

Release Date: 29 January 2016
ASX Announcement

Quarterly Report for the period ending 31 December 2015

Release Date: 29 January 2016, Melbourne, Australia:

Highlights

- Letter of Intent received to sell entire company assets for USD\$20m cash (AUD\$28m)
- Share Purchase Plan completed/Placement of shortfall well advanced
- Testing of a number of zones in the first horizontal well completed
- Planning and selection of second well location underway

It has certainly been a busy year for American Patriot in 2015 albeit set against the backdrop of the volatile oil market and some of the worst conditions in recent memory. Despite this situation your company has recorded a number of highlights and is in a good position.

In late September 2015 AOW received a Letter of Intent for the sale of the entire oil and gas assets of AOW for US\$20m cash (AUD\$28m) to a private US oil company, Edward Mike Davis, LLC. We were pleased to have received this approach from a significant private US oil company for the entire assets of American Patriot at this early stage in the development program. The offer demonstrates the quality of AOW's portfolio of assets and validates the company strategy, particularly in the current challenging market environment. However we believe this offer was opportunistic in the current oil price environment and substantially undervalues the potential value of AOW assets.

Accordingly, the board believed that is in the best interests of shareholders of AOW to focus on the performance of the assets to realise the significant value and to continue discussions with potential bidders to extract a higher offer price for the assets.

American Patriot's business model continues to be robust, even during volatile oil markets. We will continue to focus on delivering on this model for our shareholders and to grow the business by looking for quality, low cost, early entry acreage plays in proven oil fields with **no drilling commitments**. We will also look to maximise value and protect shareholder funds by entering into joint ventures with high quality US operators who pay for the drilling costs on our projects. Other companies with drilling commitments have had to pay significant amounts in this current market to defer these drilling commitments in order to not lose their acreage.

In these difficult times the AOW share price has held up well against other comparable oil companies and this is a testament to our strategy and our tight shareholder register focused on executing this strategy. Numerous other oil and gas companies are trading at 1/5th of what they were trading at 15 months ago and a number have entered administration. Billions of dollars have been wiped off the market capitalisation of ASX commodity companies.



However, whilst we have held up well our share price is not where we would like it to be and success for your company will only be measured by selling for a multiple of the IPO price. In line with our previous track record, we are focused on that plan.

Since listing, we have grown the business significantly increasing our key Northern Star project acreage position from 36,000 to over 61,000 gross acres adding a valuable asset to the business. Importantly there are no drilling commitments for AOW as the wells are paid for by our JV partners. This is part of a four well program that has the potential of unlocking a significant new tight oil resource, adding significant acreage value for shareholders. We structured the JV like this as in previous successful oil resource projects, companies have taken three to four wells to determine the optimal drilling completion techniques to prove the oil play. This is required in order to understand the geological properties of the rocks and to develop a successful drilling programme.

Other oil companies pay for their own drilling commitments which can put those companies under significant financial strain. This can also limit the company's flexibility as to when and how they meet their drilling commitments, often forcing them to undertake financing transactions at a time of weakness in the company. AOW is not in that position.

Our business plan is straightforward: we lease acreage cheaply, prove it as a resource project and then look to sell it for a multiple of that price. AOW is working to prove up our key Northern Star project in a focused drilling campaign and then sell that acreage at a multiple of the company's current market value. We will then return the capital to shareholders as a special dividend or sell the entire company and look to repeat the model with proven US operators as JV partners. This is a proven model used by other successful US oil and gas companies who have sold assets, paid a special distribution to shareholders and then repeated the process. Our JV partners are aligned with this strategy.

Across the rest of our portfolio in our Rough House project in Colorado and Panther project in Montana we have acquired over 21,000 gross acres since listing. **This acreage is a significant asset for the company and comes with no drilling commitments.** AOW is in the fortunate position that it can always sell this asset or farm down to an industry partner to realise the value on this acreage. To that end, we are in advanced discussions with potential JV partners on both these projects and expect to close a JV transaction in early 2016.

AOW's management team is also working hard to significantly lower the Company's cost base and drive efficiencies within the business so it can continue to grow in an environment of lower oil prices. During the quarter we commenced cost cutting and are focused on improving our balance sheet so we have the financial flexibility to take advantage of the expected oil recovery in the near term.

We thank our shareholders for their support of the recently completed Share Purchase Plan (SPP) which raised \$409,000 and we are already well advanced on successfully completing the shortfall placement with commitments received from a number of institutions. The first allotment of shares under the shortfall was completed on 22 January 2016 with the placement of 13,883,006 shares raising \$1,943,621 and the finalisation of the shortfall placement is expected by early February with strong demand indicated from a number of institutions. All directors purchased their full entitlement of \$15,000 each under the share purchase plan demonstrating their support of the



AOW strategy. The funds raised will be used to fund the acquisition of low-cost, high potential acreage in the key Northern Star project and to strategically expand the rest of the portfolio. We believe this acreage will have the potential to sell for a multiple of our low entry price.

Mr Jim Angelopoulos resigned as a director of AOW in November. Jim was a founding shareholder of AOW and was instrumental in the IPO and listing of the company. The board would like to thank Jim for his dedicated service to American Patriot. At this point in time he will not be replaced.

Finally, we thank our shareholders for the continued support of the company, we acknowledge it is difficult times in the sector and we are determined to successfully execute on the AOW strategy in the near term selling the company at a multiple of the current share price. That is how success will be judged for this company

Share Purchase Plan Completed

The Directors of American Patriot Oil & Gas Limited announced that its Share Purchase Plan (SPP) closed on Monday the 14th of December 2015. Total applications for 2,921,443 SPP Shares and 1,460,737 Attaching Options were received, raising gross proceeds of \$409,000.

The SPP offered eligible shareholders the opportunity to invest up to \$15,000 in fully paid ordinary shares in AOW at \$0.14 per share. Eligible shareholders that participated in the SPP are entitled to one free attaching option for every two SPP Shares subscribed for (Attaching Options). The Attaching Options are exercisable at \$0.25 on or before the 20th of October 2018. AOW will seek to have the Attaching Options quoted on the ASX. The SPP Shares and Attaching Options were issued on Tuesday the 22nd of December 2015, with holding statements dispatched to shareholders on 23 December 2015.

The total number of securities available to eligible shareholders under the offer was 43,264,887 SPP Shares and 21,632,443 Attaching Options, resulting in a shortfall of 40,343,444 shares and 20,189,562 Attaching Options (Shortfall Securities). The Shortfall Securities will be offered to sophisticated and professional investors in a separate placement (SPP Shortfall Placement) to raise a further \$5,648,082. Capital Investment Partners Pty Ltd has been appointed to the role of Lead Manager to the SPP Shortfall Placement on a best endeavours basis, with the placement to be conducted no later than three months after the closing date of the SPP. The first allotment of shares under the shortfall was completed on 22 January 2016 with the placement of 13,883,006 shares raising \$1,943,621 and the finalisation of the shortfall placement is expected by early February with strong demand indicated from a number of institutions.

Northern Star Project, - 12,602 net acres Valley County, Montana

The initial testing phase of the first unconventional horizontal well in the Northern Star Project in Montana, USA (the "Project") has been completed. Perforation, acidisation and swabbing of 4 zones in the well has indicated that further testing including a possible frac job, will have to be implemented. The well was tested in 4 zones with various strengths of acid, completion fluid combinations and injection rates and recoveries indicate that the reservoir was tight. Accordingly, it has been determined that further evaluation of the current test results needs to be completed before further testing is initiated including a potential frac job.



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Planning is currently underway for the site selection of the second horizontal well, with drilling and testing expected by Q1 2016. The lessons learnt from the first horizontal will be used in the testing process of the second well. AOW has a 21.5% working interest in these wells. AOW is carried on all costs of drilling and completing these first two horizontal test wells.

We are encouraged by the early results and the indication of a potential oil resource and whilst further testing is required, this was expected in these early test wells as the geological properties are analysed and optimal completion methods are determined. The lessons learnt from this well will be used in the next well which is currently in advanced stages of planning. Importantly, AOW is free carried with no cost caps on the first two horizontal wells.

Rough House Project, 11,291 net acres DJ Basin, Colorado

AOW is in well advanced discussions with potential JV partners on the (Rough House project) Colorado acreage and is looking to close a JV transaction in early 2016.

Panther Project, 10,293 net acres, Garfield County, Montana

AOW holds 12,430 gross acres/10,293 net mineral acres on the Panther project in Garfield County, Montana. AOW is in the process of actively marketing this project to potential JV partners. Detailed analysis suggests the project has significant conventional oil resource potential with a number of identified high impact drillable targets at shallow depths. Vertical wells can be drilled cheaply and are economic at low oil prices.

Current Petroleum tenements as at 31 December 2015

United States Acreage	Location	Working Interest	Joint Venture Partner	Gross Acres Held at 31 Dec 2015	Acres acquired during the quarter
Northern Star (includes 319 leases)	Montana	Depth Dependent	Treasure Exploration/Anadarko Minerals	62,443	-
Panther Prospect (includes 28 leases)	Montana	100%		12,430	-
Southern Sun (includes 6 leases)	Utah	100%		3,728	-
Overthrust (includes 1 lease)	Wyoming	100%		640	-
Rough House (includes 21 leases)	Colorado	100%		23,861	6,766

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About American Patriot Oil and Gas

American Patriot Oil and Gas (AOW) is an oil and natural gas exploration and development (E&P) group headquartered in Melbourne, Australia with a U.S. office in Denver Colorado. The company has approximately 40,466 net mineral acres under lease across 5 key projects. The projects are geographically focused on tight oil exploration and development opportunities in the Rocky Mountain Basins. Since its establishment, AOW has assembled a portfolio of prospective oil and gas exploration assets in the USA and has completed joint venture agreements on its key Northern Star asset in Montana with US based partners. AOW's business model is to internally generate prospects using geological knowledge, capture significant land positions at a low cost, and then reduce or remove risk capital exposure through a farm-out of a majority interest to a qualified US operator in a cash and carry deal. The directors of AOW all have significant experience with public companies in the oil and gas industry and will use their experience and energy to build an outstanding oil and gas production and exploration company.

AOW project map:

