig will be a major facilitator of flexibility and efficiency in future field enhancements and regional drilling projects. "Current savings against a contracted rig for current operations are approximately \$US 4,300 per day."

Incremental was formed by a syndicate of petroleum industry experts and, after a successful \$61 million capital raising and associated IPO, listed on the Australian Stock Exchange on 20 October 2005.

Cronin said its key strategy is to acquire low risk, ageing, producing oilfields and apply world-class technical expertise to increase production and recoveries. Incremental's major asset is the Selmo oilfield in Turkey, the second largest oilfield in Turkey by cumulative production.

"The field has estimated oil initially in place of approximately 500 MMbbl, with a low recovery factor, about 82 MMbbl produced to date. There are 47 wells at Selmo, 22 of which are still producing. The oil is sold at the field gate and sent by pipeline direct to a refinery 40 km away."

"There is considerable scope for improved production and recovery at Selmo – an oilfield which has a long life and provides an excellent net cash flow." Incremental has offices in Perth, Western Australia, and in Istanbul and Ankara in Turkey. ■