

American Patriot Oil & Gas Limited

ABN 79 154 049 144

Half-Year Financial Report - 31 December 2015

American Patriot Oil & Gas Limited

Contents

31 December 2015

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American Patriot Oil & Gas Limited
Corporate directory
31 December 2015

Directors	Mr David Shaw (Non-Executive Chairman) Mr Alexis Clark (Chief Executive 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	Mr George Georgiou Connect Audit Level 13, 636 St Kilda Road Melbourne VIC 3004
Stock exchange listing	American Patriot Oil & Gas Limited shares are listed on the Australian Securities Exchange (ASX code: AOW)
Website	http://ap-oil.com/

Half Yearly Operations report

It has certainly been a busy half year for American Patriot in the half year ending December 2015 albeit set against the backdrop of the volatile oil market and some of the worst conditions in recent memory. Despite this situation your company has recorded a number of highlights and is in a good position.

On February 23 2016 American Patriot Oil and Gas Limited (AOW) received an unsolicited takeover bid to acquire 100% of the share capital in AOW from Running Foxes Petroleum Inc. (RFP).

The takeover bid was a cash offer of \$0.22 per share to acquire 100% of the share capital in AOW valuing the company at \$35m. This is subject to the following conditions:

- the Bidder holding a relevant interest of over 90% of shares in AOW; and
- due diligence by Running Foxes Petroleum.

The Board of RFP is attracted to the assets of AOW and its JV partnerships established and firmly believes its offer is highly attractive to AOW shareholders in the current oil market. Since the recent farm in agreement on the Rough House project in early February 2016, which AOW completed with RFP, RFP has become increasingly attracted to the assets of AOW.

On 8 March 2016, RFP advised that it has commenced the due diligence process on its proposed acquisition of AOW. The board of AOW is considering the takeover offer by RFP and will provide further advice in the near future. In the meantime, shareholders are advised to take no action in relation to the offer as the Board are approaching major shareholders to determine their interest in the offer and ascertain if the minimum acceptance level can be achieved. Capital Investment Partners is advising AOW in relation to the takeover bid. In addition to the ongoing discussions with RFP, AOW is also in discussions with a number of other interested parties and will keep shareholders fully informed on the progress of these discussions.

RFP is a significant private energy company backed by private equity and has operated for the last 20 years. RFP has discovered a number of significant oil fields and has a number of producing oil fields on shore in the USA. To receive an offer from RFP for the entire company in the worst oil market of all time is testament to the quality of the assets and the business model we have created.

We continue to deliver on AOW's JV business model which is proving to be robust, even during volatile oil markets. "This offer follows on the approach from a significant private U.S. oil company for the acquisition of assets of AOW only in late 2015. The Board and its corporate advisors CIP will be considering the merits of the offer and whether it is in the interests of all shareholders as our focus remains on maximising value for our shareholders.

In late September 2015, AOW received a Letter of Intent for the sale of the oil and gas asset portfolio of AOW for US\$20m cash (AUD\$28m) to a private US oil company, Edward Mike Davis, LLC. We were pleased to have received this approach from a significant private US oil company for the entire asset portfolio of AOW at this early stage of the development program. The offer demonstrates the quality of AOW's portfolio of assets and validates the company strategy, particularly in the current challenging market environment. However, we believe this offer was opportunistic in the current oil price environment and substantially undervalues the potential value of AOW assets.

Accordingly, the Board believed that it is in the best interests of shareholders of AOW to focus on the performance of the assets to realise the significant value and to continue discussions with potential bidders to extract a higher offer price for the assets.

On 29 February 2016 we successfully closed the placement of the shortfall of the Share Purchase Plan to sophisticated and professional investors (**SPP Shortfall Placement**). Total funds commitments received from investors exceeded the placement limit. The total raised under the SPP Shortfall Placement and the SPP was \$6,054,077, resulting in the issue of 43,243,404 fully paid ordinary shares at \$0.14 cents per share. Free attaching options of 21,621,725 were also issued exercisable at \$0.25 on or before 20 October 2018. Capital Investment Partners Pty Ltd completed the placement as Lead Manager of the SPP and Shortfall Placement.

To receive such overwhelming support from both existing shareholders and new investors for the SPP is a significant endorsement of the AOW strategy. To achieve this result in the current oil market is a remarkable achievement and we thank our shareholders, new investors and Gavin Argyle and the team from Capital Investment Partners for their significant support of the SPP.

American Patriot Oil & Gas Limited
Review of operations
31 December 2015

AOW's business model continues to be robust, even during volatile oil markets. We will continue to focus on delivering on this model for our shareholders and to grow the business by looking for quality, low cost, early entry acreage plays in proven oil fields with **no drilling commitments**. We will also look to maximise value and protect shareholder funds by entering into joint ventures with high quality US operators who pay for the drilling costs on our projects. Other companies with drilling commitments have had to pay significant amounts in this current market to defer these drilling commitments in order to not lose their acreage.

In these difficult times the AOW share price has held up well against other comparable oil companies and this is a testament to our strategy and our tight shareholder register focused on executing this strategy. Numerous other oil and gas companies are trading at 1/5th of what they were trading at 15 months ago and a number have entered administration. Billions of dollars have been wiped off the market capitalisation of ASX commodity companies.

However, whilst our share price has held up well it is not where we would like it to be and success for your company will only be measured by selling for a multiple of the IPO price. In line with our previous track record, we are focused on that plan.

Since listing, we have grown the business significantly increasing our key Northern Star project acreage position from 36,000 to over 61,000 gross acres adding a valuable asset to the business. Importantly there are no drilling commitments for AOW as the wells are paid for by our JV partners. This is part of a four well program that has the potential of unlocking a significant new tight oil resource, adding significant acreage value for shareholders. We structured the JV like this as in previous successful oil resource projects, companies have taken three to four wells to determine the optimal drilling completion techniques to prove the oil play. This is required in order to understand the geological properties of the rocks and to develop a successful drilling programme.

Other oil companies pay for their own drilling commitments which can put those companies under significant financial strain. This can also limit the company's flexibility as to when and how they meet their drilling commitments, often forcing them to undertake financing transactions at a time of weakness in the company. AOW is not in that position.

Our business plan is straightforward: we lease acreage cheaply, prove it as a resource project and then look to sell it for a multiple of that price. AOW is working to prove up our key Northern Star project in a focused drilling campaign and then sell that acreage at a multiple of the company's current market value. We will then return the capital to shareholders as a special dividend or sell the entire company and look to repeat the model with proven US operators as JV partners. This is a proven model used by other successful US oil and gas companies who have sold assets, paid a special distribution to shareholders and then repeated the process. Our JV partners are aligned with this strategy.

Across the rest of our portfolio in our Rough House project in Colorado and Panther project in Montana we have acquired over 21,000 gross acres since listing. **This acreage is a significant asset for the company and comes with no drilling commitments.** AOW is in the fortunate position in that it can always sell this asset or farm down to an industry partner to realise the value on this acreage.

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.

Mr Jim Angelopoulos resigned as a director of AOW in November 2015. Jim was a founding shareholder of AOW and was instrumental in the IPO and listing of the company. The Board would like to thank Jim for his dedicated service to AOW. At this point in time he will not be replaced.

Finally, we thank our shareholders for the continued support of the company, we acknowledge it is difficult times in the sector and we are determined to successfully execute on the AOW strategy in the near term selling the company at a multiple of the current share price. That is how success will be judged for this company.

Share Purchase Plan Completed

The Directors of AOW announced that its Share Purchase Plan (**SPP**) closed on Monday 14 December 2015. Total applications for 2,921,443 SPP Shares and 1,460,737 Attaching Options were received, raising gross proceeds of \$409,002.

The SPP offered eligible shareholders the opportunity to invest up to \$15,000 in fully paid ordinary shares in AOW at \$0.14 per share. Eligible shareholders that participated in the SPP are entitled to one free attaching option for every two SPP Shares subscribed for (Attaching Options). The Attaching Options are exercisable at \$0.25 on or before 20 October 2018. AOW will seek to have the Attaching Options quoted on the ASX. The SPP Shares and Attaching Options were issued on Tuesday 22 December 2015, with holding statements dispatched to shareholders on 23 December 2015.

American Patriot Oil & Gas Limited
Review of operations
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The total number of securities available to eligible shareholders under the offer was 43,264,887 SPP Shares and 21,632,443 Attaching Options, resulting in a shortfall of 40,343,444 shares and 20,189,562 Attaching Options (Shortfall Securities). The Shortfall Securities were offered to sophisticated and professional investors in a separate placement (SPP Shortfall Placement) to raise a further \$5,648,082. Capital Investment Partners Pty Ltd was appointed to the role of Lead Manager to the SPP Shortfall Placement on a best endeavours basis, with the placement to be conducted no later than three months after the closing date of the SPP.

On 29 February 2016 the Directors of AOW announced that they have successfully closed the placement shortfall of the Share Purchase Plan to sophisticated and professional investors (**SPP Shortfall Placement**). Total funds commitments received from investors exceeded the placement limit. The total raised under the SPP Shortfall Placement and the SPP was \$6,054,077, resulting in the issue of 43,243,404 shares at \$0.14 cents per share. Free attaching options of 21,621,725 were also issued exercisable at \$0.25 on or before 20 October 2018.

Capital Investment Partners Pty Ltd completed the placement as Lead Manager to the SPP Shortfall Placement.

Settlement of the placement for Tranche 1 of the SPP Shortfall Placement of 13,883,006 SPP Shares and 6,941,508 Attaching Options occurred on 22 January 2016, raising a total of \$1,943,621. The Company issued the Shortfall Securities for Tranche 1 on 22 January 2016, with holding statements dispatched to shareholders on the same day.

Settlement of the placement for Tranche 2 of the SPP Shortfall Placement of 26,438,955 SPP Shares and 13,219,480 Attaching Options occurred on 26 February 2016, raising a total of \$3,701,454. The Company issued the Shortfall Securities for Tranche 2 on 26 February 2016, with holding statements dispatched to shareholders on the same day.

Northern Star Project, - 12,000 net acres Valley County, Montana

The initial testing phase of the first unconventional, horizontal well on 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.

Planning is currently underway for the site selection of the second horizontal well, with drilling and testing expected in early 2016. The lessons learnt from the first horizontal will be used in the testing process of the second well. AOW has a 21.5% working interest in these wells. AOW is carried on all costs of drilling and completing these first two horizontal test wells.

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. The lessons learnt from this well will be used in the next well which is currently in advanced stages of planning. Importantly, AOW is free carried with no cost caps on the first two horizontal wells.

Rough House Project, 4,508 net acres DJ Basin, Colorado

On 3 February 2016, 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 expected 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 AOW, 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.

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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.

Panther Project, 10,293 net acres, Garfield County, Montana

AOW holds 12,430 gross acres/10,293 net mineral acres on the Panther project in Garfield County, Montana. AOW is in the process of actively 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 2015

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 2015.

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 Frank Pirera (Director, Company Secretary and Chief Financial Officer)
Mr Jim Angelopoulos (Director and Chief Operations Officer) (Resigned 17 November 2015)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of oil and gas exploration.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,044,026 (31 December 2014: \$1,770,191).

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

Financial Position

The net assets decreased by \$305,572 to \$7,248,397 at 31 December 2015 (30 June 2015: \$7,553,969). The consolidated entity's working capital position at 31 December 2015, being current assets less current liabilities, decreased by \$680,361 to \$895,889 (30 June 2015: \$1,576,250). The cash outflows from operating and investing activities during the period amounted to \$1,215,800 (31 December 2014: \$4,989,216).

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 22 December 2015 the consolidated entity completed a Share Purchase Plan (SPP) which was announced 20 October 2015. A total of 2,921,443 fully paid ordinary shares were subscribed and allotted and an issue price of \$0.14 (14 cents) per share raising a total of \$409,002 before costs. The SPP also offered shareholders one free attaching option for every two shares successfully subscribed for. On completion of the SPP a total of 1,460,737 free attaching options were granted to eligible shareholders.

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

Matters subsequent to the end of the financial half-year

On 22 January 2016 the Company issued 13,883,006 fully ordinary shares as part of their Share Purchase Plan (SPP) shortfall at an issue price of \$0.14 (14 cents) per share raising a total of \$1,943,621 along with 6,941,508 free attaching Options accordance with the Options Prospectus lodged with the ASX on 26 October 2015.

On 23 February 2016 the company announced that it had received an unsolicited takeover bid to acquire 100% of the share capital in the Company from Running Foxes Petroleum Inc. (RFP). The takeover bid is a cash offer of \$0.22 per share for all the shares in AOW, valuing the company at \$35 million. The bid is subject to RFP holding a relevant interest of over 90% of shares in AOW and the successful completion of a due diligence process by RFP. The board will consider the takeover offer and provide a further update to market in due course.

On 26 February 2016, the Company issued a further 26,438,955 fully ordinary shares as part of the Share Purchase Plan (SPP) shortfall at an issue price of \$0.14 (14 cents) per share raising a total of \$3,701,454 along with 13,219,480 free attaching Options accordance with the Options Prospectus lodged with the ASX on 26 October 2015.

No other matter or circumstance has arisen since 31 December 2015 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.

American Patriot Oil & Gas Limited
Directors' report
31 December 2015

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 the following page.

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

A handwritten signature in black ink, appearing to be 'Alexis Clark', is written over a horizontal line.

Alexis Clark
Chief Executive Officer

15 March 2016



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

As lead auditor for the review of American Patriot Oil & Gas Limited for the half-year ended 31 December 2015, 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 review; and
- (b) No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'G. Georgiou'.

George Georgiou FCA
Registered Company Auditor
Auditor Registration: 10310
Melbourne, Victoria
15 March 2016



American Patriot Oil & Gas Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

		Consolidated	
		31 December 2015	31 December 2014
	Note	\$	\$
Revenue	3	4,596	67,213
Expenses			
Administration expenses		(38,614)	(60,727)
Employee benefits expense		(320,249)	(324,875)
Corporate, travel and consulting expenses		(558,775)	(1,076,803)
Occupancy expense		(70,924)	(57,982)
Other expenses		(37,833)	(10,529)
Depreciation and amortisation expense		(22,019)	(45,261)
Share based payments		-	(261,045)
Loss before income tax expense		(1,043,818)	(1,770,009)
Income tax expense		(208)	(182)
Loss after income tax expense for the half-year attributable to the owners of American Patriot Oil & Gas Limited		(1,044,026)	(1,770,191)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		329,452	-
Other comprehensive income for the half-year, net of tax		329,452	-
Total comprehensive loss for the half-year attributable to the owners of American Patriot Oil & Gas Limited		<u>(714,574)</u>	<u>(1,770,191)</u>
		Cents	Cents
Basic loss per share	10	(0.72)	(1.23)
Diluted loss per share	10	(0.72)	(1.23)

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 2015

		Consolidated	
		31 December	
	Note	2015	30 June 2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		763,633	1,501,722
Trade and other receivables		33,278	42,636
Prepayments		210,203	249,201
Total current assets		<u>1,007,114</u>	<u>1,793,559</u>
Non-current assets			
Property, plant and equipment		144,326	163,169
Exploration and evaluation	4	<u>6,210,547</u>	<u>5,816,046</u>
Total non-current assets		<u>6,354,873</u>	<u>5,979,215</u>
Total assets		<u>7,361,987</u>	<u>7,772,774</u>
Liabilities			
Current liabilities			
Trade and other payables		89,676	200,126
Employee benefits		21,549	17,183
Total current liabilities		<u>111,225</u>	<u>217,309</u>
Non-current liabilities			
Employee benefits		2,365	1,496
Total non-current liabilities		<u>2,365</u>	<u>1,496</u>
Total liabilities		<u>113,590</u>	<u>218,805</u>
Net assets		<u>7,248,397</u>	<u>7,553,969</u>
Equity			
Issued capital	5	12,618,389	12,209,387
Reserves	6	1,572,041	1,356,087
Accumulated losses		<u>(6,942,033)</u>	<u>(6,011,505)</u>
Total equity		<u>7,248,397</u>	<u>7,553,969</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 2015

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 for the half-year	-	-	(1,770,191)	(1,770,191)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss 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	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>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2015	12,209,387	1,356,087	(6,011,505)	7,553,969
Loss after income tax expense for the half-year	-	-	(1,044,026)	(1,044,026)
Other comprehensive income for the half-year, net of tax	-	329,452	-	329,452
Total comprehensive loss for the half-year	-	329,452	(1,044,026)	(714,574)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	409,002	-	-	409,002
Lapse of performance rights	-	(113,498)	113,498	-
Balance at 31 December 2015	<u>12,618,389</u>	<u>1,572,041</u>	<u>(6,942,033)</u>	<u>7,248,397</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 2015

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Cash flows from operating activities		
Interest received	4,597	58,025
Payments to suppliers and employees (inclusive of GST)	<u>(1,083,462)</u>	<u>(1,896,049)</u>
Net cash used in operating activities	<u>(1,078,865)</u>	<u>(1,838,024)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	-	(15,955)
Payments for exploration and evaluation	(163,111)	(3,159,262)
Production revenue received	<u>26,176</u>	<u>24,025</u>
Net cash used in investing activities	<u>(136,935)</u>	<u>(3,151,192)</u>
Cash flows from financing activities		
Proceeds from issue of shares	409,002	7,272,236
Proceeds from issue of options	-	216,324
Repayment of borrowings	<u>-</u>	<u>(14,355)</u>
Net cash from financing activities	<u>409,002</u>	<u>7,474,205</u>
Net increase/(decrease) in cash and cash equivalents	(806,798)	2,484,989
Cash and cash equivalents at the beginning of the financial half-year	1,501,722	-
Effects of exchange rate changes on cash and cash equivalents	<u>68,709</u>	<u>51,619</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>763,633</u></u>	<u><u>2,536,608</u></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 2015

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.

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 15 March 2016. 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 2015 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 30 June 2015 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.

Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity had net operating cash outflows for the period ended 31 December 2015 of \$1,078,865 and a closing cash balance of \$763,633 at 31 December 2015. The entity had net assets for the period ended 31 December 2015 of \$7,248,397 and liabilities of \$113,590. The Directors continue to monitor the ongoing funding requirements of the consolidated entity. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors are confident that sufficient funds can be secured if required by a combination of capital raising and sale of assets to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Following the end of the period the below transactions took place which further strengthened the consolidated entity's position to continue as a going concern:

- On 22 January 2016 the Company issued 13,883,006 fully ordinary shares as part of their Share Purchase Plan (SPP) shortfall at an issue price of \$0.14 (14 cents) per share raising a total of \$1,943,621.
- On 26 February 2016, the Company issued a further 26,438,955 fully ordinary shares as part of the Share Purchase Plan (SPP) shortfall at an issue price of \$0.14 (14 cents) per share raising a total of \$3,701,454.

American Patriot Oil & Gas Limited
Notes to the financial statements
31 December 2015

Note 3. Revenue

	Consolidated	Consolidated
	31 December 2015	31 December 2014
	\$	\$
<i>Sales revenue</i>		
Production Revenue	-	35,359
<i>Other revenue</i>		
Interest	4,596	31,854
Revenue	<u>4,596</u>	<u>67,213</u>

Note 4. Non-current assets - exploration and evaluation

	Consolidated	Consolidated
	31 December 2015	30 June 2015
	\$	\$
Exploration and evaluation	<u>6,210,547</u>	<u>5,816,046</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 2015	5,816,046	5,816,046
Additions	163,111	163,111
Receipts from production revenues	(26,176)	(26,176)
Exchange differences	<u>257,566</u>	<u>257,566</u>
Balance at 31 December 2015	<u>6,210,547</u>	<u>6,210,547</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 \$163,111 have been included in cash flows from investing activities in the statement of cash flows.

Impairment assessments have been performed and based on this analysis, no impairment has been recorded.

Note 5. Equity - issued capital

	Consolidated	Consolidated
	31 December 2015	31 December 2015
	Shares	Shares
	\$	\$
Ordinary shares - fully paid	<u>147,137,733</u>	<u>12,209,387</u>

American Patriot Oil & Gas Limited
Notes to the financial statements
31 December 2015

Note 5. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	144,216,290		12,209,387
Share Purchase Plan	23 December 2015	<u>2,921,443</u>	\$0.14	<u>409,002</u>
Balance	31 December 2015	<u><u>147,137,733</u></u>		<u><u>12,618,389</u></u>

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 2015
	2015	2015
	\$	\$
Foreign currency reserve	1,424,494	1,095,042
Share-based payments reserve	<u>147,547</u>	<u>261,045</u>
	<u><u>1,572,041</u></u>	<u><u>1,356,087</u></u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the 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 \$	Share based payments reserve \$	Total \$
Balance at 1 July 2015	1,095,042	261,045	1,356,087
Foreign currency translation	329,452	-	329,452
Lapse of performance rights	-	(113,498)	(113,498)
Balance at 31 December 2015	<u><u>1,424,494</u></u>	<u><u>147,547</u></u>	<u><u>1,572,041</u></u>

Note 7. Contingent liabilities

The consolidated entity has no contingent liabilities at 31 December 2015 and 30 June 2015.

Note 8. Commitments

	Consolidated	
	31 December	30 June 2015
	2015	2015
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	76,491	130,313
One to five years	72,220	109,318
	<u>148,711</u>	<u>239,631</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 2015 compared to 30 June 2015 as most leases expire within the next 6 months and others have been prepaid for the next 12 months.

American Patriot Oil and Gas Inc. has granted an overriding royalty interest to Morning Gun Exploration Inc. This overriding royalty interest was granted with respect to acreage that currently forms part of the Northern Star Project, the Panther Project, the Southern Sun Project and the Overthrust Project. Under the terms of the override Morning Gun Exploration is entitled to receive between 0% and 7.5% of production from the acreage the subject of Morning Gun Exploration's override. The override will not apply to newly acquired land, it will continue to apply to any extension, renewals and replacements of leases over land that is currently burdened by the overriding royalty interest.

Note 9. Events after the reporting period

On 22 January 2016 the Company issued 13,883,006 fully ordinary shares as part of their Share Purchase Plan (SPP) shortfall at an issue price of \$0.14 (14 cents) per share raising a total of \$1,943,621 along with 6,941,508 free attaching Options accordance with the Options Prospectus lodged with the ASX on 26 October 2015.

On 23 February 2016 the company announced that it had received an unsolicited takeover bid to acquire 100% of the share capital in the Company from Running Foxes Petroleum Inc. (RFP). The takeover bid is a cash offer of \$0.22 per share for all the shares in AOW, valuing the company at \$35 million. The bid is subject to RFP holding a relevant interest of over 90% of shares in AOW and the successful completion of a due diligence process by RFP. The board will consider the takeover offer and provide a further update to market in due course.

On 26 February 2016, the Company issued a further 26,438,955 fully ordinary shares as part of the Share Purchase Plan (SPP) shortfall at an issue price of \$0.14 (14 cents) per share raising a total of \$3,701,454 along with 13,219,480 free attaching Options accordance with the Options Prospectus lodged with the ASX on 26 October 2015.

No other matter or circumstance has arisen since 31 December 2015 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.

American Patriot Oil & Gas Limited
Notes to the financial statements
31 December 2015

Note 10. Earnings per share

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Loss after income tax attributable to the owners of American Patriot Oil & Gas Limited	<u>(1,044,026)</u>	<u>(1,770,191)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>144,343,309</u>	<u>144,216,290</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>144,343,309</u>	<u>144,216,290</u>
	Cents	Cents
Basic loss per share	(0.72)	(1.23)
Diluted loss per share	(0.72)	(1.23)

Note 11. Share-based payments

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

31 December
2015

Grant date	Expiry date	Vesting 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	\$0.50	3,000,000	-	-	(1,000,000)	2,000,000
25/11/2014	25/11/2019	\$1.00	1,500,000	-	-	(500,000)	1,000,000
25/11/2014	25/11/2019	\$2.00	750,000	-	-	(250,000)	500,000
			<u>5,250,000</u>	<u>-</u>	<u>-</u>	<u>(1,750,000)</u>	<u>3,500,000</u>

* On 17 November 2015 Mr Jim Angelopoulos resigned as Director and Chief Operations Officer and therefore the Performance Rights held by him lapsed in accordance with the terms as detailed in the Notice of Meeting dated 24 October 2014.

31 December
2014

Grant date	Expiry date	Vesting 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	\$0.50	-	3,000,000	-	-	3,000,000
25/11/2014	25/11/2019	\$1.00	-	1,500,000	-	-	1,500,000
25/11/2014	25/11/2019	\$2.00	-	750,000	-	-	750,000
			<u>-</u>	<u>5,250,000</u>	<u>-</u>	<u>-</u>	<u>5,250,000</u>

American Patriot Oil & Gas Limited
Notes to the financial statements
31 December 2015

Note 11. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial half-year:

Grant date	Expiry date	31 December 2015 Number	31 December 2014 Number
15/09/2014	24/10/2016	72,107,965	72,107,965
21/12/2015	20/10/2018	1,460,737	-
		<u>73,568,702</u>	<u>72,107,965</u>

- * The options granted on 21 December 2015 are free attaching options issued as part of the Share Purchase Plan on a one option for every share successfully subscribed to basis. These options were issued in accordance with the option prospectus announced on the 26 October 2015.

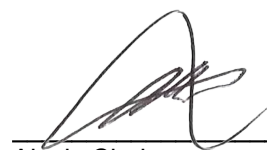
American Patriot Oil & Gas Limited
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes 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 give a true and fair view of the consolidated entity's financial position as at 31 December 2015 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

A handwritten signature in black ink, appearing to be 'Alexis Clark', is written over a horizontal line.

Alexis Clark
Chief Executive Officer

15 March 2016



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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF AMERICAN PATRIOT OIL & GAS LIMITED

Report on the Consolidated Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of American Patriot Oil & Gas Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of American Patriot Oil & Gas Limited's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of American Patriot Oil & Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



STATUTORY AUDITS | DUE DILIGENCE | TRUST ACCOUNT AUDITS | OUTGOING AUDITS
INTERNAL AUDITS | AFSL AUDITS | GRANT AUDITS

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 Acts 2001*, which has been given to the directors of American Patriot Oil & Gas Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of American Patriot Oil & Gas Limited is not 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 2015 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the half year financial report which refers to the consolidated entity's ability to continue as a going concern. We also draw attention to Note 4 in the half year financial report which indicates impairment calculations have been performed by the Directors and based on this analysis, no impairment has been recorded on the exploration and evaluation tenements currently held. The ultimate recoupment of capitalized expenditure in relation to each area of interest is dependent on the successful development, commercial exploration or sale of the respective areas the results of which are still uncertain. Therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the half year financial report.

A handwritten signature in dark ink, appearing to read 'G. Georgiou', with a stylized flourish at the end.

George Georgiou FCA
Registered Company Auditor
ASIC Registration: 10310
Melbourne, Victoria
15 March 2016