



FOR THE OFFER OF UP TO 60,000,000
FULLY PAID ORDINARY SHARES AT AN
OFFER PRICE OF \$0.20 TO RAISE UP TO
\$12,000,000.

Investment in Shares offered under this
Prospectus is speculative. You should
consult your professional adviser if you
have any questions regarding the contents
of this Prospectus.

American Patriot Oil & Gas Limited

(ACN 154 049 144)

PROSPECTUS

Lead Manager



PELTON
CAPITAL

ABOUT THIS PROSPECTUS

This replacement Prospectus is dated 9 April 2014 and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date and replaces the Prospectus dated 24 March 2014 (Prospectus). It is issued by American Patriot Oil & Gas Ltd (ACN 154 049 144) (**Company**) and is an invitation to apply for Shares at an issue price of \$0.20 per Share.

No responsibility for the contents of this Prospectus is taken by the ASIC or any of its officers.

This document is important and requires your careful attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

No Shares will be issued on the basis of this Prospectus later than the expiry date of this Prospectus, being the date 13 months after the date of this Prospectus.

Defined terms

Capitalised terms in this Prospectus are defined either in the Glossary in Section 16 of this Prospectus or where the relevant term is first used.

References to **dollars** or **\$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Prospectus are due to rounding.

Investment decision

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Company.

An investment in this Company carries risks. An outline of some of the risks that apply to an investment in the Company is set out in Section 8. Applicants are urged to consider this Section of the Prospectus carefully before deciding to apply for Shares.

No person is authorised to give any information or make any representation in connection with the Offer, which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Company in connection with the Offer.

Forward-looking statements

This Prospectus contains forward-looking statements. Forward-looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward-looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward-looking statements. While the Company believes that the expectations reflected in the forward-looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 8, as well as other matters as yet not known to the Company or not currently considered material by the Company, may cause actual results or events to be materially different from those expressed, implied or projected in any forward-looking statements. Any forward-looking statement contained in this Prospectus is qualified by this cautionary statement.

Photographs and diagrams

Photographs and diagrams used in the Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Jurisdiction

This Prospectus does not in any way constitute an offer of Shares in any place in which, or to any person who, it would not be lawful to make such an offer.

In particular, this Prospectus will not be lodged or registered under the Securities Act 1933 (US). The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

Currency

Monetary amounts shown in this Prospectus are expressed in Australian Dollars unless otherwise stated. The AUD/USD exchange rate used in this Prospectus is approximately \$0.90 unless otherwise stated. The Offer may involve a currency exchange risk. Information in relation to the risks associated with exchange rates is set out in Section 8.

ASX

The Company will apply to ASX within 7 days after the date of this Prospectus for admission to the official list of ASX and for the Shares to be quoted on the ASX.

No responsibility for the contents of this Prospectus is taken by ASX or any of its officers. The fact that ASX may admit the Company to the official list and quote the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares.

If permission is not granted for the Shares to be quoted before the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received pursuant to the Prospectus will be refunded without interest to Applicants within the timeframe required under the Corporations Act.

Electronic Prospectus

This Prospectus may be viewed online at www.ap-oil.com. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy during the application period by contacting the Company.

If you download the electronic version of this Prospectus (**Electronic Prospectus**), please ensure that you have received the entire Prospectus accompanied by the Application Form.

Enquiries

Applicants with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact Peloton Capital by telephone on 02 8651 7800 or by email at admin@pelotoncapital.com.au.

Contents

Key Dates	2
Important Dates	2
Key Offer Statistics	2
1. Chairman's Letter	3
2. Investment Overview	4
3. Details of the Offer	14
4. Overview of American Oil and Gas Industry	18
5. Company Overview and Exploration Objectives	25
6. American Patriot Projects	31
7. Management and Corporate Governance	42
8. Risks	46
9. Independent Report on Leasehold Interests	51
10. Attorney's Report	56
11. Independent Technical Report	63
12. Financial Information	116
13. Independent Accountant's Report	125
14. Material Contracts	128
15. Additional Information	132
16. Glossary	140
17. Application Form	145
Directory	IBC

Key Dates

IMPORTANT DATES

Date of replacement Prospectus	9 April 2014
Opening Date	9 April 2014
Closing Date	5.00pm (Sydney time) on 5 May 2014
Expected allotment of Shares	8 May 2014
Expected despatch of holding statements	12 May 2014
Expected date of trading on ASX	19 May 2014

The above dates are indicative only. Subject to the requirements of the Corporations Act and the Listing Rules, the Company may extend, or close, the Offer at any time after expiry of the exposure period. See Section 3.4 and Section 3.5 for details.

KEY OFFER STATISTICS

Company	American Patriot Oil & Gas Limited
Proposed ASX ticker	AOW
Issue Price	\$0.20 per Share
Maximum number of Shares available under the Offer	60,000,000 Shares
Minimum number of Shares available under the Offer	40,000,000 Shares
Total number of Shares on issue immediately following the Offer (assuming Maximum Subscription is raised).	163,311,290 Shares
Market capitalisation of the Company immediately following the Offer (based on issue price and assuming the Maximum Subscription is raised).	\$32,662,258

Chairman's Letter

Dear Investor,

On behalf of the Directors, it gives me great pleasure to offer you the opportunity to become a Shareholder of American Patriot Oil & Gas Limited (**Company**) and to participate in the exploration for oil and gas in the Rocky Mountain basin in the United States of America (**USA**).

The Company, through its wholly owned American subsidiaries, American Patriot Oil and Gas, Inc. (**APOG Inc**) and American Patriot Oil and Gas, LLC (**APOG LLC**) (together, the group is referred to as **American Patriot**) has assembled a portfolio of prospective exploration assets. The portfolio contains a mix of exploration targets including:

- low to medium risk conventional and tight oil prospects; and
- unconventional shale gas.

American Patriot holds a significant acreage position on shore USA across 4 distinct Projects and, subject to successful completion of the Offer, will acquire acreage in a 5th Project. These 5 Projects will represent an aggregate acreage of 56,505 Gross Acres (25,210 Net Acres).

To date, American Patriot has targeted oil reserves and resource potential in the Rocky Mountain basins (Montana, Colorado, Utah and Wyoming). Section 5 provides details of American Patriot's business plan and objectives, including American Patriot's exploration and work program and Section 6 provides further details about American Patriot's Projects.

Potential exists for American Patriot to generate near term cash flow from its conventional oil prospects should its exploration program yield a commercial discovery. The Board considers that American Patriot has assembled a balanced portfolio of prospective exploration targets and intends on drilling at least 2 horizontal wells in the first 18 months and 1 vertical well within 12 months after Listing.

If commercial discoveries are made, the unconventional oil and gas from the Company's Projects has the potential to allow Shareholders to participate in the early stages of a new source of tight oil and natural gas liquids. See Sections 5 and 6 for further details about American Patriot's Projects.

The exploration for unconventional gas resources in the USA is currently one of the main focuses of the global energy industry. See Section 4 for further details.

Shares offered by this Prospectus should be considered highly speculative. Details about the key risks of an investment in the Company are contained in Section 8 of this Prospectus.

I encourage you to read this document carefully before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of American Patriot Oil and Gas Limited.

Yours faithfully,



David Shaw
Chairman

American Patriot Oil & Gas Limited
email info@ap-oil.com.au
website www.ap-oil.com

SECTION 2

Investment Overview



2. Investment Overview

Topic	Summary	More information
A. Business Overview		
What does American Patriot do?	<p>American Patriot is a group of companies, controlled by American Patriot Oil and Gas Limited (Company). American Patriot is headquartered in Melbourne, Australia with a U.S. office in Denver, Colorado and as at the date of the Prospectus has acquired and entered into agreements to acquire leasehold interests across an aggregate of 56,505 Gross Acres, spanning 5 Projects. References in this Prospectus to acreage or land held or acquired or sold by American Patriot are references to leasehold interest. See Section 10 for a detailed explanation of land sights in the USA.</p> <p>Each of American Patriot's Projects are located within onshore USA.</p> <p>American Patriot is currently developing and exploiting its leasehold interests, with a view to providing long-term growth in Shareholder value.</p> <p>American Patriot is an oil and natural gas exploration and development (E&P) company geographically focused on oil and gas exploration and development opportunities in Rocky Mountain Basins which have become premier oil and gas productive regions in the USA.</p> <p>American Patriot has assembled a portfolio of prospective exploration assets. The portfolio contains a mix of exploration targets including:</p> <ul style="list-style-type: none"> • low to medium risk conventional oil; and • unconventional oil and gas from shale and tight rock formations. <p>American Patriot has mineral interests in 157 leases, comprising 21,837 Net Acres (49,872 Gross Acres) of land located across Montana, Utah and Wyoming, all of which are prospective hydrocarbons in multiple horizons.</p> <p>In addition, American Patriot has entered into an agreement to purchase a 90% Working Interest in the Rough House Project, at completion of which, American Patriot will hold mineral interests across an additional 6,633 Gross Acres (3,373 Net Acres).</p> <p>American Patriot is targeting short to medium term cashflow from its conventional oil prospects should its exploration program yield a commercial discovery. The Board considers that it has assembled a balanced portfolio of prospective exploration targets and is intending to drill at least 2 oil targets in the first 12 months from Listing.</p>	Sections 5 and 6

2. Investment Overview

Topic	Summary	More information
A. Business Overview		
What are the business objectives?	<p>Key business objectives of the American Patriot business include:</p> <ul style="list-style-type: none"> • Joint development agreement with Treasure Exploration Company, LLC – In November 2013 American Patriot entered into the Treasure Joint Development Agreement, pursuant to which: <ul style="list-style-type: none"> (a) Treasure Exploration Company, LLC acquired 70% of the Northern Star Project and will operate the Northern Star Project on behalf of American Patriot; (b) Treasure Exploration Company, LLC agreed to pay all of American Patriot's costs (in other words, provide 'free carry') with respect to the first 2 horizontal wells drilled within the Northern Star Project. (c) American Patriot has retained a 30% interest. <p>Treasure Exploration Company, LLC is a subsidiary of an established US exploration and production company. Under the terms of the Treasure Joint Development Agreement, Treasure Exploration Company, LLC is required to commence drilling on the first horizontal well by March 2015 at the latest. Drilling on the second well must commence within six months of the first well's completion.</p> • Higher margin oil reserves and resource potential associated with the Northern Star Project – MHA Petroleum Consultants, LLC evaluated American Patriot's Working Interest in the Northern Star Project as having existing 1P (Proven) oil reserves of 215 mbbl, 2P (Proven & Probable) oil reserves of 408 mbbl, 3P (Proven, Probable & Possible) oil reserves of 667 mbbl and Total Resource Potential (2C Contingent & Prospective) of 3940 mbbl oil. See Section 11 for further details. <p>Importantly this reserve and resource potential is focussed on higher margin oil not gas resources.</p> • Targeting early production and cash flow – American Patriot will aim to target formations that are currently producing in order to establish early production and cash flow for its business. <p>The main Northern Star Project targets are the Ratcliffe and Mission Canyon Formations, both of which are currently producing or have produced from acreage owned by other E&P companies that is both within the Northern Star Project area and adjacent to this acreage. Further details regarding these formations and the fields producing from them (namely the Lustre field) is provided in Section 6.1 and Section 11.</p> • Significant onshore USA Acreage – At the completion of the acquisition of the Rough House Project (which is dependent on the successful completion of the Offer), American Patriot will have acquired a significant acreage position on shore USA in 5 distinct Projects. <p>Across these Projects, American Patriot will have mineral interests across an aggregate of 56,505 Gross Acres (25,210 Net Acres), located across the USA Rocky Mountains (specifically in the States of Montana, Colorado, Utah and Wyoming).</p>	Section 5

2. Investment Overview

Topic	Summary	More information
A. Business Overview (continued)		
What are the business objectives? (continued)	<ul style="list-style-type: none"> • American Patriot's high retained Working Interest can be farmed out in order to fund exploration costs – American Patriot has a high Working Interest in 4 of its 5 Projects, ranging from 90% – 100% (this assumes the successful acquisition of the Rough House Project). American Patriot's Working Interests in these 4 Projects give it the ability to enter into farm out arrangements, similar to the Treasure Joint Development Agreement, and fund initial exploration programs. • Business focus on risk reduction – American Patriot seeks to reduce risk associated with oil and gas exploration by seeking to acquire, what it considers to be, technically sound oil projects within areas adjacent to oil production. Once an acreage position has been acquired, American Patriot will then seek to farm out its Working Interest in the project on terms that require a joint development partner to fund initial drilling programs. This model was successfully deployed by American Patriot with respect to the Northern Star Project. The aim of this model is to reduce capital risk associated with initial drilling programs. • Attractive proposition for future potential joint venture partners – American Patriot has been an early mover in acquiring acreage in emerging oil plays located near or adjacent to producing fields. By seeking to be an earlier mover, American Patriot minimises the costs associated with land acquisition. American Patriot believes that the low cost base, when combined with its technical assessment of its Projects, will attract industry partners and facilitate entry into joint development arrangements to fund initial drill expenditure (similar to the free carry provided under the Treasure Joint Development Agreement). 	
What is the Company's business model?	<p>American Patriot's business plan is to:</p> <ul style="list-style-type: none"> • acquire new projects and additional acreage within its current Projects using its own geological and engineering information; • capture significant but low cost leasehold positions; and • reduce capital risk by farming out its acreage to qualified operators in a cash and carry deal. <p>If drilling and completion results are economic, the value of American Patriot's acreage should increase by significant multiples. Conversely, if the drilling results are uneconomic, American Patriot will have retained capital from the farm out arrangements and potentially have not risked capital on the initial drilling.</p> <p>American Patriot is concentrating on identifying opportunities to capture low cost large acreage positions over land that:</p> <ul style="list-style-type: none"> • is not currently the subject of a mineral lease; but • is located near, or that surrounds, currently producing oil and natural gas fields. 	Sections 5 and 6

2. Investment Overview

Topic	Summary	More information
A. Business Overview <i>(continued)</i>		
What is the Company's business model? <i>(continued)</i>	<p>To date, American Patriot has targeted basins that have existing petroleum systems and are regionally productive oil field areas.</p> <p>American Patriot seeks to have an inventory of new drilling sites (in the form of identified potential drilling sites within its current Project acreage and new acreage positions targeted for acquisition) to maintain growth, while increasing reserves and cash flow.</p>	Sections 5 and 6
What areas does American Patriot target to acquire?	<p>American Patriot aims to acquire acreage within areas:</p> <ul style="list-style-type: none"> • that have existing wells and infrastructure (from historical oil production); • that have the availability of additional infill drilling sites; and • where it believes: <ul style="list-style-type: none"> (a) production could be improved through modern horizontal drilling and hydraulic fracturing; and (b) secondary and tertiary recovery methods could be used to revitalise the area. 	Section 5.3
Why is the Company seeking to raise funds?	<p>The Company is seeking to raise a minimum of \$8,000,000 to be applied over the two year period following the date of the Prospectus as follows:</p> <ul style="list-style-type: none"> • to acquire the Rough House Project, comprised of 3,373 Net Acres (6,633 Gross Acres) in Colorado; • to acquire up to a further 16,000 Net Acres within Northern Star Project, to be owned and operated in accordance with the terms of the Treasure Joint Development Agreement and up to a further 6,500 Net Acres within the Panther Project; • acquisition of seismic for Project evaluation; • funding the drilling of 1 vertical well in the Rough House Project; • to evaluate new exploration opportunities; • to meet the costs of the Offer; and • for general working capital purposes. 	Section 5.5

2. Investment Overview

Topic	Summary	More information
B. Key Risks		
What are the key risks?	<p>Exploration and evaluation for oil and gas is generally considered a high risk activity. Amongst others, the Company considers the following to be the most significant:</p> <ul style="list-style-type: none"> • Exploration, appraisal, development and production: The future profitability of American Patriot and the value of its Securities directly relates to the results of exploration, appraisal, development and production. No assurances can be given that funds spent on such activities will result in outcomes that are economically viable. Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/ or other equipment. Drilling may result in wells that, while encountering oil and gas, may not achieve economically viable results. • Operating risks: Oil and gas exploration, appraisal, development and production operations are subject to a number of operational risks and hazards including fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. Oil and gas exploration, appraisal, development and production are generally considered a high-risk undertaking. The operations of American Patriot may also be affected by a range of factors, including: <ul style="list-style-type: none"> (a) operational and technical difficulties encountered in drilling; (b) difficulties in commissioning and operating plant and equipment; (c) mechanical failure or plant breakdown; unanticipated drilling problems which may affect production costs; (d) adverse weather conditions; industrial and environmental accidents; industrial disputes; and, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. • Competition risks: The oil and gas industry is very competitive in the USA, particularly in relation to bidding for acreage, as well as acquiring equipment and attracting experienced personnel. American Patriot will initially be a small participant in this industry whose competitors will have greater financial and other resources available to them. American Patriot will have no influence or control over the activities or actions of its competitors, whose activities may adversely affect the operating and financial performance of American Patriot's projects and business. 	Section 8

2. Investment Overview

Topic	Summary	More information
B. Key Risks <i>(continued)</i>		
What are the key risks? <i>(continued)</i>	<ul style="list-style-type: none"> • Title risk: The ownership of oil and gas lease rights in the USA is a combination of private and governmental ownership (including Indian tribal ownership). The acquisition of privately owned oil and gas lease rights typically involves an initial review of the public records in the counties in which the relevant lands lie in order to determine the ownership of the oil and gas rights. Thereafter, oil and gas leases are negotiated with the owners of those rights. Verifying the chain of title for USA oil and gas leases can be complex and may result in remedial steps to be taken to correct any defect in title. • Lease expiry: Successful drilling is fundamental to the appraisal and development of the leases which may be acquired by American Patriot. The Leases may expire if production is not established. It is not uncommon for oil and gas leases in the USA to provide that if commercial production is not established on the leased properties within a specified period, the leases will expire and the holder of the leasehold interest loses its right to continue to explore for oil and gas on the relevant land. • Commercialisation: Should American Patriot recover what would otherwise be commercial quantities of oil or gas, there is still no guarantee that American Patriot will be able to successfully transport the oil or gas to commercially viable markets, or sell the oil or gas to customers to achieve a commercial return. American Patriot may not be able to secure satisfactory oil and gas transportation arrangements; there may be no readily available market; and no or limited access to pipelines. Pipeline access arrangements may also be subject to interruption rights which may adversely affect American Patriot. <p>Further information concerning risks associated with an investment in the Company is set out in Section 8 of this Prospectus.</p>	Section 8
C. Summary of the Offer Details		
What is the Offer?	The Offer invites Applications for investors to purchase Shares in the Company which is proposed to be listed on the ASX.	Section 3
What are the key terms of the Offer?	<p>The offer price is \$0.20 per Share.</p> <p>The Offer is seeking to raise up to \$12,000,000.</p> <p>The Company must receive valid Applications for 40,000,000 Shares in order for the Offer to proceed.</p> <p>The Offer is expected to open on 9 April 2014.</p> <p>The Offer is expected to close at 5.00pm (AEST) on 5 May 2014.</p> <p>Minimum application amount is \$2,000 i.e. 10,000 shares at the application price of \$0.20 per share and thereafter in multiples of 2,500 Shares (\$500).</p> <p>The proposed ASX ticker is AOW.</p>	Section 3

2. Investment Overview

Topic	Summary	More information																											
What is the proposed use of funds?	<p>The table below sets out the proposed use of proceeds from the Offer. This represents current intentions based on the current business plan and business conditions. The amounts and timing of the actual expenditure may vary.</p> <table> <tr> <th></th><th>Minimum Subscription</th><th>Maximum Subscription</th></tr> <tr> <td>Acquisition of Rough House Project ⁽¹⁾</td><td>\$1,192,563</td><td>\$1,192,563</td></tr> <tr> <td>Rough House Seismic acquisition and reprocessing Commitment</td><td>\$1,111,111</td><td>\$2,777,778</td></tr> <tr> <td>Rough House Drilling Commitment</td><td>\$1,666,667</td><td>\$1,666,667</td></tr> <tr> <td>Proposed Land Leasehold Acquisition ⁽³⁾</td><td>\$444,444</td><td>\$1,777,778</td></tr> <tr> <td>Proposed seismic acquisition and reprocessing expenditure ⁽³⁾</td><td>\$0</td><td>\$555,333</td></tr> <tr> <td>Working Capital ⁽⁴⁾</td><td>\$2,770,626</td><td>\$2,963,742</td></tr> <tr> <td>Costs of the Offer ⁽⁵⁾</td><td>\$814,589</td><td>\$1,066,139</td></tr> <tr> <td>Total</td><td>\$8,000,000</td><td>\$12,000,000</td></tr> </table> <p>1 American Patriot has agreed to pay \$1,255,333 to acquire a 90% Working Interest in the mineral rights referred to as the Rough House Project. Under the Rough House Project Heads of Agreement (summarised in Section 14.2), American Patriot paid a deposit of \$62,770. The remaining purchase price of \$1,192,563 will be paid upon successful completion of the Offer.</p> <p>2 Land leasehold acquisition costs include all associated costs including brokerage and bonus lease payments.</p> <p>3 Seismic acquisition and reprocessing expenditure for Panther Project, Southern Sun Project and Overthrust Project.</p> <p>4 Working capital includes the normal general and administrative costs associated with running a public company, including but not limited to salaries and Director fees, technical consulting fees, legal fees, rental of office premises, investor relations and finance and accounting fees.</p> <p>5 Please refer to Sections 15.13 of this Prospectus for details associated with the costs of the Offer.</p>		Minimum Subscription	Maximum Subscription	Acquisition of Rough House Project ⁽¹⁾	\$1,192,563	\$1,192,563	Rough House Seismic acquisition and reprocessing Commitment	\$1,111,111	\$2,777,778	Rough House Drilling Commitment	\$1,666,667	\$1,666,667	Proposed Land Leasehold Acquisition ⁽³⁾	\$444,444	\$1,777,778	Proposed seismic acquisition and reprocessing expenditure ⁽³⁾	\$0	\$555,333	Working Capital ⁽⁴⁾	\$2,770,626	\$2,963,742	Costs of the Offer ⁽⁵⁾	\$814,589	\$1,066,139	Total	\$8,000,000	\$12,000,000	Section 5.5
	Minimum Subscription	Maximum Subscription																											
Acquisition of Rough House Project ⁽¹⁾	\$1,192,563	\$1,192,563																											
Rough House Seismic acquisition and reprocessing Commitment	\$1,111,111	\$2,777,778																											
Rough House Drilling Commitment	\$1,666,667	\$1,666,667																											
Proposed Land Leasehold Acquisition ⁽³⁾	\$444,444	\$1,777,778																											
Proposed seismic acquisition and reprocessing expenditure ⁽³⁾	\$0	\$555,333																											
Working Capital ⁽⁴⁾	\$2,770,626	\$2,963,742																											
Costs of the Offer ⁽⁵⁾	\$814,589	\$1,066,139																											
Total	\$8,000,000	\$12,000,000																											
D. Company Directors and Key Management																													
Who are the Company Directors?	<p>The Company's Board of Directors and American Patriot's key management are made up of experienced oil and gas industry personnel. The Directors have experience in oil and gas, finance, management, and operations and corporate governance.</p> <p>The Directors are:</p> <table> <tr> <th>Name</th><th>Position</th><th>Independence</th></tr> <tr> <td>David Shaw</td><td>Non-Executive Chairman</td><td>Independent</td></tr> <tr> <td>Alexis Clark</td><td>Chief Executive Officer</td><td>Non-Independent</td></tr> <tr> <td>Jim Angelopoulos</td><td>Chief Operations Officer</td><td>Non-Independent</td></tr> <tr> <td>Frank Pirera</td><td>Chief Financial Officer</td><td>Non-Independent</td></tr> </table>	Name	Position	Independence	David Shaw	Non-Executive Chairman	Independent	Alexis Clark	Chief Executive Officer	Non-Independent	Jim Angelopoulos	Chief Operations Officer	Non-Independent	Frank Pirera	Chief Financial Officer	Non-Independent	Section 7												
Name	Position	Independence																											
David Shaw	Non-Executive Chairman	Independent																											
Alexis Clark	Chief Executive Officer	Non-Independent																											
Jim Angelopoulos	Chief Operations Officer	Non-Independent																											
Frank Pirera	Chief Financial Officer	Non-Independent																											

2. Investment Overview

Topic	Summary	More information						
D. Company Directors and Key Management								
Who are the key members of the US management team?	<p>The US management team is made up of an experienced technical team with backgrounds in exploration, engineering, land acquisition, and oil and gas contracts. Key members of the US management team are:</p> <table><tr><th>Name</th><th>Position</th></tr><tr><td>Robert Hoar</td><td>Chief Geologist</td></tr><tr><td>Justin Dunn</td><td>Landman</td></tr></table>	Name	Position	Robert Hoar	Chief Geologist	Justin Dunn	Landman	Section 7
Name	Position							
Robert Hoar	Chief Geologist							
Justin Dunn	Landman							
Do any related parties have any significant interests in the Company or connected to the Offer?	<p>The Company has agreed to remunerate its executive and non-executive Directors through a combination of a salary package and market based director fees, respectively. The interests held by the Directors and their initial remuneration amounts are summarised as follows:</p> <ul style="list-style-type: none">Mr David Shaw currently holds 1 million Shares and will receive director's fees of \$87,400 per annum (inclusive of superannuation) for his role as Non-Executive Chairman.Alexis Clark currently holds 3.5 million Shares and will receive \$218,500 per annum (inclusive of superannuation) for his role as Chief Executive Officer.Jim Angelopoulos has a Relevant Interest in approximately 3.6 million Shares and Frank Pirera holds 1 million Shares. Jim and Frank will each receive a base salary of \$76,475 per annum (inclusive of statutory superannuation) for their roles as Chief Operations Officer and Chief Financial Officer (respectively). <p>See Section 15.7 and Section 15.11 for further information.</p> <p>The Board considers that Mr Kleanthe Hatziladas to be a promoter of the Company.</p> <p>As at the date of this Prospectus, Mr Hatziladas and his Associates hold a Relevant Interest in approximately 21% of the Existing Shares. Mr Hatziladas has confirmed that he will not, nor will his Associates, acquire Shares under the Offer. Accordingly after completion of the Offer, Mr Hatziladas will have voting power of 15% (if only the Minimum Subscription is raised) or 13% (if the Maximum Subscription is raised). See Section 15.9 and Section 15.12 for further details.</p> <p>American Patriot has entered into a number of agreements with entities controlled by Mr Hatziladas, including but not limited to the Rough House Heads of Agreement summarised at Section 14.2. Section 15.12 summarises each of these agreements.</p> <p>APOG Inc has granted an overriding royalty interest to Morning Gun Exploration Inc, an entity associated with Justin Dunn, a key member of American Patriot's US management team. Under the terms of the override Morning Gun Exploration is entitled to receive between 0% and 7.5% of production from land within 4 of American Patriot's 5 Projects (no land within the Rough House Project is subject to this overriding royalty interest). See Section 15.11(g) of the Prospectus for further details.</p>	Section 15						

2. Investment Overview

Topic	Summary	More information																									
D. Company Directors and Key Management (continued)																											
What will the capital structure of the Company look like upon completion of the Offer?	<p>The below table summarised what the capital structure of the Company look like upon completion of the Offer.</p> <table><tr><th></th><th>Minimum Subscription</th><th>%</th><th>Maximum Subscription</th><th>%</th></tr><tr><td>Existing Shares</td><td>103,311,290</td><td>72</td><td>103,311,290</td><td>63</td></tr><tr><td>Shares to be issued</td><td>40,000,000</td><td>28</td><td>60,000,000</td><td>37</td></tr><tr><td>Total Shares following completion of the Offer</td><td>143,311,290</td><td>100</td><td>163,311,290</td><td>100</td></tr><tr><td>Market capitalisation (at the issue price)</td><td>\$28,662,258</td><td></td><td>\$32,662,258</td><td></td></tr></table>		Minimum Subscription	%	Maximum Subscription	%	Existing Shares	103,311,290	72	103,311,290	63	Shares to be issued	40,000,000	28	60,000,000	37	Total Shares following completion of the Offer	143,311,290	100	163,311,290	100	Market capitalisation (at the issue price)	\$28,662,258		\$32,662,258		Section 15.9
	Minimum Subscription	%	Maximum Subscription	%																							
Existing Shares	103,311,290	72	103,311,290	63																							
Shares to be issued	40,000,000	28	60,000,000	37																							
Total Shares following completion of the Offer	143,311,290	100	163,311,290	100																							
Market capitalisation (at the issue price)	\$28,662,258		\$32,662,258																								
E. Applications																											
Am I eligible to participate in the Offer?	The Offer is open to all investors who are resident in Australia.	Section 3																									
How can I apply?	Instructions on how to complete the Application Form accompanying this Prospectus are set out on the Application Form.	–																									
What is the allocation policy?	The Board will allocate Shares at their sole discretion with a view to ensuring an appropriate Shareholder base for the Company going forward.	Section 3.8																									
When will I receive dividends?	Is it unlikely that any dividends will be paid by the Company until such time that the Company produces reliable and continuing profits.	–																									
What are the taxation implications of investing in the Shares?	The taxation implications of investing in the Shares will depend on individual investors' circumstances. Applicants should seek their own tax advice prior to applying for Shares under the Offer.	Section 15.6																									
What are the fees and costs of the Offer?	The Company has agreed to pay Peloton Capital as Lead Manager to the Offer 6% of the proceeds raised pursuant to the Offer. Peloton Capital will pay the broker application fees referred to in Section 14.4 of this Prospectus out of the fee it receives from the Company.	Section 14.4																									
Is there any brokerage commission or stamp duty payable?	No brokerage commission or stamp duty is payable by Applicants for acquisition of Shares under the Offer.	–																									
When will I receive confirmation that my Application has been successful?	Confirmations of successful Application in the form of holding statements are expected to be despatched by post on or around 12 May 2014.	–																									
How can I obtain further information?	<p>Applicants with questions on how to complete the Application Form or who require additional copies of the Prospectus should contact Peloton Capital on 02 8651 7800 or admin@pelotoncapital.com.au.</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</p>	–																									

SECTION 3

Details of the Offer



3. Details of the Offer

3.1 THE OFFER

The Company is offering for subscription up to 60,000,000 Shares at an offer price of \$0.20, to raise up to \$12,000,000.

To participate in the Offer your Application Form must be received by the Company by 5.00pm (Sydney time) on the Closing Date.

The Offer will only be made to members of the general public who have a registered address in Australia.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Offer is not underwritten.

3.2 MINIMUM SUBSCRIPTION

The minimum subscription for the Offer is \$8,000,000, being receipt of valid Applications for not less than 40,000,000 Shares.

If Applications for the minimum subscription are not received by the Company before the end of 3 months after the date of this Prospectus (or such longer period permitted by the Corporations Act with the consent of ASIC), all Application Monies received pursuant to the Prospectus will be refunded in full, without interest to Applicants, within the time prescribed by the Corporations Act.

3.3 PURPOSE OF THE OFFER

The Company will use the proceeds of the Offer to continue to evaluate and grow American Patriot's oil and gas interests as follows.

- (a) to acquire the Rough House Project, comprised of 6,633 Gross Acres, 3,373 Net Acres in Colorado;
- (b) to acquire up to a further 16,000 Net Acres within Northern Star Project (to be owned and operated in accordance with the terms of the Treasure Joint Development Agreement) and up to a further 6,500 Net Acres within the Panther Project;
- (c) acquisition of seismic data in relation to the Rough House Project and for general Project evaluation;
- (d) funding the drilling of 1 vertical well in the Rough House Project;
- (e) to evaluate further exploration opportunities;
- (f) to meet the costs of the Offer; and
- (g) general and administrative costs of running American Patriot's business.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

3.4 OPENING AND CLOSING DATES

The proposed Opening Date for Applications is 9 April 2014 or such later date as may be prescribed by ASIC. The offer is expected to remain open until 5 May 2014. Subject to the Corporations Act and the Listing Rules, the Company reserves the right to close the Offer at any time after expiry of the exposure period without notice or extend the period of the Offer.

3.5 EXPOSURE PERIOD

The Corporations Act prohibits the issue of Shares in the period of 7 days after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further 7 days. This exposure period enables this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the exposure period.

3.6 HOW TO APPLY

Applications under the Offer must be made and will only be accepted on the Application Form attached to this Prospectus.

Applications under the Offer must be for a minimum of 10,000 Shares at the application price of \$0.20 per Share (\$2,000) and thereafter in multiples of 2,500 Shares (\$500).

Applications and Application Monies for Shares under the Offer received after 5.00 p.m. (Sydney time) on the Closing Date will not be accepted and will be returned to Applicants. Applications must be accompanied by payment in Australian currency.

Cheques in respect of Applications should be made payable to "American Patriot Oil & Gas Limited – Share Offer" and crossed "Not Negotiable".

Completed Application Forms, together with Application Monies, should be forwarded to the following address:

By Post:

American Patriot Oil and Gas Limited – Share Offer
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By Hand:

American Patriot Oil and Gas Limited – Share Offer
c/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(Do not use this address for mailing purposes)

3. Details of the Offer

Payment by BPAY

You may apply for Shares online and pay your Application Monies by BPAY. Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.ap-oil.com and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN)).

You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid. It is your responsibility to ensure that payments are received by 5.00pm (Sydney time) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies. The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

3.7 CLEARING HOUSE ELECTRONIC SUBREGISTER SYSTEM (CHESS)

The Company will apply to ASX to participate in the Securities Clearing House Electronic Subregister System, known as CHESS. CHESS is operated by the ASX's Securities Clearing House (SCH) in accordance with the Listing Rules and the SCH Business Rules.

Under CHESS, the Company will not issue certificates to investors who elect to hold their shares on the CHESS subregister. After allotment of Shares, Shareholders will receive a CHESS statement. The CHESS statements, which are similar to bank account statements, will set out the number of Shares allotted to each holder pursuant to this Prospectus. The statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHESS.

Further statements will be provided to holders which reflect any changes in their shareholding in the Company during a particular month.

3.8 ALLOTMENT

An Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. A binding contract to issue Shares will only be formed at the time Shares are allotted to Applicants. Application Monies will be held in a separate account until allotment of the Shares or until returned in accordance with the Corporations Act and the Listing Rules.

The Board reserves the right to accept, reject or scale back any Application, in its absolute discretion. Where the number of Shares allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be refunded without interest to Applicants, within the time prescribed by the Corporations Act.

3.9 ASX LISTING

An application for admission of the Company to the official list of ASX and for permission for the Shares issued pursuant to this Prospectus and all Existing Shares will be made within 7 days of the date of this Prospectus. ASX quotation, if granted, will commence as soon as practicable after holding statements are dispatched.

The Directors do not intend to allot any Shares unless and until ASX grants permission for the Shares and Options to be listed for quotation unconditionally or on terms acceptable to the Directors.

If permission is not granted for the Shares to be quoted before the end of 3 months after the date of this Prospectus, or such longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received pursuant to the Prospectus will be refunded without interest to Applicants within the timeframe required under the Corporations Act.

The fact that ASX may admit the Company to the official list of the ASX and quote the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares. ASX, its officers and employees take no responsibility for the contents of this Prospectus and the reports which it contains.

3.10 RESTRICTED SECURITIES

Subject to the Company being admitted to the official list of ASX, certain of the Shares on issue prior to the Offer are likely to be classified by ASX as restricted securities and will be required to be held in escrow.

Also subject to the Company being admitted to the official list of ASX, existing Shareholders whose Shareholding is not classified as restricted by ASX will be requested to enter into voluntary escrow arrangements with the Company. The duration of the voluntary escrow period will likely vary depending on when the Existing Shareholder first subscribed for Shares.

See Section 15.10 of this Prospectus for further information regarding restricted securities and the voluntary escrow arrangements.

3.11 OVERSEAS SHAREHOLDERS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

3. Details of the Offer

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit an offering of the Shares, in any jurisdiction outside Australia.

United States residents

The Securities being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

3.12 RISK FACTORS

You should read this Prospectus in its entirety, including Section 8 which sets out the risks associated with investing in Shares before making any decision to invest.

The risk factors set out in Section 8 of this Prospectus, and other general risks applicable to investments in listed securities, may in the future affect the value of the Shares offered pursuant to this Prospectus. Accordingly, an investment in the Company should be considered highly speculative and is not suitable as an investment for investors who require security of capital or income.

You should seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

3.13 LEAD MANAGER FEES

Stockbrokers or other organisations holding an Australian Financial Services Licence (AFSL) that lodge valid Applications showing their AFSL details, which Applications are accepted by the Company and the Lead Manager, may be paid a fee of 6% (plus GST).

Payment of any such fee is subject to agreement with the Lead Manager and subject to the receipt of a valid tax invoice by the Lead Manager from the stockbroker or Australian Financial Services licensee. See Section 14.4 for further details.

3.14 ENQUIRIES

If you have any queries about the Offer or how to apply for Shares, you should contact Peloton Capital on (02) 8651 7800 between 8.30am and 5.30pm (Sydney time), Monday to Friday.

You should also seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

3.15 PRIVACY

When you apply to invest in the Company, you acknowledge and agree that:

- (a) you are required to provide the Company with certain personal information to:
 - (i) facilitate the assessment of an Application;
 - (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
 - (iii) carry out appropriate administration.
- (b) the Company may be required to disclose this information to:
 - (i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis;
 - (ii) third parties if that disclosure is required by law; and
 - (iii) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the *Privacy Act 1988*, Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Company.

3.16 ANTI-MONEY LAUNDERING / COUNTER-TERRORISM FINANCING ACT 2006

The Company may be required under the *Anti-Money Laundering / Counter-Terrorism Financing Act 2006* (Cmlth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.



SECTION 4

Overview of American Oil and Gas Industry

4. Overview of American Oil and Gas Industry

4.1 AMERICAN OIL AND GAS INDUSTRY – A SHORT HISTORY

The oil and gas industry started in the USA more than 150 years ago and the USA is currently among the top 3 largest producers of crude oil globally. More recently, the oil and gas industry has improved drilling technologies (for example hydraulic fracturing and horizontally drilling) that have enabled market participants to unlock hydrocarbon potential contained in shale formations.

Production levels in the USA have increased over recent years, largely from tight oil (shale oil) formations such as the Eagle Ford Shale, Niobrara and Bakken. The U.S. Energy Information Administration has projected that American oil production will reach almost 10,000,000 barrels per day by 2020.

The USA is projected to shortly overtake Russia as the largest producer of liquids (oil, condensate, gas liquids and biofuels) in the world.

The USA provides a stable political environment and reasonable fiscal terms for oil and gas exploration and production. Many multinational companies such as CNOOC (China National Offshore Oil Corporation) and Statoil (a Norwegian Multinational oil company) and others have now taken positions within the U.S. tight oil/shale basins.

Competition

The American oil and gas industry is highly competitive, with low barriers to entry and both large and small participants (i.e. national oil companies, independent oil companies, and small family operations).

Driving this approach is the unique system of property rights that apply in the USA.

Right to explore and produce

Mineral ownership in the USA can be held by private individuals, States, Federal, and Tribal Lands. Surface ownership and mineral ownership are not always the same. Oil and gas companies research the land title records to identify the mineral owner and then negotiate a lease to allow the companies the right to explore for oil and gas minerals.

The mineral owner will often negotiate an initial cash payment and retain a royalty on the minerals leased. Royalties range from a low of 12.5% to upwards of 30% in some of the more lucrative plays. Once the terms of the lease are agreed upon, they cannot be changed while the lease is active without the mutual agreement of the parties. In nearly all other countries, the minerals are owned by the government, and the government will issue rights to explore and produce those minerals.

Please see the Attorney's Report in Section 10 for further details about land and exploration rights in the USA.

Mature infrastructure

America has large pipeline networks for both oil and gas, which generally provides for easy access on market terms.

The existence of extensive spot and derivative markets facilitate the sale of oil and gas.

The service sectors, which support the oil and gas industry in functions such as drilling and hydraulic fracturing, are comparatively, in global terms, larger and less expensive in the USA.

4. Overview of American Oil and Gas Industry

4.2 UNCONVENTIONAL OIL AND GAS PRODUCTION – HOW THE “REVOLUTION” HAS EVOLVED

Figure 1: North American Shale plays as at May 2011.



Source: U.S. Energy Information Administration based on data from various public studies. Canada and Mexico plays from ARI.
Updated: 9 May 2011

In the later part of the 1990's oil and gas companies in the USA began to speculate that drilling of horizontal wells would contact more of the oil saturated rock in oil productive basins. At that time, staged horizontal fracturing programs were in their technological infancy and were viewed as experimental rather than standard business practice. Early players in the Barnett Shale play in Texas experimented with both horizontal drilling and hydraulic fracturing of the black shale of the Barnett formation, and the shale industry was born.

In the start of this century, with natural gas prices rising and demand increasing, oil and gas producers around North America began exploring the resources in black shale in the Haynesville, Fayetteville, and Marcellus natural gas resource plays. Acreage prices (the price paid to obtain a lease to explore, and produce oil and gas) in these areas rose from mere tens of dollars per acre to thousands and sometimes tens of thousands of dollars per acre.

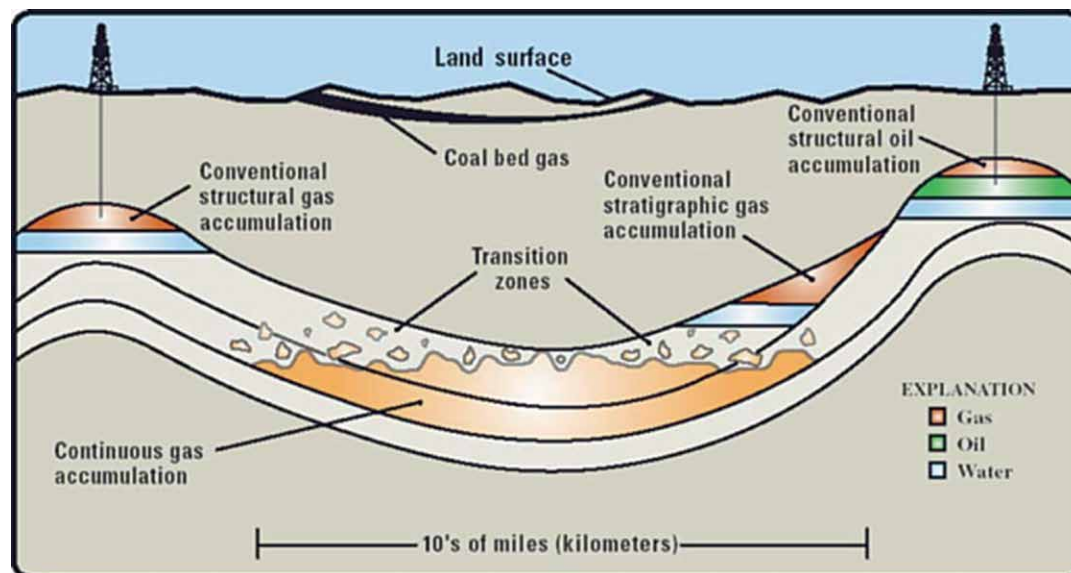
In the early 2000's, USA gas supply and demand were not in balance, and gas prices continued to drive significant gas resource opportunities into industry focus. A few small industry players began experimenting with horizontal drilling and hydraulic fracturing in tighter oil formations (such as the Bakken oil formation in Montana). Operators began to explore opportunities in North Dakota, where acreage prices were in the tens of dollars, and some found the success of using horizontal drilling and fracturing tighter oil formations in Montana could be reproduced in North Dakota. Accordingly, acreage prices in North Dakota increased in value from thousands to tens of thousands of dollars per acre. Some operators found their success made them an acquisition target and numerous smaller companies were bought out by larger operators.

4. Overview of American Oil and Gas Industry

Industry focus began to shift away from shale gas and into “tight oil” formations as oil prices continued to stay high and natural gas prices

decreased. Conventional and unconventional formations are outlined below in Figure 2.

Figure 2: Conventional and unconventional formations



Source: U.S. Geological Survey, National Assessment of Oil and Gas Fact Sheet: Natural Gas Protection in the United States – USG Fact Sheet FS-113-01, January 2002.

Recent horizontal drilling ventures for oil have focused on rocks that are not shale. In the Niobrara Chalk, the Eagle Ford mudstone, and the Mississippi Lime, operators have proven shale resource plays are not the only target for unconventional horizontal drilling and fracturing. Accordingly, limestone, mudstone, chalk and other rocks are now targets for horizontal drilling which is driving acreage prices higher in basins around the USA.

Acreage prices in these plays often start at tens of dollars per acre, but with a successful oil discovery, may move to thousands of dollars. Larger industry players with low exploration risk tolerances and large capital budgets prefer to pay a premium acreage price after the initial exploration wells have proven successful. In some cases, acreage prices have seen acreage sold for up to \$25,000 per acre.

American Patriot’s acreage in Montana is targeting emerging “tight oil” location in the Mississippian Madison Group: the Charles ‘C’ limestone reservoir (also locally known as the Ratcliffe Formation) and the Mission Canyon limestone reservoir. American Patriot’s Utah Project also targets tight oil resources which were once thought too tight to produce.

Within many of these exploration plays in North America, smaller independent oil companies have often driven exploration activity because they have a higher tolerance for risk and they do not have capital budgets that allow them to purchase their way into mature or successful plays. The

resulting discoveries have often seen high growth in unconventional “tight oil” prospects.

First mover advantage in a new play may offer upside that outweighs the underlying risk. Such activities are highly speculative and risky and should be considered accordingly. A first mover in a successful play who has gained control of a large land position may create value unrepeatable to others.

The industry focus in the USA in the past 2 years has reverted back to oil prospects in North America, with significant focus on tight oil potential in Rocky Mountain Basins.

4. Overview of American Oil and Gas Industry

4.3 HORIZONTAL DRILLING /HYDRAULIC FRACTURING – THE KEY TO UNLOCKING THE RESOURCE

Oil does not easily flow to a well in tight shale rock formations, but horizontal drilling and hydraulic fracturing technology can in some circumstances unlock the resource.

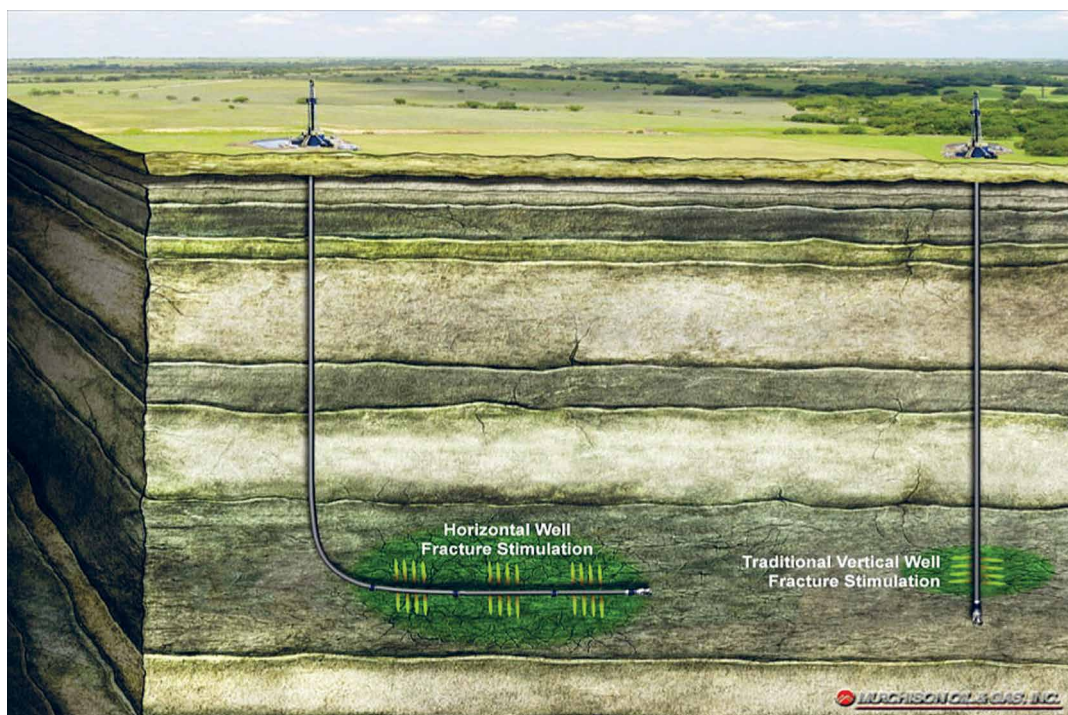
Horizontal or directional drilling coupled with hydraulic fracturing has been in practice for decades but only recently applied in the Williston basin. Wells are now drilled vertically for

thousands of feet and then turned horizontal over 4,000 to 10,000 feet. Once horizontal, the well continues boring laterally through the targeted formation for thousands of additional feet.

Fracturing fluid, a mixture of water, sand, and a blend of multiple chemicals, is then pumped into the well under pressure. Extreme pressure is then applied in stages or zones, which fractures the tight shale opening small fissures in the rock allowing oil or gas to flow to the wellhead.

Horizontal drilling is depicted below:

Figure 3: Horizontal drilling diagram.



4.4 MONTANA OIL & GAS INDUSTRY

American Patriot's largest acreage position is located in the State of Montana, USA.

Montana has a long history of oil and gas exploration and production. In 2013 Montana recorded average production of 79,000 barrels of oil per day.

Montana contains part of the well-known Williston basin which contains seven of America's 100 largest oil fields. The Williston basin also includes the Bakken and Three Forks shale formations.

The middle Bakken formation, a self-sourced reservoir rock is now producing 911,000 barrels per day across both North Dakota and Montana.

Montana has a number of initiatives in place to stimulate the oil and gas industry (including low tax rates, tax holidays, and an efficient permitting process for new oil and gas wells). Montana has extensive infrastructure including refineries, pipelines and railroads.

A strong service sector assists exploration and production sectors.

4. Overview of American Oil and Gas Industry

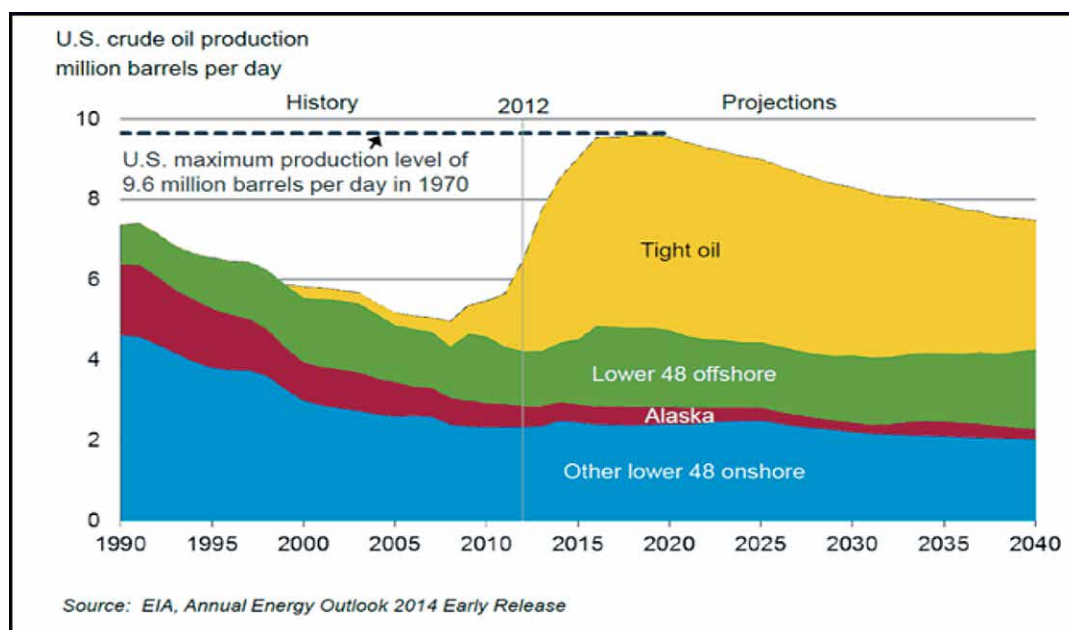
4.5 OIL SUPPLY IN THE USA

Growing domestic production of oil and gas is approaching the historical high achieved in 1970 of 9,600,000 barrels per day. This trend is driven by ongoing improvements in technologies for oil and gas exploration.

Estimates indicate that domestic production of oil (including lease condensate) may increase sharply

with annual growth averaging 0.8 million barrels per day (**mmbbl/d**) through 2016, when it totals 9.5 mmbbl/d refer below (Figure 4). Gas production is also expected to grow steadily, with an expected 56% increase projected between 2012 and 2040, and it is estimated that production may reach 37.6 trillion cubic feet annually.

Figure 4: US crude oil production in million barrels per day

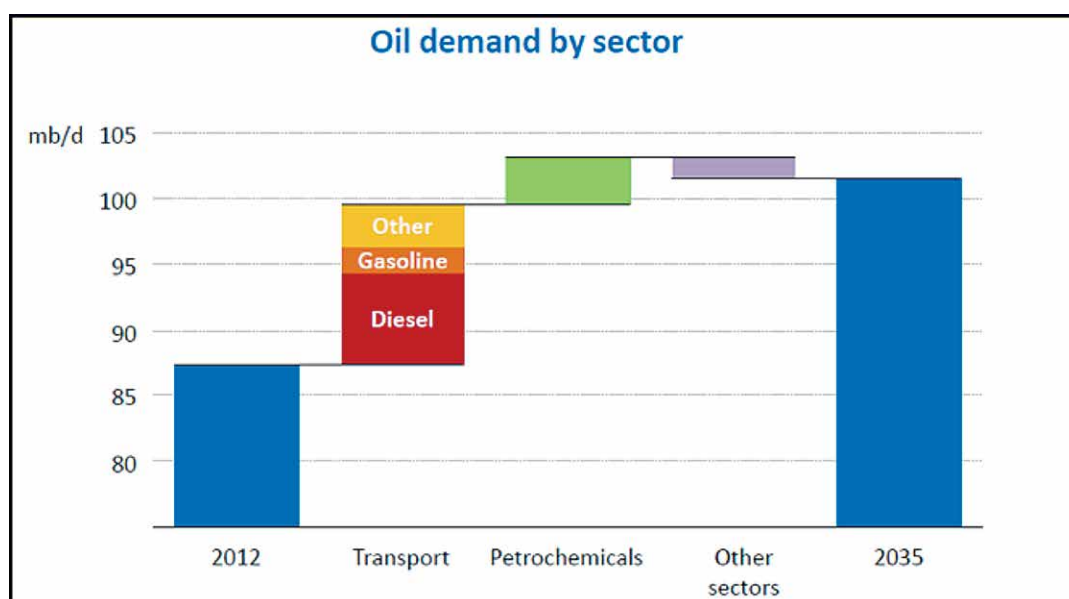


4.6 OIL DEMAND

Global demand for oil and gas is dominated by use in transportation and industrial use in

particular from China and India. The significance of the transportation sector to future oil demand is expected to come largely from developing countries (specifically Asian markets).

Figure 5: Oil demand by Sector



Source: International Energy Agency, World Energy Outlook 2013

4. Overview of American Oil and Gas Industry

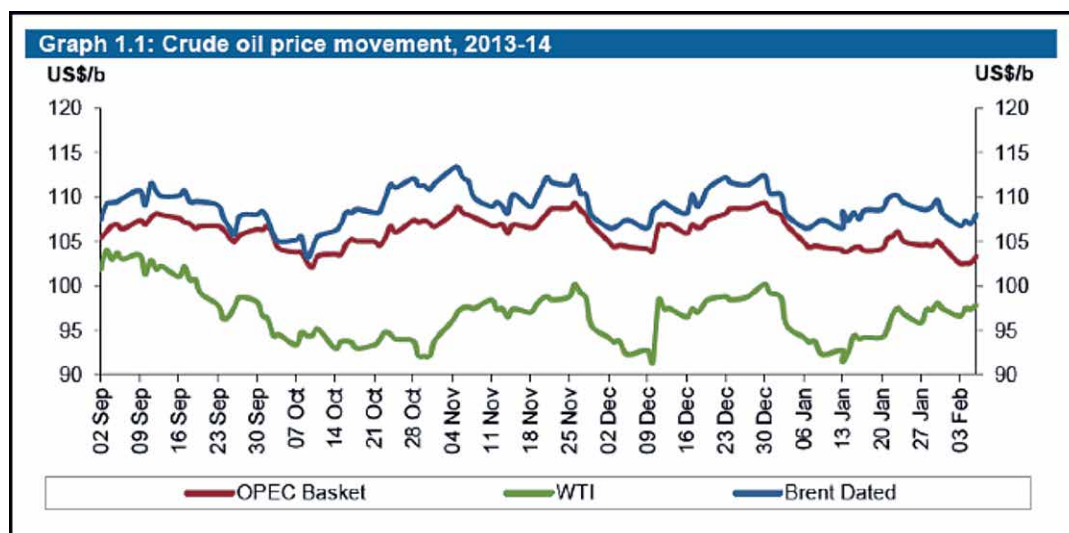
4.7 OIL PRICES

Oil prices are subject to market demands and distance from infrastructure at the wellhead.

West Texas Intermediate (WTI) prices throughout 2013 ranged from around US\$86 to US\$105 per

barrel. WTI trades at approximately a \$10/bbl discount to Brent oil prices although this spread has been volatile over the last 18 months. As at mid-March 2014 WTI traded at US\$98.23/bbl whilst Brent crude traded at \$107.39/bbl.

Figure 6: Crude oil price movement 2013 – 2014



Source: OPEC Monthly Oil Market Report: February 2014

4.8 INFRASTRUCTURE

The USA has extensive infrastructure in place for the transportation of oil to refineries. This includes pipelines and rail infrastructure. Rail infrastructure has been increasingly important as oil development from these new tight oil plays have grown faster than pipeline infrastructure.

The USA also has an extensive gas pipeline infrastructure, including natural gas storage and compressor stations.

SECTION 5

Company Overview and Exploration Objectives



5. Company Overview and Exploration Objectives

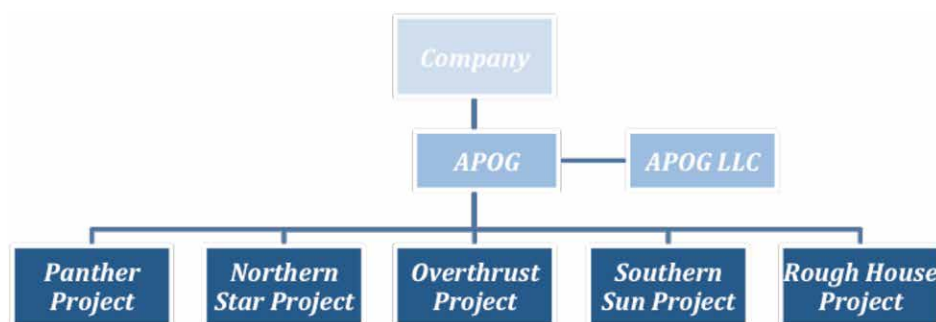
5.1 COMPANY OVERVIEW

American Patriot is an oil and natural gas exploration and development (E&P) group, geographically focused on oil and gas exploration and development opportunities in Rocky Mountain Basins.

The Company was incorporated in Australia on 2 November 2011 and has 2 wholly owned subsidiaries, American Patriot Oil and Gas, Inc.

(APOG Inc) established in 2012 and American Patriot Oil and Gas, LLC (**APOG LLC**) established in 2012.

American Patriot is headquartered in Melbourne, Australia with a U.S. office in Denver Colorado and will have approximately 56,000 Gross Acres under lease and is currently engaged in drilling, developing and exploiting these properties to provide long-term growth in stockholder value.



Since its establishment, American Patriot has assembled what the Board considers to be a portfolio of prospective oil and gas exploration assets in America.

Figure 7: Map of USA indicating American Patriot's Projects



Note: Map is internally generated and not to scale. It indicates the location of American Patriot's Projects. The map does not indicate the exact location or size of the Projects.

Ultimately, American Patriot's goal is to define commercial quantities of hydrocarbons (oil and/or gas) through its exploration programs. Should it achieve this goal, it will look to develop its Projects either solely or in conjunction with joint venture partners.

American Patriot's initial focus is on the Rocky Mountains States of Montana, Colorado, Utah

and Wyoming, where conventional and unconventional oil plays are being targeted.

At the completion of the acquisition of the Rough House Project American Patriot will have accumulated a gross acreage position of 56,505 acres (25,210 Net Acres) across these States and in which it will hold Working Interests ranging from 30-100%. See Section 5.2 and Section 6 for further details.

5.2 SUMMARY OF AMERICAN PATRIOT'S EXPLORATION PORTFOLIO

Set out below is a summary of American Patriot's Projects detailing each Project's size, location, date acquired and American Patriot's Working Interest:

Project	Location	Working Interest	NRI	Date Acquired	Term	Description	Gross Acres	Project Net Acres	Net Acres	Operator
Northern Star	Montana USA	30%	~24%	2012/13	5 years ⁽¹⁾	Tight Oil	36,714	30,778	9,233	Treasure Exploration Company, LLC
Rough House Project	Colorado USA	90%	~75%	2014 ⁽²⁾	5 years	Tight Oil	6,633	3,747	3,373	American Patriot
Panther Project	Montana USA	100%	~80%	2012	5 years	Tight Oil	8,790	8,490	8,490	American Patriot
Southern Sun	Utah USA	100%	80%	2012/13	5 years	Tight Oil	3,728	3,474	3,474	American Patriot
Overthrust	Wyoming USA	100%	80%	2013	5 years	Deep Oil	640	640	640	American Patriot
Total							56,505	47,129	25,210	

1. One lease in the Northern Star Project (2,958 Net Acres) was issued with an 18 month term and a 42 month extension. The extension is dependent on a commitment to drill a 5000 feet vertical well. The well commitment responsibility was absorbed by Treasure Exploration Company, LLC under the terms of the Treasure Joint Development Agreement.

2. The acquisition of the Rough House Project is to be completed following the successful completion of the Offer.

Further details of American Patriot's Projects are set out in Section 6.

Details of the geological settings and previous exploration work undertaken on American Patriot's Projects are detailed in the Independent Technical Report prepared by MHA Petroleum Consultants LLC in Section 11.

5.3 BUSINESS PLAN

American Patriot's business plan is to internally generate prospects using geological and engineering information, capture significant land positions at a low cost, and then reduce or remove risk and capital exposure through a farm out to a qualified operator in a cash and carry deal.

This non-operator deal structure provides capital back to American Patriot from the acreage sold, and typically requires a drilling commitment called a "farm-out" where the operator must drill within a specific time period or relinquish the leasehold back to American Patriot.

As a non-operating (minority) Working Interest owner in each well, American Patriot will not bear all the operating and overhead costs of its operating (majority) partners, making it a low-cost producer.

If drilling and completion results are economic, American Patriot's asset value may increase by an order of magnitude. Conversely if the drilling activity is uneconomic, American Patriot will retain capital from the land sale and will not have risked capital on the initial drilling.

The Company is concentrating on identifying opportunities to capture low cost, large acreage positions of unleased lands surrounding producing oil and natural gas field assets.

Targeted basins have existing known petroleum systems and regionally productive oil field areas. Targeted field areas generally have existing wells and infrastructure and may have significant potential for production improvement through new modern horizontal drilling and hydraulic fracturing as well as secondary and tertiary recovery methods which could revitalize these areas. Targeted fields may also have the availability of additional infill drilling sites.

5. Company Overview and Exploration Objectives

The Company seeks to have an inventory of new drilling sites (in the form of identified potential drilling sites within its current Project acreage and new acreage positions targeted for acquisition) to maintain growth, while increasing reserves and cash flow.

American Patriot endeavors to evaluate oil and natural gas projects with limited capital exposure and to enter development and production phases after the exploration process has proven economic.

American Patriot will focus on land acquisition operations and expects, as a matter of priority, to grow their land team. With a thorough knowledge of Rocky Mountain basins and a specific focus on industry activity in those basins, the Company expects to have advantageous visibility on operators, their acquisition and drilling plans.

American Patriot will endeavor to lease positions in proximity to large operator positions in order to reduce acquisition to value-creation times, manage capital outlays and participate as non-operators with operators who can execute drilling programs.

American Patriot's business model is highly dependent on:

- (a) American Patriot achieving technical and commercial success within its exploration programs; and
- (b) fiscal, economic, regulatory and environmental factors.

See Section 8 for details of risks associated with American Patriot's business.

American Patriot's business plan assumes:

- (a) the use of geological, geophysical and engineering data to identify regions with significant oil potential;
- (b) the acquisition of mineral rights or acreage in areas identified as having the highest probability of drilling an economically successful well; and
- (c) that whenever possible American Patriot will seek to reduce drilling risk by entering into farm out and joint development arrangements for third parties to drill wells with American Patriot.

5.4 STRATEGIC DIRECTION

American Patriot's strategy is to discover and develop oil and gas opportunities with relatively low entry costs. American Patriot will seek to do this by acquiring a meaningful acreage position, and a large Working Interest, which combined are intended to create the potential for substantial growth for Shareholders. American Patriot will use modern horizontal drilling techniques and hydraulic fracturing to access once uneconomic oil from "tight oil" reservoir rocks.

American Patriot's current focus is on the Northern Star Project in Montana, in respect of which American Patriot has entered into the Treasure Joint Development Agreement with Treasure Exploration Company, LLC, a subsidiary of an established USA based exploration and production company, has committed to drilling two horizontal wells in the Northern Star Project. A summary of the Treasure Joint Development Agreement is set out in Section 14.1 of this Prospectus.

The Northern Star Project and American Patriot's other Projects are summarised in Section 6 below.

5.5 PROPOSED EXPLORATION BUDGET AND WORK PROGRAM

American Patriot intends to fund its exploration work program over the next 12-24 months from the proceeds of the Offer. Exploration activities will follow a systematic approach, which will be tailored for each project area and is summarised below.

The proposed budget outline below is based on the Company reaching Maximum Subscription under the Offer. The proposed work program is subject to ongoing review and amendment depending on exploration results, market conditions and other factors (including the risk factors outlined in Section 8). American Patriot will assess new projects and joint venture opportunities as they arise, and funding may be reallocated on this basis.

In the event that American Patriot is successful in only reaching the Minimum Subscription under the Offer the Company will reduce expenditure on the proposed leasehold land acquisitions and the proposed acquisition and reprocessing of seismic data.

The Directors consider that following completion of the Offer, the Company will have sufficient working capital to achieve its objectives set out in this prospectus. Depending on the Company's exploration success and new opportunities that may become available, the Company is likely to require further capital in the future to continue exploration and facilitate growth.

5. Company Overview and Exploration Objectives

Proposed Exploration Budget and Work Program

Work	2014	2015	Total
Northern Star Project			
Leasehold Land Acquisition ⁽¹⁾	\$666,667	\$0	\$666,667
Drilling 2 Horizontal Wells ⁽²⁾	\$0	\$0	\$0
Rough House Project			
Complete acquisition of 90% Working Interest in the Rough House Project ⁽³⁾	\$1,192,563	\$0	\$1,192,563
Further Leasehold Land Acquisition ⁽¹⁾	\$0	\$333,333	\$333,333
Seismic Acquisition Commitment ⁽⁴⁾	\$2,777,778	\$0	\$2,777,778
Drilling Commitment ⁽⁵⁾	\$1,666,667	\$0	\$1,666,667
Panther Project			
Leasehold Land Acquisition ⁽¹⁾	\$122,222	\$100,000	\$222,222
Seismic Acquisition & Reprocessing ⁽⁶⁾	\$111,111	\$0	\$111,111
Drilling of 1 exploration well in 2014 ⁽⁷⁾	\$0	\$0	\$0
Southern Sun Project			
Leasehold Land Acquisition ⁽¹⁾	\$355,556	\$200,000	\$555,556
Seismic Acquisition & Reprocessing ⁽⁶⁾	\$122,222	\$100,000	\$222,222
Drilling of 1 exploration well in 2015 ⁽⁸⁾	\$0	\$0	\$0
Overthrust Project			
Seismic Acquisition & Reprocessing ⁽⁶⁾	\$0	\$222,000	\$222,000
Drilling of 1 exploration well in 2015 ⁽⁹⁾	\$0	\$0	\$0
Total	\$7,014,786	\$955,333	\$7,970,119

- 1 Leasehold land acquisition costs include all associated costs including brokerage and bonus lease payments. If the Minimum Subscription is raised, the total amount to be spent on discretionary leasehold land acquisition will be reduced from \$1,777,778 to \$444,444. It is anticipated that any reduction in leasehold land acquisition activity will be spread throughout the Project portfolio on a prorata basis.
- 2 Pursuant to the Treasure Joint Development Agreement, Treasure Exploration Company, LLC has agreed to pay all of American Patriot's costs (in other words, provide 'free carry') with respect to the first 2 horizontal wells drilled within the Northern Star Project. Drilling on the first horizontal well is expected to commence by mid-to-late 2014, and must start before March 2015. Drilling of the second horizontal well will commence no later than 6 months after the first well is completed. See Section 14.1 for a summary of the Treasure Joint Development Agreement. See Section 6.1 for details of the Northern Star Project.
- 3 American Patriot has agreed to pay \$1,255,333 to acquire a 90% Working Interest in the mineral rights referred to as the Rough House Project. Under the Rough House Project Heads of Agreement, American Patriot has paid a deposit of \$62,770 leaving a balance of \$1,192,563 to pay. See Section 14.2 for a summary of the key terms of the Rough House Project Heads of Agreement and Section 6.2 for details of the Rough House Project itself.
- 4 Under the Rough House Project Heads of Agreement (summarised in Section 14.2) American Patriot has committed to spend USD\$2,500,000 if American Patriot raises the Maximum Subscription under the Offer. If the Minimum Subscription is raised, this commitment is reduced to USD\$1,000,000.
- 5 Under the Rough House Project Heads of Agreement (summarised in Section 14.2) American Patriot must commence drilling 1 horizontal well within the Rough House Project by February 2015. Total drilling and completion costs associated with this well are not to exceed USD\$1,500,000.
- 6 If the Minimum Subscription is raised, the total amount to be spent on discretionary seismic acquisition and reprocessing expenditure will be reduced from \$555,333 to \$0. It is anticipated that any reduction in seismic acquisition activity will be spread throughout the Project portfolio on a prorata basis.
- 7 American Patriot is actively seeking to farm out an interest in the Panther Project in order to fund the drilling of the Project's first exploration well.
- 8 American Patriot is actively seeking to farm out an interest in the Southern Sun Project in order to fund the drilling of the Project's first exploration well.
- 9 American Patriot is actively seeking to farm out an interest in the Overthrust Project in order to fund the drilling of the Project's first exploration well.

5. Company Overview and Exploration Objectives

5.6 FINANCING

American Patriot is involved in exploration and development of prospective oil and gas projects and is yet to commercialise any of its Projects.

To date, American Patriot has generated revenues from lease sales, specifically, entry into the Northern Star Joint Development Agreement and the sale to Treasure of a 70% Working Interest in the Northern Star Project acreage.

Neither the Company nor its subsidiaries has any debt financing or borrowings.

The Company is unable to provide any meaningful key financial information or ratios, such as net profit after tax or earnings per Share. Given that American Patriot will not have any debt financing after the completion of the Offer, it is unable to provide any meaningful gearing ratio.

5.7 HEDGING POLICY

The Company will hold assets and receive income which is predominantly denominated in US dollars. It is intended that net proceeds of the Offer will be substantially converted to US dollars over a period of up to six months.

The Company does not currently intend to hedge against currency risk.

SECTION 6

American Patriot Projects



6. American Patriot Projects

6.1 NORTHERN STAR PROJECT

Project Highlights

- (a) Located in a proven oil producing basin and recent nearby exploration success;
- (b) Executed a binding contract with Treasure Exploration to explore for oil within an area of mutual interest and for free carry on 2 exploration wells. A summary of the Treasure Joint Development Agreement is provided in Section 14.1.
- (c) 30% retained Working Interest in the Northern Star Project; and
- (d) 1P (Proven) oil reserves of 215 mbbbl, 2P (Proven & Probable) oil reserves of 408 mbbbl, 3P (Proven, Probable & Possible) oil reserves of 667 mbbbl and Total Resource Potential (2C Contingent & Prospective) of 3940 mbbbl oil.

Figure 8: Map of Montana, USA indicating the location of the Northern Star Project



Note: Map is internally generated and not to scale. It indicates the location of the Northern Star Project area, within which American Patriot's acreage lies. The map does not indicate the exact location or size of American Patriot's acreage. See Section 11 for a more detailed map.

Background

The Northern Star Project is currently American Patriot's key investment area of focus. American Patriot has a 30% Working Interest in the Northern Star Project which covers 36,714 Gross Acres (30,778 Project Net Acres), with 9,233 Net Acres to American Patriot on the Wolf Creek Nose, up dip and surrounding the Lustre Field in Valley County, Montana USA.

American Patriot's management recognised the potential to re-enter the area and possibly drill the low permeability rock with new horizontal drilling and completion techniques. American Patriot's management analysed the well log data in the area, and believe the area contains significant hydrocarbon resource potential, which could be successfully targeted with modern horizontal

drilling and completion techniques. This same technical assessment method has been used in the discovery of the many other tight/shale oil plays in the USA including the Bakken, the Eagle Ford, the Niobrara and the Mississippi Lime plays as well as many other tight oil plays across North America.

The Lustre Oil Field area:

- (a) is a conventional oil field area located in the Western Williston Basin;
- (b) was discovered in 1982 by Exxon Corporation; and
- (c) has produced over 7 mmbbl oil from the low permeability Charles C and Mission Canyon formations.

6. American Patriot Projects

A number of wells in the field were shut down during 1986 when the oil price fell and the field became un-economic. American Patriot is investigating the use of modern drilling techniques – horizontal drilling and hydraulic fracturing – to target the tight rocks and hopes to exploit the significant untapped resource potential.

In November 2013, American Patriot farmed down a 70% interest in the Northern Star Project to Treasure Exploration Company, LLC. Treasure Exploration Company, LLC is a subsidiary of an established US exploration and production company.

In exchange for a 70% interest in the Northern Star Project, Treasure has agreed to carry American Patriot for 2 horizontal wells (**Initial Wells**). Drilling is currently expected to commence in late 2014.

Beyond the 2 Initial Wells, American Patriot has an option for a back-in-after-payout on 2 additional wells, or the Company can participate fully in the development at its proportionate 30% cost. Refer to Section 14.2 for more details.

American Patriot, as a 30% Working Interest partner, is looking to acquire additional leases on mineral rights and acreage in the region in 2014.

In addition to the unconventional oil and gas potential, the Northern Star Project may also contain conventional oil and gas potential in multiple untested deeper productive intervals. Oil fields down dip of American Patriot's position are productive from the Charles B, Lodgepole Limestone, Nisku, Duperow and Red River formations. These additional targets create a "Stacked Pay" environment where many zones at multiple depths have potential to be oil productive.

Exploration and production activity is currently taking place to the north of the Northern Star Project. The companies involved in this activity are considered by American Patriot to be experienced successful oil and gas companies.

Geological Overview

Northern Star Project is focused on the horizontal drilling of known Stacked Pay zones within an oil productive region. Regional oil shows in this play indicate a petroleum system in both the Mission Canyon and Ratcliffe formations, both formations are targets for horizontal drilling. American Patriot is targeting a productive trend where good porosity (storage capacity), low permeability, oil saturated rock is present and where horizontal drilling and modern completion techniques will be used in an attempt to unlock the potential of the Northern Star Project.

In the opinion of American Patriot's management, historical and recent modern geochemistry supports a self-sourced reservoir concept. This project is targeting Charles-Ratcliffe and Mission Canyon formation objectives at 5,500 feet to 6,000 feet. A Stacked Pay environment is supported by additional local and regional production in the Charles B, Lodgepole and Nisku formations. American Patriot's expectation is that a Stacked Pay environment increases chance of success.

Environmental Restrictions

Acreage is held on fee, allotted and Tribal land, with no restriction and production operations which can continue throughout the year.

Lease Terms

Leases vary in term from 4 to 5 years. Many of the fee leases have options to extend beyond the initial term for a further period of 5 years (10 years total). Allotted and Tribal leases are 5 year term leases and are governed by the Bureau of Indian Affairs of the United States Department of the Interior, a Federal Agency.

Infrastructure

The basins first oil and gas discoveries were drilled in the 1950's, and since that time, hundreds of oil fields have been discovered in the basin. As at 27 February 2014, there are 180 rigs drilling in the Williston basin. As such, the basin is well served by infrastructure with ready access to drill rigs and service companies.

Field Background

The Lustre Oil Field is located in the Western Williston Basin and was discovered in 1982 by Exxon. The field was defined as a low permeability combination structural-stratigraphical trap and wells were completed with a simple acid job over a small 10 to 20 foot zone in each oil well. The Lustre Field has produced over 7,000,000 barrels of oil from low permeability Madison Group formations. The field was developed with vertical wells by Exxon and Anadarko Petroleum from 1982 to 1986. In 1986, when oil prices in the USA collapsed, most of the wells were shut until 1990 when a significant number of the low permeability wells were plugged. American Patriot management recognized the potential to re-enter the area and possibly drill the low permeability rock with new horizontal drilling and completion techniques. American Patriot management analysed the well log data in the area, and believe the area may contain significant hydrocarbon resource potential which could be successfully targeted with modern horizontal drilling and completion techniques. The Company understands that this same technical assessment method has been used in the discovery of the other tight/shale oil plays in the USA including the Bakken, the Eagle Ford, the Niobrara and the Mississippi lime play.

6. American Patriot Projects

Exploration/Development Plan

American Patriot, via its joint development partner Treasure Exploration Company, LLC has a field development plan consisting of one horizontal well, the drilling of which must commence by March 2015 and a second additional horizontal well to be drilled within six months of completion of the first well.

Subject to drilling results from these 2 wells, full scale development on the Northern Star Project could begin to take place by mid to late 2015.

Fiscal Terms

Royalties (varying between 12.5% to 20% of oil and gas production) are payable to landowners under the leases within the Northern Star Project. In addition, overriding royalties (varying between 0% and up to 7.5% of oil and gas production) are payable to Morning Gun Exploration LLC with respect the leases within the Northern Star Project. The maximum aggregate percentage payable in landowner royalties and under the

Morning Gun override under any lease within the Northern Star Project is 20%.

Resource/Reserve potential

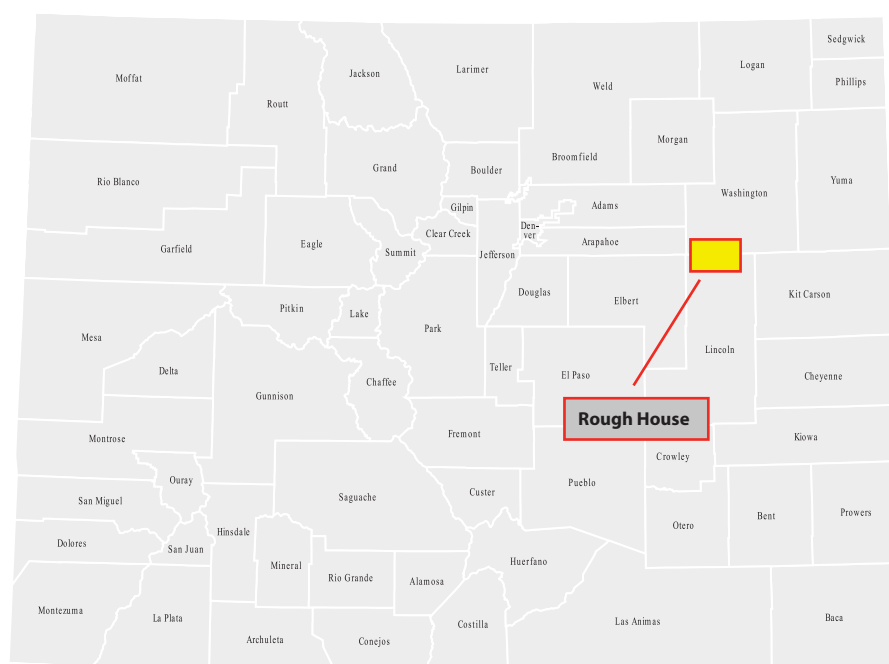
Reserve and Resource Potential include 1P (Proven) oil reserves of 215 mbbbl, 2P (Proven & Probable) oil reserves of 408 mbbbl, 3P (Proven, Probable & Possible) oil reserves of 667 mbbbl, 2C Contingent oil resources of 2,840 mbbbl and Prospective oil resources of 1,100 mbbbl in the Charles C and the Mission Canyon Formations as determined by MHA Petroleum Consultants LLC.

6.2 ROUGH HOUSE PROJECT

Project Highlights

- (a) Positioned in a favourable location in the southern DJ basin with multiple oil and gas target formations existing beneath the leases
- (b) Vertical drilling opportunity with large upside potential
- (c) Potential to turn to horizontal oil play using 3D Seismic

Figure 9: Map of Colorado, USA indicating the location of the Rough House Project



Note: Map is internally generated and not to scale. It indicates the location of the Rough House Project area, within which American Patriot's acreage lies. The map does not indicate the exact location or size of American Patriot's acreage. See Section 11 for a more detailed map.

6. American Patriot Projects

Background

American Patriot has entered into an agreement to purchase a 90% Working Interest in the Rough House Project covering 6,633 Gross Acres (3,747 Project Net Acres representing 3,373 Net Acres) in the DJ Basin in Washington and Arapahoe Counties, Colorado and intends to actively pursue additional acreage. Completion of this agreement and American Patriot's acquisition of the Rough House Project is conditional a number of conditions precedent, including the Company successfully raising the Minimum Subscription under the Offer.

Prior to the settlement of the Rough House Project acquisition, American Patriot will undertake a verification of the leasehold titles comprising the project. This verification process is customary for an acquisition of this nature and is usually performed just prior to project acquisition.

The Independent Expert Report on Leasehold Title as contained in Section 9 of the Prospectus has not commented on the leasehold title in relation to this project as, at the date of this Prospectus the Rough House Project is not owned by American Patriot.

The Rough House Project is located on the flanks of an oil rich basin and is in close proximity to producers and infrastructure.

Nearby producer, Nighthawk Energy Plc, who has acreage adjacent to American Patriot's acreage, has drilled a vertical well which has produced over 100,000 barrels of oil in approximately 1 year.

The Rough House Project is a conventional oil play, focused on Stacked Pay with multiple targets within a 7000 to 8000 foot deep carbonate which is adjacent above and below to the black, carbon rich Atoka and Cherokee black shales.

100% of the acreage being acquired by American Patriot is Fee leasehold.

American Patriot has a high Working Interest in the project which offers a sell down capacity for a farm-out in the Prospect. American Patriot is presently marketing the Rough House Project to industry players in an effort to farm out to a technically sound operator with experience in the basin.

The objective is to capture value from the early entry into the acreage through a sell down of American Patriot's 90% Working Interest in order to obtain a free carry on drilling of the Rough House Project.

Conditional Joint Venture Agreement

American Patriot has entered an agreement with Colorado Land Management and Developments, LLC to purchase the acreage and commit to an exploration program as follows. Key terms of the agreement are summarized in Section 14.2

Field Background

The Rough House Project is broken into 3 component areas, all focused around recent discoveries in the DJ Basin.

The Rough House Arapahoe acreage comprised of 2234.20 Gross Acres (1117.10 Net Acres) is

located on the north end of the Latigo field in the DJ Basin. Two wells on the acreage position tested gas and oil in paying quantities from the J sand in the late 1970's.

The Rough House Cattle acreage is comprised of 2880 gross (1,930.60 Net Acres).

The 3rd play area in this project is the Rough House West being 1519 Gross Acres (699.75 Net Acres) in Washington County.

Geological Overview

The key target of vertical depths ranging from 7,000 to 8,000 feet are within the oil window as determined by geochemistry. The combined Wolfcamp-Atoka interval is over 1500 foot thick. The primary objectives are alternating low permeability, 20-to-100 foot thick carbonates separated by 10 to 75 foot thick organic rich, carbonate mudstones with total organic carbon estimates ranging from 2 percent to 14%.

Permeability is highly variable ranging between 0.1 to approximately 30 md: fracturing in addition to variations in porosity probably contributes to wide variations in permeability. Rich source rocks are a key component to these horizontal oil plays.

Proposed Exploration plan

American Patriot has an extensive field development plan consisting of the acquisition of 2D and 3D seismic and the reprocessing of existing seismic data. American Patriot is also committed to the drilling of one vertical well (fractured and stimulated) and will seek further acquisition of land to build and consolidate our position.

Environmental Restrictions

Acreage is held on Fee land with no restrictions. As a result, production operations can continue all year round.

Lease Terms

American Patriot's land holdings are Fee lands with the fee leases having 5 year term. American Patriot expects to capture additional leasehold with similar term.

Infrastructure

The basin is well served by infrastructure with ready access to drill rigs and service companies.

Fiscal Terms

Royalties (varying between 12.5% to 20% of oil and gas production) are payable to landowners under the leases within the Rough House Project.

Resource/Reserve potential

Based on the data currently available and the SPE PRMS rules and guidelines, the Company has been unable to assign Prospective Resources to the Rough House Project as these projects are in the early exploration phase. Although commercial discoveries have been drilled adjacent to the American Patriot leases in the project areas, little production or geological data has been release due to confidentiality agreements which operators hold with the State.

6. American Patriot Projects

6.3 PANTHER PROJECT

Project Highlights

- Large position on a well control defined structural nose
- Vertical drilling opportunity with upside potential
- Potential to turn to horizontal oil play
- Low cost of entry

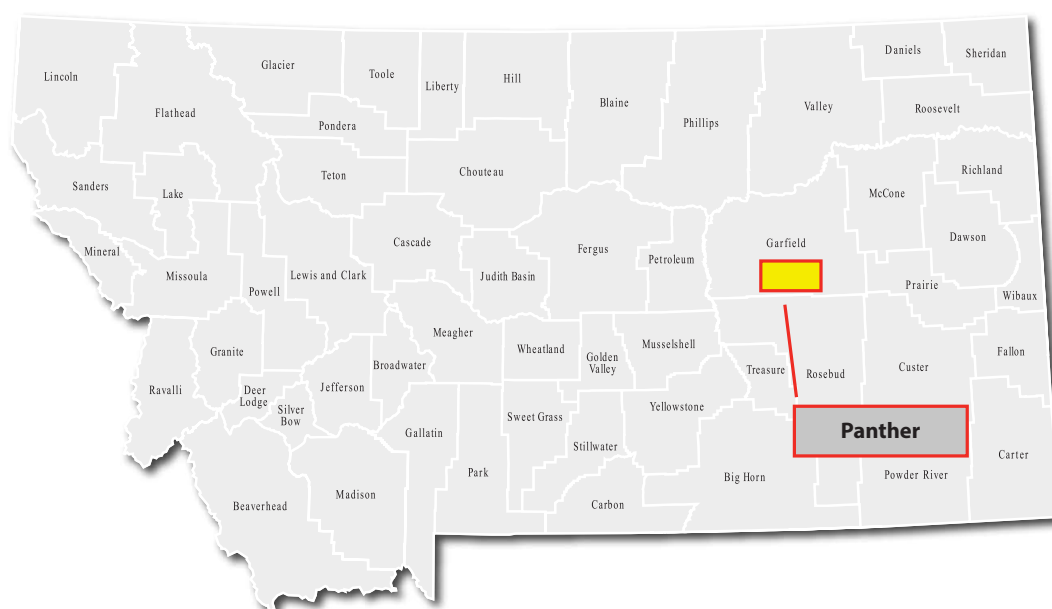
Background

American Patriot owns 100% Working Interest in the Panther project covering 8,790 Gross Acres, (8,490 Net Acres) in the Blood Creek Syncline in Garfield County, Central Montana. The Project:

- (a) is located on the flanks of an oil rich basin, on an interpreted structural nose;
- (b) is located close to producers/infrastructure; and
- (c) could represent significant upside in the event of success (as a result of being a first mover in the basin).

The Panther Project is a conventional oil play focussed on Stacked-Pay with multiple targets within an 8000 foot deep carbonate which is adjacent above and below to the black, carbon rich Bakken and Duperow black shales. All of the mineral rights and acreage held by American Patriot is either Fee or State leases.

Figure 10: Map of Montana, USA indicating the location of the Panther Project



Note: Map is internally generated and not to scale. It indicates the location of the Panther Project area, within which American Patriot's acreage lies. The map does not indicate the exact location or size of American Patriot's acreage. See Section 11 for a more detailed map.

6. American Patriot Projects

American Patriot is presently seeking to identify appropriate partners, who are willing to enter into a farm down arrangement for the project. American Patriot is targeting technically sound operators with experience in the basin. There is no guarantee that American Patriot will be able to enter into a trading farm down and exploration agreement with respect to this project.

American Patriot's land position of 8,490 Net Acres is on an interpreted structural nose based upon local well control. Opportunity may extend to obtaining leases over additional mineral rights and acreage for this project.

Geological Overview

The Panther Project is focused on the Devonian self-sourced Duperow Formation and additional known Stacked Pay zones including the Lodgepole, Ratcliffe and Mission Canyon formations within the region.

Regional oil shows in this play indicate a petroleum system in the Duperow Formation, and a self-sourced reservoir concept is supported by local geochemistry. This project is targeting Mission Canyon and Charles-Ratcliffe objectives at 5,500 to 6,000 depths and a Duperow Dolomite objective at 7800 foot depths is further supported by regional oil shows on sample logs.

Proposed Exploration plan

American Patriot's field development plan consists of the acquisition of new and the reprocessing of existing seismic data and the further acquisition of land to build and consolidate our positions. American Patriot will endeavour to de-risk the opportunity by seeking out an industry partner to drill a vertical well.

Environmental Restrictions

Acreage is held on Fee and State lands with no restriction and production operations which can continue all year round.

Lease Terms

The leases in this prospect are all from the State of Montana, through its Board of Land Commissioners, with exception of one fee lease. The State leases are for a term of ten years with the option to extend the term, in absence of drilling or production, subject to specific terms and conditions. Leases extended by production will only be extended to those formations discovered, developed or drilled during the primary term. American Patriot expects to capture additional leasehold with similar term. The fee lease is for a primary term of five years and it grants the Lessee the preferential right to acquire a new lease if the Lessor receives a bona fide offer to lease during the primary term. Refer to the Independent Report on Leasehold Interests in Section 9.

Infrastructure

The basin is well served by infrastructure with ready access to drill rigs and service companies.

Well costs

Vertical well costs in this project are estimated to be approximately \$1,200,000 (fractured and stimulated).

Fiscal Terms

Royalties (varying between 12.5% to 20% of oil and gas production) are payable to landowners under the leases within the Panther Project. In addition, overriding royalties (varying between 0% and up to 7.5% of oil and gas production) are payable to Morning Gun Exploration LLC with respect the leases within the Panther Project. The maximum aggregate percentage payable in landowner royalties and under the Morning Gun override under any lease within the Panther Project is 20%.

Resource/Reserve potential

Based on the data currently available and the SPE PRMS rules and guidelines, MHA Petroleum Consultants LLC has been unable to assign Prospective Resources to the Panther Project. These projects are in the early exploration phase and no commercial discoveries have been drilled on or adjacent to the proposed project areas. Refer to MHA Petroleum Consultants LLC's Independent Technical Report in Section 11.

6.4 SOUTHERN SUN PROJECT – UTAH USA

Project Highlights

- (a) Large acreage position secured targeting shales and carbonate rich plays
- (b) Potential to turn to horizontal oil play
- (c) Low cost of entry
- (d) Conventional potential from the Tin Cup Mesa field

6. American Patriot Projects

Figure 11: Map of Utah, USA indicating the location of the Southern Sun Project



Note: Map is internally generated and not to scale. It indicates the location of the Southern Sun Project area, within which American Patriot's acreage lies. The map does not indicate the exact location or size of American Patriot's acreage. See Section 11 for a more detailed map.

Background

American Patriot owns 100% Working Interest in 3,728 Gross Acres, (3,474 Net Acres) in the Paradox Basin in San Juan County Utah which has conventional and unconventional potential. American Patriot acquired the acreage in late 2012 and early 2013. Within this acreage position there is also a small conventional oil project of 480 acres called the Tin Cup Mesa.

American Patriot entered this project based on a review of geochemical data acquired from the USGS Core Research Centre and the Utah Geological Survey. American Patriot used this data to focus on, what it considered to be areas within the basin that have the potential for oil or natural gas.

This play is in its infancy and American Patriot has taken a first-mover position in the basin seeking to capture any upside in a new oil province. This horizontal oil play focuses on a 5500 foot deep carbonate which is adjacent above and below to the black, carbon rich Gothic and Chimney Rock shales. Nearly all of the acreage acquired by American Patriot is within 12 miles of existing production and all tracts are either Fee or State leases.

American Patriot's position was built on the Johnson Creek Nose, a structural feature with up-dip potential from producing wells. Producing wells are wells that produce oil and/or gas in sufficient quantities for proceeds from sales of production to exceed directly related costs.

Within the last 12 months, American Patriot's position has become surrounded by mineral leases acquired by Anadarko Petroleum Corp, Kimmeridge Energy and other operators.

In the 3rd quarter of 2013, Anadarko Petroleum drilled 2 wells reportedly targeting a zone in proximity to the Gothic Shale which is a black mature source rock, known to be generative in the basin. Anadarko has permitted 5 horizontal locations and 2 horizontal wells which have already been drilled, one of which is approximately 8 miles from American Patriot's holdings.

American Patriot is currently seeking an industry partner to participate in this project with a view to de-risking the position. American Patriot plans to re-evaluate the Southern Sun position with each State and Federal oil and gas lease sale in order maximize any upside value.

Geological Overview

American Patriot has leases over mineral rights and acreage in the Blanding basin where other industry players are now drilling horizontal wells. The Project is focused on an area with a low permeability carbonate porosity zone which is in contact with, the Lower Ismay contact with the Gothic Shale. Regional oil shows throughout this zone of interest point to a likely regional petroleum system. Our technical team believe this Lower Ismay/Gothic contact point is the most likely target of the most recent horizontal drilling efforts in the basin.

6. American Patriot Projects

The Paradox Basin is known for “Stacked-Pay” zones including the Ismay, Gothic Shale, Desert Creek, Hermosa, Cane Creek Shale contracting, Leadville Lime and others. American Patriot’s focus on “Stacked-Pay” environments is expected to increase the potential and likelihood of success within this oil rich basin.

On 3,728 Gross Acres, American Patriot has the opportunity to participate in potentially over 20 horizontal wells considering the stacked pay environment may lead to additional horizontal targets in zones above or below the Gothic/Lower Ismay contact.

Proposed Exploration plan

American Patriot’s field development plan consists of the acquisition of new and the reprocessing of existing seismic data and the further acquisition of land to build and consolidate the land position. American Patriot will endeavour to de-risk the opportunity by seeking out an industry partner to drill a horizontal or vertical well.

Tin Cup Mesa – Conventional Oil field: Field Extension

Background

Located within its Southern Sun project, American Patriot holds a 100% Working Interest in 480 Net Acres known as Tin Cup Mesa. This project is adjacent to the highly productive Tin Cup Mesa conventional oil field in San Juan County, Utah. The acreage is prospective for Secondary and Tertiary recovery via water flood. The Tin Cup Mesa Field was discovered in 1982 and was put on water flood in 1985. The field was developed by Marathon Oil Company, has cumulative production of ~2.5mmbbl of oil from 11 wells and is estimated to contain original oil in place value of 4.6mmbbl oil (stock-tank barrels in place).

American Patriot’s acreage is adjacent to an oil well which produced 299 bbl of oil over a few days of production testing, but was then converted to an injection well which was only briefly brought online. Logs and core of the well indicate significant oil potential still exists in this area. Though significant water-flooding has occurred in wells to the northeast, with early estimates of 4.6 mmbbl oil in place, American Patriot’s technical team view is that there is potential to drill one or more adjacent locations in this project which may have additional water-flood or tertiary recovery potential.

With many oil and gas companies in the USA taking advantage of modern water flooding and tertiary recovery techniques, the Company believes there are still potential resources in the ground to recover in the Tin Cup Mesa field. Some U.S. exploration and production companies are strategically buying U.S. mature oil fields and introducing both secondary and tertiary recovery methods to increase oil production out of mature fields once thought depleted. American Patriot viewed the opportunity to purchase acreage in the Tin Cup Mesa field as a strategic acquisition.

Geological

A review and comparison of core data in all of the wells which were cored in the Tin Cup Mesa field (that is adjacent to American Patriots acreage) indicated that there was significant oil saturation in the Tin Cup Mesa 4-25 well. This well was tested over a period of a few days and produced 299 barrels of oil and limited water. A review of the core of this well, which is a direct offset to American Patriot’s acreage, indicates the following:

- Excellent permeability – required for good vertical oil production
- Excellent porosity – required for oil storage capacity within the rock
- Excellent oil saturation – higher oil saturation relative to some of the best wells in the field.

Environmental Restrictions

Acreage is held on Fee and State land with no restriction and production operations which can go year round.

Lease Terms

American Patriot’s land holdings are 5 year leases with no option to extend.

Infrastructure

The basin is well served by infrastructure with ready access to drill rigs and service companies.

Well costs

On the Tin Cup Mesa field, wells will be drilled vertically as a conventional reservoir and may not need to be fracture stimulated.

Fiscal Terms

Royalties (varying between 12.5% to 20% of oil and gas production) are payable to landowners under the leases within the Southern Sun Project. In addition, overriding royalties (varying between 0% and up to 7.5% of oil and gas production) are payable to Morning Gun Exploration LLC with respect the leases within the Southern Sun Project. The maximum aggregate percentage payable in landowner royalties and under the Morning Gun override under any lease within the Southern Sun Project is 20%.

Resource/Reserve potential

Based on the data currently available and the SPE PRMS rules and guidelines, MHA Petroleum Consultants LLC has been unable to assign Prospective Resources to the Southern Sun project (as the project is in the early exploration phase and no commercial discoveries have been drilled on or adjacent to the American Patriot leases).

6. American Patriot Projects

6.5 OVERTHRUST PROJECT

Project Highlights

(a) Small Structural Field Extension Possibility

(b) Deep vertical drilling opportunity with large upside potential

(c) Fractured Reservoir

Figure 12: Map of Wyoming, USA indicating the location of the Overthrust Project



Note: Map is internally generated and is not to scale. It indicates the location of the Overthrust Project area, within which American Patriot's acreage lies. The map does not indicate the exact location or size of American Patriot's acreage.

Background

American Patriot owns 100% Working Interest in the Overthrust project covering 640 Gross Acres, 640 Net Acres in the Wyoming Overthrust belt.

The project is located 1.5 miles north of Whitney Canyon – Carter Creek field, which has produced over 25 million barrels of condensate (high gravity oil) and 2.2 TCF of natural gas from stacked pay zones in the Thaynes, Weber, Mission Canyon, Lodgepole, Darby and Big Horn formations. The project is also located 1.5 miles south of Road Hollow field which has produced 1.9 million barrels of condensate (high gravity oil) and 53 BCF of gas from the Big Horn formation at 15,500 foot. The Whitney Canyon – Carter Creek was discovered using 2D seismic.

This project is a conventional oil play focused on Stacked-Pay with multiple targets within a 9,500 to 16,000 foot deep. The 640 acre position held by American Patriot is Wyoming State leasehold acquired in 2013 and the lease term is 5 years. American Patriot has a 100% Working Interest in the project. American Patriot is presently marketing this project to industry players with a focus to farm down an interest to technically sound operators with experience in the basin. Given the complex nature and depth of drilling related to this project, American Patriot considers this a later stage development opportunity.

Geological Overview

The Whitney Canyon – Carter Creek (WCCC) and Road Hollow field areas are located in the Fossil basin area of the Wyoming Overthrust Belt with both fields being complex anticlinal folds. Both fields are considered sour gas and condensate reservoirs producing primarily from Paleozoic reservoir rocks. The Fields were discovered using 2D seismic to pick the early locations. The Mission Canyon formation, a porous and fractured dolomite, is a regressive, shallowing-upward sequence containing a lower section of fine-grained, deep-water open marine limes and dolomites. The section, which is approximately 300 feet thick is made up of tight limes and finely crystalline dolomites which contain variable intercrystalline, moldic and fracture porosity types.

Fracturing plays a role in both increasing porosity and permeability in nearly all of the productive formations in the field. The gas from the field does have a hydrogen sulphide component which must be stripped off for commercial production and there are nearby processing facilities. Previous geochemical studies have determined that the majority of the oil sourcing for Overthrust belt oil production is derived from sub-thrusted cretaceous sediments.

6. American Patriot Projects

Proposed Exploration plan

American Patriot's field development plan consists of the acquisition of new and the reprocessing of existing seismic data and the further acquisition of land to build and consolidate the land position. American Patriot will endeavour to de-risk the opportunity by seeking out an industry partner to drill a horizontal or vertical well.

Environmental Restrictions

Acreage is held on State land which is subject to a Streams and Lake Buffer and was issued subject to and conditioned upon lessee's acknowledgement and agreement that any exploration and development activities undertaken shall:

- (a) provide a 300 foot buffer on both sides of streams that go through a lease parcel, a 300 foot buffer from the high watermark on all sides of any lake contained within the parcel, and provide protection for riparian zones; or
- (b) in the alternative, exploration and development activities shall be subject to approval by the Director of the Office of State Lands and Investments, subject to the Director's consultation with the Wyoming Game & Fish Department regarding alternative practices and/or plans of development which provide similar resource protection and mitigation.

Lease Terms

American Patriot's land holdings are State lands with the fee leases having 5 year term, starting in May 2013.

Infrastructure

The basin is well served by infrastructure to the north and south of American Patriot's acreage position.

Fiscal Terms

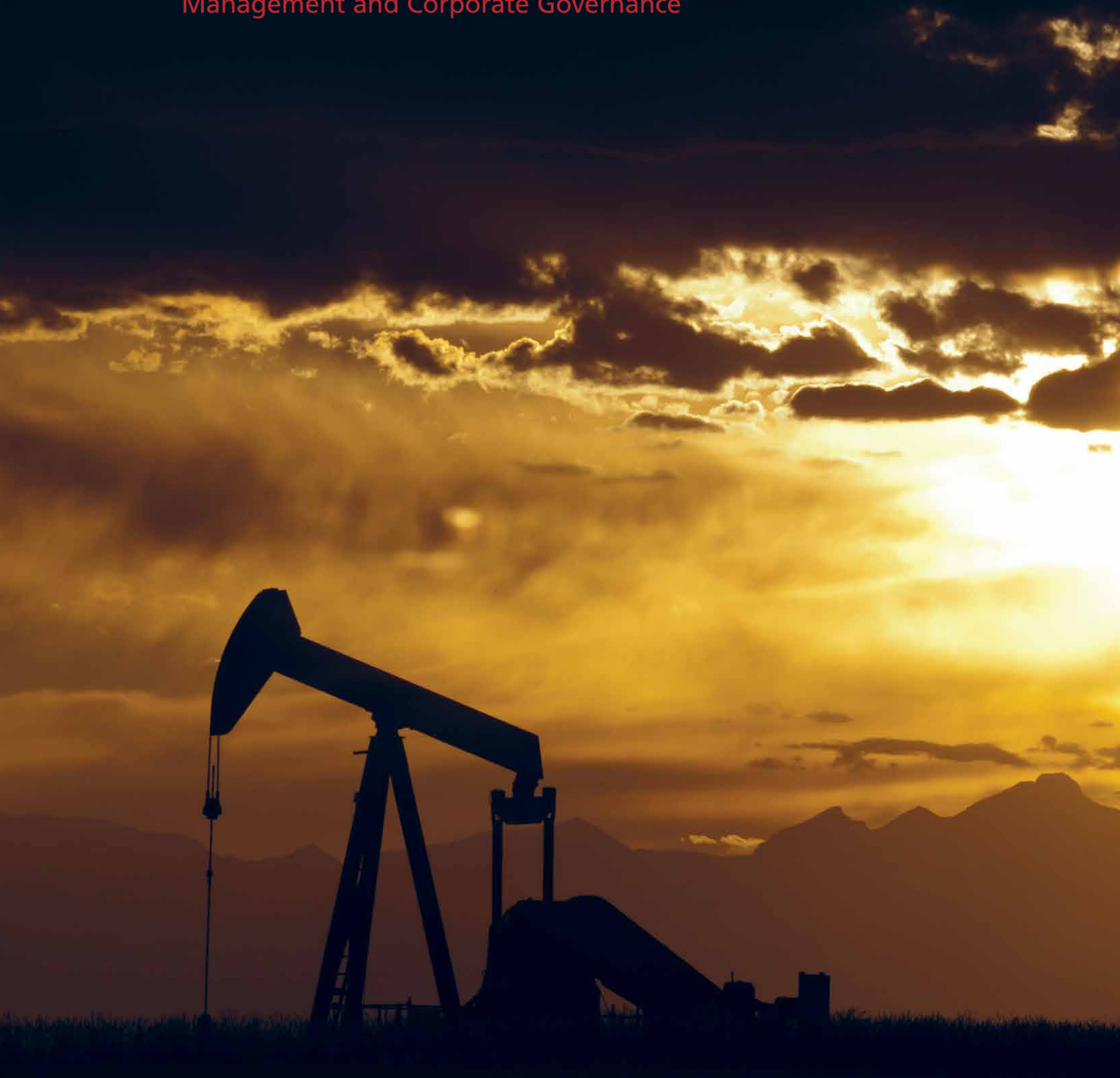
Royalties (varying between 12.5% to 20% of oil and gas production) are payable to landowners under the leases within the Overthrust Project. In addition, overriding royalties (varying between 0% and up to 7.5% of oil and gas production) are payable to Morning Gun Exploration LLC with respect the leases within the Overthrust Project. The maximum aggregate percentage payable in landowner royalties and under the Morning Gun override under any lease within the Overthrust Project is 20%.

Resource/Reserve potential

Due to the relatively small size of the acreage relating to the project and the fact that this project is a later stage development priority for the Company MHA Petroleum Consultants have not reviewed this position.

SECTION 7

Management and Corporate Governance



7. Management and Corporate Governance

7.1 OVERVIEW

The Board is composed of individuals with corporate governance experience finance, legal and corporate governance sectors. The Company's management is composed of individuals who have extensive experience in the global oil and gas industry.

The Board and management's focus will be to create capital growth for Shareholders through the acquisition, assessment and exploitation of petroleum assets in an efficient and expeditious manner.

7.2 BOARD OF DIRECTORS

This Section provides information regarding the Directors, including their experience, positions and independence.

Mr David Shaw (Non-Executive Chairman)

David Shaw is a Melbourne University law graduate, and is currently a practising solicitor with his own firm Campbell & Shaw Lawyers. David is a director on a number of private company boards and advisory boards. David has a long history with the Australian Football League (AFL) and was the Essendon Football Club President from 1992 to 2002. In addition, David was the former Commissioner of the AFL.

David is the non-executive chairman of Ambassador Oil and Gas Limited.

David is classified as an independent Director.

Alexis Clark (Director & Chief Executive Officer)

Alexis is a Chartered Financial Analyst (CFA), a Chartered Accountant (ACA) and has completed degrees in Economics and Commerce at the University of Adelaide and has an extensive career in the Finance Industry.

Alexis is a Consultant to the Oil & Gas Industry. Alexis was previously an Oil & Gas Analyst at Patersons Securities responsible for coverage of small-mid capitalisation Oil & Gas companies and has previously worked as an Energy Analyst at Merrill Lynch covering large and mid-cap Energy companies and more recently, Shaw Stockbroking where he covered a basket of mid-capitalisation oil and gas companies. In addition to this Alexis has over 10 years' experience in the Institutional banking and finance sector where he has held positions at Westpac Institutional Bank, GE Capital and ANZ Banking Group responsible for the origination and execution of transactions

across the Energy & Resources and Infrastructure client base.

Alexis is classified as a non-independent Director.

Jim Angelopoulos (Director & Chief Operations Officer)

Jim Angelopoulos is a Monash University Engineering Graduate who has had an extensive career as a director of a number of successful businesses.

Jim is the founding director of American Patriot who has overseen its acquisition of substantial acreage position across 4 states in the USA and the execution of two joint venture agreements.

Jim is also an experienced Energy Company Investor and a Director of a Joint Venture gas & oil enterprise in Kentucky USA. In addition, Jim is currently the Managing Director of one of the most successful distribution companies within its industry in Australia and continues to oversee a successful property development business.

Jim is classified as a non-independent Director.

Frank Pirera (Director, Company Secretary & Chief Financial Officer)

Frank is a graduate of Monash University where he obtained a Bachelor of Business (Accounting) and is a fellow of the Certified Practising Accountants with more than 30 years' experience in public practice. Frank has a wealth of experience in financial control and management and strategic planning having advised numerous public and private companies throughout his career.

Frank is classified as a non-independent Director.

7.3 DIRECTOR DISCLOSURES

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last ten years which is relevant or material to the performance of their duties as a Director.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

7. Management and Corporate Governance

7.4 US MANAGEMENT

American Patriot employs 3 local staff members in the USA, 2 of whom are considered key management personnel. American Patriot also utilises external parties for the provision of various services as needed from time to time.

Profiles of individuals who provide key services are provided below.

Robert Hoar (Chief Geologist)

Mr. Hoar is a exploration geoscientist with 30 years of oil and gas industry experience. He has worked for a number of well-known companies including Amoco, where he spent half his career, Oryx, and Ker McGee. He was hired as a geologist at Amoco and then spent a year in training to become a geophysicist at that company.

Since then he has worked as a geologist in both exploration and exploitation. Similarly as a geophysicist he has worked in many phases of geophysics including 3D acquisition, 3D and 2D interpretation, and VSP acquisition and interpretation.

Mr. Hoar has worked on exploration and exploitation projects throughout the world including many US basins. His present focus is with on-shore basins in the United States. Mr. Hoar received his BA in geology from Hamilton College and a MSc in Geology from the University of Vermont.

Justin Dunn (Landman)

Justin is a 3rd generation Landman with a degree in Business Administration from Goucher College. "Landman" is a recognised title for persons responsible for undertaking land assessments and leasehold acquisitions in the USA. He has an extensive background in lease acquisition, title examination and research with regard to oil and gas leasing in the Rocky Mountain States. Justin was formerly employed as a Landman for Hunter Energy.

Justin is responsible for project management, title curative, title research and examination and supervising land brokers. Justin has in-depth experience with review and analysis of term sheets, joint development agreements, joint operating agreements, administration of farm-in and farm out agreements, capital allocation and business planning. Justin has significant experience working with and maintaining relationships with regulatory and governmental bodies in counties, state, federal, Tribal jurisdictions. He has personally leased tens of thousands of acres in numerous Rocky Mountain States.

7.5 MANAGEMENT COMPENSATION MODEL

A management compensation model for management (including Directors and members of the US management team) will be implemented to ensure maximum alignment of interests with that of Shareholders. Specifically, the compensation model will incentivise management to maximise Share value through the generation of revenue as a result of oil production.

The key elements of the compensation model are outlined in the following subsections.

Lean Enterprise and Management Principles

American Patriot will embrace and apply "lean enterprise" and "lean management" principles. The core objective of the "lean enterprise" philosophy and approach is to eliminate unnecessary waste and inefficiency in an organisation whilst preserving value to the customer (or in the case of the Company, to its shareholders). The implications of this approach for the organisational structure and compensation model of American Patriot are outlined as follows:

- (c) **Organisation structure:** a flexible and agile model that promotes multi-tasking and self sufficiency by management and employees. Practically speaking and as an example, the Directors and US management team members will be expected to undertake several functional roles (which would ordinarily be staffed by more than one employee at other companies with more conventional structure); and
- (d) **Compensation structure:** a model that is skewed towards Share performance based outcomes will be applied.

However, to compensate for the above, the intention is for Directors and US Management team members to participate in an incentive scheme based on the principles described below.

Incentive Scheme

An incentive scheme will be implemented for all qualifying Directors and employees with the following objectives in mind:

- (a) to incentivise Directors and management to act as "owners" when assessing joint development partnerships, purchasing assets for American Patriot and undertaking drilling programs; and
- (b) to incentivise Directors and management to operate American Patriot's business such that they deliver financial and operational outperformance over a long term investment horizon.

The structure for delivering the objectives of the incentive scheme is currently being considered.

7. Management and Corporate Governance

7.6 CORPORATE GOVERNANCE POLICIES

The Board is committed to principles of best practice in corporate governance.

The Board will conduct itself in accordance with the ASX Corporate Governance Principles and Recommendations, 2nd Edition (2007) with 2010 Amendments (**Best Practice Recommendations**) as issued by the ASX Corporate Governance Council, to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company.

The Company has formulated its own corporate governance policies and practices using the Best Practice Recommendations as a guide. These are available on the Company's website, at www.ap-oil.com.

The Company will provide an explanation of any departures from the Best Practice Recommendations in its future annual reports.

The Board will review the corporate governance policies and structures that the Company has in place on an ongoing basis to ensure that these are appropriate for the size of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards to which the Board is committed.

SECTION 8

Risks



8. Risks

8.1 OVERVIEW

An investment in the Company is speculative. Applicants should consider the risk factors described in this Section, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Investment in oil and gas exploration has numerous risks, which may have a material effect on the Company's future performance and on the value of its Shares.

Applicants should consider whether the shares offered by this Prospectus are a suitable investment having regard to their own individual investment objectives, financial circumstances and the risk factors set out below. If in any doubt, Applicants should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8.2 COMPANY SPECIFIC RISKS

In addition to the general risks noted in Section 8.3 of this Prospectus, investors should be aware of the specific risks of an investment in the Company. These specific risks include, but are not limited to those risks referred to below.

Exploration, appraisal, development and production

The future profitability of American Patriot and the value of its Securities directly relates to the results of exploration, appraisal, development and production. No assurances can be given that funds spent on such activities will result in outcomes that are economically viable. Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/or other equipment. Drilling may result in wells that, while encountering oil and gas, may not achieve economically viable results.

Operating risks

Oil and gas exploration, appraisal, development and production operations are subject to a number of operational risks and hazards including fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases.

The occurrence of any of these risks could result in legal proceedings being initiated against American Patriot and potentially substantial losses to American Patriot due to injury or loss of life, damage to or destruction of property, natural resources, or equipment, pollution or other environmental

damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Oil and gas exploration, appraisal, development and production are generally considered a high-risk undertaking. The operations of American Patriot may also be affected by a range of factors, including:

- (a) operational and technical difficulties encountered in drilling;
- (b) difficulties in commissioning and operating plant and equipment;
- (c) mechanical failure or plant breakdown; unanticipated drilling problems which may affect production costs;
- (d) adverse weather conditions; industrial and environmental accidents; industrial disputes; and, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Competition risks

The oil and gas industry is very competitive in the USA, particularly in relation to bidding for acreage, as well as acquiring equipment and attracting experienced personnel. American Patriot will initially be a small participant in this industry whose competitors will have greater financial and other resources available to them. American Patriot will have no influence or control over the activities or actions of its competitors, whose activities may adversely affect the operating and financial performance of American Patriot's projects and business.

Title risk

The ownership of oil and gas lease rights in the USA is a combination of private and governmental ownership (including Indian tribal ownership). The acquisition of privately owned oil and gas lease rights typically involves an initial review of the public records in the counties in which the relevant lands lie in order to determine the ownership of the oil and gas rights. Thereafter, oil and gas leases are negotiated with the owners of those rights. Verifying the chain of title for USA oil and gas leases can be complex any may result in remedial steps to be taken to correct any defect in title. American Patriot has undertaken due diligence to confirm the validity of the lease interests however, no due diligence process can completely eliminate all risks and therefore American Patriot faces the risk of not being able to secure valid access to the oil and gas lease rights which it owns.

8. Risks

Lease expiry

Successful drilling is fundamental to the appraisal and development of the leases which may be acquired by American Patriot. The Leases may expire if production is not established. It is not uncommon for oil and gas leases in the USA to provide that if commercial production is not established on the leased properties within a specified period, the leases will expire and the holder of the leasehold interest loses its right to continue to explore for oil and gas on the relevant land.

As a non-operating leaseholder in the Northern Star Project, American Patriot will have less control over the timing of drilling and consequently there is a higher risk of lease expirations occurring.

Commercialisation

Should American Patriot recover what would otherwise be commercial quantities of oil or gas, there is still no guarantee that American Patriot will be able to successfully transport the oil or gas to commercially viable markets, or sell the oil or gas to customers to achieve a commercial return. American Patriot may not be able to secure satisfactory oil and gas transportation arrangements; there may be no readily available market; and no or limited access to pipelines. Pipeline access arrangements may also be subject to interruption rights which may adversely affect American Patriot.

Limited control over non-operated properties

As American Patriot will not be the operator of the Leases, it will have limited control over operations on the Leases. American Patriot will be party to joint operating agreements and as a non-operator and minority interest holder it will be dependent on the efficiency and management capability of the operator under those agreements.

Under these agreements, American Patriot may be required to contribute to any increases in unbudgeted capital expenditure requirements and/or operating costs in connection with joint venture activities. In common with other joint venture parties, if American Patriot fails to pay its share of any costs and liabilities, it may be deemed to have withdrawn from part or all of the joint venture and may have to transfer part or all of its interests in the Leases and the joint operating agreements to the other joint venture participants.

Health and safety laws and regulations

The conduct of oil and gas exploration, appraisal, development and production operations may expose American Patriot's personnel and the staff of service providers to potentially dangerous working environments. Although occupational health and safety laws differ from state to state in the USA, should any of American Patriot's personnel or the staff of a service provider suffer injury or death in the course of those operations, American Patriot may be exposed to liability for

finances and/or compensation payments. These risks have the potential to adversely impact the financial performance and reputation of American Patriot.

Environmental laws and regulations

The proposed exploration and development of Oil and Gas are subject to State and Federal environmental laws. As with most Oil and Gas production there will most likely be an environmental impact. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all applicable environmental laws however there is always a risk of exposure to environmental costs and liabilities arising out of American Patriot's operations.

In particular, this exposure may arise from the handling of hydrocarbons and wastes, emissions to the air and water, the underground injection or disposal of wastes and historical industry operations and waste disposal practices. As a result, substantial liabilities to third parties or government entities may be incurred, the payment of which could reduce or eliminate funds available for future exploration and development.

Oil and gas price volatility

International and domestic oil and gas prices fluctuate widely and are affected by numerous factors beyond the control of American Patriot, such as industrial and retail supply and demand, exchange rates, inflation rates and changes in global economies.

The economic viability of American Patriot's projects will be dependent upon the future price of oil and gas. Price declines in the market value of oil and gas could result in commercial production from the Company's projects becoming uneconomic. Depending on the price of the commodity, American Patriot could be forced to discontinue production or development and may lose, or be forced to sell, some of its interest in some of the projects.

Lack of operating History

While American Patriot's Directors and CEO have significant experience in the oil and gas industry, American Patriot has no operating history in the oil and gas industry and as such has no meaningful historical financial information. American Patriot's business plan requires significant expenditure, particularly capital expenditure, in its oil and gas industry establishment phase.

Key personnel

The responsibility of overseeing the day to day operations and strategic management of American Patriot depends substantially on its senior management and its key personnel. There can be no assurance that there will be no detrimental impact on American Patriot if one or more of the key employees cease their employment.

8. Risks

Reserve and resource determinations

Any determination of oil and gas reserves and resources is an expression of judgment based on knowledge, experience and industry practice. Reserve and resource determinations which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, reserve and resource determinations are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the analyses may change. This may result in alterations to exploration, appraisal, development and production plans which may, in turn, adversely affect American Patriot's operations.

Exchange rate risks

International prices of oil and gas in the USA are typically denominated in US dollars, whereas the income and expenditure of American Patriot is and will be reported in Australian dollars, exposing American Patriot to the fluctuations and volatility of the rate of exchange between the US dollar and the Australian dollar as determined in international markets. Drilling obligations and associated commitments are payable in US dollars. To the extent that there are unfavourable movements in the exchange rate, American Patriot's obligations referred to in this Prospectus and expressed in Australian dollars, would thereby increase.

USA taxation

Profits arising from the discovery and commercialisation of oil and gas fields in the USA will be subject to USA Federal and State taxation and that tax treatment may vary significantly from that which applies in Australia.

Licence and other regulatory risk

American Patriot's operations will be dependent upon the granting of, or as the case may be, the maintenance of appropriate licences, concessions, leases, claims, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintenance of licences and contracts, obtaining renewals, or getting licences and contracts granted, may depend on American Patriot being successful in obtaining required statutory approvals for its proposed activities and that the licences, concessions, leases, claims, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be granted or that such renewals, rights and title interests will not be revoked or significantly altered to the detriment of American Patriot.

Future funding

Substantial capital expenditure is required for oil and gas exploration. American Patriot may be unable to meet future capital requirements once the proceeds of the Offer are fully expended. In that event, American Patriot may be required to raise future additional capital. In the event such funds are not forthcoming American Patriot may seek to divest all or part of its interests or reduce its commitments.

Labour risk

American Patriot's operations may be adversely affected by labour disputes or changes in USA labour laws. Workers may form or join trade or labour unions and they may also strike to obtain improved working conditions and benefits and bargain collectively for higher wages.

Insurance

Insurance of all risks associated with oil and gas exploration, appraisal, development and production is not always available and, where available, the cost can be high. American Patriot may not be insured against all possible losses, whether because of the unavailability of cover or because the premiums may be excessive relative to the benefits that would accrue. All insurance relating to the joint venture activities will be put in place through the operator of the joint venture.

Loyalty Options issue risk

The proposed issue of the Loyalty Options in 2014 is subject to the Company being able to comply with all applicable regulatory requirements under the Listing Rules and the Corporations Act, which may include issuing a prospectus. The Loyalty Options do not form part of the Offer. American Patriot intends to apply to ASX for Official Quotation of the Loyalty Options. The fact that ASX may grant Official Quotation to the Loyalty Options is not to be taken in any way as an indication by the ASX as to the merits of American Patriot or the Loyalty Options.

If ASX does not grant Official Quotation to the Loyalty Options and the Company issues unlisted Loyalty Options, any dealings with the Loyalty Options will be more complex and the Loyalty Options may be less attractive to investors.

Depending on the Company's Share price, some or all of the Loyalty Options may not be exercised before expiry. The amount raised by the Company will depend on:

- (a) how many Shareholders subscribe for Loyalty Options; and
- (b) how many Loyalty Options are exercised.

Any Shares issued on exercise of Loyalty Options will dilute the ownership interests of existing Shareholders, and the effect of any dilution may be increased if the share price at the time is greater than the exercise price of the Loyalty Options.

8. Risks

Only Shareholders registered on the record date (this date will be confirmed following Listing) will be eligible to participate in the issue of Loyalty Options. Shareholders who apply for Shares will need to still be registered as shareholders on the record date, in order to participate in the issue of Loyalty Options.

8.3 GENERAL RISKS

Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on American Patriot's proposed exploration, development and production activities, as well as on its ability to fund those activities. Further, share market conditions may affect the value of American Patriot's quoted securities regardless of American Patriot's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

Market conditions

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the equities market in general, and oil and gas stocks in particular.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the control of American Patriot. Changes to the accounting standards issued by AASB could adversely affect the financial performance and position reported in American Patriot's financial statements.

Government policy

The introduction of new legislation or amendments to existing legislation and regulations by governments, and the decisions of courts and tribunals and the rulings and decisions of regulatory authorities, can impact adversely on the assets, operation and, ultimately, the financial performance of American Patriot and the Securities. Any adverse changes in political and regulatory conditions or financial reporting could markedly affect American Patriot's prospects. Political changes such as changes in both monetary and fiscal policies, import regulations and tariffs, taxation, methods of taxation and currency exchange could affect the profitability of American Patriot and adversely affect the return to Shareholders.

Acquisition and Shareholder dilution risk

From time to time American Patriot may undertake acquisitions of additional interests in oil and gas leases and other assets. The successful implementation of acquisitions will depend on a range of factors including funding arrangements, geographic issues, staff continuity and compatibility of equipment and infrastructure. To the extent that acquisitions are not successfully integrated with American Patriot's existing business, the financial position and performance of American Patriot could be adversely affected. Depending on various factors affecting American Patriot at the time of any future acquisition such as American Patriot's share price, its financial position and performance and the nature of the acquisition, the Company may decide that it is in the best interests of American Patriot and its Shareholders to fund the acquisition through the issue of further Shares. If this were to occur, it may result in dilution of the ownership interests of the Shareholders.

8.4 APPLICANT CONSIDERATIONS

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of Shares offered under this Prospectus.

Any Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

SECTION 9

Independent Report on Leasehold Interests



9. Independent Report on Leasehold Interests



Genesee Center 1, 602 Park Point Drive, Suite 225, Golden, Colorado 80401 • 303-526-5971 • Fax: 303-526-5973

February 14, 2014

American Patriot Oil and Gas, Inc.
1601 Blake Street, Suite 300
Denver, Co 80202
Attention: Board of Directors
American Patriot Oil and Gas, Limited

Re: Report on Leasehold Interests
American Patriot Oil and Gas, Inc.

Dear Board of Directors:

This report is prepared for inclusion in a prospectus relating to the IPO by American Patriot Oil and Gas Ltd.

We have been asked to report on the leasehold interests owned by American Patriot Oil and Gas, Inc. (American Patriot) in the following prospects:

Northern Star Prospect – Valley County, Montana
Panther Prospect – Garfield County, Montana
Southern Sun Prospect – San Juan County, Utah
State of Wyoming Lease – Lincoln County, Wyoming

I have been involved in the oil and gas industry as a Petroleum Landman for over fifty years. I was employed by a major oil and gas company for 10 years and was Land Manager, Rocky Mountain Region from 1975-1978. In 1981, I formed Wells Petroleum, Inc. as an oil and gas exploration company specializing in mineral title research, oil and gas leasing, surface access agreements and joint operating agreements. I will be paid my usual fees for the preparation of this report.

We were furnished copies of all of the lease files maintained by American Patriot covering lands in the above prospects. In our review of the files, we verified that the leases were properly executed based on the mineral ownership reports, the bonus consideration was properly paid and evidence of bonus payment was in the file, and the lease properly recorded in the county where the lands are located. We selected a representative number of fee leases to conduct an independent title research to verify that the fee mineral title research performed by American Patriot was acceptable for lease acquisition purposes according to oil and gas industry standards. Based upon our independent research, we found the mineral ownership research done by American Patriot to be acceptable. American Patriot Oil and Gas, Inc. is the Lessee of record on all the leases.

Page 1 of 4

9. Independent Report on Leasehold Interests

Following is a summary of our findings in each prospect:

Northern Star Prospect

In our review of the fee lease files, we found the fee leases to be properly executed by the mineral owner, filed of record, and evidence of proper bonus consideration paid. There are a number of leases from the Northwest Farm Credit Services, FLCA. They have their own lease form which generally follows the standard Producer's 88 lease form which is a very common form of oil and gas lease. The leases are for a primary term of five years providing annual delay rentals of \$1.00 per net acre, Shut-In payments are two times the annual delay rentals plus \$1.00 per net acre and a pooling clause.

The other fee leases are on a standard Producer's 88 lease form with some revisions which are consistent on a majority of the leases. A majority of the leases are for a primary term of five years providing for a Shut-In provision of \$1.00 per net acre per year, pooling clause, an option to extend the primary lease term for an additional 5 years by paying 100% to 250% of original bonus, and grants the Lessee the preferential right to acquire a new lease if Lessor receives a bona fide offer to lease during the primary term.

The mineral ownership of the Tribal and Allotted Indian lands was furnished to American Patriot by the Fort Peck Tribal Executive Board which represents the Assiniboine & Sioux Tribes. The mineral ownership is based upon Title Status Reports maintained by the Bureau of Indian Affairs and was assumed to be accurate for leasing purposes by American Patriot. In our review of the Tribal/Allotted lease files, we found the leases to be properly executed and bonus consideration properly paid. The Tribal and Allotted leases are on a Bureau of Indian Affairs Oil and Gas Mining Lease – Trust Lands form.

The Tribal leases are for a primary term of 18 months with the option for an extension of 42 months upon completion of the drilling commitment stated in the resolution below. The leases provide for annual rental payments of \$2.00 per net acre, and specified operation and production reports to the Lessor. By resolution of the Fort Peck Tribal Executive Board, American Patriot is committed to drill a well to at least 5,000 feet within 18 months of issuance of the Tribal leases with the well containing at least 50% Tribal Minerals in the well spacing unit. The Allotted leases are for a primary term of five years, provide for annual rental payments of \$2.00 per net acre, and specified operation and production reports to the Lessor.

Both the Tribal and Allotted lease process is complete when the leases are approved by the BIA and filed by the BIA in the BIA records.

As of December 4, 2013, 20,483.80 gross and 20,030.47 net acres have been approved by the BIA and filed in the BIA records.

In the Northern Star Prospect American Patriot has fee leases covering 9,184.34 net acres in 15,918.05 gross acres.

Total acres in the Northern Star Prospect, is 29,214.14 net acres in 36,401.85 gross acres. All leases carry an 80% net revenue interest.

9. Independent Report on Leasehold Interests

American Patriot has recently sold a 70% interest in all of its Northern Star leases to Treasure Exploration Company, LLC, subject to a certain Joint Development Agreement. This has effectively reduced American Patriot's net acres in the Northern Star Prospect to 8,764.24 acres. Please refer to the Company Overview section for more information regarding this sale.

Panther Prospect

The leases in this prospect are all from the State of Montana, through its Board of Land Commissioners (State) with exception of one fee lease. The State uses its own lease form. The leases are for a term of ten years with the option to extend the term, in absence of drilling or production, subject to specific terms and conditions. Leases extended by production will only be extended to those formations discovered, developed or drilled during the primary term. The leases provide for annual delay rentals of \$1.50 per net acre with additional delay drilling penalties applied starting with the sixth year of the lease term. Upon Lessor's request, Lessee is required to furnish Lessor with certain well information. The right to pool is subject to the written consent of the Lessor. All of the State leases are subject to an Exhibit "A" SPECIAL PROVISIONS. These provisions address well reporting information to the State and requirements for conducting operations on the surface of the lease lands.

The fee lease is on a standard Producers 88-Paid up lease form subject to an attached Exhibit "A". Pasic Pty Ltd is the original Lessee but has subsequently assigned all Assignor's interest to American Patriot Oil and Gas, Inc. The lease contains a total of 5,589.90 gross acres and is divided into "Tracts" on Exhibit "A". Each "Tract" shall be treated for all purposes as comprising a separate and distinct Oil and Gas Lease. The lease is for a primary term of five years providing for grants the Lessee the preferential right to acquire a new lease if Lessor receives a bona fide offer to lease during the primary term.

The Panther Prospect contains 8,492.65 net acres in 8,789.90 gross acres. All leases carry an 80% net revenue interest.

Southern Sun Prospect

The leases in this prospect are all from the State of Utah, acting by and through the School and Institutional Trust Lands Administration (State) with the exception of one fee lease.

The State leases are on a State lease form. The leases are for a primary term of five years, providing for annual delay rental payments of \$2.00 per net acre, Shut-In payments of twice the annual delay rental payments up to a maximum of five years beyond the expiration of the primary term unless extended by the State. The lease contains numerous provisions with reference to Lessee's operations, reporting requirements to the State, and use of the surface. Lessee may not assign its interest in the lease without State approval.

The fee lease is from CoBank, FCB, successor to U.S. AgBank, FCB (CoBank) and is on a CoBank lease form. The lease is divided into separate leases or "Tracts" on Exhibit "A" attached to the lease. Each of the separately designated tracts to this lease shall be treated for all purposes as a

9. Independent Report on Leasehold Interests

separate and distinct lease. The lease is for a primary term of five years providing for annual delay rentals of \$1.00 per net acre, semi-annual Shut-In payments of \$1.00 per net acre or \$100 per well, whichever is greater, not exceeding six successive six month periods. If the lease is extended by production beyond the primary term, Lessee agrees to release all formations lying below the deepest producing formation for which production is being allocated to the lease acreage not later than two years after the expiration of the primary term.

The Southern Sun Prospect contains 3,473.55 net acres in 3,728.06 gross acres. All leases carry an 80% net revenue interest.

State of Wyoming Lease

The lease is from the State of Wyoming, acting by and through its Board of Land Commissioners (State) and is on a State lease form. The lease is for a primary term of five years providing for an annual delay rental of \$1.00 per net acre increasing to \$2.00 per net acre after production is established, and well log reports to State and such other well, production and operational information as requested by State.

The lease contains 640 gross and net acres and carries an 80% net revenue interest.

We consent to being named in the Prospectus as being responsible for the preparation of this Report. Except for this report, we (a) have not authorized or caused the issuance of the Prospectus, (b) are not responsible for any matter included in or omitted from this Prospectus, (c) make no representation or warranty, either express or implied, with respect to the accuracy or completeness of the information contained in the Prospectus; and (d) disclaim liability to any persons in respect of any statement included in or omitted from the Prospectus.

This Report is made solely for the benefit of the Company in connection with the issuance of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose without our prior written consent.

Sincerely,
Wells Petroleum, Inc.



By: John M. Wells
President

SECTION 10

Attorney's Report

10. Attorney's Report

Akers & Associates LLC

ATTORNEYS AND COUNSELORS AT LAW

COLORADO

5995 Greenwood Plaza Blvd
Suite 225
Greenwood Village, CO 80111
720.488.0835

WYOMING

109 East 17th St
Suite 15
Cheyenne, WY 82001
307.432.4064

WWW.AKERS-LAWFIRM.COM

John K. H. Akers, Jr.¹

jakers@akers-lawfirm.com

Eric Thompson³

ethompson@akers-lawfirm.com

Maren P. Schroeder³

mschroeder@akers-lawfirm.com

Mike Figge¹

mfigge@akers-lawfirm.com

Johna M. Varty¹

jvarty@akers-lawfirm.com

Heather Hanna³

hhanna@akers-lawfirm.com

OF COUNSEL

Stanley L. Grazis¹

sgrazis@akers-lawfirm.com

Jennifer Blum⁴

jblum@akers-lawfirm.com

Deana A. Allen⁵

dallen@akers-lawfirm.com

Howard M. Schrinar²

hschrinar@akers-lawfirm.com

¹ Licensed in CO

² Licensed in WY

³ Licensed in CO and WY

⁴ Licensed in CO and NY

⁵ Licensed in CO, ND and TX

February 18, 2014

The Board
American Patriot Oil & Gas LTD.
Level 1, 141 Capel St.
North Melbourne Vic 3051
Melbourne, Australia

Re: Summary of the Mineral Rights, Oil and Gas
Leasing and Industry Agreements in the United
States

Gentlemen:

At your request, I have prepared this summary of mineral ownership and oil and gas leasing in the United States of America (the "USA"), including a discussion of the types and characteristics of mineral ownership, commonly used oil and gas lease provisions, and agreements commonly used by industry partners pertaining to "on-shore" oil and gas exploration and development. I have also included some comments about , where applicable, confirmation of the practices

Types and Characteristics of Mineral Ownership in the United States of America

Ownership of surface and subsurface mineral rights¹ in a tract of land located in the United States originates with a patent (similar to a deed) from the government of the United States to the tract owner. Absent a reservation by the United States of surface or mineral rights in the Patent, the patentee/grantee acquires all rights in the land "ad coelum et ad inferos, i.e., "all the way up to Heaven and down to Hell".

¹ the term "mineral rights" as used herein includes oil, gas and associated hydrocarbons.

10. Attorney's Report

Quite often, and especially in oil and gas-producing regions of the United States, mineral rights in a tract of land have been conveyed separate and apart from the surface rights in the same tract, thereby “severing” the mineral rights. Severed mineral rights can take the form of presently vested rights (e.g. a “fee simple interest”) or future interests (e.g. a “reversionary right” or a “remainder interest”). A mineral owner can also convey a fraction of his or her mineral interest in a tract, creating a mineral co-tenancy. Each mineral cotenant has the right to grant an oil and gas lease covering his or her undivided interest without the need for the consent of the other cotenants. A lease from a mineral co-tenant is effective as to the lessor but ineffective as to the right of the other co-tenants in the same tract.

Since severed minerals lack value unless they can be developed, severed mineral rights are usually treated as “dominant” over the surface estate. Consequently, and unless specifically prohibited in a deed creating severed mineral rights, the rights of a severed mineral owner or severed mineral co-tenant include the right of ingress and egress to the surface and the right to use as much of the surface as is reasonably necessary to explore for and develop the underlying minerals.

In most states, a mineral owner, including a mineral co-tenant, has the right to drill an oil and gas well located within the boundaries of their mineral tract and to take ownership of all of the oil and gas that flows from the well (subject to the duty of a mineral co-tenant to account to the other co-tenants for their proportionate share of revenues in excess of their share of costs). The right of the mineral owner to all oil and gas produced from his or her well, regardless of the fact that some of the molecules of oil and gas produced from the well may have originally been situated under an adjoining tract before the pressure differential created by the producing well caused the oil and gas to migrate through the porous and permeable reservoir rock into the producing wellbore, is a right associated with the “rule of capture”. The rule of capture precludes the mineral owner of the adjacent tract from suing the owner of the producing well for any economic loss. However, the rule of capture has been modified by the doctrine of “correlative rights” which prohibits a mineral owner from engaging in unreasonable oil and gas operations that result in the “waste” of oil and gas underlying lands in which other mineral owners have rights.

The duty to protect correlative rights now lies with the government of each state. All of the oil and gas producing states have created agencies (e.g. the Montana Board of Oil & Gas Conservation, the Wyoming Oil and Gas Conservation Commission, the Colorado Oil and Gas Conservation Commission and the Utah Division of Oil, Gas and Mining) that regulate the drilling and operation of oil and gas wells located within the state. These agencies have adopted rules and regulations which determine the density of wells drilled to the same formation in known oil and gas fields, including provisions for the creation of “spacing units”, consisting of the governmental survey lots that cover the lands most likely to be drained by a well drilled in the subject formation, in which the drilling of more than one well is initially prohibited.

Leasing of Mineral Rights in the United States

Most mineral owners have no expertise in oil and gas drilling and development, and lack both the means and the desire to invest millions of dollars with no guarantee that their investment

10. Attorney's Report

will be repaid. Consequently, most oil and gas development is conducted pursuant to the terms of oil and gas leases executed by a mineral owner, as "Lessor", and a person or entity engaged in the business of oil and gas exploration and development, as "Lessee". The lease assigns the Lessor's rights to drill for and develop their oil and gas to the Lessee, along with the Lessor's obligation to pay its proportionate share of the cost of any well drilled on the Lessor's mineral rights, in exchange for the Lessee's promise to pay the Lessor a "cost-free" percentage (12.5% or greater) of the oil and gas production from any well located on the lease (or the proceeds from the sale thereof). This share of production is commonly referred to as the "landowner royalty interest" or "LOR". The lease also assigns the Lessee all rights to production and associated revenues from any well located on the lease *with the exception of* the LOR promised to the Lessor. Lessee's right and obligations under an oil and gas lease are commonly referred to as the "working interest" in the lease.

Unless expressly excepted from the lease, the Lessee acquires all of the rights of the mineral owner in the leased tract, i.e. the right of ingress and egress, the right to use a reasonable amount of the surface, and the right to drill for, produce and sell the oil and gas found in a wells drilled on the lands covered by the lease.

Onshore oil, gas and mineral rights reserved by the United States are administered and leased by the Bureau of Land Management, United States Department of Interior, on behalf of the United States government. Oil, gas and other minerals underlying lands granted by the U.S. government to Native Americans are administered and leased by the applicable Tribal authority or the United States Bureau of Indian Affairs. Mineral rights in lands granted to each of the individual states by the federal government (for the purpose of financing public schools) are leased by the state agency that administers said lands. Each of the aforementioned authorities has adopted their own oil and gas lease forms and assignment forms, and has promulgated rules and regulations pertaining to the exploration for, and development of, oil and gas underneath their respective lands.

Mineral rights that were included in patents issued to homesteaders and others who fulfilled the federal requirements for land grants adopted by the United States Congress in the early 1800s to encourage development of the western United States are referred to as "fee mineral rights". The only requirement for an oil and gas lease between a fee mineral owner and a Lessee (absent fraud and criminal conduct, among other limited exceptions) is a "meeting of the minds" as to the terms of the lease. However, as a matter of necessity, most oil and gas leases (be they Federal, State or fee leases) have many common terms and provisions.

Generally, the initial consideration for an oil and gas lease includes a "bonus payment" from the Lessee to the Lessor, in cash, calculated as a certain price per acre multiplied by the number of net mineral acres owned by the Lessee. The number of dollars per acre paid by the Lessee reflects the degree of competition among the Lessees in the area, and the recent history of oil and gas development in nearby lands.

Almost all oil and gas lease forms utilized in the United States for "onshore" oil and gas exploration are granted for an initial "primary term" (as short as 6 months or as long as ten years), and "as long thereafter" as oil and gas is produced from the lease. The lease remains in

10. Attorney's Report

full force and effect during the primary term even if the Lessee has not engaged in oil and gas related operations on the lease. In the past, the only obligation of the Lessee during the primary term was to pay an annual delay rental (usually \$1 per net mineral acre) to the Lessor. Although most lease forms used by federal and state governments and tribal authorities still contain an annual delay rental requirement, the current trend, when leasing privately owned fee minerals, is to utilize a "paid-up"² lease form that eliminates the Lessee's obligation to pay delay rentals during the primary term.

With a few rare exceptions, all "on-shore" oil and gas leases (federal, state and tribal leases included) contain a "habendum clause". As stated previously, during the primary term of a lease, a Lessee is under no obligation to conduct any oil and gas operations on the lease. If oil and gas production has not been established as of the primary term expiration date of the lease, the lease automatically expires, Lessee's rights under the lease automatically terminate, and Lessee owes no further obligation to the Lessor. However, the "habendum clause" provides that if oil and gas production is established on the lease prior to the expiration of the primary term, or if drilling operations commenced on the lease within the primary term have resulted in oil and gas production, the lease will remain in full force and effect for "so long thereafter" as there is commercial oil and gas production from any well located on the lease. The period of time beyond the primary term during which a lease is held by actual production is commonly referred to as the "secondary" term of the lease.

In addition to provisions for a primary and secondary term, the landowner royalty clause, and the habendum clause, conventional oil and gas leases are also apt to contain a continuous operations clause (which gives a Lessee a reasonable period of time, once production from the lease has ceased, to commence operations to drill a new well, or "rework" an old well, in order to re-establish production), a "pooling" clause (which grants the lessee the right to combine (i.e. "pool") leases within a State-ordered spacing unit to ensure that operations and/or production from any lease within the unit will be attributed to all of the leases within the same unit), a "lesser interest" clause (which reduces all payments due under the lease, including the LOR, in the same proportion as the lessee's mineral interest in the leased premises bears to all of the mineral rights in the leased premises), and a "force majeure" clause (which ensures that the term of the lease will be extended, in spite of the lack of production from, or continuing operations on, a lease, if the lack of production or operations is due to circumstances outside of the control of the Lessee).

In addition to the express terms contained in an oil and gas lease, every oil and gas-producing state within the U.S. has recognized the existence of *implied* covenants to which every lease is subject. The implied covenants include: (1) a Lessee's obligation of further development drilling after the completion of the initial exploratory well; (2) a Lessee's obligation to protect the leased premises against drainage of oil and gas by wells located on adjoining lands; and (3) a Lessee's obligation to market oil and gas discovered on the lease. (Some jurisdictions recognize a fourth implied covenant that requires that a Lessee to engage in "further exploration" of non-producing formations under the lease.) The courts have adopted these implied covenants to

² The term "paid-up" refers to the understanding of the parties to the lease that the initial bonus payment includes an advance payment of the delay rentals that would have been paid to the Lessor under the terms of a traditional lease form.

10. Attorney's Report

ensure that the Lessor receives the maximum economic benefit under their lease. Any Lessor who believes that the Lessee has failed to comply with an implied covenant may bring suit to compel compliance. In the event the court finds a breach, and if the Lessee fails to cure the breach, the Lessee will forfeit the lease, or at a minimum, the undeveloped portions of the lease.

Industry Agreements Related to “On-Shore” Oil and Gas Exploration and Development

Unless an oil and gas lease expressly prohibits, for well-defined and material reasons, any assignment of the lease, a Lessee can assign all or any part of its interest in the lease to a third party. Assignments of leases can be limited to certain lands covered by the lease, or to certain depths and formations covered by the lease.

The remuneration for the sale and assignment of an interest in an oil and gas lease usually consists of a cash payment from the assignee to the assignor, and a reservation, by the assignor, of a non-operating revenue interest in the lease, payable out of the assignee's share of revenues from any oil and gas well drilled on the lease. This reserved interest is commonly referred to as an “overriding royalty interest” or “ORI”.

Lessees under oil and gas leases often seek “industry partners” to share the costs and the risks of oil and gas exploration. This can be accomplished by assigning an undivided percentage of the Lessor's interest in a lease to other industry partners, or by persuading the Lessees of the separate oil and gas leases that cover the lands that are to be explored and developed, to “pool” their ownership for the purpose of exploration and development. Under either scenario, the working interest owners will need to enter into a joint operating agreement covering their leases. The joint operating agreement (“JOA”), in its customary form, contractually converts the working interest of a Lessee in each of the leases that said Lessee has committed to the JOA into a proportionate working interest in the lands subject to the JOA. This proportionate working interest determines the Lessee's share of costs and revenues associated with the oil and gas operations conducted pursuant to the JOA. The JOA appoints an “Operator” (usually one of the Lessees who has committed to the JOA), and grants the Operator the authority to conduct drilling operations on behalf of the other Lessees (the “Non-Operators”). In order to ensure that the Non-Operators under a JOA cannot be held jointly and severally liable for the debts and obligations incurred by the Operator, the JOA must, among other provisions, limit the degree of control that the Non-Operators can exercise over the Operator, and provide that the Operator is responsible for all making direct payments to all suppliers and subcontractors, subject to the Operator's right of reimbursement from a “joint account” containing cash contributions from each of the Non-Operator's based on their share of the estimated cost of the operations.

Another widely used industry agreement, as normally constructed, allows a working interest owner of an oil and gas lease (the “Contributor”) to avoid paying their share of the costs of an oil and gas well (the “Earning Well”) proposed by another working interest owner (the “Drilling Party”) in the same lease by agreeing to assign to the Drilling Party, upon completion of the Earning Well, all of the Contributor's interest in any oil and gas lease included in the spacing unit for the well. These agreements, often described as “farmout agreements” or “acreage contribution agreements”, can also grant the Contributor an ORI in production from the

10. Attorney's Report

earning well, and the future right, once the Drilling Party has recovered, out of production, the Contributor's share of the cost of drilling the well, a reassignment of some portion (usually between 25% and 50%) of the Contributor's original working interest in its leases.

Please feel free to contact me if you have any questions or require further information.

Respectfully submitted,

AKERS & ASSOCIATES LLC

A handwritten signature in blue ink, appearing to read "John K. H. Akers, Jr.", is positioned below the company name.

John K. H. Akers, Jr.

JKA/je

SECTION 11

Independent Technical Report





Independent Technical Expert's Report

Prepared for
American Patriot Oil and Gas, Inc.
February 24, 2014

MHA Petroleum Consultants LLC

Table of Contents

Table of Contents	i
List of Figures and Tables	iii
Executive Summary	1
Introduction	1
Projects	1
Reserve and Resource Summary	2
Northern Star Project	2
Panther and Southern Sun Projects	3
Rough House Project	3
Introduction	4
Database	4
Northern Star Project Lease Position	5
Southern Sun Project Lease Position	6
Panther Project Lease Position	7
Rough House Project Lease Position	8
Northern Star Project	9
Regional Geology and Petroleum System	9
Exploration status and Resource potential	11
Exploration History	11
Production Forecasts and Economics	12
Charles 'C' Formation	12
Mission Canyon Formation	15
Economic Inputs	17
Type Curve	18
Charles 'C' Formation	18



MHA Petroleum Consultants LLC

i

11. Independent Technical Report

Mission Canyon Formation	20
Development Plan	21
Volumetrics and Recovery Factors	21
Charles 'C' Formation	21
Mission Canyon Formation	22
Southern Sun Project	23
Exploration History and Volumetrics	26
Panther Project	27
Regional Geology and Petroleum System and Exploration History	27
Volumetrics	27
Rough House Project	29
Regional Geology and Petroleum System and Exploration History	29
Prospectivity of the APOG southern DJ Basin Leases	29
Statement of Risk	32
Glossary of Abbreviations	33
Appendix	33
References	33
Reserve and Resources Definitions and Guidelines	35



List of Figures and Tables

Figure 1: APOG Projects, map of United States of America	1
Figure 2: Location of the Northern Star Project area.	5
Figure 3: Northern Star Project APOG Leased Acreage in yellow.	5
Figure 4: Southern Sun Project APOG Leased Acreage in yellow, with Anadarko Petroleum Company (APC) drilling locations denoted with red stars.	6
Figure 5: Panther Project APOG Leased Acreage in yellow.	7
Figure 6: Rough House Project APOG Leased Acreage in yellow. (Producing wells color coded by producing formation)	8
Figure 7: Williston Basin.....	9
Figure 8: Stratigraphic column of the Western Williston Basin. The APOG Northern Star Project target formations are highlighted in green.....	10
Figure 9: Charles and Mission Canyon formations facies relationships	10
Figure 10: Northern Star Project SW-NE structural cross-section.....	13
Figure 11: Charles 'C' formation structure map with APOG leased acreage Reserve and Resource categories.....	14
Figure 12: Charles 'C' formation isochore map with APOG leased acreage Reserve and Resource categories.....	14
Figure 13: Mission Canyon structure map with APOG leased acreage Reserve and Resource categories	15
Figure 14: Mission Canyon NW-SE structural cross-section.....	16
Figure 15: Mission Canyon isochore map with APOG leased acreage reserve and resource categories .	17
Figure 16: Charles 'C' net pay correlation to Highest Month Oil Production.....	19
Figure 17: Charles 'C' net pay (feet) reservoir map with APOG leased acreage reserve and resource categories.....	19
Figure 18: Mission Canyon net pay correlation to Highest Month Oil Production	20
Figure 19: Mission Canyon net pay (feet) reservoir map with APOG leased acreage reserve and resource categories.....	21
Figure 20: Charles 'C' net pay correlation to Original Oil-In-Place per 640 acres	22
Figure 21: Mission Canyon net pay correlation to Original Oil-In-Place per 640 acres.....	22
Figure 22: Outline of Paradox Basin	23
Figure 23: Map of major production in the Paradox Basin.....	24
Figure 24: Southern Sun Project - APOG leased acreage in Paradox Basin highlighted in yellow	24
Figure 25: Stratigraphy of productive intervals in the Paradox Basin	25
Figure 26: Type Log showing lithology of the Paradox Formation (modified from Hite, R.J., Anders, D.E., and Ging, T.G., 1983)	25
Figure 27: Paradox Basin Gothic Shale isopach with APOG leased acreage in yellow.....	26
Figure 28: Structure map on the top of the Duperow Formation.	28
Figure 29: APOG leased acreage highlighted in yellow within the red circles (recently permitted wells highlighted by operator)	29
Figure 30: Arikaree Creek Field monthly oil production: from Nighthawk Energy December 2013 Investor Presentation	30



Executive Summary

Introduction

American Patriot Oil and Gas Inc. (APOG) has requested MHA Petroleum Consultants LLC (MHA) to review and evaluate the APOG oil and gas prospectivity in several of its play areas; the Northern Star Project in Valley County, Montana on the western side of the Williston Basin; the Panther Project in Garfield County, Montana the Southern Sun Project in the northern Paradox Basin, Utah, and the Rough House Project in the southern DJ Basin in Washington and Arapahoe Counties, Colorado. [Figure 1] APOG has, at the time of this report, mineral interest in 159 leases comprising 24,570 net / 55,865 gross acres of land in these four areas, all of which are prospective for hydrocarbons in multiple horizons.

Information in this report that relates to Hydrocarbon Reserves and/or Resources effective February 2014, in regard to the aforementioned Projects is fairly represented, based on information and supporting documentation provided by APOG, and assessed by Jeffrey Aldrich, Vice President, and Julianna Sipeki, Senior Reservoir Engineer, under the supervision of Timothy L. Hower, Chief Executive Officer, of MHA Petroleum Consultants LLC. Mr. Hower, Mr. Aldrich, and Ms. Sipeki are not employees of APOG and consent to the inclusion in this report of these reserve figures in the form and context in which they appear.

Table 1: Land Summary of APOG Projects

Project	Number of Leases	Net Acres	Gross Acres
Northern Star	136	9,233	36,714
Panther	14	8,490	8,790
Southern Sun	6	3,474	3,728
Rough House	3	3,373	6,633
Total	159	24,570	55,865

Projects

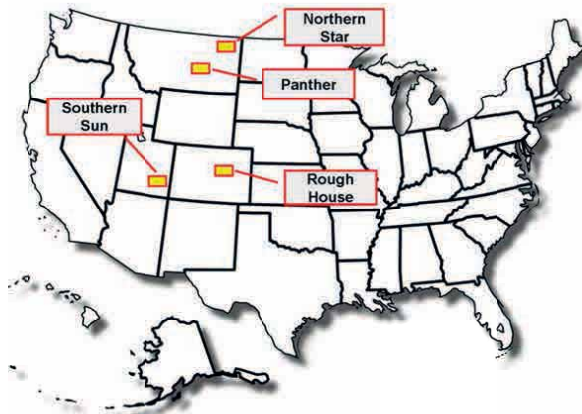


Figure 1: APOG Projects, map of United States of America

In the Northern Star Project, in the western extent of the Williston Basin, the two principle targets are both in the Mississippian Madison Group: the Charles 'C' limestone reservoir (also locally known as the Ratcliffe Formation) and the Mission Canyon limestone reservoir. Both reservoirs appear to have continuous high oil saturations across most, if not all of the leases. Historically, operators in the area have



MHA Petroleum Consultants LLC

1

11. Independent Technical Report

attempted production from these reservoirs through vertical wells, some with stimulation treatments. Of significance, Lustre Field was discovered in the Charles 'C' reservoir. Lustre Field does not exhibit structural closure although it lies along a well-documented plunging anticlinal nose. An evaluation of the well-by-well production history shows that not all wells within the Lustre field reached economic payout and production is controlled by a combination of high porosity zones and natural fracture systems. There does not appear to be an updip 'trap' in the classic sense, rather a loss of porosity/permeability to the point that traditional completion methods are no longer economic.

The Southern Sun Project is an emerging play in a liquids-rich shale oil play offset by a leading operator.

The Panther Project, in the Central Montana Uplift is a Mississippian porosity pinch-out exploration play, defined by a regional geology and two key wells that have been recently re-processed.

The Rough House Project is positioned in a favorable location in the DJ Basin with multiple oil and gas target formations existing beneath the leases.

Reserve and Resource Summary

Northern Star Project

MHA has evaluated the APOG acreage using deterministic methods according the 2007 SPE PRMS rules and 2011 PRMS Guidelines for both the Charles 'C'/Ratcliffe (Charles 'C') and the Mission Canyon formations. APOG retains a 30% non-operating working interest in this Project. The operator is Treasure Exploration Company LLC based out of Denver, Colorado in the United States. APOG acreage offsets existing commercial production in both reservoirs, and thus there is a combination of Proved Undeveloped Reserves (PUDs), Probable and Possible Reserves, Contingent Resources, and Prospective Resources, depending on the mapped net reservoir and the distance away from existing production as shown in the table below.

Table 2: Northern Star Project Reserves and Resources

Northern Star Project	Number of Wells	Total Investment (Thousands of US \$)	Recoverable Oil Gross (Thousands of barrels)	Recoverable Oil Net (Thousands of barrels)	PV10 (Thousands of US \$)
Charles 'C' formation					
PUD	21	5,117	968	178	1,195
1P	21	5,117	968	178	1,195
Probable	13	3,639	563	121	699
2P	34	8,756	1,531	299	1,894
Possible	23	6,260	989	205	915
3P	57	15,016	2,520	504	2,809
2C Contingent Resources			6,769	1,389	
Prospective Resources			1,908	381	
Mission Canyon formation					
PUD	5	1,260	196	37	150
1P	5	1,260	196	37	150
Probable	7	2,172	301	72	298
2P	12	3,432	497	109	448
Possible	6	1,567	263	54	253
3P	18	4,999	760	163	701
2C Contingent Resources			7,340	1,451	
Prospective Resources			3,487	719	
Total Reserves	75	20,015	3,280	667	3,510
Total Resources			19,504	3,940	

The estimated quantities of Prospective Resources shown in the table above that may potentially be recovered by the application of a future development Project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

2C Contingent Resources refers to best estimate of Contingent Resources.
Prospective Resources refers to best estimate scenario.



MHA Petroleum Consultants LLC

2

11. Independent Technical Report

Panther and Southern Sun Projects

APOG retains 100% Working Interest and rights to operate in both the Panther and Southern Sun Projects. Based on the data currently available and the SPE PRMS rules and guidelines, MHA has been unable to assign Prospective Resources to either of these Projects, indicating that these Projects are in the early exploration phase, and no commercial discoveries have been drilled on or adjacent to the APOG leases in the Project areas. With the data provided, MHA has been able to provide guidance for the Panther and Southern Sun Projects and will assign recovery factors, once more detailed information can be obtained on each of the plays. These Projects currently do not have sufficient direct evidence or data that would allow a quantitative evaluation or the assignment of reserve and resource values.

Rough House Project

APOG Rough House Project (Rough House Arapahoe, Rough House Cattle, and Rough House West) is positioned in a favorable location in the southern DJ Basin with multiple oil and gas target formations existing beneath the leases. MHA has not been asked to evaluate any prospects thus cannot at this time assign Prospective Resources to any lease. It is expected that with a dedicated exploration program multiple prospects may be delineated on APOG acreage. MHA recommends that APOG purchase, and reprocess as needed, a limited number of existing 2D seismic lines that can be tied to existing well data to create a series of structure maps of the relevant horizons. Using these maps APOG can focus an effort on one or more plays to evaluate the reservoirs in more detail with existing logs. Once the prospect maps are created APOG may need to acquire new 2D seismic data to confirm the prospects prior to drilling.

3D seismic data has been demonstrated, by multiple operators in this area, to significantly reduce both the exploration and development risk associated with drilling wells. There are extreme variations in reservoir stratigraphy in the Cretaceous and Pennsylvanian sections that cannot be delineated on regional 2D seismic grids. In addition there is a significant structural component to all Mississippian and Ordovician plays that needs careful, detailed analysis that only 3D seismic data can provide. It is recommended that whenever possible 3D seismic data be included as part of the exploration and development program.



MHA Petroleum Consultants LLC

3

Introduction

Database

MHA received from APOG a complete Northern Star Project file in Petra format of well locations, well logs, cultural files, perforations, core data, and historical well information. MHA also received TIFF images of relevant mudlogs in the Project area and some completion reports. MHA accessed the I.H.S. online database of Montana State production records and imported these production records into Aries for analysis. Additionally, APOG supplied presentations of the technical work APOG had undertaken on the Northern Star Project, and allowed full access to its senior technical team in conferences, email, and transfer of information by electronic means. APOG has provided and updated shape files for the lease records. [Figures 2-3] No seismic data has been made available.

MHA conducted a literature review of the Charles Formation, Ratcliffe Formation, Lustre Field and western Williston Basin to understand the historic documented structure, stratigraphy, traps, production and issues pertaining to hydrocarbon exploration. The APOG Petra Project was then reviewed to check for A) proper loading of wireline logs, B) matching of logs to core data and depth shifting, C) Ratcliffe and Charles 'C' correlations. The data was found to be of generally fair to poor quality, due to the resolution of sampling tools at the time the wells were drilled; however, they were loaded correctly and in a condition that was ready to use for evaluation.

For the Panther Project and Southern Sun Project, APOG supplied to MHA a set of well logs in TIFF format, a Petra Project with well locations and lease positions, selected production, core, completion geological tops and historical information. [Figure 4-5] No seismic data has been made available on either Project.

The Rough House evaluation was based on industry technical data in the way of historical well completion reports, well logs, and report. APOG also supplied MHA with a map showing their current lease position. [Figure 6] With the current dataset that exists over the APOG lease, MHA is able to confirm the existence of multiple plays which have the potential of developing into drillable prospects with the addition of appropriate data.



Northern Star Project Lease Position

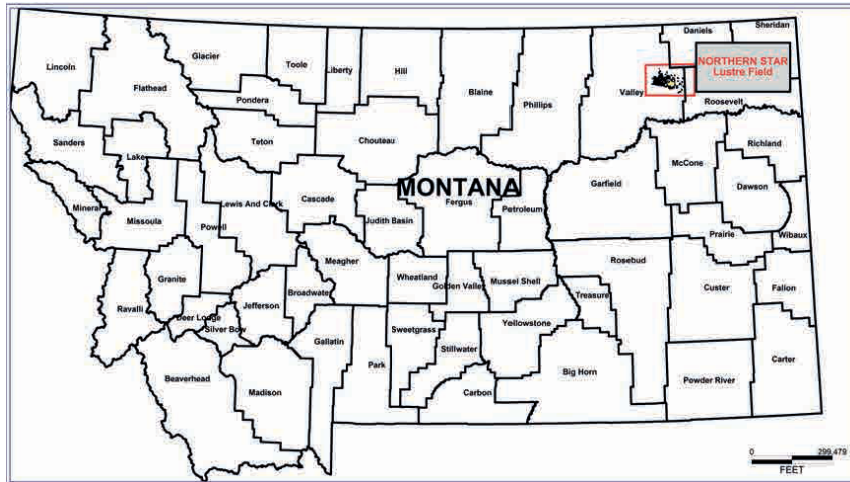


Figure 2: Location of the Northern Star Project area.

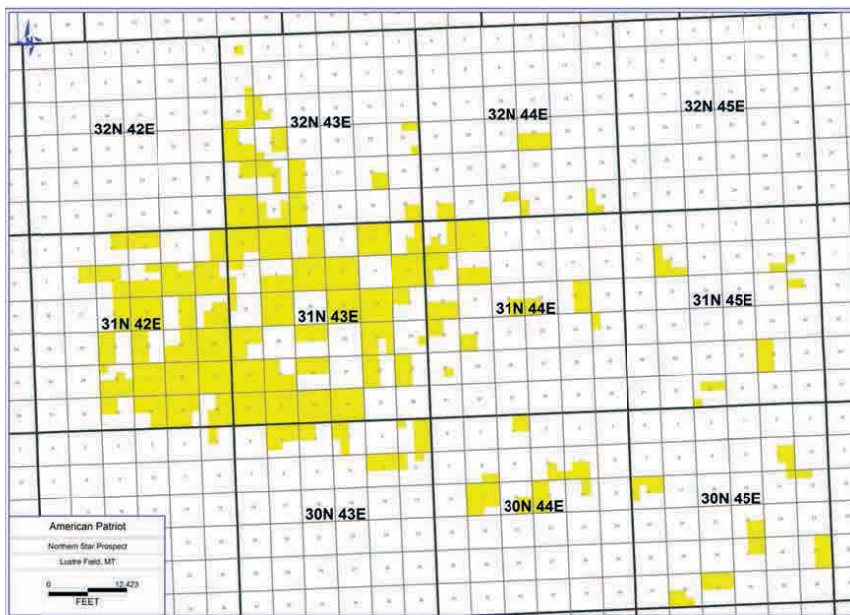


Figure 3: Northern Star Project APOG Leased Acreage in yellow.



MHA Petroleum Consultants LLC

Southern Sun Project Lease Position

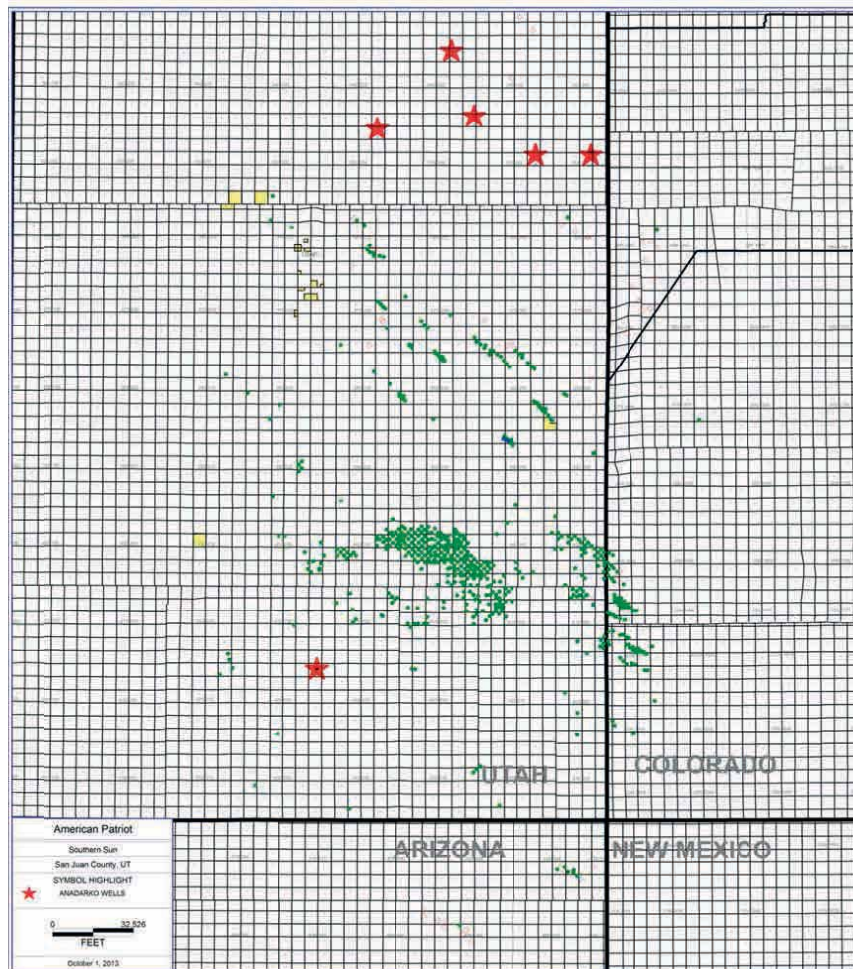


Figure 4: Southern Sun Project APOG Leased Acreage in yellow, with Anadarko Petroleum Company (APC) drilling locations denoted with red stars.



MHA Petroleum Consultants LLC

6

11. Independent Technical Report

Panther Project Lease Position

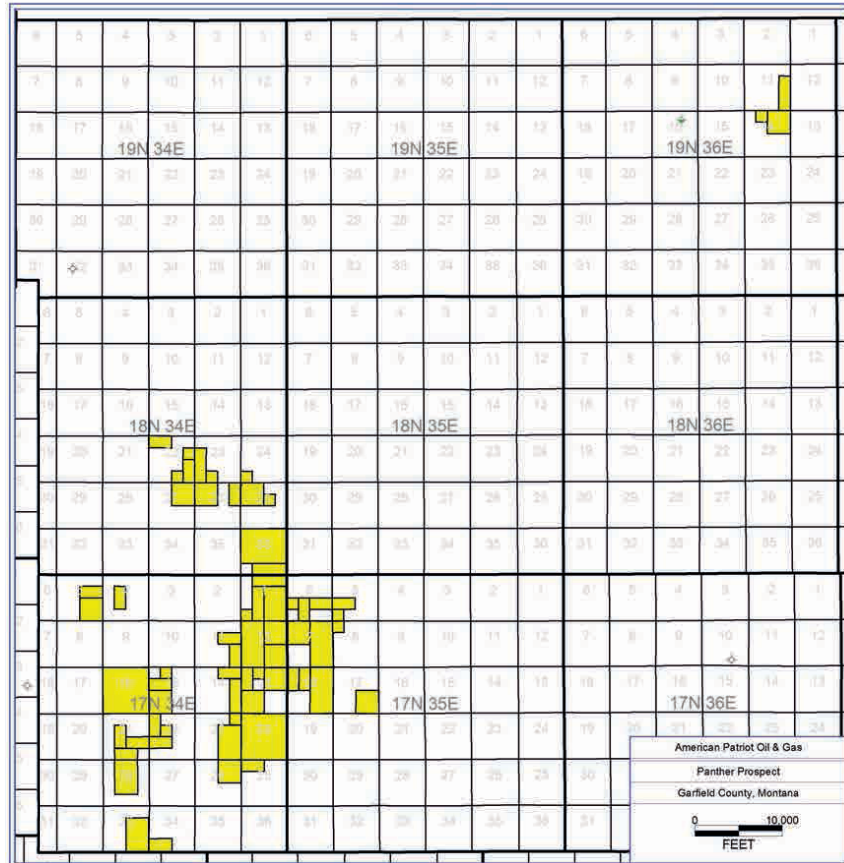


Figure 5: Panther Project APOG Leased Acreage in yellow.



MHA Petroleum Consultants LLC

7

Rough House Project Lease Position

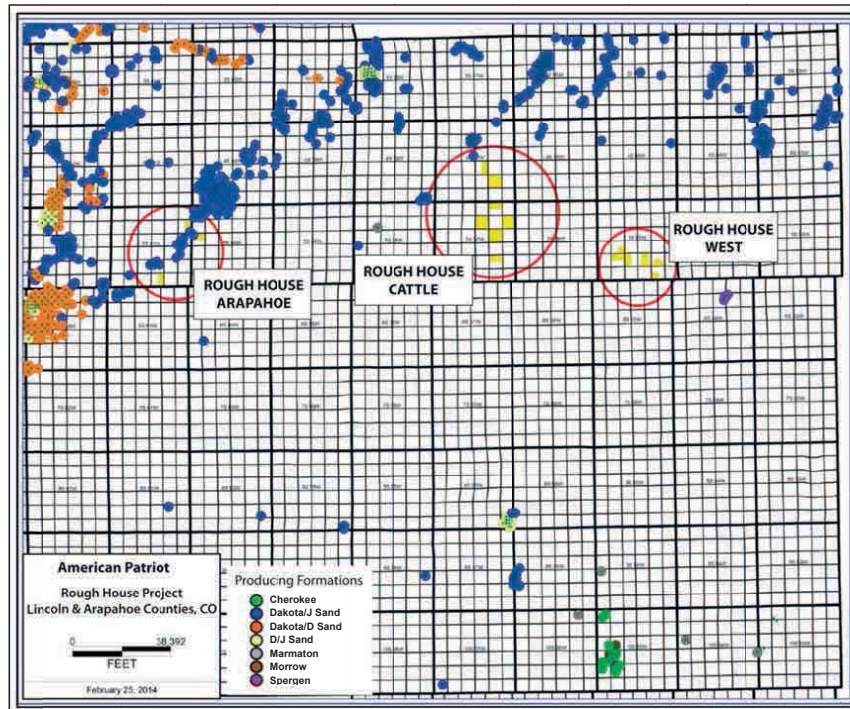


Figure 6: Rough House Project AOG Leased Acreage in yellow. (Producing wells color coded by producing formation)



MHA Petroleum Consultants LLC

Northern Star Project

Regional Geology and Petroleum System

The Williston Basin is a relatively large, intracratonic basin with a thick sedimentary cover in excess of 16,000 feet. [Figure 7] It covers a large portion of the states of North Dakota, South Dakota, Montana (of the U.S.A.) and Saskatchewan (of Canada). The Williston Basin is a tectonically stable basin, with subtle structural features. The basin began subsiding in the Late Cambrian and has continued to subside into the Tertiary. The general stratigraphy of the basin is well studied with an oil exploration and production history that began as early as 1950 in the western Williston Basin. [Figures 8-9] The topography is generally flat lying, and it is moderately dissected by rivers with minimum topographic relief. The basin boundaries are well defined by known uplifts: the Canadian Shield on the east, the Sioux uplift on the south, and the Black Hills, Miles City, and Bowdoin uplifts and domes on the southwest and west.

The reservoir targets of the APOG position in Valley County, Montana are the carbonate reservoirs of the Mississippian Madison Group, specifically the Charles 'C' formation (a.k.a. the Ratcliffe formation) and the Mission Canyon formation. Both formations are productive adjacent to the APOG position.

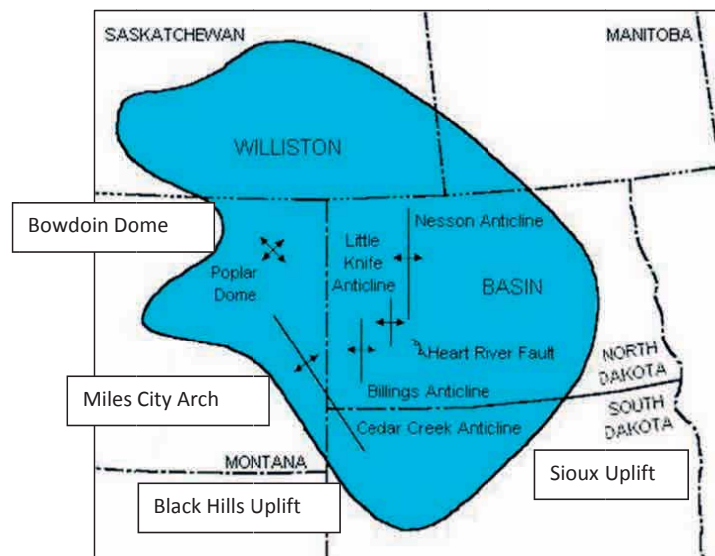


Figure 7: Williston Basin



MHA Petroleum Consultants LLC

9

11. Independent Technical Report

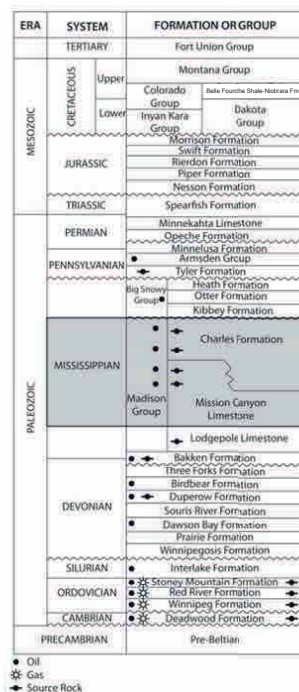


Figure 8: Stratigraphic column of the Western Williston Basin. The APOG Northern Star Project target formations are highlighted in green.

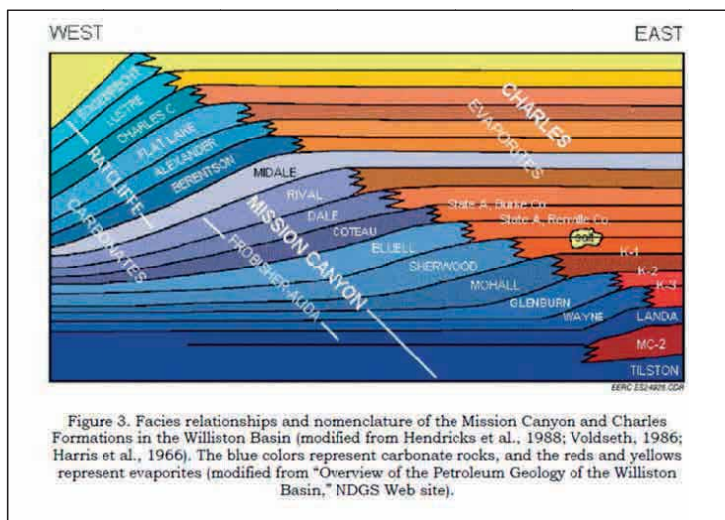


Figure 9: Charles and Mission Canyon formations facies relationships

11. Independent Technical Report

Madison Group reservoirs are known to be a combination structural-stratigraphic trap. The play is defined on the geographic and stratigraphic occurrence of well-defined intervals of porous carbonate reservoirs separated by interbeds of argillaceous or nonporous lateral carbonate facies and overlain by evaporitic or argillaceous seals. Hydrocarbons are primarily oil with some associated gas. The reservoirs are carbonate algal to oolitic shoals, crinoidal or bioclastic bioherms that are dolomitized in the Charles formation, but remain largely calcite in the Mission Canyon Formation. Fracture enhancement of the reservoir permeability is known to play a factor in both the Ratcliffe and Mission Canyon Formations.

Lustre Field, which lies within the Project area for the Northern Star Project, has produced 5.9 million barrels of oil to date from 41 wells, producing from the Charles 'C' zone which lies at the base of the Charles formation and just above the Richey Shale.

According to Longman and Schmidtman (1985) the Lustre Field depositional facies of the Charles 'C' represent a generally shallowing-upward depositional sequence. *"Fossiliferous open shelf facies predominate near the base, and grade upward through restricted shelf mudstones into peloidal, oolitic, and oncolitic grainstones near the middle of the zone. The upper part of the Charles 'C' consists of anhydritic, laminated, dolomitic mudstones deposited in a sabkha to hypersaline lagoon environment. The major shallowing upward cycle can be subdivided into five smaller cycles separated by minor periods of transgression. Each of these subcycles is incomplete, i.e., only a few of the facies occur in each, but isopach maps and facies distribution within these subcycles suggest that a northwest-southeast trending structural nose extended through the Lustre Field area and exerted an influence on deposition."*

While the depositional facies extend beyond the known productive limits of the field, there is a direct correlation with the degree of dolomitization and increasing production. The dolomitization is ascribed to hypersaline brines from the upper Charles seeping downward into the granular carbonates of the Charles 'C' formation, and by diagenesis converting the calcium carbonate to magnesium carbonate (dolomite), and in the process increasing porosity and permeability. Dolomite percentages of the Charles 'C' formation can vary from <20% to over 80% across the field. The best wells in and around the Lustre Field area typically contain up to 35 feet (10m) of dolomite and have greater than 14% porosity. The best reservoir zones can obtain 30% porosity and up to 10mD of permeability.

The main proven source rocks are organic-rich marine shales and shaley carbonates interbedded with reservoir units, and the organic-rich black shales and carbonates in the lower Lodgepole and Bakken Formations at the base of the Madison Group. Source rocks are thermally mature in the center part of the basin, and there is a focused migration pathway along the Wolf Creek Anticline into the APOG area. The continual oil shows in most wells while drilling the Madison Group suggests that either the Madison Group is self-sourcing, or sufficient oil has migrated through the reservoirs and has been trapped.

Exploration status and Resource potential

Exploration History

Oil Exploration began in the Valley County area in 1952 following the discovery of East Poplar Field by Murphy Oil in 1951 in the Charles 'C' formation. There was an early phase of exploration from 1960 to 1965 at which time activity slowed, until Exxon and Amerada took over the play in the 1980s. Lustre Field was discovered in 1982 by Exxon with the Tiezen-Toews #1 well which was completed in the Charles 'C' formation for 180 barrels of oil per day. Peak drilling reached 76 wells in 1984 and fell off rapidly after that point due to the collapse in oil prices. Over 500 wells have been drilled to date in the Northern Star greater Project area. Completions have been made from the Devonian Duperow and Nisku; and from the Mississippian Lodgepole, Mission Canyon, Charles, and Kibbey Formations; however the major producer is the Charles 'C' formation.

The Charles 'C' formation is usually shallower than 6,000 feet (1829m) below ground level and has a solution gas drive mechanism with limited aquifer support. The production rates often decline rapidly,



11. Independent Technical Report

indicating a limited fracture network, and typically produce less than 200 barrels of oil per day with an Estimated Ultimate Recovery (EUR) of less than 200,000 barrels.

Production Forecasts and Economics

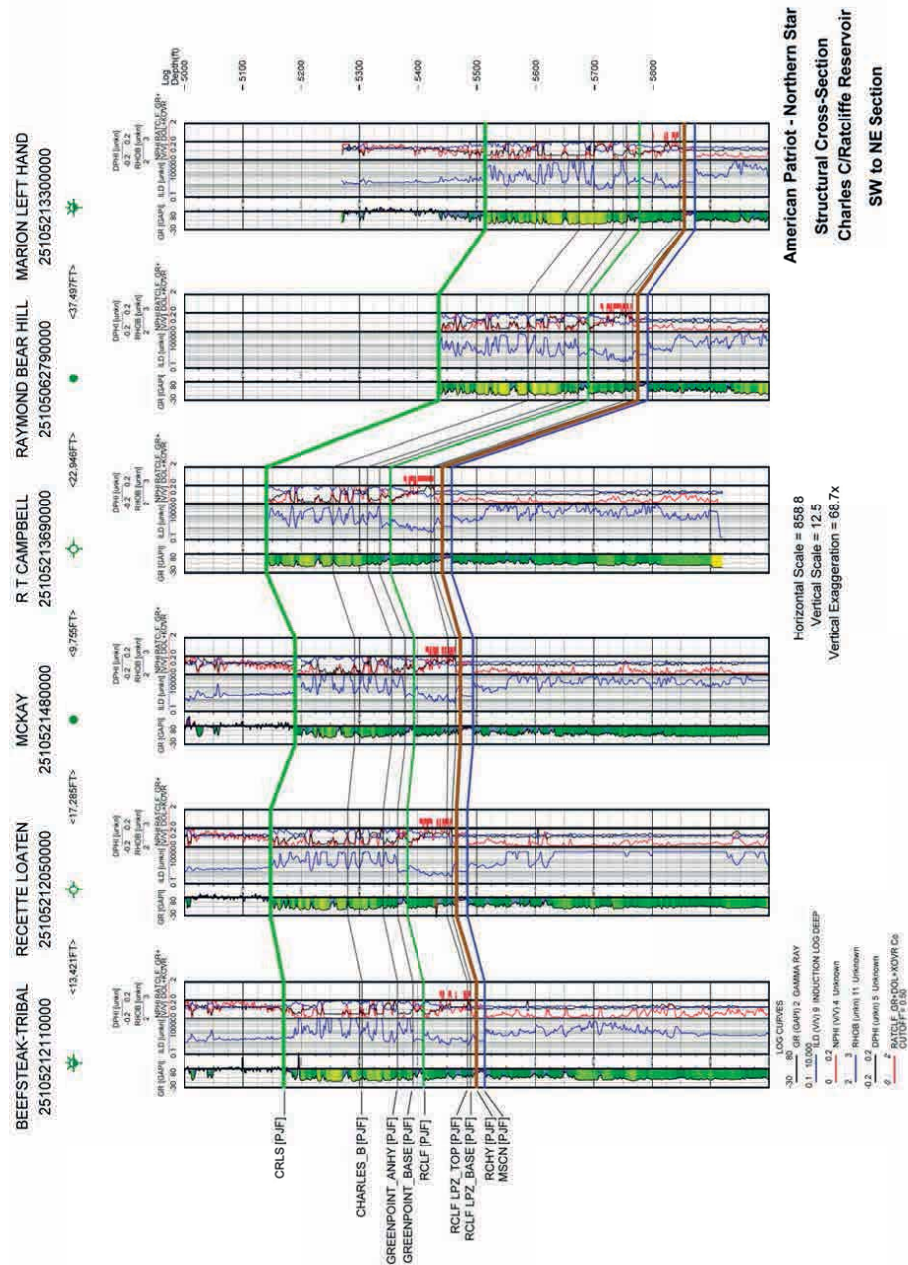
Charles 'C' Formation

A set of TVD depth structure and isochore maps were constructed which, as expected, did not delineate nor have any correlation to the map of the production from the Charles 'C' formation. [Figures 10-12] Several other factors were subsequently evaluated that were determined to be influential in the quality of the Charles 'C' oil production. These were net feet of dolomite (using a density crossplot), net feet of non-shaley limestone (using a 40 API cut-off), density cross-over, and net porosity feet (Dphi and Nphi>6% cut-off).

For a vertical well to be commercial in the Charles 'C' formation, which does not intersect a large open fracture network, several key characteristics must be present. There must be sufficient reservoir with porosity and oil saturation (density cross-over), clean limestone to maintain permeability (GR cut-off) and a high enough percentage of dolomite to allow good stimulation (dolomite cut-off). A combination map using these three key characteristics was constructed and matched against Charles 'C' oil production. The resulting net reservoir map was plotted against the Charles 'C' production data.



80



11. Independent Technical Report

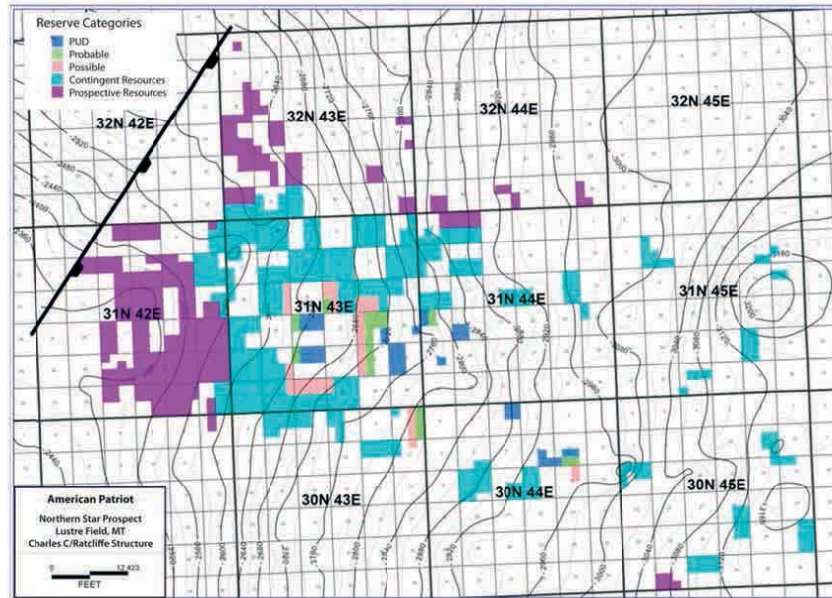


Figure 11: Charles 'C' formation structure map with APOG leased acreage Reserve and Resource categories

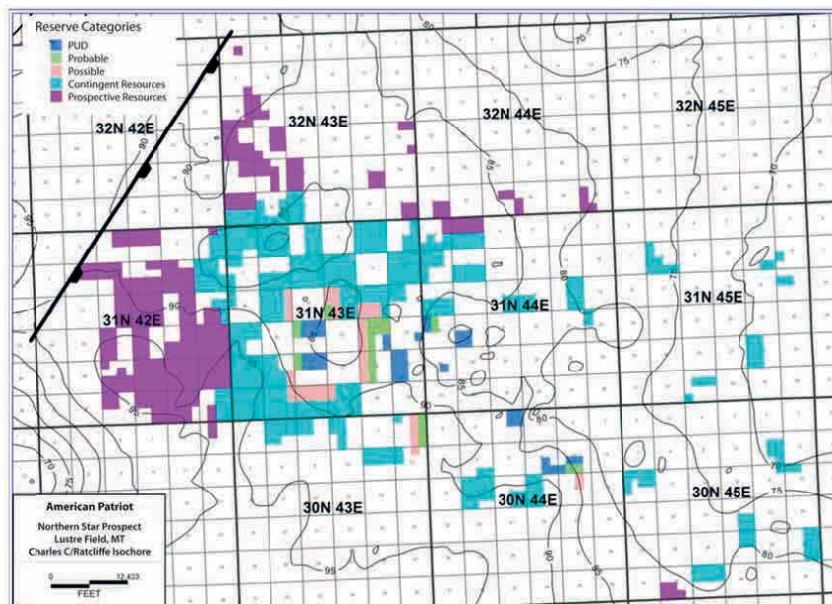


Figure 12: Charles 'C' formation isochore map with APOG leased acreage Reserve and Resource categories



MHA Petroleum Consultants LLC

14

11. Independent Technical Report

Mission Canyon Formation

As with the Charles 'C' formation, the historic data for the Mission Canyon formation was reviewed and assessed. There have been, to date, only about twelve wells with commercial completions in the Mission Canyon formation, as defined by a cumulative oil production of greater than 30,000 barrels of oil. It is apparent that natural fractures play a very important role in the success or failure of vertical Mission Canyon wells; however, the dataset did not allow for a thorough evaluation or understanding of the natural fracture network. The Mission Canyon was evaluated similar to the Charles 'C' formation to understand what geologic factors are most important and correlative to the existing Mission Canyon production. [Figures 13-14] Ultimately, a combination of net feet of clean carbonate (GR<40 API), a density porosity greater than 6%, and a density cross-over was used. The Mission Canyon formation contains very little dolomite across the entire stratigraphic interval in this region. [Figure 15] The net reservoir map was plotted against the Mission Canyon production data and the scatter in the cross-plot defined the ranges used in the assessment.

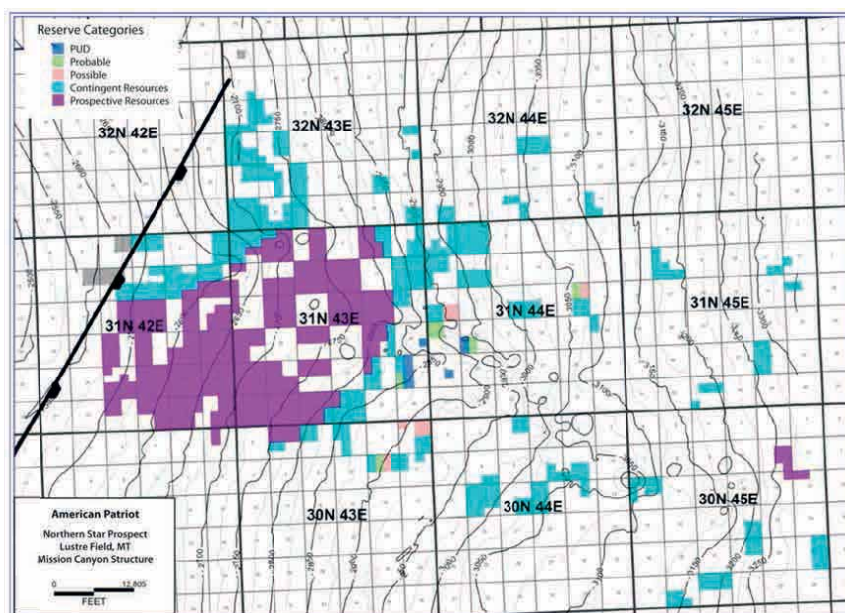


Figure 13: Mission Canyon structure map with APOG leased acreage Reserve and Resource categories



MHA Petroleum Consultants LLC

15

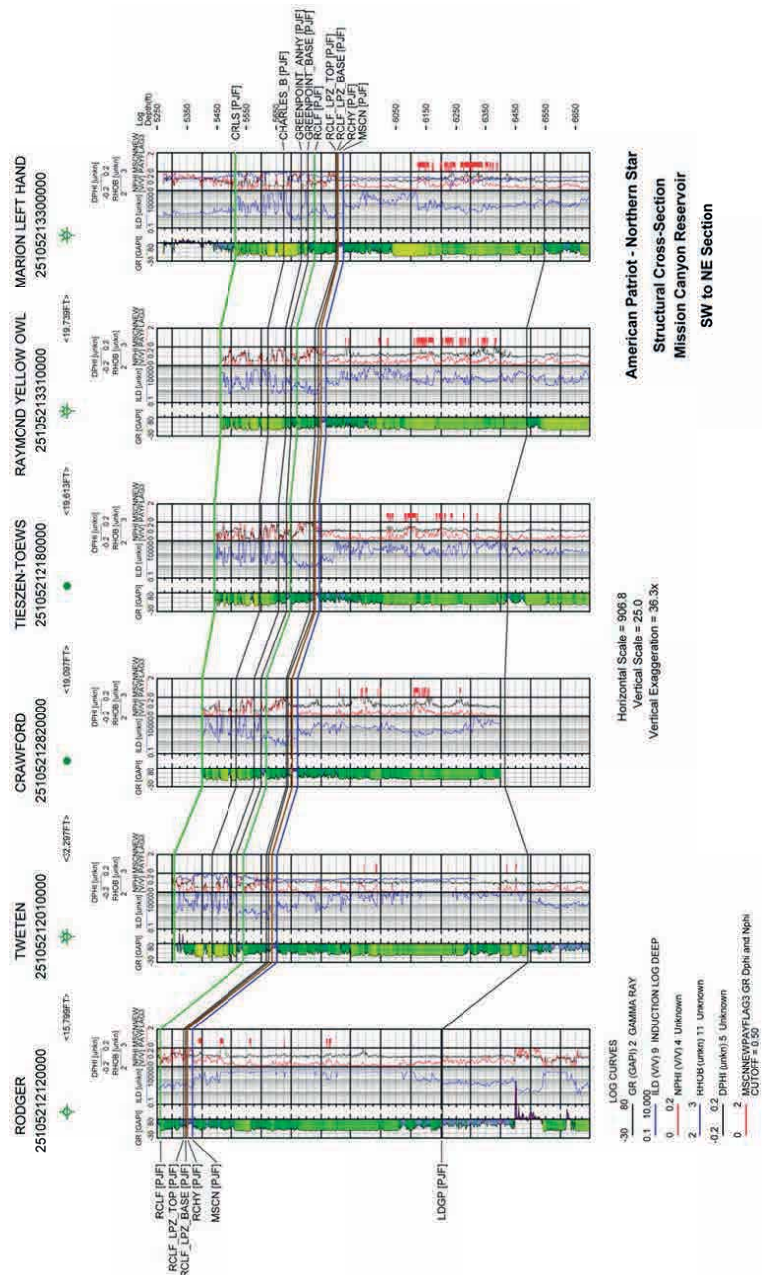


Figure 14: Mission Canyon NW-SE structural cross-section



MHA Petroleum Consultants LLC

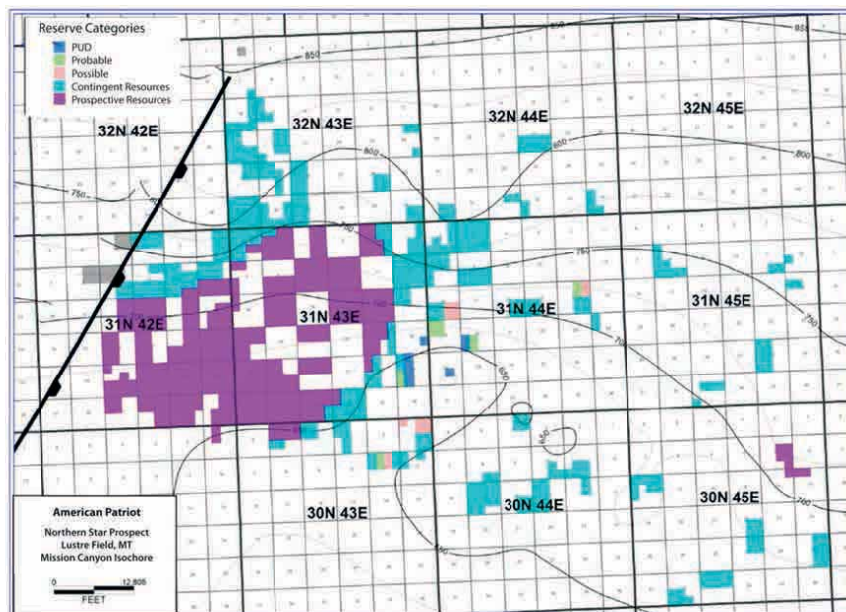


Figure 15: Mission Canyon isochore map with APOG leased acreage reserve and resource categories

Economic Inputs

APOG has provided MHA with product pricing, as well as operating and drilling expenses, which were used in the economic evaluation for both the Charles 'C' and the Mission Canyon formations. MHA has reviewed the economic inputs provided to us by APOG, and we have compared them with data from other operators in this portion of the Williston Basin. It is the opinion of MHA that the economic inputs provided by APOG are reasonable and properly reflect product prices and expenses for this region at the current time.

The Northern Star Project area does not produce enough natural gas to be sold in commercial quantities; therefore, the economics only include revenue from the anticipated oil production. As of this time, APOG does not hold interest in any producing wells in this area. In addition, only acreage east of the fault was assessed for reserves and resources. APOG holds 9233 net acres (36,714 gross acres)

Historically, the Charles 'C' formation was only developed using vertical wells; therefore, all subsequent evaluation assumes only vertical wells. Comparatively, there were attempts made to complete the Mission Canyon formation with a horizontal well, but commerciality has yet to be proven.

There is potential to develop both the Charles 'C' and the Mission Canyon formations with horizontal wells. MHA is aware that APOG is currently assessing the feasibility of using horizontal wells to produce the Charles 'C' and Mission Canyon formations. However, due to the lack of historical data, the commerciality of this development strategy cannot be confirmed at this time. Therefore, only vertical wells were assumed in the acreage development of the Northern Star Project.

The following economic assumptions were provided by APOG, and were used by MHA as part of the reserves evaluation:



MHA Petroleum Consultants LLC

17

11. Independent Technical Report

Effective Date	02/2014
WI/NRI	30% / 24%
Pricing	NYMEX
Price adjustment (\$/barrel)	-15
Operating Expenses (\$/month/well)	3,000
Water disposal (\$/barrel)	2
Drilling and Completion (\$/well)	1,000,000
Abandonment Cost (\$/well)	50,000
Taxes	0.5% for first 12 months, then 9%

The price adjustment of -\$15 per barrel of oil produced is to account for transportation and pipeline expenses.

Type Curve

Charles 'C' Formation

Historically, the development of the Charles 'C' formation was on 80-acre drilling and spacing units (DSU), therefore all subsequent analysis and well spacing in this report assumed 80-acre DSUs. MHA assumed 'standup' spacing units to assign reserves.

Wells that have historically produced in the Northern Star Project area were analyzed to determine a correlation of high month oil production to Charles 'C' net pay. These wells were sampled to the Charles 'C' net pay map developed by MHA, and correlated to the highest month oil production. The wells were subdivided into Charles 'C' net pay bins by one foot intervals. Within each bin, the thickness and high month oil production were averaged to determine the correlation. [Figure 16]

Next, each well within the Northern Star area that had sufficient production was forecast to determine the average production decline shape of a Charles 'C' well. The existing wells were also analyzed for water production trends, as high water disposal costs have significant effects on what constitutes an economic well. MHA chose to forecast the water production using a water-oil-ratio, which starts at one and increases to ten barrels of water produced for every barrel of oil produced through the life of the well. Incorporating the economic inputs for pricing, operating and drilling expenses with the decline curve analysis, it was determined that an economic Charles 'C' vertical well has to have a minimum of 1,600 barrels for the highest month oil production, which correlates to an estimated ultimate reserves of 30,000 barrels. This equals a minimum of 6.75 feet of Charles 'C' net pay.

The APOG leased acreage was subdivided into stand-up 80-acre DSUs, and each DSU had an average Charles 'C' net pay value assigned to it based on the MHA mapped interpretation. A DSU had to meet two criteria to be considered for reserves: the unit had to have greater than 6.75 feet of Charles 'C' net pay, and the DSU had to be within three spacing units of existing economic Charles 'C' production. Economic production was considered to be a well that has produced at least 30,000 barrels of oil, or had a peak high month of greater than 1,600 barrels. A DSU one spacing unit away from existing economic production was assigned a Proved Undeveloped (PUD) Reserve Category. A DSU two spacing units away from existing production was assigned a Probable Reserve Category, and a DSU three spacing units away was assigned a Possible Reserve Category. If a DSU met the criteria being within proximity of existing economic production, but did not have the adequate net pay, it was downgraded to Resources. This method eliminated potentially uneconomic DSUs from being included as reserves.

Any DSU farther than three spacing units away from existing economic production was classified as resources regardless of the anticipated Charles 'C' net pay. Contingent Resources were assigned to DSUs with at least 4 feet of Charles 'C' net pay. Prospective Resources were assigned to DSUs with less than 4 feet of Charles 'C' net pay. [Figure 17]



MHA Petroleum Consultants LLC

18

11. Independent Technical Report

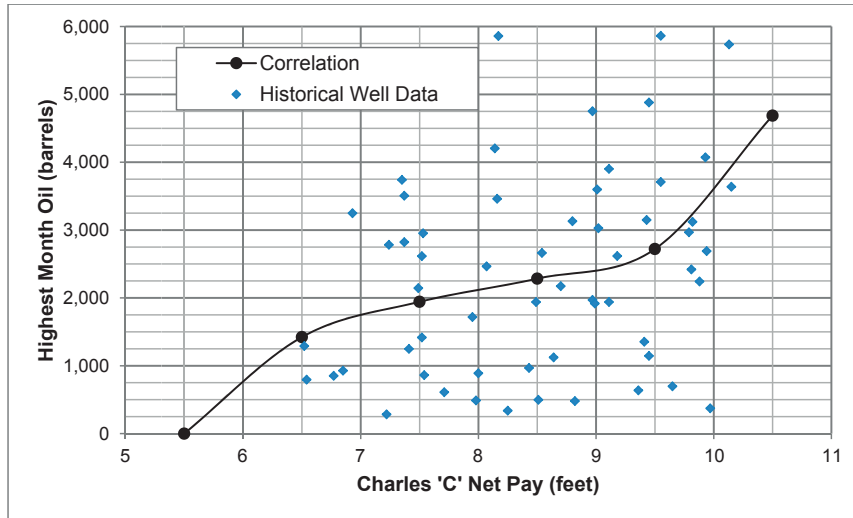


Figure 16: Charles 'C' net pay correlation to Highest Month Oil Production

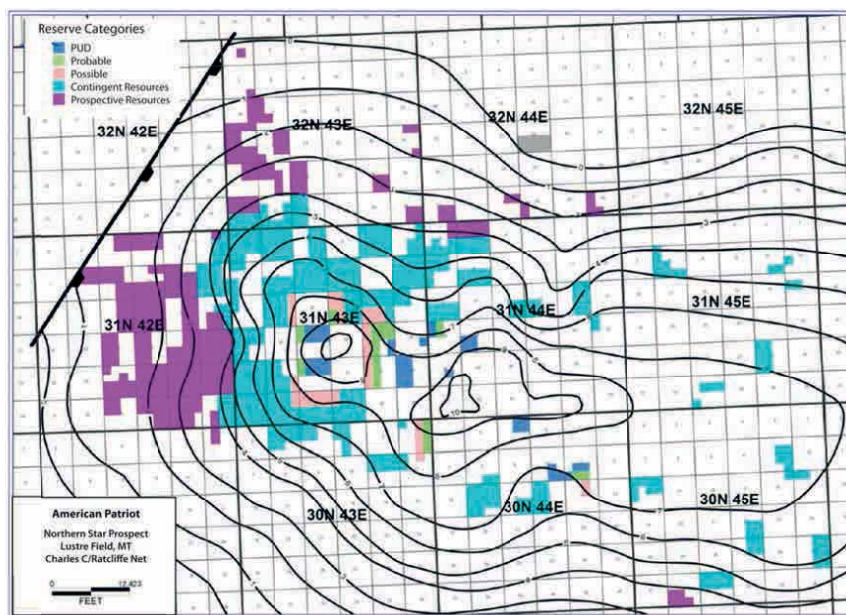


Figure 17: Charles 'C' net pay (feet) reservoir map with APOG leased acreage reserve and resource categories



MHA Petroleum Consultants LLC

19

11. Independent Technical Report

Mission Canyon Formation

The same process was used to analyze the Mission Canyon formation as the Charles 'C' formation process described above. However, in this case, the correlation between Mission Canyon net pay and highest month oil production proved to have significantly less scatter, partially due to a smaller sample size. This allowed the data to be fit with a linear correlation. [Figure 18]

The decline trend of the Mission Canyon formation was not significantly different than the Charles 'C' formation. Therefore, the same decline profile, water forecast and economics were used as in the Charles 'C' formation analysis. An economic Mission Canyon well has to have a highest month oil of 1,600 barrels, which equates to 30,000 barrels, and correlates back to a minimum of 12.5 feet of Mission Canyon net pay.

Similarly, to the Charles 'C' formation, a DSU had to meet two criteria to be considered for reserves: be located within three spacing units to existing Mission Canyon production that met the above criteria, and have an average minimum net pay greater than 14.0 feet. If either of these criteria were not met, then the DSU was downgraded to resources. A DSU had to have greater than 10 feet of net pay to be considered as Contingent Resources. Less than 10 feet was categorized as Prospective Resources. [Figure 19]

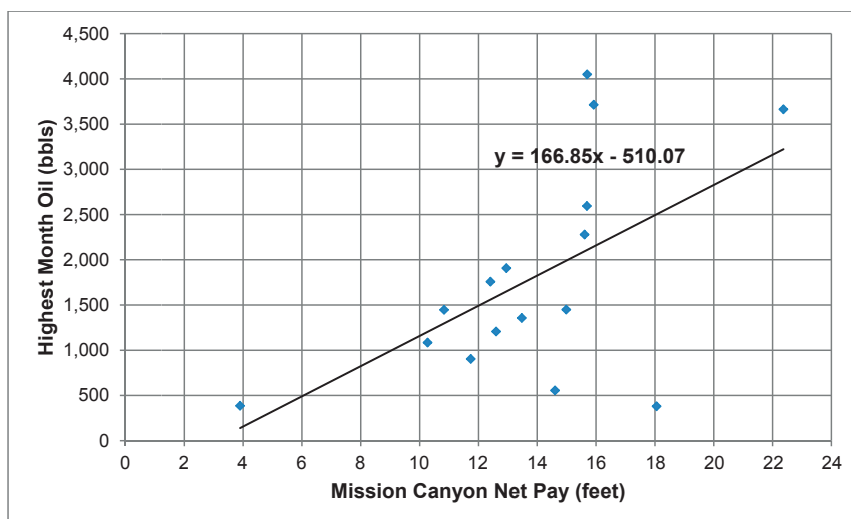


Figure 18: Mission Canyon net pay correlation to Highest Month Oil Production



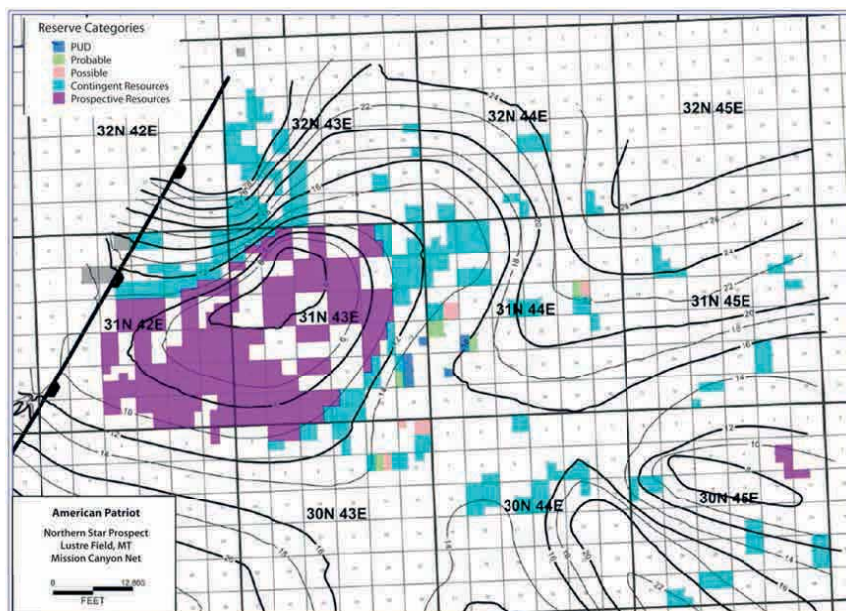


Figure 19: Mission Canyon net pay (feet) reservoir map with APOG leased acreage reserve and resource categories.

Development Plan

Based on the information provided by APOG, the Charles 'C' formation is going to be developed at a pace of one well per month starting in January 2014, while the Mission Canyon formation will be developed at a slower pace at one well every three months. For the purposes of economic valuation and generating forecasts of future net present value, the assumed development schedule above was distributed among the PUD, Probable, and Possible wells, alternating between the reserve categories.

Volumetrics and Recovery Factors

Charles 'C' Formation

The Charles 'C' recoverable reserves were calculated by using the aforementioned correlations to determine a highest month oil rate for each 80-acre DSU. This highest month oil was then integrated with the production decline type curves developed by MHA and the appropriate drilling schedule, to determine the economic recoverable oil, and the forecasts of future net present value.

To estimate the oil recovery factor, the projected economic reserves volumes associated with the reserves areas were compared to the amount of estimated oil-in-place for all of the DSUs in those same reserves areas. The amount of original oil-in-place (OOIP) was calculated by estimating the average Charles 'C' net pay for each DSU, and applying an average porosity value of 10%, an average water saturation of 50%, and an average oil formation volume factor of 1.19 barrels per stock tank barrel of oil. The ratio of the recoverable versus in-place volumes provided a recovery factor of 18%, which is a reasonable number for an oil reservoir with the characteristics of the Charles 'C' formation. [Figure 20]



MHA Petroleum Consultants LLC

21

11. Independent Technical Report

The same method could not be used to determine the recoverable oil for the resource areas, because, by definition, resources do not have to be commercially viable. As such, economic limits are not applicable for resource estimates. Instead, the Charles 'C' recoverable resources within the acreage were determined by estimating the OOIP and multiplying that volume by the estimated recovery factor of 18%, to determine the recoverable resource volume.

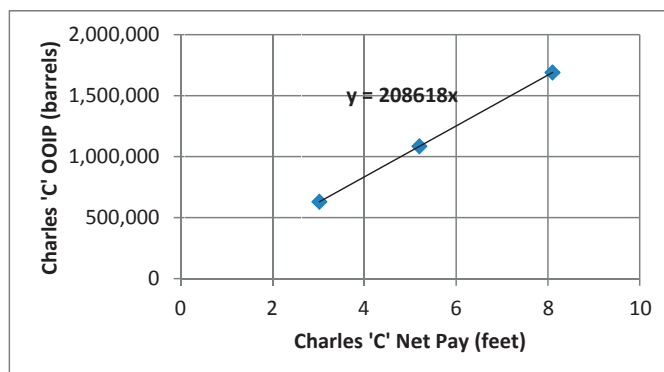


Figure 20: Charles 'C' net pay correlation to Original Oil-In-Place per 640 acres

Mission Canyon Formation

The same process was used for the Mission Canyon formation as for the Charles 'C' formation. However, to calculate OOIP, MHA used a porosity of 8%, water saturation of 50%, and an oil formation volume factor of 1.19 barrels per stock tank barrel of oil. This resulted in a recovery factor of 10%, which is a reasonable number for an oil reservoir with the characteristics of the Mission Canyon formation. [Figure 21]

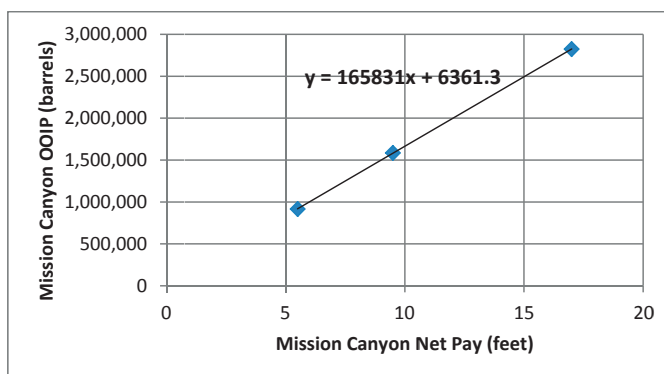


Figure 21: Mission Canyon net pay correlation to Original Oil-In-Place per 640 acres



Southern Sun Project

The Paradox Basin is a large (85,000 km²) foreland basin located at the intersection of the US states of Utah, Colorado, New Mexico and Arizona, around which APOG has acquired acreage for development. [Figures 22-24] The primary targets for oil and gas exploration and production are the Pennsylvanian Hermosa Group carbonates of the Ismay, Desert Creek and Akah Formations. [Figure 25] Source rocks are known to be from the interbedded Gothic Shale and Chimney Rock Shale. [Figure 26] Anadarko Petroleum Company (APC) and Bill Barrett Oil and Gas have recently permitted and begun drilling horizontal wells in the Gothic Shale in the apparent attempt to produce liquids-rich gas from this zone. The Anadarko activity offsets the APOG leases 15 to 30 miles to the north-east. APOG leases cover 3,728 gross acres (3,474 net acres).

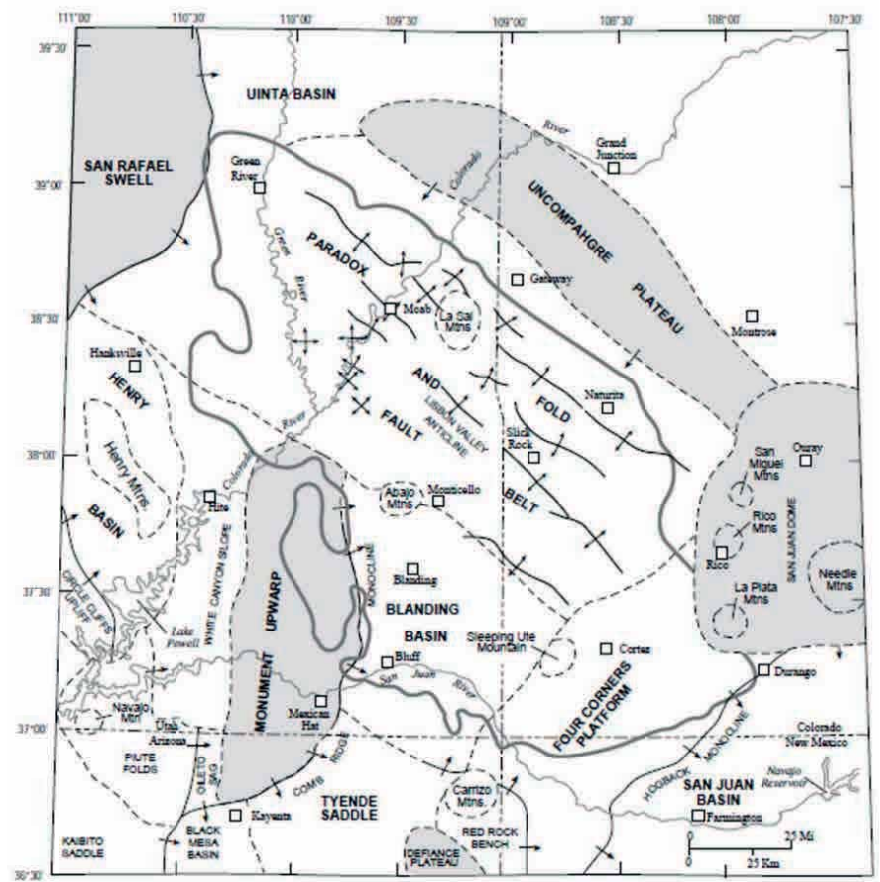


Figure 22: Outline of Paradox Basin



MHA Petroleum Consultants LLC

23

11. Independent Technical Report

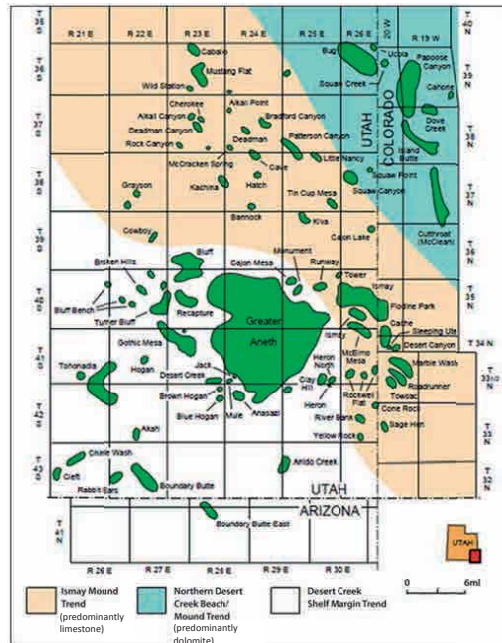


Figure 23: Map of major production in the Paradox Basin

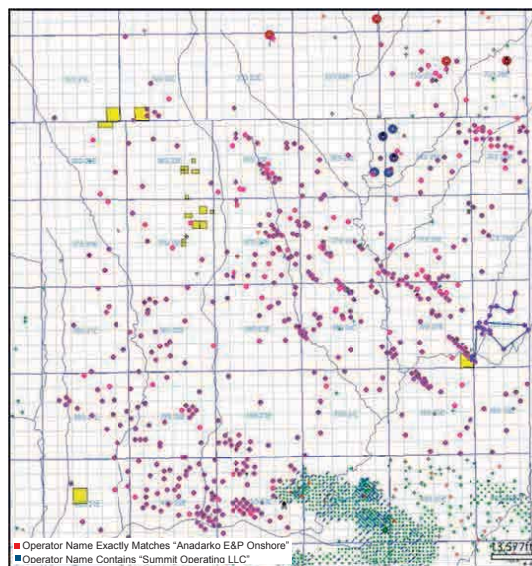


Figure 24: Southern Sun Project - APOG leased acreage in Paradox Basin highlighted in yellow



MHA Petroleum Consultants LLC

24

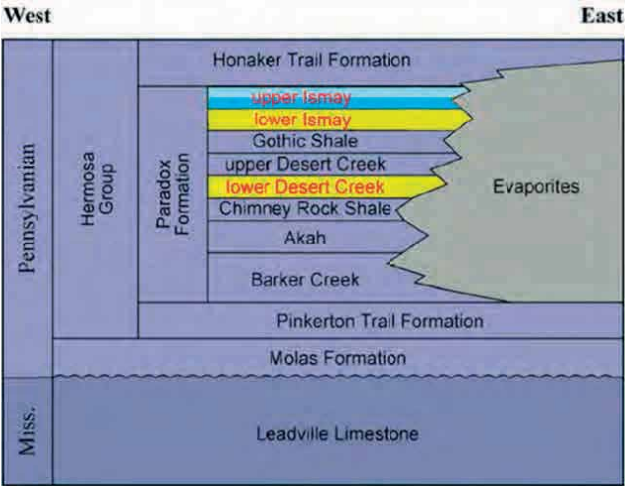


Figure 25: Stratigraphy of productive intervals in the Paradox Basin

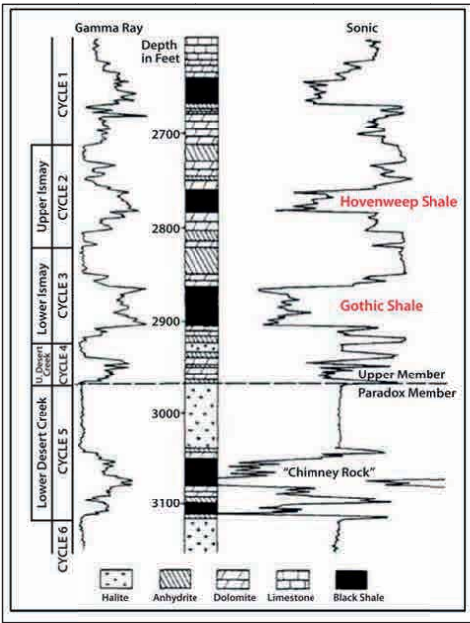


Figure 26: Type Log showing lithology of the Paradox Formation (modified from Hite, R.J., Anders, D.E., and Ging, T.G., 1983)



11. Independent Technical Report

Exploration History and Volumetrics

Historical production in the NW Paradox Basin has come from tightly controlled, limited area, Ismay algal mounds that normally require good quality seismic to define. APC is attempting to establish commercial production by drilling horizontally in the Gothic Shale, a known source rock. The Gothic Shale is known, by drilling and core information, to have a high oil saturation; however, the production characteristics of the shale have yet to be established. There is no confirmed published information on initial production, gas-oil ratios, shale brittleness, stimulation effectiveness, and other factors that need to be taken into consideration in developing horizontal well type curves. The Ute Indian Reservation has published a statement that Bill Barrett Corporation has achieved rates of 1.5 to 4.9 million cubic feet per day from Gothic Shale completions and estimates 58 billions of cubic feet of original gas-in-place per section in an area of about 80 to 100 feet of Gothic Shale. APOG has 3,728 gross acres with an average of 25 feet of Gothic shale [Figure 27]. However, without further information it is not possible to assign a recovery factor, or reserve and resource values to the APOG acreage.

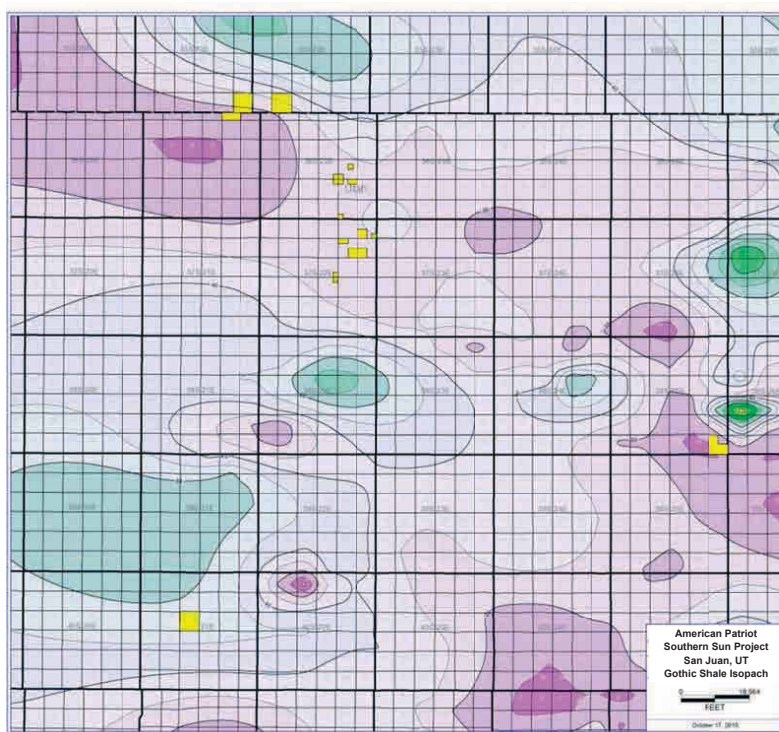


Figure 27: Paradox Basin Gothic Shale isopach with APOG leased acreage in yellow.



MHA Petroleum Consultants LLC

26

Panther Project

Regional Geology and Petroleum System and Exploration History

The Panther Project is located in Garfield County, Montana on the southwestern extent of the Williston Basin on what is called the Central Montana Uplift. The uplift is primarily expressed by a large south to north thrust fault, named the Cat Creek Thrust that lies just to the south of the APOG leases. Early exploration drilling focused on this large structure and the Cat Creek Field was discovered on the crest in 1920 with the Franz Corp #1 well. The Cat Creek Field, and associated smaller closures, produce from a series of steeply dipping anticlines with reservoirs in the Cretaceous Cat Creek Sandstones and secondly out of the Jurassic Morrison and Swift Sandstones, Piper limestones and the Pennsylvanian Amsden Dolomite. Oil is thought to be sourced from the Heath Formation (Upper Mississippian) in structures that survived the Laramide orogeny (Late Cretaceous-Eocene) when the Cat Creek Fault underwent thousands of feet of reverse displacement plus left-lateral displacement.

Volumetrics

The APOG leases lie to the north of the Cat Creek Fault (downthrown) across a structural nose that plunges to the southeast. APOG had a third party, Digital Formation, reprocess and interpret two historic wells, the Montana Power Co State 216 and the LL&E Federal 13-4, that had exhibited continuous oil shows while drilling in the Ratcliffe and Duperow sections. MHA has reviewed the Digital Formation report and concurs that there is a high probability of movable oil within the Duperow Formation of both wells, and without the benefit of seismic data, it appears that there is not a structural closure to facilitate trapping of the hydrocarbons. [Figure 28] This play may be analogous to the APOG Northern Star Project where Mississippian oil is trapped in Mississippian low porosity formations by porosity pinchouts along a plunging structural nose. If comparable well performances were to be obtained at Panther similar to what is expected in the Northern Star Project, recovery factors from 10-18% and estimated recoverable oil around 30,000 barrels would be anticipated. However, without further information it is not possible to assign a recovery factor, or reserve and resource values to the APOG acreage, covering 8,790 gross acres (8,490 net acres).



MHA Petroleum Consultants LLC

27

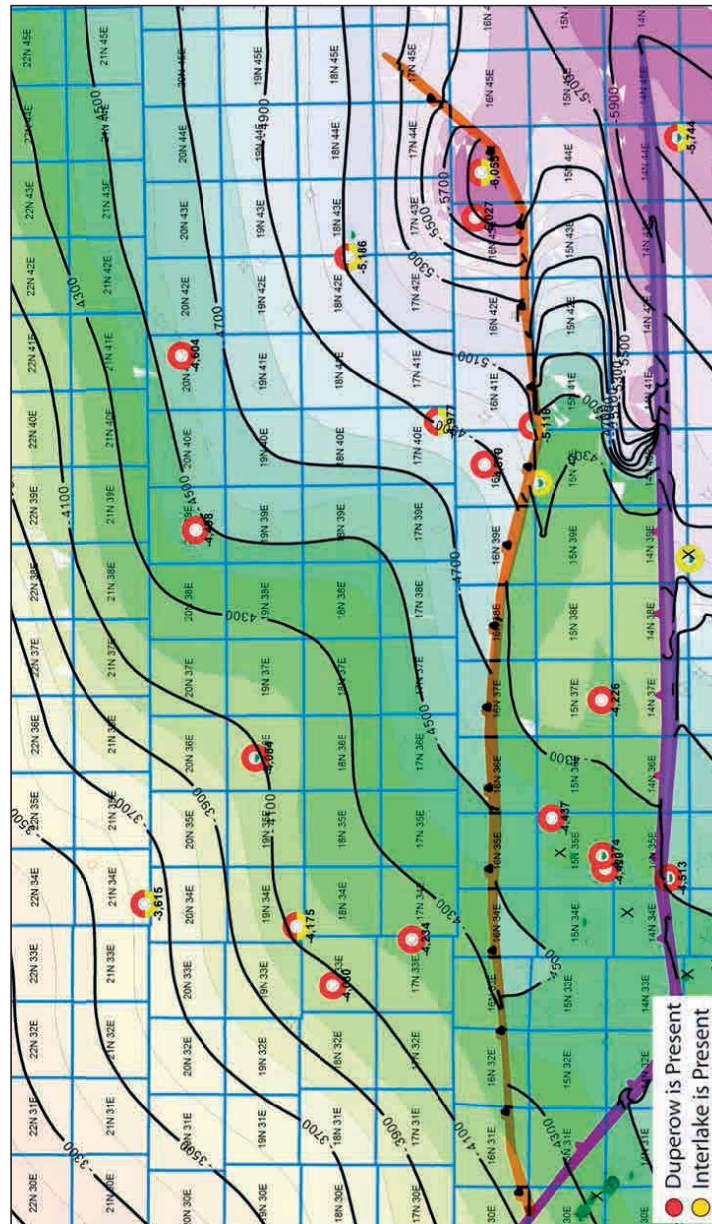


Figure 28: Structure map on the top of the Duperow Formation.



MHA Petroleum Consultants LLC

28

Rough House Project

Regional Geology and Petroleum System and Exploration History

The southern DJ Basin has over 3,000 feet of proven section of oil and gas production. There are over 20 productive fields within a 25 mile radius of the APOG leases producing from seven different zones. Trap styles range from completely structural to stratigraphic, and field sizes range from under 20,000 BO to over 10 million BO. While historically an area of low to moderate industry activity the 2012 discovery of Arikaree Creek Field by Nighthawk Energy in the Mississippian Spergen Formation has spurred increased industry-wide activity in leasing and drilling. [Figure 29] Targets range from shallow Cretaceous sandstone oil/gas reservoirs (D and J sandstones) to the deeper prolific Spergen carbonate play, a hydrothermally altered limestone with well-defined structural traps. Nighthawk's Arikaree Field is currently producing approximately 1,600 BOPD from six wells. Following the Arikaree Creek discovery Chama Oil and Minerals drilled the Pronghorn State 16-15-48-1H horizontal well in another Spergen structure and completed it for 485 BOPD. Additional companies that hold leases and have permitted wells in the immediate area include ConocoPhillips, Southwestern Energy, Anadarko Petroleum and Cascade Oil Company.

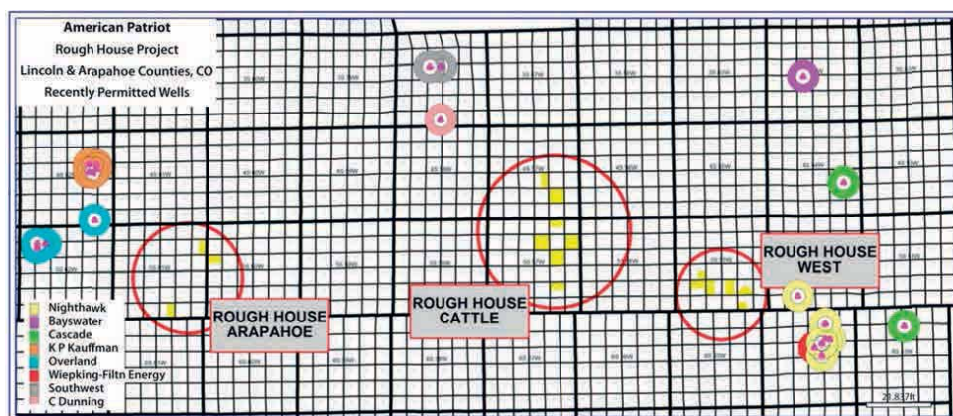


Figure 29: APOG leased acreage highlighted in yellow within the red circles (recently permitted wells highlighted by operator)

Prospectivity of the APOG southern DJ Basin Leases

MHA has determined that there are four primary plays that are present, and with additional data, may develop as prospects on the leases.

- A) Cretaceous sandstone reservoirs, primarily the D and J sandstones. There are over fourteen fields producing from J sands just to the north of the APOG leases (Roman Nose, Roughneck, Black Jack, Big Beaver, Caribou, Westfork, Roderick, Bison and Lindon, Lone Tree, Poncho, Peoria, Latigo, Cypress and Hombre) and three fields, Bluebird, Dragoon, and Comanche Creek from the D sand to the west and south. These are oil, or gas and condensate rich fields that are usually stratigraphically trapped shoe-string channel sand and deltaic to coastal bars that have historically been identified by 2D seismic interpretation. The Latigo and Peoria Fields lie just to the southwest and northeast, respectively, of the Rough House Arapahoe leases.



11. Independent Technical Report

- B) Pennsylvanian Desmoinesian carbonate reservoirs of the Marmaton and/or Cherokee Formations. These reservoirs are productive to the both to the south and southeast on the Las Animas Arch. Newfield Production found the Great Plains field to the south of the Rough House Project in the Cherokee Formation, along trend with the Hugo Field which produces from the Marmaton Formation. Southwestern Energy recently completed the Staner 5-581-8H as a horizontal well in the Marmaton. This well lies in between APOG leases and eight miles to the west of the Rough House Cattle leases and has produced a cumulative 6,455 BO.
- C) Pennsylvanian Atokan and Morrowan clastic reservoirs, primarily the Morrow and Keyes sandstones. Clifford Field, which produces from the Morrow sandstone, lies twenty miles to the south of the Rough House Project and there are several Morrow fields to the north and east as well.
- D) Mississippian Spergen carbonate reservoirs have been historically known as small fields but good producers on the Las Animas Arch (e.g. Ladder Creek Field in Cheyenne Co. and Buscadero Field in Kiowa Co.) but the 2012 Nighthawk Steamboat Hansen 8-10 was brought in with an initial production of 250 BOPD and had produced over 100,000 BO in the first 12 months. Two subsequent wells that Nighthawk drilled in the field came online at 400 and 500 BOPD rate respectively. [Figure 30] The field is known to be a fault controlled horst block, highly compartmentalized and the reservoir is reported to be a hydrothermally altered dolomite, as are the Las Animas Arch fields. Thus, exploration efforts have focused on delineating additional basement horst blocks in the immediate area using 2D seismic data and 3D seismic data to delineate a discovered field. Arikaree Creek field is five miles to the southwest of the Rough House West leases. Anadarko Petroleum recently completed the 1748-11-11H horizontal well in the Spergen Formation in Kiowa County and Nighthawk Energy is drilling a well three miles to east of the Rough House West acreage.

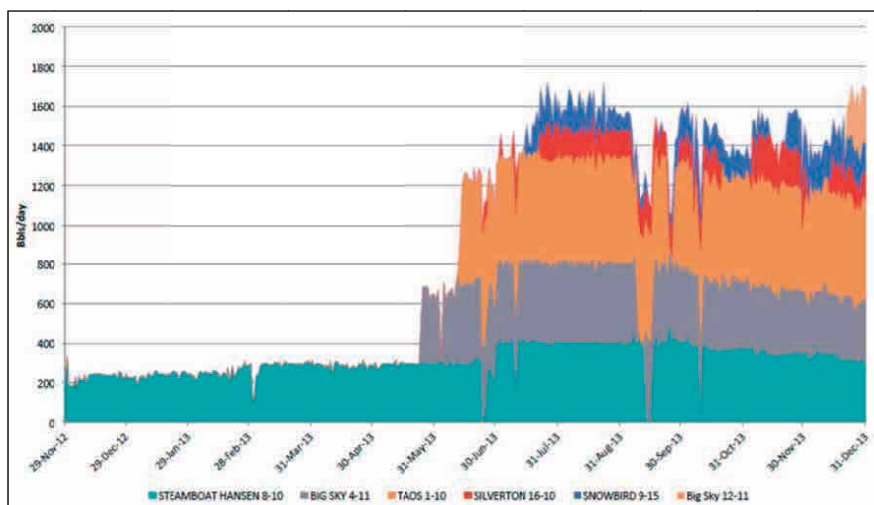


Figure 30: Arikaree Creek Field monthly oil production: from Nighthawk Energy December 2013 Investor Presentation

There are additional developing plays that have not yet been proven to exist on the APOG leases but have large upside potential if they do exist:

- I) Cretaceous Niobrara; ConocoPhillips has completed several horizontal Niobrara wells to the north, within 20 miles of the APOG leases and the play may be extending further to the south.



11. Independent Technical Report

This will be thermogenically mature Niobrara play, different from the shallower biogenic play currently under production in Colorado and the commerciality of the play is still evolving.

- II) Ordovician Viola, Simpson and Arbuckle Formations; each of these formations are major producers in the Anadarko Basin to the southeast and have yet to be adequately tested in the southern DJ basin.



MHA Petroleum Consultants LLC

31

Statement of Risk

The accuracy of resource, reserve, and economic evaluations is always subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quantity and quality of data available for analysis. As a Project or well matures and new information becomes available revisions may be required which may either increase or decrease the previous estimates. By definition, a Play is a Proven Hydrocarbon System that is defined by known limits to the generative source rock area and to the limits of the known reservoirs and traps. Prospective Resources are undiscovered Projects that each has their own degree of geologic and commercial risk. It is MHA's opinion that the estimated Resources and other information as specified in this report are reasonable, and have been prepared in accordance with generally accepted petroleum engineering and geological evaluation principles. Further pre-drill evaluation of the Projects is warranted, particularly as regards to additional seismic data.

Neither MHA, nor any of our employees have any interest in the subject properties and neither the employment to do this work, nor the compensation, is contingent on our estimates of the Resources or Reserves for the properties in this report.

This report was prepared for the exclusive use of American Patriot Oil and Gas and will not be released by MHA to any other parties without APOG's written permission. The data and work papers used in this preparation of this report are available for examination by authorized parties in our offices.

MHA confirms that:

- (a) all reasonable inquiries have been made in the circumstances so that there are reasonable grounds to believe that the MHA Report dated 24 February 2014 does not contain a misleading or deceptive statement or omit material information;
- (b) nothing has come to its attention that causes it to believe, and it does not believe, that:
 - (i) the MHA Report dated 24 February 2014 contains a statement that is misleading or deceptive;
 - (ii) the MHA Report dated 24 February 2014 omits material information or information required for the purposes of the ASX Listing Rules;
 - (iii) a new circumstance has arisen, since September 2014, being the effective date for the analysis and economics contained in the MHA Report dated 24 February 2014, the inclusion of which would cause any statement contained in the MHA Report dated 24 February 2014 to be misleading or deceptive or that could result in a material omission from the MHA Report dated 24 February 2014.

Thank you for this opportunity to be of service to American Patriot Oil and Gas. If you have any questions or wish to discuss any aspect of the report further please feel free to contact me.

Kindest regards,



Timothy L. Hower
Chief Executive Officer



MHA Petroleum Consultants LLC

32

Glossary of Abbreviations

DSU = Drilling and Spacing Unit
EUR = Estimated Ultimate Recovery
MMCF = Millions of Cubic Feet
OOIP = Original Oil-In-Place
PUD = Proved Undeveloped Location
TIFF = Tagged Image File Format
Aries = Petroleum Economic Evaluation software
Petra = Geoscience and mapping software

Appendix

References

- Bachu, S., and Hitchon, B., 1996, Regional-scale flow of formation waters in the Williston Basin: AAPG Bulletin, v. 80, no. 2, p. 248–264.
- Bartow-Shepard, B., 1985, Cat Creek Field, in Montana Geological Society Annual Review 1985, pp. 323–328.
- Brown, D. L., and Brown, D. L., 1987, Wrench-style deformation and paleostructural influence on sedimentation in and around a cratonic basin, *in* Longman, M.W., ed., Williston Basin: Anatomy of a cratonic oil province: Rocky Mountain Association of Geologists, p. 57–70.
- Carlson, C.G., and LeFever, J.A., 1987, The Madison, a nomenclatural review with a look to the future, *in* Fifth International Williston Basin Symposium: Carlson, C.G., and Christopher, J.E., eds., Saskatchewan Geological Society Special Publication 9, Saskatchewan Geological Society, Regina Saskatchewan, p. 77–82.
- Downey, J.S., 1984, Geohydrology of the Madison and associated aquifers in parts of Montana, North Dakota, South Dakota, and Wyoming: U.S. Geological Survey Professional Paper P 1273–G, p. G1–G47.
- Downey, J.S., Busby, J.F., and Dinwiddie, G.A., 1987, Regional aquifers and petroleum in the Williston Basin region of the United States, in Peterson, J.A., Kent, D.M., Anderson, S.B., Pilatzke, R.H., and Longman, M.W., eds., Williston Basin – Anatomy of a cratonic oil province: Rocky Mountain Association of Geologists, Denver, Colorado, p. 299–312.
- Downey, J.S., and Dinwiddie, G.A., 1988, The regional aquifer system underlying the Northern Great Plains in parts of Montana, North Dakota, South Dakota, and Wyoming; summary, U.S. Geological Survey Professional Paper P 1402–A, p. A1–A64.
- Fischer, D.W., LeFever, J.A., LeFever, R.D., Anderson, S.B.; Helms, L.D., Sorensen, J.A., Smith, S.A., Peck, W.D., Steadman, E.N., and Harju, J.A., 2004, Overview of Williston Basin geology as it relates to CO₂ sequestration: Plains CO₂ Reduction (PCOR) Partnership Topical Report for U.S. Department of Energy and multiclents, Energy & Environmental Research Center, Grand Forks, ND, Oct 2004.
- Hadley, H. D., 1956, Cat Creek Oil Field, Billings Geological Society: Guidebook: Seventh Annual Field Conference, pg. 98.
- Harris, S.H., Land, C.B., Jr., and McKeever, J.H., 1965, Relation of Mission Canyon stratigraphy to oil production in north-central North Dakota (abstract): American Association of Petroleum Geologists Bulletin, v. 49, no. 9, p. 1571.



MHA Petroleum Consultants LLC

33

11. Independent Technical Report

- Harris, S.H., Land, C.B., Jr., and McKeever, J.H., 1966, Relation of Mission Canyon stratigraphy to oil production in north-central North Dakota (abstract): American Association of Petroleum Geologists Bulletin, v. 50, no. 10, p. 2269–2276, illus.
- Hendricks, M.L., 1988, Shallowing-upward cyclic carbonate reservoirs in the Lower Ratcliffe interval (Mississippian), Williams and McKenzie Counties, North Dakota, in Goolsby, S.M. and Longman, M. W., eds., Occurrence and petrophysical properties of carbonate reservoirs in the Rocky Mountain region: Rocky Mountain Association of Geologists, p. 371–380.
- Holmes, M. and Holmes, A., 2012, Petrophysical Analysis of Two Wells from Garfield County, Montana, with Particular Emphasis on the Duperow Interval. Digital Formation proprietary report for Patriot Oil and Gas
- Kent, D.M., Haidl, F.M., and MacEachern, J.A., 1988, Mississippian Oil Fields in the Northern Williston Basin, in Goolsby, S.M., and Longman, M.W., eds., Occurrence and petrophysical properties of carbonate reservoirs in the Rocky Mountain region: Rocky Mountain Association of Geologists, Denver, Colorado, p. 381–417.
- LeFever, R.D., 1998, Hydrodynamics of formation waters in the North Dakota Williston Basin, in Christopher, J.E., Gilboy, C.F., Paterson, D.F., and Bend, S.L., eds., Eighth International Williston Basin Symposium: Saskatchewan Geological Society Special Publication 13, Saskatchewan Geological Society, Regina, Saskatchewan, p. 229–237.
- Lerud, J., 1982, Lexicon of stratigraphic names of North Dakota: North Dakota Geological Survey Report of Investigations, no. 71, p. 139.
- Lindsay, R.F., 1988, Mission Canyon Formation reservoir characteristics in North Dakota, in Goolsby, S.M., and Longman, M.W., eds., Occurrence and petrophysical properties of carbonate reservoirs in the Rocky Mountain region: Rocky Mountain Association of Geologists, Denver, Colorado, p. 317–346.
- Longman, M.W. and Schmidtman, K.H, DEPOSITION AND DIAGENESIS OF THE MISSISSIPPIAN CHARLES 'C' (RATCLIFFE) RESERVOIR IN LUSTRE FIELD, VALLEY COUNTY, MONTANA in: Rocky Mountain Carbonate Reservoirs Edited by MARK W. LONGMAN, KEITH W. SHANLEY, ROBERT F. LINDSAY, and DAVID E. EBY. Vol. 7. 1985. P.265-310
- Nelson, W.J, 1991, Recurrent Faulting and Petroleum Accumulation, Cat Creek Anticline, Central Montana, AAPG Search and discovery Article #91010
- Petty, D.M., 1988, Depositional facies, textural characteristics, and reservoir properties of dolomites in Frobisher–Alida interval in southwest North Dakota: American Association of Petroleum Geologists Bulletin, v. 72, p. 1229–1253.
- Potter, D., 1995, Paleogeographic reconstruction of an arid Mississippian coastline, Sherwood Beds, Mission Canyon Formation, southeast Saskatchewan and North Dakota, in Hunter, L.D.V., and Schalla, R.A., eds., Seventh International Williston Basin Symposium: Billings, Montana, Montana Geological Society, p. 143–161.
- Sippel, M., Luff, K.D., Hendricks, M.L., 1998, Reservoir Characterization of the Mississippian Ratcliffe, Richland Co., Montana, Williston Basin, DOE/ BC/14984-15 National Petroleum Technology Office
- Voldseth, N.E., 1987, Coteau and Dale intervals of the Mississippian Mission Canyon Formation, Flaxton Field, Burke County, North Dakota, in Fischer, D.W., ed., Fifth International Williston Basin Symposium: North Dakota Geological Survey, Grand Forks, North Dakota, p. 89–109



Petroleum Resources Management System

Preamble

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

International efforts to standardize the definitions of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE, and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production, and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.

This document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources"; the latter document remains a valuable source of more detailed background information, and specific chapters are referenced herein. Appendix A is a consolidated glossary of terms used in resources evaluations and replaces those published in 2005.

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that this document will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

This SPE/WPC/AAPG/SPEE Petroleum Resources Management System document, including its Appendix, may be referred to by the abbreviated term "SPE-PRMS" with the caveat that the full title, including clear recognition of the co-sponsoring organizations, has been initially stated.

1.0 Basic Principles and Definitions

The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation. Use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios according to forecast production profiles and recoveries. Such a system must consider both technical and commercial factors that impact the project's economic feasibility, its productive life, and its related cash flows.

1.1 Petroleum Resources Classification Framework

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide and sulfur. In rare cases, non-hydrocarbon content could be greater than 50%.

The term "resources" as used herein is intended to encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered "conventional" or "unconventional."

Figure 1-1 is a graphical representation of the SPE/WPC/AAPG/SPEE resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

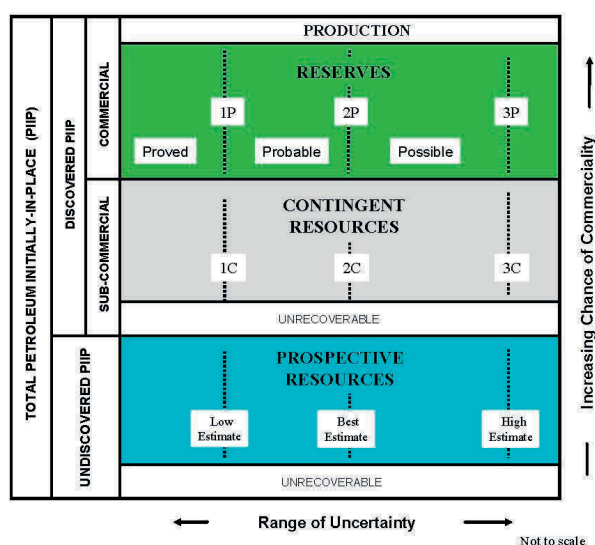


Figure 1-1: Resources Classification Framework.

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of Commerciality, that is, the chance that the project that will be developed and reach commercial producing status.

11. Independent Technical Report

The following definitions apply to the major subdivisions within the resources classification:

TOTAL PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

DISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

PRODUCTION is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Production Measurement, section 3.2).

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

11. Independent Technical Report

Estimated Ultimate Recovery (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

In specialized areas, such as basin potential studies, alternative terminology has been used; the total resources may be referred to as Total Resource Base or Hydrocarbon Endowment. Total recoverable or EUR may be termed Basin Potential. The sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as "remaining recoverable resources." When such terms are used, it is important that each classification component of the summation also be provided. Moreover, these quantities should not be aggregated without due consideration of the varying degrees of technical and commercial risk involved with their classification.

1.2 Project-Based Resources Evaluations

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable resources (see Figure 1-2) that may be described as follows:

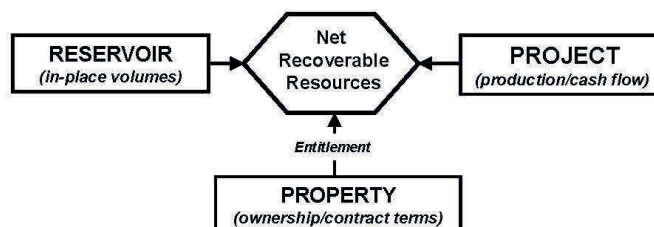


Figure 1-2: Resources Evaluation Data Sources.

The Reservoir (accumulation): Key attributes include the types and quantities of Petroleum Initially-in-Place and the fluid and rock properties that affect petroleum recovery.

- The Project: Each project applied to a specific reservoir development generates a unique production and cash flow schedule. The time integration of these schedules taken to the project's technical, economic, or contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to Total Initially-in-Place quantities defines the ultimate recovery efficiency for the development project(s). A project may be defined at various levels and stages of maturity; it may include one or many wells and associated production and processing facilities. One project may develop many reservoirs, or many projects may be applied to one reservoir.
- The Property (lease or license area): Each property may have unique associated contractual rights and obligations including the fiscal terms. Such information allows definition of each

11. Independent Technical Report

participant's share of produced quantities (entitlement) and share of investments, expenses, and revenues for each recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations.

In context of this data relationship, "project" is the primary element considered in this resources classification, and net recoverable resources are the incremental quantities derived from each project. Project represents the link between the petroleum accumulation and the decision-making process. A project may, for example, constitute the development of a single reservoir or field, or an incremental development for a producing field, or the integrated development of several fields and associated facilities with a common ownership. In general, an individual project will represent the level at which a decision is made whether or not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for that project.

An accumulation or potential accumulation of petroleum may be subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resource classes simultaneously.

In order to assign recoverable resources of any class, a development plan needs to be defined consisting of one or more projects. Even for Prospective Resources, the estimates of recoverable quantities must be stated in terms of the sales products derived from a development program assuming successful discovery and commercial development. Given the major uncertainties involved at this early stage, the development program will not be of the detail expected in later stages of maturity. In most cases, recovery efficiency may be largely based on analogous projects. In-place quantities for which a feasible project cannot be defined using current, or reasonably forecast improvements in, technology are classified as Unrecoverable.

Not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on a forecast of the conditions that will exist during the time period encompassed by the project's activities (see Commercial Evaluations, section 3.1). "Conditions" include technological, economic, legal, environmental, social, and governmental factors. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms, and taxes.

The resource quantities being estimated are those volumes producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Reference Point, section 3.2.1). The cumulative production from the evaluation date forward to cessation of production is the remaining recoverable quantity. The sum of the associated annual net cash flows yields the estimated future net revenue. When the cash flows are discounted according to a defined discount rate and time period, the summation of the discounted cash flows is termed net present value (NPV) of the project (see Evaluation and Reporting Guidelines, section 3.0).

The supporting data, analytical processes, and assumptions used in an evaluation should be documented in sufficient detail to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of recoverable quantities and their classification.

2.0 Classification and Categorization Guidelines

To consistently characterize petroleum projects, evaluations of all resources should be conducted in the context of the full classification system as shown in Figure 1-1. These guidelines reference this classification system and support an evaluation in which projects are "classified" based on their chance of commerciality (the vertical axis) and estimates of recoverable and marketable quantities associated with each project are "categorized" to reflect uncertainty (the horizontal axis). The actual workflow of classification vs. categorization varies with individual projects and is often an iterative analysis process leading to a final report. "Report," as used herein, refers to the

11. Independent Technical Report

presentation of evaluation results within the business entity conducting the assessment and should not be construed as replacing guidelines for public disclosures under guidelines established by regulatory and/or other government agencies.

Additional background information on resources classification issues can be found in Chapter 2 of the 2001 SPE/WPC/AAPG publication: "Guidelines for the Evaluation of Petroleum Reserves and Resources," hereafter referred to as the "2001 Supplemental Guidelines."

2.1 Resources Classification

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

2.1.1 Determination of Discovery Status

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves. Where in-place hydrocarbons are identified but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes; a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.

2.1.2 Determination of Commerciality

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

- Evidence to support a reasonable timetable for development.
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria:
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.
- Evidence that the necessary production and transportation facilities are available or can be made available:
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In

11. Independent Technical Report

all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

2.1.3 Project Status and Commercial Risk

Evaluators have the option to establish a more detailed resources classification reporting system that can also provide the basis for portfolio management by subdividing the chance of commerciality axis according to project maturity. Such sub-classes may be characterized by standard project maturity level descriptions (qualitative) and/or by their associated chance of reaching producing status (quantitative).

As a project moves to a higher level of maturity, there will be an increasing chance that the accumulation will be commercially developed. For Contingent and Prospective Resources, this can further be expressed as a quantitative chance estimate that incorporates two key underlying risk components:

- The chance that the potential accumulation will result in the discovery of petroleum. This is referred to as the “chance of discovery.”
- Once discovered, the chance that the accumulation will be commercially developed is referred to as the “chance of development.”

Thus, for an undiscovered accumulation, the “chance of commerciality” is the product of these two risk components. For a discovered accumulation where the “chance of discovery” is 100%, the “chance of commerciality” becomes equivalent to the “chance of development.”

2.1.3.1 Project Maturity Sub-Classes

As illustrated in Figure 2-1, development projects (and their associated recoverable quantities) may be sub-classified according to project maturity levels and the associated actions (business decisions) required to move a project toward commercial production.

11. Independent Technical Report

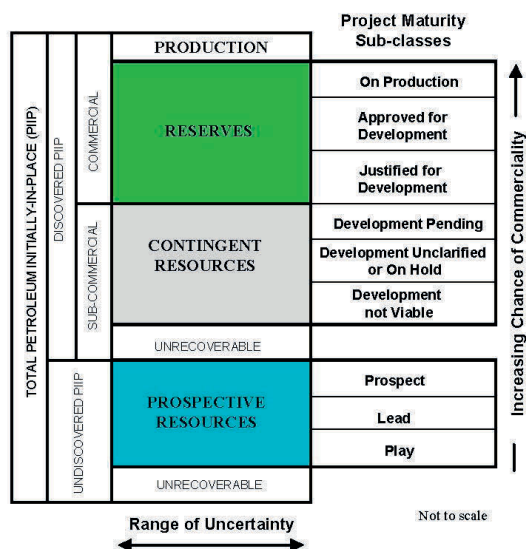


Figure 2-1: Sub-classes based on Project Maturity.

Project Maturity terminology and definitions have been modified from the example provided in the 2001 Supplemental Guidelines, Chapter 2. Detailed definitions and guidelines for each Project Maturity sub-class are provided in Table I. This approach supports managing portfolios of opportunities at various stages of exploration and development and may be supplemented by associated quantitative estimates of chance of commerciality. The boundaries between different levels of project maturity may be referred to as “decision gates.”

Decisions within the Reserves class are based on those actions that progress a project through final approvals to implementation and initiation of production and product sales. For Contingent Resources, supporting analysis should focus on gathering data and performing analyses to clarify and then mitigate those key conditions, or contingencies, that prevent commercial development.

For Prospective Resources, these potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under appropriate development projects. The decision at each phase is to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity where a decision can be made to proceed with exploration drilling.

Evaluators may adopt alternative sub-classes and project maturity modifiers, but the concept of increasing chance of commerciality should be a key enabler in applying the overall classification system and supporting portfolio management.

2.1.3.2 Reserves Status

Once projects satisfy commercial risk criteria, the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the reservoir development plan (detailed definitions and guidelines are provided in Table 2):

11. Independent Technical Report

- Developed Reserves are expected quantities to be recovered from existing wells and facilities.
 - Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
 - Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.
- Undeveloped Reserves are quantities expected to be recovered through future investments.

Where Reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay (see Determination of Commerciality, section 2.1.2) is justified, a reasonable time frame is generally considered to be less than 5 years.

Development and production status are of significant importance for project management. While Reserves Status has traditionally only been applied to Proved Reserves, the same concept of Developed and Undeveloped Status based on the funding and operational status of wells and producing facilities within the development project are applicable throughout the full range of Reserves uncertainty categories (Proved, Probable and Possible).

Quantities may be subdivided by Reserves Status independent of sub-classification by Project Maturity. If applied in combination, Developed and/or Undeveloped Reserves quantities may be identified separately within each Reserves sub-class (On Production, Approved for Development, and Justified for Development).

2.1.3.3 Economic Status

Projects may be further characterized by their Economic Status. All projects classified as Reserves must be economic under defined conditions (see Commercial Evaluations, section 3.1). Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

- Marginal Contingent Resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
- Sub-Marginal Contingent Resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is “undetermined.” Additional economic status modifiers may be applied to further characterize recoverable quantities; for example, non-sales (lease fuel, flare, and losses) may be separately identified and documented in addition to sales quantities for both production and recoverable resource estimates (see also Reference Point, section 3.2.1). Those discovered in-place volumes for which a feasible development project cannot be defined using current, or reasonably forecast improvements in, technology are classified as Unrecoverable.

11. Independent Technical Report

Economic Status may be identified independently of, or applied in combination with, Project Maturity sub-classification to more completely describe the project and its associated resources.

2.2 Resources Categorization

The horizontal axis in the Resources Classification (Figure 1.1) defines the range of uncertainty in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project. These estimates include both technical and commercial uncertainty components as follows:

- The total petroleum remaining within the accumulation (in-place resources).
- That portion of the in-place petroleum that can be recovered by applying a defined development project or projects.
- Variations in the commercial conditions that may impact the quantities recovered and sold (e.g., market availability, contractual changes).

Where commercial uncertainties are such that there is significant risk that the complete project (as initially defined) will not proceed, it is advised to create a separate project classified as Contingent Resources with an appropriate chance of commerciality.

2.2.1 Range of Uncertainty

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution (see Deterministic and Probabilistic Methods, section 4.2).

When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental (risk-based) approach, quantities at each level of uncertainty are estimated discretely and separately (see Category Definitions and Guidelines, section 2.2.2).

These same approaches to describing uncertainty may be applied to Reserves, Contingent Resources, and Prospective Resources. While there may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable quantities independently of such a risk or consideration of the resource class to which the quantities will be assigned.

2.2.2 Category Definitions and Guidelines

Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental (risk-based) approach, the deterministic scenario (cumulative) approach, or probabilistic methods. (see "2001 Supplemental Guidelines," Chapter 2.5). In many cases, a combination of approaches is used.

Use of consistent terminology (Figure 1.1) promotes clarity in communication of evaluation

11. Independent Technical Report

results. For Reserves, the general cumulative terms low/best/high estimates are denoted as 1 P/2P/3P, respectively. The associated incremental quantities are termed Proved, Probable and Possible. Reserves are a subset of, and must be viewed within context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, they can be equally applied to Contingent and Prospective Resources conditional upon their satisfying the criteria for discovery and/or development.

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1 C/2C/3C respectively. For Prospective Resources, the general cumulative terms low/best/high estimates still apply. No specific terms are defined for incremental quantities within Contingent and Prospective Resources.

Without new technical information, there should be no change in the distribution of technically recoverable volumes and their categorization boundaries when conditions are satisfied sufficiently to reclassify a project from Contingent Resources to Reserves. All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Commercial Evaluations, section 3.1).

Table III presents category definitions and provides guidelines designed to promote consistency in resource assessments. The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.

- Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
- Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
- Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Based on additional data and updated interpretations that indicate increased certainty, portions of Possible and Probable Reserves may be re-categorized as Probable and Proved Reserves.

Uncertainty in resource estimates is best communicated by reporting a range of potential results. However, if it is required to report a single representative result, the "best estimate" is considered the most realistic assessment of recoverable quantities. It is generally considered to represent the sum of Proved and Probable estimates (2P) when using the deterministic scenario or the probabilistic assessment methods. It should be noted that under the deterministic incremental (risk-based) approach, discrete estimates are made for each category, and they should not be aggregated without due consideration of their associated risk (see "2001 Supplemental

11. Independent Technical Report

Guidelines,” Chapter 2.5).

2.3 Incremental Projects

The initial resource assessment is based on application of a defined initial development project. Incremental projects are designed to increase recovery efficiency and/or to accelerate production through making changes to wells or facilities, infill drilling, or improved recovery. Such projects should be classified according to the same criteria as initial projects. Related incremental quantities are similarly categorized on certainty of recovery. The projected increased recovery can be included in estimated Reserves if the degree of commitment is such that the project will be developed and placed on production within a reasonable timeframe.

Circumstances where development will be significantly delayed should be clearly documented. If there is significant project risk, forecast incremental recoveries may be similarly categorized but should be classified as Contingent Resources (see Determination of Commerciality, section 2.1.2).

2.3.1 Workovers, Treatments, and Changes of Equipment

Incremental recovery associated with future workover, treatment (including hydraulic fracturing), re-treatment, changes of equipment, or other mechanical procedures where such projects have routinely been successful in analogous reservoirs may be classified as Developed or Undeveloped Reserves depending on the magnitude of associated costs required (see Reserves Status, section 2.1.3.2).

2.3.2 Compression

Reduction in the backpressure through compression can increase the portion of in-place gas that can be commercially produced and thus included in Reserves estimates. If the eventual installation of compression was planned and approved as part of the original development plan, incremental recovery is included in Undeveloped Reserves. However, if the cost to implement compression is not significant (relative to the cost of a new well), the incremental quantities may be classified as Developed Reserves. If compression facilities were not part of the original approved development plan and such costs are significant, it should be treated as a separate project subject to normal project maturity criteria.

2.3.3 Infill Drilling

Technical and commercial analyses may support drilling additional producing wells to reduce the spacing beyond that utilized within the initial development plan, subject to government regulations (if such approvals are required). Infill drilling may have the combined effect of increasing recovery efficiency and accelerating production. Only the incremental recovery can be considered as additional Reserves; this additional recovery may need to be reallocated to individual wells with different interest ownerships.

2.3.4 Improved Recovery

Improved recovery is the additional petroleum obtained, beyond primary recovery, from naturally occurring reservoirs by supplementing the natural reservoir performance. It includes waterflooding, secondary or tertiary recovery processes, and any other means of supplementing natural reservoir recovery processes.

Improved recovery projects must meet the same Reserves commerciality criteria as primary recovery projects. There should be an expectation that the project will be economic and that the entity has committed to implement the project in a reasonable time frame (generally within 5 years; further delays should be clearly justified).

The judgment on commerciality is based on pilot testing within the subject reservoir or by

11. Independent Technical Report

comparison to a reservoir with analogous rock and fluid properties and where a similar established improved recovery project has been successfully applied.

Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program, where the response provides support for the analysis on which the project is based.

These incremental recoveries in commercial projects are categorized into Proved, Probable, and Possible Reserves based on certainty derived from engineering analysis and analogous applications in similar reservoirs.

2.4 Unconventional Resources

Two types of petroleum resources have been defined that may require different approaches for their evaluations:

- Conventional resources exist in discrete petroleum accumulations related to a localized geological structural feature and/or stratigraphic condition, typically with each accumulation bounded by a downdip contact with an aquifer, and which is significantly affected by hydrodynamic influences such as buoyancy of petroleum in water. The petroleum is recovered through wellbores and typically requires minimal processing prior to sale.
- Unconventional resources exist in petroleum accumulations that are pervasive throughout a large area and that are not significantly affected by hydrodynamic influences (also called "continuous-type deposits"). Examples include coalbed methane (CBM), basin-centered gas, shale gas, gas hydrates, natural bitumen, and oil shale deposits. Typically, such accumulations require specialized extraction technology (e.g., dewatering of CBM, massive fracturing programs for shale gas, steam and/or solvents to mobilize bitumen for in-situ recovery, and, in some cases, mining activities). Moreover, the extracted petroleum may require significant processing prior to sale (e.g., bitumen upgraders).

For these petroleum accumulations that are not significantly affected by hydrodynamic influences, reliance on continuous water contacts and pressure gradient analysis to interpret the extent of recoverable petroleum may not be possible. Thus, there typically is a need for increased sampling density to define uncertainty of in-place volumes, variations in quality of reservoir and hydrocarbons, and their detailed spatial distribution to support detailed design of specialized mining or in-situ extraction programs.

It is intended that the resources definitions, together with the classification system, will be appropriate for all types of petroleum accumulations regardless of their in-place characteristics, extraction method applied, or degree of processing required.

Similar to improved recovery projects applied to conventional reservoirs, successful pilots or operating projects in the subject reservoir or successful projects in analogous reservoirs may be required to establish a distribution of recovery efficiencies for non-conventional accumulations. Such pilot projects may evaluate both extraction efficiency and the efficiency of unconventional processing facilities to derive sales products prior to custody transfer.

