

American Patriot Oil & Gas Limited

ABN 79 154 049 144

Half-Year Financial Report - 31 December 2014

American Patriot Oil & Gas Limited

Contents

31 December 2014

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American Patriot Oil & Gas Limited
Corporate directory
31 December 2014

Directors	Mr David Shaw (Non-Executive Chairman) Mr Alexis Clark (Chief Executive Officer) Mr Jim Angelopoulos (Chief Operations Officer) Mr Frank Pirera (Director, Company Secretary, CFO)
Company secretary	Mr Frank Pirera
Registered office	Level 1, 141 Capel Street North Melbourne VIC 3051
Principal place of business	Level 1, 23 Oxford Street Oakleigh, Victoria 3166
Share register	Link Market Services Level 1, 333 Collins Street Melbourne VIC 3000
Auditor	Linxcorp Australia Mr George Georgiou Level 4 100 Albert Road South Melbourne VIC 3205
Solicitors	Watson Mangioni Level 13, 50 Carrington Street Sydney NSW 2000
Stock exchange listing	American Patriot Oil & Gas Limited shares are listed on the Australian Securities Exchange (ASX code: AOW)
Website	http://ap-oil.com/

13 March 2015

Half Yearly Operations report

It has been a successful half year for American Patriot Oil and Gas (AOW.ASX) since listing in early July. American Patriot have acquired more acreage across all projects, entered into new joint ventures and become an oil producer less than 4 months after listing. Importantly in February 2015 AOW commenced the high impact unconventional drilling programme in Montana USA, with the well reaching target depth in early March 2015 faster than expected and demonstrating good oil shows in the target zone. Results on this key well are due in late March.

As a company AOW have delivered on every aspect of the business plan as explained to investors at the outset: and will continue to focus on delivering on this business model. This initial success validates AOW's JV business model protecting shareholder funds with the recently completed company making JV with experienced and proven US producing operators Anadarko Minerals and Treasure Exploration bringing the producing Lustre and Midfork oil fields along with significant development acreage into a single project.

American Patriot (AOW.ASX) became an oil producer in the December quarter, less than 4 months after listing. Success in the company's first conventional well is being followed up with planning for a second conventional well, as well as the high-impact unconventional well in the Northern Star project in Montana, which commenced drilling in February. AOW also acquired more acreage in the DJ Basin which is prospective for low cost conventional drilling projects.

Whilst the oil markets have been increasingly volatile, AOW has a business model which ensures the company is protected from the harshest impact of this. AOW's business model protects shareholder funds by shifting the costs of seismic data acquisition and drilling on to our JV partner. In addition to this AOW also has an extensive portfolio of low-cost conventional drilling targets which are economic at very low oil prices. AOW will continue to focus on implementing and delivering on this business model.

AOW now controls over 40,000 net mineral acres across 5 key projects in the Rocky Mountain Basins and the company is in advanced discussions on new JV's across our acreage position. Following an active 2014, 2015 is shaping up to be a landmark year for AOW with a number of wells to be drilled during the year on the Northern Star project in Montana. Importantly the high-impact unconventional drilling programme commenced in February. AOW is free carried, with no cost cap, on the first two Ratcliffe horizontal wells with an additional 2 optional wells. Success in these wells could unlock a significant, new, tight oil resource with the potential to create significant acreage value and upside for shareholders.

In addition to this AOW is actively marketing the highly prospective Panther project in Montana and the Rough House project in Colorado. Both are low risk conventional oil projects economic at low oil prices. We expect to close JV agreements on these projects during 2015.

Successful completion of IPO and listing on ASX

In July 2014, American Patriot Oil and Gas Limited (ASX: AOW) closed its initial public offering (IPO) after successfully raising over \$8 million and began trading on the Australian Securities Exchange (ASX) on 9th July 2014. The IPO was backed by institutional and high net worth investors in Australia, encouraged by the company's extensive portfolio of assets in the Rocky Mountain basins of the USA and also the business model which is focused on early entry into oil fields and establishing joint ventures to fund exploration across its portfolio. American Patriot listed with 144.2 million shares on issue and a market capitalisation of \$28 million based on the offer price of 20 cents per share. American Patriot has a tight and committed register focussed on maximising shareholder value.

Northern Star Project, -12,602 net acres (15.75%-21.5% WI) Valley County, Montana

The Northern Star project is AOW's flagship project located in Montana, USA. During the half AOW has undertaken significant activity to expand this project and in February 2015 commenced the unconventional drilling programme to unlock the significant resource potential on this key asset.

Unconventional drilling programme commenced at Northern Star project

The high impact unconventional drilling programme commenced in February 2015. The well has successfully reached target depth and was drilled faster than expected encountering good oil shows in the target zone. TEC now plans to proceed to determine the best sections of the wellbore to test. AOW has a 21.5% working interest in the well. This result demonstrates the importance of using a first-class US-based operator that has substantial experience drilling and completing horizontal wells in similar reservoirs in the Rocky Mountains. We expect that this experience will help reduce drilling and testing costs and greatly increase the profitability of the overall project. The speed and results from this well justify our confidence in the project operator.

AOW is free carried with no cost cap on the first two Ratcliffe horizontal wells with an additional 2 optional wells. AOW's JV partner is committed to drilling these wells in 2015. Success on these wells could unlock a significant, new, tight oil resource with the potential to create significant acreage value and upside for shareholders.

AOW conventional drilling programme well underway – Fort Peck 6-32 well successful

On the 21st October AOW announced that it had become a commercial oil producer less than four months after listing on the ASX. The first conventional well, Fort Peck 6-32, was successfully completed in the Lustre Field at the Northern Star project, Montana. AOW's JV partners are now in the stages of planning for the next conventional well with drilling expected in Q3 2015.

The successful Fort Peck 6-32 well is the first of a potential 17 conventional oil prospects generated from modern 3D seismic data, with multiple stacked reservoirs that are proven producers in the region with access to infrastructure and significant upside potential. Nearby producing wells have averaged almost 200,000bbls each. Success in all or some of these prospects opens up the possibility of extended in-fill drilling and additional field development representing a significant potential new conventional oil resource, worth hundreds of millions of dollars which could create significant shareholder wealth and cash flow to underpin the business. With the recent sharp fall in the oil price we are expecting a reduction in drilling costs with rig day rates dropping sharply which could reduce overall exploration costs. Vertical wells can be drilled cheaply and AOW will be looking to take advantage of these favourable new industry conditions.

Expanded Northern Star project JV to include Anadarko Minerals adding producing Lustre field

On the 9th September 2014, AOW announced that Anadarko Minerals has partnered with AOW and Treasure Exploration Company LLC ("Treasure") on the Northern Star project in Valley County Montana. The new JV brings the producing Lustre and Midfork conventional oil fields into AOW's wider Northern Star JV project. Anadarko delivers 11,957 gross acres and with all partners pooling their acreage the Northern Star JV project now covers 61,489 gross acres. AOW's net acreage position is unchanged post the transaction at 12,602 net mineral acres and importantly AOW remains free carried for 2 horizontal Ratcliffe wells and 2 optional horizontal wells by Treasure.

This company making transaction fulfills the company's ambition at the outset of bringing the Lustre and Midfork oil fields into a single project. AOW is now in partnership with two experienced and proven US producing operators. The new JV delivers a portfolio of 17 new conventional oil prospects generated by 3D seismic data with multi stacked targets and proven producers in the region. These prospects are in addition to AOW's existing Ratcliffe unconventional oil play. Significantly Anadarko provided the JV with access to a proprietary multimillion dollar 3D survey covering the entire Lustre and Midfork oil fields and access to its geophysical data base including well logs, cores and drill stem tests.

Prior to the completion of this transaction on the 21st August 2014 AOW announced that it had acquired an additional 12,638 gross acres (3,369 net acres to AOW) under the Area of Mutual interest (AMI) with Treasure. The lease terms are for 3 to 5 years and there are no seismic or drilling commitments on the acreage acquired.

Rough House Project, 13,456 net acres (80-100% WI) DJ Basin, Colorado

Acquisition of 13,456 net acres in DJ Basin, Washington, Arapahoe & Elbert Counties, Colorado

Post completion of the IPO the Rough House heads of agreement transaction was completed whereby AOW acquired a 90% interest in 6,633 Gross Acres (3,747 net acres)

On 17 July 2014 the Company announced that it had acquired a 100% working interest in 15,910 additional gross acres (2,678 net acres) in the DJ Basin, Washington County Colorado. This acreage has been acquired from a private company, on 16 July 2014. The purchase price is undisclosed, the lease terms are for 5 years with 4 years remaining and

American Patriot Oil & Gas Limited
Operations Report
31 December 2014

there are no seismic or drilling commitments on the acreage acquired. The transaction settled on 8th August 2014. AOW has an 82% net retained interest in the net mineral acres.

On the 31 July 2014 the Company announced that it had acquired a 100% working interest in 4,400 additional gross acres (2,200 net acres) in the DJ Basin, Elbert County, Colorado. This acreage has been acquired from a private company, on 31 July 2014. The lease terms are for 5 years with 4 years remaining and there are no seismic or drilling commitments on the acreage acquired. The transaction settled on 8th August 2014.

During the December quarter AOW acquired an additional 5,206 net acres in the DJ Basin, in Washington & Elbert Counties Colorado. This acreage has been acquired from different vendors during the quarter. The lease terms are for an average 5 years with and there are no seismic or drilling commitments on the acreage acquired. Importantly as part of this transaction AOW has acquired the remaining 10% interest held by Colorado Land Management and extinguished a commitment of \$2.5m to undertake seismic and drill a well on this acreage by February 2015. These transactions lifted AOW's holding to 30,706 gross acres (13,456 net acres), in the oil producing DJ Basin in Colorado (Rough House project).

Recently prospective acreage in Washington County and the DJ Basin has been the subject of very significant leasing activity supported by positive conventional drilling results from a number of major companies. For example, Nighthawk Energy has 14 conventional wells producing at a combined rate of ≈ 2000 bopd and Cascade Petroleum has over 10 wells permitted for drilling nearby in 2014. Both companies have significant acreage positions right next door to AOW's acreage. These conventional wells are economic to low oil prices. AOW is in advanced discussions with potential JV partners on the Colorado acreage and is looking to close a JV transaction in 2015.

Panther Project, 10,293 net acres, (100% WI) Garfield County, Montana

AOW acquired an additional 3,360 gross acres (1,803 net acres to AOW) during the period on the Panther project, lifting its holding to 12,150 gross acres/10,293 net mineral acres to AOW, in Garfield County in Montana. This acreage was acquired from a private company, on 21 August 2014 and the lease terms are for 5 years with 4 years remaining and there are no seismic or drilling commitments on the acreage acquired. AOW is in the process of marketing this project to potential JV partners. Detailed analysis suggests the project has significant conventional oil resource potential with a number of identified high impact drillable targets at shallow depths. Vertical wells can be drilled cheaply and are economic at low oil prices.

American Patriot Oil & Gas Limited
Directors' report
31 December 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of American Patriot Oil & Gas Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were directors of American Patriot Oil & Gas Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr David Shaw (Non-executive Chairman)
Mr Alexis Clark (Director and Chief Executive Officer)
Mr Jim Angelopoulos (Director and Chief Operations Officer)
Mr Frank Pirera (Director, Company Secretary and Chief Financial Officer)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Oil & Gas Exploration

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,770,191 (31 December 2013: profit of \$532,901).

Refer to the detailed Review of Operations preceding this Directors' Report.

Financial Position

The net assets increased by \$6,809,871 to \$8,960,123 at 31 December 2014 (30 June 2014: \$2,150,067). During the period the consolidated entity spent a net amount after reimbursements of \$3,347,004 on exploration. The consolidated entity's working capital position at 31 December 2014, being current assets less current liabilities, was \$2,992,263, an increase of 3,420,172 since 30 June 2014.

Based on the above the Directors believe the Company is in a stable position to continue and pursue its current operations.

Significant changes in the state of affairs

On 9 July 2014 trading of the entity's securities commenced on the Australian Stock Exchange (ASX).

On 9 July 2014 the Company issued 40,905,000 ordinary shares at an issue price of \$0.20 per share raising \$8,181,000 (before costs).

On 15 November 2014 the Company announced a pro-rata renounceable entitlement issue of One option for every two shares held by Eligible Shareholders at an issue price of \$0.003 (0.3 cents) per Option. The Options each have an exercise price of \$0.25 and an expiry date 24 months after the date of issue. The maximum number of Options which may be issued is approximately 72,108,145.

On 24 October 2014 the Company announced that it had received entitlement acceptances in respect to 64,401,284 options, representing 89.31% of entitlements, with the total funds received from the entitlement acceptances being \$193,204. The shortfall of 7,706,861 options will be placed at Directors discretion over the next three months

On 31 December 2014 the Company announced the placement of 7,706,861 options being the shortfall options from the Company's renounceable entitlement issue document dated 15 November 2014.

On 25 November, 2014 the Company granted 5,250,000 performance options to Directors subject to satisfaction of relevant performance conditions.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

American Patriot Oil & Gas Limited
Directors' report
31 December 2014

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Alexis Clark
Chief Executive Officer

13 March 2015



Linxcorp Australia Pty Ltd ABN 21 101 610 623
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Mobile: 0418 362 058

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the review of American Patriot Oil and Gas Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of American Patriot Oil and Gas Limited.

GEORGE GEORGIU
Registered Company Auditor
Registration: 10310

Dated: 13 March 2015

American Patriot Oil & Gas Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

		Consolidated	
		31 December 2014	31 December 2013
	Note	\$	\$
Revenue	3	67,213	127
Other income		-	1,511,851
Expenses			
Administration Expenses		(60,727)	(11,456)
Consultant Fees		-	(819,459)
Employee benefits expense		(324,875)	(125,713)
Depreciation and amortisation expense		(45,261)	(327)
Professional Fees		(159,153)	(110,068)
Travel Expenses		(94,751)	(106,178)
Corporate Expenses		(822,899)	-
Share Based Payments		(261,045)	-
Other expenses		(10,529)	-
Finance costs		-	(200,000)
Occupancy Expenses		(57,982)	(44,331)
Foreign Exchange Gain		-	410,426
Profit/(loss) before income tax (expense)/benefit		(1,770,009)	504,872
Income tax (expense)/benefit		(182)	28,029
Profit/(loss) after income tax expense for the half-year attributable to the owners of American Patriot Oil & Gas Limited		(1,770,191)	532,901
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of American Patriot Oil & Gas Limited		<u>(1,770,191)</u>	<u>532,901</u>
		Cents	Cents
Basic earnings per share		(1.23)	0.54
Diluted earnings per share		(1.23)	0.54

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

American Patriot Oil & Gas Limited
Statement of financial position
As at 31 December 2014

		Consolidated	
		31 December	
	Note	2014	30 June 2014
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,583,437	46,829
Trade and other receivables		84,898	36,295
Income tax refund due		-	52,748
Prepayments		437,210	564,186
Total current assets		<u>3,105,545</u>	<u>700,058</u>
Non-current assets			
Property, plant and equipment		187,101	139,661
Exploration and evaluation	4	5,780,570	2,433,566
Deferred tax		-	4,749
Total non-current assets		<u>5,967,671</u>	<u>2,577,976</u>
Total assets		<u>9,073,216</u>	<u>3,278,034</u>
Liabilities			
Current liabilities			
Trade and other payables		113,278	1,127,967
Total current liabilities		<u>113,278</u>	<u>1,127,967</u>
Total liabilities		<u>113,278</u>	<u>1,127,967</u>
Net assets		<u>8,959,938</u>	<u>2,150,067</u>
Equity			
Issued capital	5	11,697,136	4,409,900
Reserves	6	1,323,229	30,405
Accumulated losses		(4,060,427)	(2,290,238)
Total equity		<u>8,959,938</u>	<u>2,150,067</u>

The above statement of financial position should be read in conjunction with the accompanying notes

American Patriot Oil & Gas Limited
Statement of changes in equity
For the half-year ended 31 December 2014

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2013	3,127,900	(40,133)	(1,661,086)	1,426,681
Profit after income tax (expense)/benefit for the half-year	-	-	532,901	532,901
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	532,901	532,901
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the year	652,000	-	-	652,000
Foreign currency translation movement	-	(177,598)	-	(177,598)
Balance at 31 December 2013	<u>3,779,900</u>	<u>(217,731)</u>	<u>(1,128,185)</u>	<u>2,433,984</u>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2014	4,409,900	30,405	(2,290,238)	2,150,067
Loss after income tax (expense)/benefit for the half-year	-	-	(1,770,191)	(1,770,191)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,770,191)	(1,770,191)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	7,287,236	-	-	7,287,236
Foreign currency translation reserve	-	815,457	-	815,457
Issue of options	-	216,324	-	216,324
Performance rights issued	-	261,045	-	261,045
Balance at 31 December 2014	<u>11,697,136</u>	<u>1,323,231</u>	<u>(4,060,429)</u>	<u>8,959,938</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

American Patriot Oil & Gas Limited
Statement of cash flows
For the half-year ended 31 December 2014

	Consolidated	
	31 December	31 December
Note	2014	2013
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	24,025	-
Interest received	58,025	-
Payments to suppliers and employees (inclusive of GST)	(1,896,049)	(1,234,238)
Interest and other finance costs paid	-	(200,000)
Net cash used in operating activities	(1,813,999)	(1,434,238)
Cash flows from investing activities		
Payments for investment property	-	(1,412,425)
Payments for property, plant and equipment	(15,955)	(41,693)
Payments for exploration and evaluation	(3,159,262)	-
Proceeds from sale of investment property	-	3,045,317
Net cash from/(used in) investing activities	(3,175,217)	1,591,199
Cash flows from financing activities		
Proceeds from issue of shares	7,272,236	667,000
Proceeds from issue of options	216,324	-
Proceeds from borrowings	-	(347,818)
Repayment of borrowings	(14,355)	-
Net cash from financing activities	7,474,205	319,182
Net increase in cash and cash equivalents	2,484,989	476,143
Cash and cash equivalents at the beginning of the financial half-year	-	-
Effects of exchange rate changes on cash and cash equivalents	51,619	(3,759)
Cash and cash equivalents at the end of the financial half-year	<u>2,536,608</u>	<u>472,384</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

American Patriot Oil & Gas Limited
Notes to the financial statements
31 December 2014

Note 1. General information

The financial statements cover American Patriot Oil & Gas Limited as a consolidated entity consisting of American Patriot Oil & Gas Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is American Patriot Oil & Gas Limited's functional and presentation currency.

American Patriot Oil & Gas Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 1, 141 Capel Street
North Melbourne, VIC 3051

Principal place of business

Level 1, 23 Oxford Street
Oakleigh, VIC 3166

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 March 2015. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2014, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

American Patriot Oil & Gas Limited
Notes to the financial statements
31 December 2014

Note 3. Revenue

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
<i>Sales revenue</i>		
Production Revenue	35,359	-
<i>Other revenue</i>		
Interest	31,854	127
Revenue	<u>67,213</u>	<u>127</u>

Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Exploration and evaluation	<u>5,780,570</u>	<u>2,433,566</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Exploration & evaluation	Total
	\$	\$
Balance at 1 July 2014	2,433,566	2,433,566
Expenditure during the half-year	<u>3,347,004</u>	<u>3,347,004</u>
Balance at 31 December 2014	<u>5,780,570</u>	<u>5,780,570</u>

The ultimate recoupment of capitalised expenditure in relation to each area of interest is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas the results of which are still uncertain. Capitalised costs amounting to \$3,347,004 (June 2014: \$1,412,425) have been included in cash flows from investing activities in the statement of cash flows.

Note 5. Equity - issued capital

	Consolidated			
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>144,216,290</u>	<u>103,311,290</u>	<u>11,697,136</u>	<u>4,409,900</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2014	103,311,290		4,409,900
Issue of shares through initial public offering	8 July 2014	40,905,000	\$0.20	8,181,000
Capital raising costs		-	\$0.00	(893,764)
Balance	31 December 2014	<u>144,216,290</u>		<u>11,697,136</u>

American Patriot Oil & Gas Limited
Notes to the financial statements
31 December 2014

Note 5. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 6. Equity - reserves

	Consolidated	
	31 December	30 June 2014
	2014	2014
	\$	\$
Foreign currency reserve	845,860	30,405
Options reserve	477,369	-
	<u>1,323,229</u>	<u>30,405</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency reserve \$	Options reserve \$	Total \$
Balance at 1 July 2014	30,405	-	30,405
Foreign currency translation	815,455	-	815,455
Performance rights issued	-	261,045	261,045
Issue of options	-	216,324	216,324
Balance at 31 December 2014	<u>845,860</u>	<u>477,369</u>	<u>1,323,229</u>

Note 7. Contingent liabilities

The consolidated entity has no contingent liabilities at 31 December 2014.

Note 8. Commitments

	Consolidated	
	31 December	30 June 2014
	2014	2014
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	130,313	512,100
One to five years	109,318	183,581
Total commitment	239,631	695,681
Less: Future finance charges	-	-
Net commitment recognised as liabilities	<u>239,631</u>	<u>695,681</u>
<i>Exploration licences</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	2,303,674
One to five years	-	1,666,667
	<u>-</u>	<u>3,970,341</u>

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within 1 to 4 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Operating lease commitments are materially lower on 31 December 2014 compared to 30 June 2014 as most leases expire within the next 6 months and others have been prepaid for the next 12 months.

There are currently no exploration lease commitments recognised. Following the acquisition of the remaining 10% of the land holding in Colorado the Exploration licence commitments that were present as part of the Joint Venture Agreement and included in the prior period no longer exist.

Note 9. Events after the reporting period

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 10. Share-based payments

During the half-year the consolidated entity granted a total of 5,250,000 unlisted Performance Options following shareholder approval received at the Company's 2014 Annual General Meeting of shareholders held on 25 November 2014. The performance rights granted contained conditions relating to the significant improvement in the market capitalisation of the Company, aligning the interests of the holders to those of the shareholders. Each of the recipients received 3 classes of Performance Rights, each with different market conditions as noted below:

- 2,000,000 Class A Rights (500,000 to Mr Shaw, 1,000,000 to Mr Angelopoulos and 500,000 to Mr Pirera) which vest where the Company's share price is equal to or greater than a 45 day Volume Weighted Average Price ("VWAP") of \$0.50 per share. The exercise price of these rights is set at \$0.20 per right. 1,000,000 Class A Rights which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$0.50 per share. The exercise price of these rights is set at \$0.20 per right.

Note 10. Share-based payments (continued)

- 1,000,000 Class B Rights (250,000 to Mr Shaw, 500,000 to Mr Angelopoulos and 250,000 to Mr Pirera) which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$1.00 per share. The exercise price of these rights is set at \$0.50 per right. 500,000 Class B Rights which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$1.00 per share. The exercise price of these rights is set at \$0.50 per right.
- 550,000 Class C Rights (125,000 to Mr Shaw, 250,000 to Mr Angelopoulos and 125,000 to Mr Pirera) which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$2.00 per share. The exercise price of these rights is set at \$1.00 per right. 250,000 Class C Rights which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$2.00 per share. The exercise price of these rights is set at \$1.00 per right.

Mr Alexis Clark

- 1,000,000 Class A Rights which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$0.50 per share. The exercise price of these rights is set at \$0.20 per right.
- 500,000 Class B Rights which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$1.00 per share. The exercise price of these rights is set at \$0.50 per right.
- 250,000 Class C Rights which vest where the Company's share price is equal to or greater than a 45 day VWAP of \$2.00 per share. The exercise price of these rights is set at \$1.00 per right.

In addition to the above terms, Mr Alexis Clark also has the following conditions:

- The CEO adequately implements and successfully executes the capital management plan of the Company. Such plan to be approved by the Directors (and any subsequent amendments) and address the current and future capital needs of the Company.
- The CEO is instrumental in the identification, negotiation and conclusion of a joint venture arrangement in relation to the one or more of the Company's assets. Such joint venture arrangement to be Board approved and, in the opinion of the Board, be material or meaningful to the Company at the point of finalisation.

Set out below are summaries of performance rights granted under the plan:

31 December
2014

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
25/11/2014	25/11/2019	\$0.00	-	3,000,000	-	-	3,000,000
25/11/2014	25/11/2019	\$0.00	-	1,500,000	-	-	1,500,000
25/11/2014	25/11/2019	\$0.00	-	750,000	-	-	750,000
			-	5,250,000	-	-	5,250,000

For the Performance Rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/11/2014	25/11/2019	\$0.18	\$0.20	80.00%	-%	3.35%	\$0.078
25/11/2014	25/11/2019	\$0.18	\$0.50	80.00%	-%	3.35%	\$0.053
25/11/2014	25/11/2019	\$0.18	\$0.10	80.00%	-%	3.35%	\$0.033

American Patriot Oil & Gas Limited
Directors' declaration
31 December 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Alexis Clark
Chief Executive Officer

13 March 2015



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AMERICAN PATRIOT OIL AND GAS LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying financial report of American Patriot Oil and Gas Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the American Patriot Oil and Gas Limited are responsible for the preparation of the financial report that give a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our review. We conducted our review in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to review engagements and plan and perform the review to obtain reasonable assurance whether the financial report is free from material misstatement.

A review involves performing procedures to obtain review evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design review procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. A review also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our review opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of American Patriot Oil and Gas Limited on 13 March 2015, would be in the same terms if provided to the directors as at the date of this auditor's report.



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Auditor's Opinion

In our opinion the financial report of American Patriot Oil and Gas Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

GEORGE GEORGIU
Registered Company Auditor
Registration: 10310

Dated: 13 March 2015