

AOW COMPLETES COMPANY MAKING ACQUISITION IN UTAH AND TEXAS

Highlights

- **Acquiring 100% of oil and gas assets owned by US private oil companies**
- **Includes gas plant & pipeline ex Delta Petroleum assets**
- **4.3mmboe 1P reserves certified by independent reserve reports from Tier 1 certifier**
- **US\$90m future revenue at \$45 oil price with potential to grow and expand**
- **90 boepd set to grow to +800boepd by mid-2017 – AOW cash flow positive end 2016**
- **All stock transaction escrowed for 18months from closing expected in 60 days**

American Patriot Oil and Gas has executed a Letter of Intent with two Private US companies (the sellers) to acquire 100% of these companies' oil and gas assets. The transaction includes 22,311+/- net acres in Utah (100% WI/ 85% NRI) in Grand and San Juan Counties and 356 net acres in Texas (66.67% WI/58.3% NRI) in Gaines County. Gaines County is located in the middle of the Permian Basin and adjacent to recent transactions of QEP Resources, Inc \$US600m cash purchase of 9,400 net acres in Martin County, TX at a price of US\$65k a net acre; and SM Energy Co's US\$980m purchase of Permian acreage at a price of US\$39k per net acre.

The purchase includes over 23 well bores and 90boepd of existing conventional production with the ability to grow production to over 800boepd by mid-2017 for minimal capex spend restarting shut in production. Importantly as a part of the transaction, American Patriot will also acquire key strategic mid-stream assets: an existing gas plant and 25-mile pipeline previously developed by Delta Petroleum within the Prospect. The selling companies also deliver minimum reserves of 3.2mm bbl oil and 6,700 mmcf gas 1P Reserves supported by a fully independent reserve report completed by a Tier one reserves certifier. As a part of the transaction, American Patriot is able to obtain its own independent reserve report from a third party engineer.

The acquisition has been funded using all script of AOW and will result in AOW issuing 139m shares to the selling entities to fund the 100% acquisition of all the oil and gas assets and mid-stream assets of the selling entities. The stock issued to the selling entities will be escrowed for 18mths. Post completion of the transaction, the selling entities will control 40% of the combined entity. The Selling entities will be granted 2 board seats on American Patriot Oil and Gas and American Patriot will have 2 board members. Details on the appointment of the US board members will be provided in coming weeks. The transaction is subject to full due diligence and is expected to close in less than 60 days. American Patriot will also seek to list on the US OTC market in the near term and also look to dual list on a significant US stock exchange in the next 12mths.



American Patriot CEO Alexis Clark commented: *"This is a landmark transaction for American Patriot to acquire Paradox and Permian Basin Oil and Gas assets fundamentally transforms the company putting it on the path to becoming a significant US oil production company with substantial mid-stream strategic assets. The production will generate immediate cash flow when the transaction is closed and the cash flow from these assets will put AOW on the path to being cash flow positive by the end of 2016. It is a testament to our ability to originate and execute deals in the onshore US market and we expect this is the first of many such deals to come as we have a number of additional deals in the pipeline."*

"To acquire these key production and mid-stream strategic assets of the Gas Plant and Pipeline positions American Patriot well to develop a significant oil and gas production business including the ability to charge third party providers and generate tolling revenue. This is a once in a generation opportunity for AOW as if it wasn't for today's low oil price environment and the strict criteria oil bankers have, a company like AOW would rarely have an opportunity to acquire assets like these or any other assets we are looking to acquire. By undertaking an all stock transaction the sellers are also clearly demonstrating their belief in the asset and the management team at AOW as they want to realise the significant upside these assets can deliver within AOW"

"This strategy has the potential to deliver significant value for AOW shareholders particularly given the number of attractive distressed producing properties we have been introduced to" "As a part of this transaction we expect to appoint two new US based board members to the company who will deliver increased opportunities to acquire valuable distressed assets, as well as introduce new investors, shareholders, and broker networks based in the USA providing AOW with significant on the ground, in house capability. More information on these key appointments will be announced in coming weeks."

"This is the first acquisition of many and we have a number of target assets in the pipeline, as we look to deliver on the strategy of aggressively building a significant producing conventional oil business with well over 5000bopd production" "We now have 90boepd of oil production which will generate immediate cash flow with the ability to grow this quickly to over 800bopd by the mid-2017 and potentially double that by end of 2017 by quickly restarting shut in production at low cost to the company. This is all underpinned by a certified 1P reserve base of 3mmbbl oil and 6,700 mmcf gas which is also expected to grow."

"We expect to be in a position to regularly update shareholders on this growing business with regular news flow and announcements. The cash flow and production growth from this asset even at current oil prices will generate significant cash flow and revenue for American Patriot more than covering existing costs and importantly we will also be looking to dual list on the US stock market to attract further US investors"

A large number of the wells on the acreage were shut in due to the low oil price and at minimal cost we expect to be able to switch the production back online. There are still over 19 well bores on the acreage to put back online at low cost. The production is long life with an expected 15 to 20 years remaining production per well. The wells will be operated by American Patriot with an experienced on the ground team in Utah and Texas. Operating costs in this region are approximately \$20/bbl so the wells are economic down to a low oil price. At existing production



and current oil prices, revenue per annum is expected to be US\$1.3m with the ability to grow this in line with production growth to over US\$12.6m at current oil prices. Anadarko Petroleum Corporation is a Non-Operating partner inside the Federal Unit in Utah where AOW will be Operator.

The transaction is a material transaction and will be subject to shareholder approval. Details on this process will be provided shortly.

The Sellers retained the services of Brett A. Murray & Associates Inc., to market and solicit offers for the properties, assist in ongoing due diligence, and advise on material items needed to complete a successful closing of the above mentioned assets.

Key terms of the heads of agreement are as follows:

Entities:	American Patriot Oil & Gas Limited (ACN 154 049 144) (the “Company”). JMD Resources Inc. and ENDRADA Enterprises LLS (“Sellers”) are joint owners in various oil and gas properties in Utah and Texas.
Proposed Transaction	AOW would acquire from the Sellers, assets comprising oil and gas leases, mid-stream assets and other related operating assets located in Eastern Utah and Western Texas from the Sellers (see Sellers Assets below.) in return for issuance to each of the Sellers, the agreed number of restricted shares of APOG common stock (the “APOG Shares”). Separate Asset Purchase Agreements, (are to be negotiated) which have “Reserves” with the relative value as reflected in the APOG Shares allocation table contemplated in the Transaction. Other related and operating assets associated with the Reserves will also need to be assigned to APOG by the Sellers. the Sellers contemplates nominal liabilities will be assumed by APOG
Shares	APOG has presently 187,459,694 outstanding shares. Upon closing, the company shall issue 139,373,129 ordinary shares to combine the businesses under the American Patriot entity. APOG would issue to the Sellers (et al) APOG Shares such that the Sellers and others in aggregate would become owners of approximately 40% of the fully diluted outstanding shares of APOG (prior to other contemplated financings), while the existing shareholders in the aggregate would retain approximately 60%.
Escrow	Shares issued to the Sellers shareholders as part of this transaction will be escrowed for 18 months
Reserves/Production	The Sellers will demonstrate proved reserves (1P) on current NYMEX strip prices. The reserves will be audited by a third party licensed petroleum engineer in a format acceptable to the ASX. The Sellers will deliver on closing a minimum of 3 MMbbls as per the report alongside 90 gross boe/d.
Operations of Assets	AOW agrees to become the operator of record of all of the assets in Utah (not Texas.) APOG agrees to advance to the BLM and the State of Utah the appropriate bonds to become operator.
Board Representation	A post completion Board of Directors of American Patriot consisting of four directors, two of whom would be designated by the Sellers and two of whom would be designated by the existing board of directors of APOG
Target Closing Date:	No later than 60 days following the execution of the LOI (the “Closing Date”) for the agreement of definitive documentation between the Company and the Sellers. APOG will work diligently and continuously to bring the LOI to a point of final documents ready for consideration and execution by APOG and the Sellers. The Sellers has advised APOG of the Sellers’s preferred target date for that closing to be held on October 31, 2016, or otherwise as mutually agreed.

Conditions Precedent:	(i) The Sellers agree to maintain its Assets (including but not limited to all leases, reserves and other related assets) in substantially similar condition, scope and maintenance with operations as business as usual as on the date of this LOI and available (without lien or encumbrance beyond customary governmental approvals) for potential contribution under the Transaction subject to final agreement and documentation.
	(ii) Completion by American Patriot and the Sellers of a satisfactory due diligence review, including, but not limited to the review of all engineering, land, operations, title, environmental, equity interest agreements, cash management systems, satisfactory review of the operating agreements governing the Company's assets, contractual agreements, and accounting due diligence including corporation documents, third-party financial reports, recent financial statements and financial related data of the Company;
	(iii) approvals by APOG board of directors and (vi) receipt of all necessary consents and approvals.
	(iv) Each party will be responsible for its own attorneys' fees and costs and other costs and expenses incurred in connection with this LOI and the proposed transaction; provided, however, that the costs of the Valuation shall be borne by APOG.
	(v) Qualified reserve report prepared by a reservoir engineering firm utilizing current NYMEX Strip. The Sellers must demonstrate 90 gross boe/d of production attributable to assets it is merging into the company.
	(vi) Resolution of any pending and/or ongoing legal disputes involving the Company or the Sellers to the satisfaction of the Sellers and the Company;
	(vii) the Sellers and American Patriot shall be satisfied with the environmental condition of the oil and gas properties of the the Sellers and the Company and have received such reports as in form and scope satisfactory to the Sellers as it may request related thereto;
	(viii) Satisfactory review and approval by the Sellers /American Patriot of Employment Agreements between the Company and senior executives of the Company's management team;
	(ix) No material adverse change, in the business, assets, properties, liabilities, operations, condition or prospects of the Company and no disruption of, or adverse change in, financial, banking or capital market conditions.
Representations/ Warranties:	Customary for transactions of this type and covenants including provisions regarding indemnification, dispute resolution, quality of issuance of the APOG Shares and the absence of the participation of brokers or other intermediaries in the proposed transaction.
Governing Law:	This LOI will be governed by and construed in accordance with the laws of the State of Utah without regard to its conflicts of law principles.

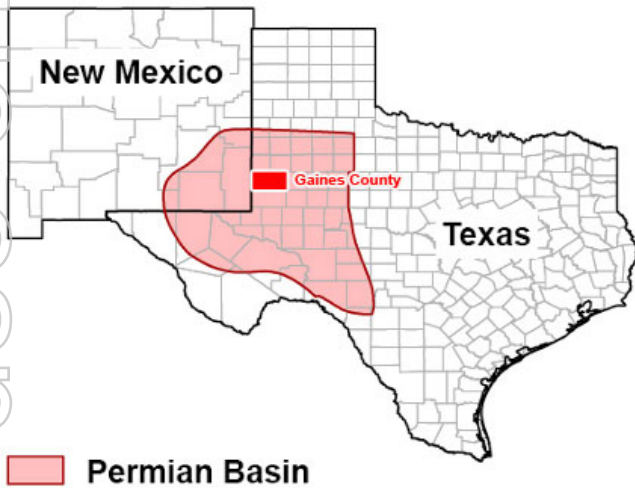
Sellers Assets

Assets	Net Acreage	NRI	Location	1P	3P	Production
Paradox Asset No. 1	160	82.50%	Utah	315 Mbo	315 Mbo	10bopd
Paradox Asset No. 2	880	82.50%	Utah	1,730 Mbo	6,110 Mbo	Shut-In
Paradox Asset No. 3	21.271+/-	81.00%	Utah	2,100 Mboe	10,600 Mboe	30bopd
Paradox Asset No. 4	640	85.00%	Utah	20 Mbo	20 Mbo	5-10bo-Monthly

Texas Asset	356.40	80.00%	Texas	176 Mbo	176 Mbo	40bopd
Total	23,308 +/-	83.40%		3.2Mmbls/6,738 mmcf	17,221 Mboe	80-90 bopd

Acreage Map

The acreage is located in Texas and Utah:



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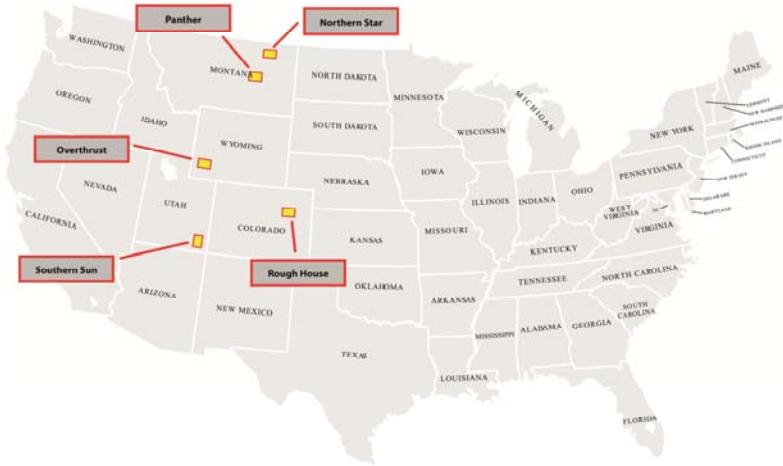
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About American Patriot Oil and Gas

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 30,914 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. AOW project map:



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