

Release Date: 27 January 2017
ASX Announcement

Quarterly Report for the period ending 31 December 2016

Release Date: 27 January 2017, Melbourne, Australia:

Highlights

- **Completing due diligence on a number of additional oil & gas production transactions**
- **All production assets with reserves, shut in production and infill drilling upside**
- **AOW Terminate Westworld Transaction**

American Patriot is currently undertaking due diligence to acquire a number of oil and gas producing properties using AOW script with a number of deals under review at the moment. All assets are production assets with significant reserves, shut in production and infill drilling upside as we look to build an oil and gas production business. We are in advanced stages of review of these opportunities and will update the market at the appropriate time.

We will continue to undertake thorough due diligence on all assets and will not acquire assets which do not pass our strict criteria in order to protect AOW shareholders. This process will take some time to find the right assets for the company as we need to ensure the production and reserves are accurate and there are no hidden liabilities on the assets we acquire. We will not complete a transaction simply for the sake of it and will always undertake full due diligence. In addition to this as oil rebounds the value of our existing core acreage portfolio should be a valuable asset for American Patriot.

American Patriot announced during the quarter that it had terminated the Westworld transaction. We undertook extensive due diligence on the West-World transaction assets located in Utah and Texas. Due diligence in phase one included completion of a site visit and technical due diligence of the asset including review of any existing environmental liabilities and independent technical confirmation of the reserves and production potential on the assets.

Our technical advisers conducting the independent review of the assets discovered previously undisclosed environmental liabilities existing on the assets. In addition to this the reserves and production potential on the assets were significantly lower than estimated in the reserve report and other key technical information. We endeavoured to discuss these concerns with the sellers however they could not overcome our key concerns. The LOI on this transaction has expired and we continued to negotiate post the expiry to overcome the key risks including the oil reserves, production potential and liabilities on the assets however we were unable to do so. Unless we can get comfort with these issues we will not be progressing with the transaction including phase 2. This decision is in the best interests of protecting AOW shareholders. In addition to this any proposed US based board or executive appointments who were to be the operators of these assets will also not be proceeding at this point in time.



AOW remains in a strong cash position and by using AOW stock to acquire the production assets we will preserve the cash in AOW. In addition to this we are well down the path of listing on the US stock market with the process expected to close in early 2017. Completion of this will be important as we acquire US production assets and look to attract further US investors.

We would like to thank our shareholders for their ongoing support of the company and we appreciate their patience as we look to execute on our company strategy in 2017.

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") in the well 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.

The JV partner was expected to drill the second horizontal well, in H2 2016 however this is behind schedule and they have not completed their well commitment. We are currently in discussions on the future plans for this acreage.

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.

Subject to permitting, RFP was expected to drill the first well in the 2H 2016 (AOW free carried) and the second well should follow shortly thereafter. We are awaiting guidance from RFP on when the first well will be drilled. 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.

Current Petroleum tenements as at 31 December 2016

United States Acreage	Location	Working Interest	Joint Venture Partner	Gross Acres Held at 31 Dec 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 3 leases)	Wyoming	100%		2,598	-
Rough House (includes 21 leases)	Colorado	100%	Running Foxes Petroleum	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 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.