

Release Date: 29 July 2016
ASX Announcement

Quarterly Report for the period ending 30 June 2016

Release Date: 29 July 2016, Melbourne, Australia:

Highlights

- **AOW and Running Foxes Petroleum (RFP) enter into expanded JV agreement to jointly acquire producing assets**
- **Due diligence well advanced on first acquisition including infill drilling potential**
- **Drilling targeted for Q3 2016 on the AOW's Rough House Project (AOW free-carried)**
- **Board has advised RFP that minimum acceptance for its \$0.22 per share bid will not be achieved**

During the quarter the board of American Patriot (AOW), in consultation with major shareholders, advised Running Foxes Petroleum Inc. (RFP) that the recent proposal to acquire all of the shares in the AOW, announced to the market on 23rd of February 2016, will not achieve the minimum acceptance level and it undervalues the Company given the upside potential of AOW's development projects. It also comes at a low point in the oil price cycle, with the board determining that the best way forward is to seek to acquire additional producing oil properties with infill drilling potential whilst a number of attractive, distressed assets are on the market.

Following RFP's completion of successful due diligence on AOW's current assets, AOW and RFP have negotiated an expanded Joint Venture Agreement (JV) to focus on the acquisition of a number of attractive conventional oil production assets which have significant infill drilling potential. The area of focus for acquisitions is within the mid-continent basins of the US. AOW believe this is the best opportunity to maximise value for shareholders and due diligence on the first asset is well advanced. American Patriot expects to provide an update to the market on the progress on this within the next few weeks.

We appreciate the patience of shareholders during the takeover proposal, however we believe our joint acquisition strategy has the potential to unlock significant value for AOW shareholders in the near term given the number of attractive, distressed properties we have sourced.

Drilling will shortly commence on the five well programme at the Rough House Project located nearby the Arikaree Creek Oil field, with AOW free carried by RFP on the first two wells. This area has seen significant drilling success with a number of significant discoveries, and to partner with an operator with the experience of Running Foxes Petroleum (who discovered the ~1400bopd Arikaree Creek oil field) bodes well for success in this drilling programme.

RFP has advised that they are focused on pursuing the drilling of the first well in the Rough House project with the first well spudding in Q3 2016 and the second in early 2017. This region has seen a number of significant successful oil discoveries producing from the same target formations

including Night Hawk Energy producing around ~1,400 BOPD and Wiepking-Fullerton's successful Aloha Mula #1 well - Initial Production ~1500 BOPD.

RFP is operator on the JV which is split RFP 70%/AOW 30%. RFP is to carry AOW on two wells to the tanks with the option to drill three additional wells with the JV covering an acreage position of over 24,221 gross acres/ 15,026 net acres with the majority of the acreage in Washington and Lincoln Counties. This is a conventional oil play with significant nearby successes drilling cheap vertical wells with attractive economics at current oil prices. There are multiple play concepts and reservoir targets with conventional vertical wells producing from Carboniferous reservoirs.

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.

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. 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.

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 planning 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 30 June 2016

United States Acreage	Location	Working Interest	Joint Venture Partner	Gross Acres Held at 30 Jun 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%		2,598	(1,121)
Rough House (includes 21 leases)	Colorado	100%		24,181	-

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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 32,872 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:

