

Quarterly Report for the period ending 31 March 2016

Release Date: 29 April 2016, Melbourne, Australia:

Highlights

- **Unsolicited takeover bid from Running Foxes Petroleum at \$0.22 per share**
- **Bid received in a challenging and volatile oil market**
- **Running Foxes conducting Due Diligence**
- **SPP shortfall placement closes fully subscribed, with a total of \$6.05m raised**
- **Farm-out with Running Foxes Petroleum Inc (RFP)**

During the quarter, American Patriot Oil & Gas Limited (**AOW**) received an unsolicited takeover bid for all of the shares in American Patriot Oil and Gas Limited (**AOW**) from Running Foxes Petroleum Inc. (RFP).

The takeover bid is a cash offer of \$0.22 per share for all the shares in AOW valuing the company at \$35m at the time of the bid. This is subject to the following conditions, the Bidder holding a relevant interest of over 90% of shares in AOW, and due diligence by Running Foxes Petroleum. The Board of RFP is attracted to the assets of AOW, the JV partnerships established and firmly believes its offer is highly attractive to AOW shareholders in the current oil market. Since the recent farm in agreement on the Rough House project in early February 2016, RFP has become increasingly attracted to the assets of AOW.

On 8 March 2016, Running Foxes Petroleum Inc. advised that it has commenced the due diligence process on its proposed acquisition of American Patriot Oil and Gas Limited following the unsolicited takeover bid announced on the 23rd of February, 2016.

The board of AOW is considering the takeover offer by RFP and will provide further advice in the near future. In the meantime, shareholders are advised to take no action in relation to the offer as the board are approaching major shareholders to determine their interest in the offer and ascertain if the minimum acceptance level can be achieved. Capital Investment Partners is advising AOW in relation to the takeover bid. In addition to the ongoing discussions with RFP, AOW is also in discussions with a number of other interested parties and will keep shareholders fully informed on the progress of these discussions.

RFP is a significant private energy company backed by private equity and has operated for the last 20 years. RFP has discovered a number of significant oil fields and has a number of producing oil fields on shore USA. To receive an offer from Running Foxes for the entire company in the worst oil market of all time is testament to the quality of the assets and the business model we have created.

We continue to deliver on American Patriot's JV business model which is proving to be robust, even during volatile oil markets. This offer follows on the approach from a significant private U.S. oil company for the entire assets of American Patriot only in late September 2015 when 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.

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.

Share Purchase Plan Completed

On the 29 February 2016, we successfully closed the placement of the shortfall of the Share Purchase Plan to sophisticated and professional investors (**SPP Shortfall Placement**). Total funds commitments received from investors exceeded the placement limit. The total raised under the SPP Shortfall Placement and the SPP was \$6,054,076.56, resulting in the issue of 43,243,404 shares at \$0.14 cents per share. Free attaching options of 21,621,725 were also issued exercisable at \$0.25 on or before the 20th of October 2018. Capital Investment Partners Pty Ltd completed the placement as Lead Manager to the SPP Shortfall Placement.

To receive such overwhelming support from both existing shareholders and new investors for the SPP is a significant endorsement of the AOW strategy. To achieve this result in the current oil market is a remarkable achievement and we thank our shareholders, new investors and Gavin Argyle and the team from Capital Investment Partners for their significant support of the SPP. 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 AOW portfolio. We believe this acreage will have the potential to sell for a multiple of our low entry price.

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 (**SPP Shares**). Eligible shareholders that participated in the SPP and SPP Shortfall Placement were 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.

The total number of securities available to eligible shareholders under the SPP offer was 43,264,887 SPP Shares and 21,632,443 Attaching Options. Under the Share Purchase Plan AOW raised gross proceeds of \$409,002.02, consisting of total applications for 2,921,443 SPP Shares and 1,460,737 Attaching Options. This resulted in a shortfall of 40,343,444 SPP Shares and 20,171,706 Attaching Options (**Shortfall Securities**). As per the ASX announcement on the 10th of November 2015, the Shortfall Securities were offered to sophisticated and professional investors in a separate placement (**SPP Shortfall Placement**) to raise a further \$5,648,082.16. Capital Investment Partners Pty Ltd was appointed to the role of Lead Manager to the SPP Shortfall Placement on a best endeavours basis.

Settlement of the placement for tranche 1 of the SPP Shortfall Placement of 13,883,006 SPP Shares and 6,941,508 Attaching Options occurred on the 22nd of January 2016, raising a total of

\$1,943,620.84. The Company issued the Shortfall Securities for Tranche 1 on the 22nd of January 2016, with holding statements dispatched to shareholders on the same day.

Settlement of the placement for tranche 2 of the SPP Shortfall Placement of 26,438,955 SPP Shares and 13,219,480 Attaching Options occurred on 26th of February 2016, raising a total of \$3,701,453.70. The Company issued the Shortfall Securities for Tranche 2 on the 26th of February 2016, with holding statements dispatched to shareholders on the same day.

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 were 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.

Northern Star Project, - 12,000 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. Early analysis of the testing is encouraging and indicates the well has significant potential and the JV will look to further test the well.

Planning is currently underway for the site selection of the second horizontal well, with drilling and testing expected by H2 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, 4,508 net acres DJ Basin, Colorado

On February 3rd 2016 AOW announced a new farm out with Running Foxes Petroleum. American Patriot Oil & Gas Limited (**AOW**) signed a new 5 well JV agreement with Running Foxes Petroleum Inc (RFP) a private oil company based in Denver, Colorado USA. The new JV covers the entire Rough House project acreage located in the Denver Julesburg (DJ) Basin, Colorado, USA. RFP has discovered a number of major producing oil fields in the region including the landmark Arikaree creek oil field (one of the original discoveries of the Mississippian play in the DJ basin) and a number of the AOW leases lie within and adjacent to the Arikaree Creek oil field.

RFP was attracted to the acreage after AOW identified numerous prospects under its leases utilising existing 3D seismic data which AOW was able to obtain for no cost. The JV was

established after technical due diligence by RFP confirmed the potential of these prospects. Subject to permitting, RFP is expected to drill the first well in Q3 2016 (AOW free carried) and the second well should follow shortly thereafter. Under the agreement, AOW has agreed to assign a 70% working interest in the Rough House Project to RFP upon completion of two commitment wells, with an option to drill three additional wells.

To partner with an operator with the experience of Running Foxes Petroleum is a significant achievement for American Patriot, particularly given the current oil market. RFP has discovered a number of significant producing oil fields in the region including the renowned Arikaree creek oil field which is currently producing and economic at today's oil prices. The participation of RFP validates our strategy and the quality and potential of the acreage at the Rough House project which AOW acquired at an early stage over the last two years. RFP has significant on ground operational and development expertise in Colorado owning its own drill rig fleet and workover units that will be the key to the commercialisation of our assets. Importantly we have established an Area of Mutual interest with RFP to jointly acquire additional acreage and future joint venture opportunities. We welcome RFP as partner on the project and look forward to drilling the initial wells as we enter a new phase of monetising these assets.

Current Petroleum tenements as at 31 March 2016

United States Acreage	Location	Working Interest	Joint Venture Partner	Gross Acres Held at 31 Mar 2016	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%		3,719	3,078
Rough House (includes 21 leases)	Colorado	100%		24,181	320

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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 33,993 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:

