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ASX Announcement

AOW CLOSSES SECOND TEXAS OIL AND GAS ACQUISITION

- Acquired conventional oil producing assets in Texas out of Chapter 11 Bankruptcy
- 50 barrels of oil per day with minimal rework will increase to over 150bopd
- 300,000 barrels proven oil reserves/USD\$11m revenue - independent reserve reports
- AOW on track to be cash flow positive end 2017
- A number of new additional Texas deals sourced & closing in Q4 2017
- AOW backed by US based debt funder for this and future acquisitions

American Patriot Oil and Gas has acquired additional conventional oil and gas assets in Texas known as the Lost Lake and Goose Creek Oil fields, consisting of 50 barrels of oil a day of conventional production (bopd) with significant upside potential. The asset contains 300,000 barrels equivalent proven oil and gas 1P reserves certified by independent reserve reports. These reserves have been acquired for US\$430,000 and are estimated to have the potential to generate USD\$11m revenue with a PV10 value of \$USD3m. The assets have been acquired out of Chapter 11 Bankruptcy from the major lender Solstice Capital LLC.

This transaction is part of tranche two of the recently announced assets acquired. Combined with the other assets we have recently acquired we are on track to achieving production of 300boepd by the end of 2017 with 1 million barrels of proven oil and gas reserves certified by independent reserve reports. This will generate approximately \$30m USD revenue at current oil and gas prices over a period of time.

The assets are being acquired using existing AOW cash plus funding from a significant US based funder which is partnering with AOW to acquire these and additional future conventional assets.

The Lost Lake and Goose Creek Oil fields acquired in this transaction are located in Harris and Chambers Counties Texas. Both fields are mature legacy assets with current daily production of 50bopd shut-in, with significant proven behind pipe pay that has not yet been exploited with the ability to grow production significantly for minimal capital expenditure. There is also substantial workover and behind pipe potential on the existing wells. Importantly all the existing infrastructure is in place consisting of pump jacks, tanks, batteries and piping. The asset requires minimal workover expenditure to bring these fields back to life and the field consists of 37 recompletions and underdeveloped wells with significant potential in these mature legacy fields. AOW will be operator of this asset with the existing owner assisting with this process. Operating costs in this region are approximately \$22/bbl so the wells are economic down to a low oil price.

American Patriot CEO Alexis Clark commented: *"We have been working on this deal for almost 12 months as the asset moved into bankruptcy extending the timelines, so completion of the transaction is a satisfying outcome given the work involved"* *"Due to the distressed nature of the*

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acquisition we have acquired the assets at a low cost entry point, with significant reserve potential and upside which the previous owner was unable to exploit. We can quickly restart the 50bopd shut-in production at a low or minimal cost and generate immediate cash flow. The upside potential is also readily achievable with workovers at low cost, which will double or triple production in the next 12 months”

“On this deal and the other transactions we have completed we see substantial opportunities to lower the Lease Operating Expenses and achieve further cost efficiencies such as through the use of solar power in the field vs diesel to increase the net cash flows on the assets. We will have more information on these initiatives in the coming months”

“This is the second acquisition of many and following our recent trip to the US we have sourced a number of attractive new target assets, as we look to deliver on the strategy of aggressively building a producing conventional oil business with well over 1000bopd production in 2018” This is all underpinned by a growing reserve base.”

“With the pipeline of deals we have in place American Patriot is now a growing US oil and gas production company with an immediate and growing cash flow and reserve base in Texas - the heart of the US oil industry fully supported by our US based funders. We are now well on the path to being cash flow positive by the end of 2017 and importantly we are now demonstrating a track record of success in execution by closing and funding conventional production deals. We have a number of additional transactions in the pipeline set to close in the second half of 2017, which will further accelerate the production growth and reserves of American Patriot.”

Further details on the acquisition are as follows:

Lost Lake & Goose Creek Oil Field

Lost Lake/Goose Creek acquisition includes 50 bopd shut in and 1P proven reserves of 300 mboe. The assets have been acquired from the major lender Solstice Capital LLC at the Bankruptcy court in Houston Texas and consist of the assets owned by OTeX Resources LLC a Texas limited liability company in Chapter 11 Bankruptcy. The assets consist of 65 oil wells covering approximately 340 leasehold acres HBP at 100% GWI/average 75-81% NRI in Harris and Chambers counties Texas.

The Lost Lake field is located in Chambers County and encompassed the entire Lost Lake Salt dome. Wells produce from the shallow Miocene zones with cumulative production of 1.37 million barrels of oil and 230 million cubic feet of gas since first production in the 1970's. Existing 2D seismic has identified 8-10 additional infill drilling sites upon the leases. The primary objective is to return the shut-in wells to production and rework behind pipe zones.

The Goose Creek Field is located in Baytown Texas. The wells produce from the shallow Miocene at depths from 1200 to 3860 feet. Cumulative production of 1.8 millions barrels of oil has been recovered since the first production in the 1950's. Rework of the shut-in wells should result in daily production increases in the range of 25-30bopd per well at minimal capex to rework the wells. In addition there are numerous additional locations for infill drilling targeting 50 to 100bopd



per well targeting additional reserves of 300,000 barrels of oil. The producing wells are fully equipped while many of the shut-in wells have tubing and or rods in them.

American Patriot is now listed on the US OTC QB market and the ASX and we will also be looking to up list to a significant US stock exchange in the next 12mths.

Acreage Map

The acreage is located in Texas:



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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 28,256 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 U.S. 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 U.S. operator in a cash and carry deal.