3.0 Evaluation and Reporting Guidelines

The following guidelines are provided to promote consistency in project evaluations and reporting. "Reporting" refers to the presentation of evaluation results within the business entity conducting the evaluation and should not be construed as replacing guidelines for subsequent public disclosures under guidelines established by regulatory and/or other government agencies, or any current or future associated accounting standards.

3.1 Commercial Evaluations

Investment decisions are based on the entity's view of future commercial conditions that may impact the development feasibility (commitment to develop) and production/cash flow schedule of oil and gas projects. Commercial conditions include, but are not limited to, assumptions of financial conditions (costs, prices, fiscal terms, taxes), marketing, legal, environmental, social, and governmental factors. Project value may be assessed in several ways (e.g., historical costs, comparative market values); the guidelines herein apply only to evaluations based on cash flow analysis. Moreover, modifying factors such contractual or political risks that may additionally influence investment decisions are not addressed. (Additional detail on commercial issues can be found in the "2001 Supplemental Guidelines," Chapter 4.)

3.1.1 Cash-Flow-Based Resources Evaluations

Resources evaluations are based on estimates of future production and the associated cash flow schedules for each development project. The sum of the associated annual net cash flows yields the estimated future net revenue. When the cash flows are discounted according to a defined discount rate and time period, the summation of the discounted cash flows is termed net present value (NPV) of the project.

SECTION 12

Financial Information



12. Financial Information

12.1 INTRODUCTION

The historical financial information for the period ended 31 December 2013 has been extracted from the unaudited consolidated management accounts of the American Patriot Group.

The financial information is presented in an abbreviated form in so far as it does not include all of the disclosure requirements of Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Consolidated Statement of Financial Position

Set out below is the consolidated statement of financial position for American Patriot Oil & Gas Limited as at 31 December 2013 with the proforma statement of financial position as at 31 December 2013 based on the proforma assumptions in Section 12.3 (Note 2).

Also set out below are historical audited Statements of Financial Position for the financial years ended 30 June 2013 and 30 June 2012.

	Note	Reviewed Historical 31-Dec-13 \$	Reviewed Proforma Minimum 31-Dec-13 \$	Reviewed Proforma Maximum 31-Dec-13 \$	Audited Historical 30-Jun-13 \$	Audited Historical 30-Jun-12 \$
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	3	683,238	7,998,649	11,747,098	210,854	14,616
Trade and other receivables		62,029	62,029	62,029	35,575	428,575
Other assets		144,383	144,383	144,383	4,486	8,766
TOTAL CURRENT ASSETS		889,650	8,205,061	11,953,510	250,915	451,957
NON-CURRENT ASSETS						
Property, plant and equipment		44,545	44,545	44,545	53,475	35,056
Exploration and Evaluation Assets	4	2,193,356	2,193,356	2,193,356	2,080,710	1,784,410
TOTAL NON-CURRENT ASSETS		2,237,901	2,237,901	2,237,901	2,134,185	1,819,466
TOTAL ASSETS		3,127,551	10,442,962	14,191,411	2,385,100	2,271,423
LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables		271,321	271,321	271,321	304,316	324,111
Borrowings	5	500,000	–	–	654,103	621,800
TOTAL CURRENT LIABILITIES		771,321	271,321	271,321	958,419	945,911
TOTAL LIABILITIES		771,321	271,321	271,321	958,419	945,911
NET ASSETS		2,356,230	10,171,641	13,920,090	1,426,681	1,325,512
EQUITY						
Issued capital	6	3,779,900	12,192,418	16,033,095	3,127,900	1,672,953
Reserves		(217,731)	(217,731)	(217,731)	(40,133)	–
Accumulated Losses		(1,205,939)	(1803,046)	(1,895,274)	(1,661,086)	(347,441)
TOTAL EQUITY		2,356,230	10,171,641	13,920,090	1,426,681	1,325,512

The accompanying notes form part of this financial information.

12. Financial Information

Consolidated Statement of Profit or Loss and other Comprehensive Income

Set out below is the consolidated statement of profit and loss and other comprehensive income for American Patriot Oil & Gas Limited for the 6 Months ended 31 December 2013 with the proforma statement of profit and loss and comprehensive income for the 6 Months ended 31 December 2013 based on the proforma assumptions in Section 12.3 (Note 2).

Also set out below are the historical Statements of Profit and Loss and other Comprehensive Income for the financial years ended 30 June 2013 and 30 June 2012.

Note	Reviewed Historical 31-Dec-13 \$	Reviewed Proforma Minimum 31-Dec-13 \$	Reviewed Proforma Maximum 31-Dec-13 \$	Audited Historical 30-Jun-13 \$	Audited Historical 30-Jun-12 \$
Continuing operations					
Income					
Interest Received	127	127	127	–	–
Profit on Sale of Tenements	1,511,851	1,511,851	1,511,851	–	–
Total Income	1,511,978	1,511,978	1,511,978	Nil	Nil
Expenses					
Administration	(11,456)	(11,456)	(11,456)	(74,379)	(62,752)
Consultants fees	(819,459)	(819,459)	(819,459)	(694,861)	(116,214)
Employee Benefits Expense	(125,713)	(125,713)	(125,713)	(274,122)	(66,798)
Leasehold	(44,331)	(44,331)	(44,331)	(73,469)	(9,878)
Other Listing Costs	2d –	(597,107)	(689,335)	–	–
Professional Fees	(110,068)	(110,068)	(110,068)	(187,056)	(11,169)
Profit on Foreign Exchange	410,426	410,426	410,426	201,604	950
Travel Related Expenditure	(106,178)	(106,178)	(106,178)	(192,923)	(78,732)
Finance Costs	(200,000)	(200,000)	(200,000)	(7)	(61)
Depreciation and amortisation expense	(327)	(327)	(327)	(18,432)	(2,787)
Total Expenses	(1,007,106)	(1,604,213)	(1,696,441)	(1,313,645)	(347,441)
Net Profit/(Loss) from continuing operations before tax	504,872	(92,235)	(184,463)	(1,313,645)	(347,441)
Income Tax Expense	(28,029)	(28,029)	(28,029)	Nil	Nil
Net Profit/(Loss) from continuing operations after tax	532,901	(64,206)	(156,434)	(1,313,645)	(347,441)

The accompanying notes form part of this financial information.

12. Financial Information

NOTES TO THE FINANCIAL INFORMATION

12.2 NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are special purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by American Patriot Oil & Gas Limited at the end of the reporting period. A controlled entity is any entity over which American Patriot Oil & Gas Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial information.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

12. Financial Information

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5 years
Furniture & Fixtures	5 years
Computer Equipment & Software	3 years
Office Equipment	5 years
Motor Vehicle	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

12. Financial Information

(f) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks.

(h) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

(i) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

12. Financial Information

12.3 NOTE 2. ASSUMPTIONS USED IN PREPARING THE PROFORMA STATEMENT OF COMPREHENSIVE INCOME AND THE STATEMENT OF FINANCIAL POSITION

The proforma statement of financial position for American Oil & Gas Limited as at 31 December 2013 has been prepared as if the following transactions have taken place at that date:

- (a) The issue of 1,300,000 Shares at \$0.10 each to raise \$130,000 in seed capital since 31 December 2013 for which the funds have been received.
- (b) In February 2014, Pasic Pty Ltd was issued 2,500,000 ordinary shares at 20 cents per share as repayment of borrowings for land purchased. No interest was payable

under this contractual arrangement with Pasic Pty Ltd.

- (c) The minimum issue of 40,000,000 fully paid ordinary shares at a price of \$0.20 to raise \$8,000,000, the maximum issue of 60,000,000 fully paid ordinary shares at a price of \$0.20 to raise \$12,000,000.
- (d) For the Minimum Subscription the Offer costs result in a reduction in cash of \$814,589, a reduction in issued capital of \$217,482 and an increase in accumulated losses of \$597,107. For the Maximum Subscription the Offer costs result in a reduction in cash of \$1,066,140, a reduction in issued capital of \$376,805 and an increase in accumulated losses of \$689,335.

	Note	Reviewed Historical 31-Dec-13 \$	Reviewed Proforma Minimum 31-Dec-13 \$	Reviewed Proforma Maximum 31-Dec-13 \$
Cash and Cash Equivalents				
Cash at bank and on hand		683,238	683,238	683,238
Adjustments arising in the preparation of the pro forma cash balance are summarised as follows:				
Issue of seed capital shares at \$0.10 per share	2a	–	130,000	130,000
Proceeds from shares issued pursuant to the Offer raising	2c	–	8,000,000	12,000,000
Payment of costs of the Offer	2d	–	(814,589)	(1,066,140)
		683,238	7,998,649	11,747,098
Exploration and Evaluation Assets				
<i>Non-Current</i>				
Exploration and Evaluation Assets		2,193,356	2,193,356	2,193,356
		2,193,356	2,193,356	2,193,356
Borrowings				
<i>Current</i>				
Borrowings		500,000	500,000	500,000
Repayment of borrowings for land purchased	2b	–	(500,000)	(500,000)
		500,000	–	–

12. Financial Information

	Note	Reviewed Historical 31-Dec-13	Reviewed Proforma Minimum 31-Dec-13	Reviewed Proforma Maximum 31-Dec-13
Issued Capital				
Issued Capital		3,779,900	3,779,900	3,779,900
Adjustments arising in the preparation of the pro forma cash balance are summarised as follows:				
Issue of shares for seed capital at \$0.10	2a	–	130,000	130,000
Issue of shares pursuant as repayment of land purchased	2b	–	500,000	500,000
Issue of shares pursuant to the Offer	2c	–	8,000,000	12,000,000
Share issue costs	2d	–	(217,482)	(376,805)
		3,779,900	12,192,418	16,033,095

	Note	No. of shares	No. of shares	No. of shares
Shares on Issue				
Issued Capital as at 31 December 2013		99,511,290	99,511,290	99,511,290
Adjustments arising in the preparation of the pro forma issued capital balance are summarised as follows:				
Issue of seed capital shares at \$0.10	2a	–	1,300,000	1,300,000
Issue of shares at \$0.20 as repayment of borrowings for land purchased	2b	–	2,500,000	2,500,000
Issue of shares at \$0.20 pursuant to this Prospectus	2c	–	40,000,000	60,000,000
		99,511,290	143,311,290	163,311,290

Directors Remuneration

For details on Director's remuneration refer to Section 15.11 of the prospectus.

Related parties

The Group's main related parties are as follows:

- Mr David Shaw
- Mr Alexis Clark
- Mr Jim Angelopoulos
- Mr Frank Pirera

Shares held in the Company by Directors and Key Management Personnel:

Directors:

Ordinary Shares in the Parent Entity:

- Mr David Shaw holds 1,000,000 Shares
- Mr Alexis Clark holds 3,500,000 Shares

- Mr Jim Angelopoulos holds 3,500,120 Shares and has a relevant interest in an additional 100,000 Shares

- Mr Frank Pirera holds 1,000,000 Shares

Key Management Personnel:

Ordinary Shares in the Parent Entity:

- Robert Hoar 500,000 Shares
- Justin Dunn holds 500,000 Shares

Subsequent Events

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

The issue of 1,300,000 shares at \$0.10 each to raise \$130,000 in seed capital subsequent to 31 December 2013 for which the funds have been received.

In February 2014, Pasic Pty Ltd was issued 2,500,000 ordinary shares at 20 cents per share as repayment of borrowings for land purchased.

12. Financial Information

Commitments

Drilling and Seismic Commitments

American Patriot has certain obligations to perform exploration work and expend minimum amounts of money on such works on its leasehold interests.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of leases and changes to lease areas at renewal or expiry, will alter the expenditure commitments of American Patriot.

In relation to the Rough House project, the Company has the following specific commitments:

- (a) To acquire the relevant leasehold titles with a remaining acquisition cost of \$1,192,563

- (b) Under Minimum Subscription the Company is committed to spending \$1,111,111 on seismic acquisition and processing and \$1,666,667 on drilling activities

- (c) Under Maximum Subscription the Company is committed to spending \$2,777,778 on seismic acquisition and processing and \$1,666,667 on drilling activities

Other Commitments

The Company has a number of other commitments such as consultancy arrangements and agreements to lease office space which are outlined in Section 15 in the Prospectus.

The Directors have estimated that the total expenditure commitment as at the date of this Prospectus not provided for in the Statement of Financial Position are approximately:

Period	Minimum Subscription	Maximum Subscription
Not later than one year	4,514,230	6,180,896
Later than one year but not later than two years	363,333	363,333
Later than two years by not later than five years	163,333	163,333

In addition to the above commitments, further payments may be payable under the Rough House Project Heads of Agreement:

- I. Royalties and payments with respect to the overriding royalty interest granted to Morning Gun Exploration Inc by the Company may be payable from production of certain leases within American Patriot's acreage. See Section 15.11(g) for details of the overriding royalty interest granted to Morning Gun Exploration Inc.
- II. APOG Inc has committed to commence drilling of the first well in relation to this Project on or before February 2015, to a depth of no more than 7,000 feet. The maximum amount that APOG is required to spend in relation to this first well is USD\$1,500,000. If APOG Inc fails to drill the first well before the agreed deadline, APOG Inc must pay USD\$1,500,000 to CLM.

Based on discussions with the Directors and legal advisors, to our knowledge, the Company has no other material commitment or contingent liabilities not otherwise disclosed in this Prospectus.

Investors should read the Attorney's Report (Section 10) and the Independent Technical Report (Section 11) for further possible contingencies and commitments.

For details on exploration commitments and proposed exploration **activities** see Section 5.5 of the Prospectus

Controlled Entities

Controlled Entities Consolidated

The ultimate parent entity that exercises control over the Group is American Patriot Oil & Gas Limited, which is incorporated in Australia.

	Country of Incorporation	Percentage Ownership (%)*	
		2013	2012
Controlled Entities of American Patriot Oil & Gas Limited:			
American Patriot Oil and Gas, Inc.	United States of America	100	100
American Patriot Oil and Gas LLC	United States of America	100	100

*Percentage of voting power is in proportion to ownership

SECTION 13

Independent Accountant's Report



13. Independent Accountant's Report



March 24, 2014
The Directors
AMERICAN PATRIOT OIL & GAS LIMITED
Level 1, 141 Capel Street
North Melbourne, Victoria, 3051

Dear Sirs

Independent Accountant's Report for AMERICAN PATRIOT OIL & GAS LIMITED

Introduction

We have prepared this Independent Accountant's Report ("Report") at the request of the Directors of AMERICAN PATRIOT OIL & GAS LIMITED ("APOG") for inclusion in a Prospectus relating to the proposed issue by the Company of a minimum of 40,000,000 shares and up to 60,000,000 shares at an issue price of \$0.20 each to raise a minimum of \$8,000,000 and up to \$12,000,000 before the costs of the issue (the "Prospectus").

Expressions defined in the Prospectus have the same meaning in this report.

Basis of Preparation

This report has been prepared to provide investors with information on the Historical and Pro forma Financial Information as detailed in the scope below. The Historical and Pro forma Financial Information is presented in an abbreviated form in this report and does not include all of the disclosures required by Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment, and have been prepared based on the Offer being achieved. Bentley Partners has not been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, have not done so. Bentley Partners accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this report.

Scope

You have requested George Georgiou, FCA, to prepare an Independent Accountant's Report covering the Reviewed Historical Consolidated Statement of Financial Position as at 31 December 2013 and the Pro forma Statement of Financial Position as at that date adjusted for the effects of the Offer and material events occurring subsequent to 31 December 2013.

Scope of review of Historical and Pro forma Financial Information

The Reviewed Historical and Pro forma Financial Information set out in this report has been extracted from the audited historical consolidated financial statements of the Company as at 30 June 2013 and the Reviewed Consolidated Financial Statements as at 31 December 2013 (Section 12.1).

The Directors are responsible for the preparation and presentation of the Historical and Pro forma Financial Information, including determination of the pro forma adjustments.

The Pro forma Consolidated Statement of Financial Position incorporates:

- The issue of 1,300,000 Shares at \$0.10 each to raise \$130,000 in seed capital since 31 December 2013 for which the funds have been received.
- In February 2014, Pasic Pty Ltd was issued 2,500,000 ordinary shares at 20 cents per share as part consideration for land purchased. No interest was payable under this contractual arrangement with Pasic Pty Ltd.
- The minimum issue of 40,000,000 fully paid ordinary shares at a price of \$0.20 to raise \$8,000,000, the maximum issue of 60,000,000 fully paid ordinary shares at a price of \$0.20 to raise \$12,000,000.
- For the Minimum Subscription the Offer costs result in a reduction in cash of \$814,589, a reduction in issued capital of \$217,482 and an increase in accumulated losses of \$597,107. For the Maximum Subscription the Offer costs result in a reduction in cash of \$1,066,140, a reduction in issued capital of \$376,805 and an increase in accumulated losses of \$689,335.

BentleyPartners.com.au
744 Bourke Street, Docklands Victoria 3008 p | 03 9600 1100
f | 03 9600 1150
Liability limited by a scheme approved under Professional Standards Legislation

13. Independent Accountant's Report



We have conducted our review of the Historical and Pro forma Financial Information in accordance with Australian Auditing and Assurance Standard ASRE 2405 "Review of Historical Financial Information Other than a Financial Report".

We made such enquiries and performed such procedures as we, in our professional judgement considered reasonable in the circumstances including:

- Enquiry of Directors, management and others;
- Review of the assumptions used to compile the pro forma Statement of Financial Position;
- Review of available financial information; and
- Review of work papers, accounting records and other documents.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement on historical information

Based on our review of the Reviewed 31 December 2013 results, nothing has come to our attention which causes us to believe that the Historical Financial Information, as set out in this report:

- (a) does not fairly represent the Historical Consolidated Statement of Financial Position at 31 December 2013
- (b) does not fairly represent the Consolidated Statement of Profit and Loss and other Comprehensive income for the half year ended 31 December 2013
- (c) has not been prepared in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) prescribed in Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Statement on pro forma information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro forma Financial Information, as set out in this report:

- (d) does not fairly represent the Pro forma Consolidated Statement of Financial Position and Pro forma Consolidated Statement of Profit or Loss and Other Comprehensive Income adjusted for the effects of the Offer and material events occurring subsequent to 31 December 2013;
- (e) has not been prepared in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) prescribed in Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence

Bentley Partners and I do not have any interest in the outcome of this issue other than in its capacity as Independent Accountant for which normal professional fees will be received. Bentley Partners and I do not hold nor have any interest in the ordinary shares of the Company.

Bentley Partners and I were not involved in the preparation of any other part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Bentley Partners and I consent to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

George Georgiou FCA

ASIC Registered Company Auditor: 10310

Dated in Melbourne, Australia this 24th day of March, 2014

BentleyPartners.com.au

744 Bourke Street, Docklands Victoria 3008 p | 03 9600 1100
f | 03 9600 1150

Liability limited by a scheme approved under Professional Standards Legislation

SECTION 14

Material Contracts



14. Material Contracts

The Directors consider that the material contracts described below and elsewhere in this Prospectus are the contracts which an Applicant would reasonably regard as material and which Applicants and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

This Prospectus only contains a summary of the material contracts and their substantive terms.

14.1 TREASURE JOINT DEVELOPMENT AGREEMENT

On 24 September 2013 American Patriot Oil and Gas Inc entered into a joint development agreement with Treasure Exploration Company, LLC (**Treasure Joint Development Agreement**).

Under the Treasure Joint Development Agreement, 70% of 28,657 Net Acres in the Northern Star Project (**Treasure Working Interest**) were transferred to Treasure Exploration Company, LLC in consideration for:

- (a) the payment by Treasure Exploration Company, LLC of a cash amount to American Patriot; and
- (b) Treasure Exploration Company, LLC granting American Patriot free carry with respect to drilling and completion on the first two horizontal wells drilled within the Northern Star Project.

Operator

Under the Treasure Joint Development Agreement Treasure Exploration Company, LLC has been appointed to operate the Northern Star Project for the benefit of both itself and American Patriot on arms length commercial terms.

Costs

Under the terms of the Treasure Joint Development Agreement, subject to the terms of the free carry and the "back in after payout" rights described below, the parties have agreed to share the costs associated the Northern Star Project in proportion with their ownership rights (i.e. American Patriot is responsible to pay 30% of costs and expenses). This extends to royalties and royalty overrides, seismic acquisition, general maintenance of the acreage and drilling costs. If, during the term of the Agreement American Patriot or Treasure (acting alone) create a royalty interest, then it will be solely responsible for the costs associated with that royalty interest.

Initial Drilling Requirements – Free carry

Treasure has committed under the Treasure Joint Development Agreement to drill and complete to

2 horizontal wells within the Northern Star Project (**First Two Wells**) as follows:

- (a) Treasure must commence drilling on the first horizontal well on or before March 2015;
- (b) Treasure must commence drilling on the second horizontal commitment well within six months of completion of the first well; and
- (c) Treasure has granted American Patriot free carry with respect to the drilling of the First Two Wells.

The free carry provided by Treasure will cover American Patriot's 30% Working Interest in the First Two Wells, namely the costs and liabilities incurred in connection with the drilling, equipping, testing and completing of the First Two Wells (including cost associated with fractuious stimulation). The free carry will not cover, and American Patriot will be responsible for 30% of the following costs:

- (a) costs and expenses associated with the operation of the First Two Wells (i.e. after the Wells are completed, tested and equipped); and
- (b) costs and expenses incurred in relation to seismic acquisition or processing and general leasehold acquisition or maintenance.

If Treasure fails to commence drilling either of the First Two Wells in accordance with the above deadlines, it must transfer of the Treasure Working Interest back to American Patriot for nil consideration.

Additional wells – Shared costs

Treasure has the right, but not the obligation, to drill an additional 2 wells following completion of the second well. Treasure can exercise its option:

- (a) with respect to a 3rd well, no earlier than 120 days after the 2nd well is completed; and
- (b) with respect to a 4th well, anytime following completion of the 3rd well.

Assuming Treasure exercises its option and drills the 3rd and 4th wells, American Patriot will be required to elect whether or not it will share 30% of the drilling costs and expenses. If American Patriot elects not to share the costs, it can "back in after payout" of certain drilling costs as follow:

- (a) American Patriot will not be required to pay upfront any of the costs associated with the drilling, completion or production of the well;

14. Material Contracts

- (b) 30% of all production from the well (i.e. American Patriot's ownership proportion) will be applied toward the payment to Treasure of an amount equal to 120% of all drilling costs and expenses incurred in relation to the well that would be chargeable under the terms of the Joint Operating Agreement which specifies all costs shall be borne by the parties in accordance with their interest in the acreage (American Patriot's ownership proportion is 30%) (**Drilling Payout**);
- (c) once the Drilling Payout has been satisfied, American Patriot will be required pay 30% of all costs associated with the well and will be entitled to receive the benefit of 30% of the well's production.

Subsequent wells

Standard commercial terms will govern the drilling and operating of any additional wells within the Northern Star Project. A penalty will apply if either American Patriot or Treasure elects not to participate in the development of a well that is the first well within a specific section of the Northern Star Project. This penalty requires the non-participating party to transfer its right, title and interest in both:

- (a) the entire section where the well is located; and
 - (b) 2 adjacent sections, designated by the participating party,
- upon completion of that well.

Joint marketing

For a period of five years, the parties have agreed to grant each other an option to acquire a proportionate interest in any oil and gas properties within the Northern Star Project that is acquired by Treasure or American Patriot. Upon exercising this option, all operations on the oil and gas property will be owned 70 / 30 and governed by the Joint Development Agreement.

14.2 ROUGH HOUSE PROJECT HEADS OF AGREEMENT

On 3 February 2014 APOG Inc and Colorado Land Management and Developments, LLC (CLM) entered into a heads of agreement (**Rough House Project Heads of Agreement**) pursuant to which, subject to a number of conditions precedent:

- (a) CLM has agreed to transfer to APOG Inc 90% of the CLM's interest in 6,633 Gross Acres (3747.45 Net Acres) located in the Contract Area (**CLM Leasehold**) in consideration for the payment of USD\$1,129,857.80 (AUD \$1,255,396) (**Purchase Price**); and
- (b) the parties agreed to enter into a joint development agreement with respect to the Rough House Project.

Under the terms of the Rough House Project Heads of Agreement, APOG Inc has paid a refundable deposit of USD\$56,492.82 (AUD \$62,768) (being 5% of the Purchase Price). APOG Inc's acquisition of the 90% Working Interest in the CLM Leasehold and entry into the joint development agreement is conditional upon:

- (a) successful completion of American Patriot's verification of CLM's title to the CLM Leasehold;
- (b) the Company successfully completing the Offer; and
- (c) the Company raising sufficient funds (as determined by APOG Inc in its sole discretion) to enable American Patriot to purchase the CLM Leasehold and complete its other business activities.

If the Company does not raise sufficient funds under the Offer, APOG Inc is entitled to terminate the Rough House Project Heads of Agreement. Both CLM and APOG Inc have a right to terminate the Rough House Project Heads of Agreement in the event that APOG Inc identifies defects in CLM's title to the CLM Leasehold that would reduce the total Purchase Price by 20% or more. If the Rough House Project Heads of Agreement is terminated, CLM will be required to return the deposit paid by APOG Inc within five days.

CLM and APOG Inc have agreed to enter into a joint development agreement on commercial arm's length terms with respect to the Rough House Project that will also reflect the following terms and conditions:

- (a) **American Patriot as operator:** APOG Inc will be the operator of the Rough House Project. APOG Inc has committed to spending between USD\$1 million (AUD\$1,111,111) and USD\$2.5 million (AUD\$2,777,778) on the acquisition of 2D and 3D seismic data within the Rough House Project in the 12 month period commencing from the date it is transferred 90% of the CLM Leasehold. APOG Inc will grant CLM a licence to use any seismic data it acquires.
- (b) **CLM as leasing agent:** CLM will act as leasing agent of the Rough House Prospect for the first 12 month period. CLM has warranted that it is an expert in land and minerals acquisition and has expertise in running title, research and examinations.
- (c) **Drilling commitments:** APOG Inc has committed to commence drilling of this well on or before February 2015, to a depth of no more than 7,000 feet and completion costs no greater than USD\$1,500,000 (AUD\$1,666,667). If APOG Inc fails to drill the first vertical well before the agreed deadline, APOG Inc must pay to CLM USD\$1,500,000 (AUD\$1,666,667), being the estimated full cost of the well.
- (d) **Drilling after first well:** After the drilling of the first well, CLM will be responsible to pay 10%, being its ownership percentage,

14. Material Contracts

of all drilling, completing and equipment costs.

14.3 CONSULTANCY AGREEMENT WITH ROBERT HOAR

On 14 March 2014 Robert Hoar entered into a consultancy agreement with APOG Inc. pursuant to which Robert has agreed to provide technical advisory services to American Patriot. The services will include advising American Patriot in relation to geological and technical matters, participating in the promotion of American Patriot's business, giving presentations on technical data to the Company's Shareholders and sourcing and developing new acreage on behalf of American Patriot (Services). Under the consultancy agreement Robert Hoar:

- (a) is required to provide the Services for a minimum of 10 days each month;
- (b) is prohibited from providing services to other entities to the extent of those additional services interfere with his provision of the Services;
- (c) is prohibited from agreeing to provide services to entities that are in competition with American Patriot without first obtaining American Patriot's consent.

The term of the consultancy agreement will start on 14 March 2014 and continue until 31 March 2015, unless terminated earlier. In consideration for the Services APOG Inc has agreed to pay Robert Hoar a one off payment of USD\$20,000 (AUD \$22,222) on 31 March 2014 and a monthly retainer of USD\$8,500 (AUD \$9,444).

Both APOG Inc and Robert Hoar have the ability to terminate the consultancy agreement at any time by giving two months written notice to the other. In addition, APOG Inc is entitled to terminate the consultancy agreement without notice if Robert Hoar has materially breached the terms of the agreement.

14.4 AGREEMENT WITH LEAD MANAGER

Peloton Capital has agreed to provide certain capital raising and advisory services to American Patriot and to act as Lead Manager to the Offer.

Under the terms of its agreement with the Company, Peloton Capital is to be paid:

- (a) \$20,000 in consideration for advisory services provided in relation to the Offer; and
- (b) a capital raising fee equal to 6% of funds raised under the Offer. Peloton Capital will pay the broker application fees referred to in Section 3.3 of this Prospectus out of the fee it receives.

14.5 DIRECTOR PROTECTION DEEDS

The Company has agreed to provide access to board papers and minutes to current and former Directors and the secretary of the Company while they are officers and for a period of 7 years from when they cease to be officers of the Company.

The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director and secretary of the Company in respect of certain liabilities, which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company.

SECTION 15

Additional Information



15. Additional Information

15.1 INCORPORATION

The Company was incorporated on 2 November 2011.

15.2 BALANCE DATE

The Company has a 30 June balance date.

15.3 COMPANY TAX STATUS

The Company will be taxed as a public company.

15.4 RIGHTS ATTACHING TO THE SHARES

The Shares will be fully paid ordinary Shares in the capital of the Company. There will be no liability on the part of Shareholders holding these Shares for any calls in respect of these Shares.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's constitution (**Constitution**) and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company.

The detailed provisions relating to the rights attaching to Shares under the Constitution and the Corporations Act are summarised below:

Each Share confers on its holder:

- (a) the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the constitution, the Corporations Act;
- (b) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (1 vote per Shareholder) and on a poll (1 vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (c) the right to receive dividends, according to the amount paid up or credited as paid on the Share;

- (d) the right to receive, in kind, the whole or any part of the Company's property in a winding up (with the consent of members by special resolution); and
- (e) subject to the Corporations Act, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

15.5 LOYALTY OPTIONS

The Company intends to offer all Shareholders registered on the Company's Share Register within approximately 90 days following listing (record date to be confirmed) an entitlement to participate in a proposed non-renounceable entitlements issue of options (**Loyalty Options**).

It is proposed that Loyalty Options will be issued on the basis of 1 Loyalty Option for every 2 Shares held at the record date.

Each Loyalty Option will have a subscription price (currently expected to be approximately \$0.003), an exercise price of \$0.25, and an expiry date 24 months after the date of issue.

15.6 TAXATION

The taxation obligations and the effects of participating in the Offer may vary depending on the circumstances of each individual investor, the particular circumstances relating to their holdings of Shares and the taxation laws applicable to each investor. Investors who are in doubt as to their taxation position should seek professional advice. It is the responsibility of Applicants to inform themselves of their taxation position resulting from participation in the Offer. The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences to which any Applicant may be subject as a result of the Offer.

15. Additional Information

15.7 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in the Prospectus, no Director or proposed Director:

- (a) has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and
- (b) has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Remuneration of Directors

Under the Constitution, each Director may be paid remuneration for ordinary services performed as a Director. Under Listing Rules, the maximum fees payable to Directors may not be increased without the prior approval from the Company in a general meeting. Directors will seek approval from time to time as deemed appropriate.

A Director may be paid additional fees for additional services provided to the Company and may also be reimbursed for any disbursements or any other out of pocket expenses properly incurred as a result of their directorship or any special duties.

Directors' interests in Shares

The interests in Shares held by the Directors and their Associate as at the date of this Prospectus and their respective voting powers in the Company following completion of the Offer (assuming none of the Directors participate in the Offer) are summarised in the below table:

Director	Relevant Interest	Voting Power (following the Offer)	
	Number of Shares	Minimum Subscription	Maximum Subscription
David Shaw	1,000,000	0.7%	0.6%
Alexis Clark	3,500,000	2.4%	2.1%
Jim Angelopoulos	3,600,120	2.5%	2.2%
Frank Pirera	1,000,000	0.7%	0.6%

The Company currently proposes to implement an incentive scheme. Section 7.5 summarises the objectives that the incentive scheme, when adopted, will embody. The structure for delivering the objectives of the incentive scheme is currently being considered.

15.8 IMPACT ON CONTROL

The Company does not expect that the Offer will have an impact on control. The Directors will scale back applications under the Offer as necessary to ensure no shareholder is able to acquire a stake in the Company greater than 19.99%.

Assuming the Maximum Subscription is raised and no Existing Shareholder subscribes and receives additional Shares pursuant to the Offer, Existing Shareholders will hold 63% of the Company's issued capital on completion of the Offer.

If the Minimum Subscription is raised and no Existing Shareholder subscribes and receives additional Shares pursuant to the Offer, Existing Shareholders will hold 72% of the Company's issued capital on completion of the Offer.

15. Additional Information

15.9 SHAREHOLDER INTERESTS

Set out below is a summary of the Existing Shareholders as at the date of this Prospectus, including those Existing Shareholders who control 5% or more of the Existing Shares as at the date of this Prospectus, and the Shareholders on completion of the Offer (assuming no Existing Shareholder subscribes for and receives additional Shares pursuant to the Offer and the Maximum Subscription is raised):

Shareholders	Minimum Subscription		Maximum Subscription	
	No. of Shares	%	No. of Shares	%
Existing Shareholders	103,311,290	72%	103,311,290	63%
1. Non-Substantial Shareholders	70,591,820	49%	70,591,820	43%
2. Substantial Shareholders (see below) ⁽¹⁾	32,719,470	23%	32,719,470	20%
(a) Relevant Interest held by Kleo Hatziladas and Associates ⁽²⁾	21,219,470	15%	21,219,470	13%
(b) Relevant Interest held by George Theonas and Associates ⁽³⁾	11,500,000	8%	11,500,000	7%
New Shareholders⁽⁴⁾	40,000,000	28%	60,000,000	37%
Total Shares	143,311,290	100%	163,311,290	100%

Notes:

1. Kleo Hatziladas, George Theonas and their respective Associates have confirmed that they will not participate in the Offer.
2. Aggregate Relevant Interest held by Kleo Hatziladas and his Associates.
3. George Theonas holds his Relevant Interest through Queensland Investment No 4 Pty Ltd, an entity that he controls.
4. Assumes that Existing Shareholders do not participate in the Offer.

15.10 ESCROW ARRANGEMENTS

As a condition of admitting the Company to the official list of ASX, ASX may classify certain of the Existing Shares as restricted securities.

Prior to quotation, it will be necessary for certain Existing Shareholders (including Directors and their related entities) to enter into escrow restriction agreements with the Company. The effect of the escrow restriction agreements will be that the securities cannot be dealt with for a period as determined by the ASX.

At the date of this Prospectus, the Company expects that approximately 66,860,120 Shares, representing approximately 46.7% (if the Minimum Subscription is raised) or approximately 40.9% (if the Maximum Subscription is raised) of the total number of Shares on issue following completion of the Offer will be classified as restricted securities by the ASX. Any Shares issued to Existing Shareholders under the Offer may also be classified by ASX as restricted securities and subject to restriction agreements.

In addition, the Company expects that approximately 7,850,000 Shares, representing approximately 5.5% (if the Minimum Subscription is raised) or approximately 4.8% (if the Maximum Subscription is raised) of the total number of Shares on issue following completion of the Offer will be subject to voluntary escrow arrangements.

Based on the above, the Company expects that:

- (a) approximately 72% of Existing Shares will be subject to voluntary escrow arrangements and restriction agreements following completion of the Offer; and
- (b) approximately 52% (if the Minimum Subscription is raised) or 46% (if the Maximum Subscription is raised) of the total number of Shares on issue following completion of the Offer will be subject to voluntary escrow arrangements and restriction agreements.

15. Additional Information

15.11 RELATED PARTY INTERESTS

The Directors and members of the US management team are entitled to receive the following benefits:

- (a) **Remuneration:** David Shaw has been appointed as non-executive Chairman and will receive annual remuneration equal to \$87,400.00 (inclusive of superannuation). Alexis Clark has been appointed as American Patriot's Chief Executive Officer and will receive annual remuneration equal to \$218,500 (inclusive of superannuation). Jim Angelopoulos has been appointed as American Patriot's Chief Operations Officer and Frank Pirera has been appointed as American Patriot's Chief Financial Officer. Jim and Frank Pirera will each receive annual remuneration equal to \$76,475.00 (inclusive of superannuation). Additional remuneration may be paid in accordance with the Company's Constitution.
- (b) **Proposed Incentive Plan:** The Company currently proposes to implement an incentive scheme. Section 7.5 summarises the objectives that the incentive scheme, when adopted, will embody. The structure for delivering the objectives of the incentive scheme is currently being considered.
- (c) **Share Issues:** On 7 November 2011 each of the Directors and members of the US management team were issued Shares at an issue price of \$0.0001 per Share. Specifically, Jim Angelopoulos was issued 3,500,000 Shares, Alexis Clark, David Shaw and Frank Pirera were issued 1,000,000 Shares each and Justin Dunn* was issued 500,000 Shares. Prior to the Prospectus, Alexis Clark and Robert Hoar* were transferred 2,500,000 Shares and 500,000 Shares (respectively). The Company expects that these Shares will be subject to 24 month escrow restrictions.
**The Shares held by Robert Hoar and Justin Dunn are held through an Australian nominee entity.*
- (d) **Indemnity Deeds:** The Company has agreed to provide an indemnity to the Directors in limited circumstances. See Section 14.5 for details.
- (e) **Alexis Employment Agreement:** On 20 March 2014, the Company entered into an employment agreement with Alexis Clark (**Clark Employment Agreement**) pursuant to which the Company engaged Alexis, with effect from 7 April 2014, to provide services in the capacity of Chief Executive Officer.
The Clark Employment Agreement contains standard termination provisions under which the Company can give notice of termination, or alternatively, payment in lieu of services. In addition, Alexis is entitled to all unpaid remuneration and entitlements up to the date of termination. Alexis is to be paid annual remuneration of \$218,500 (inclusive of superannuation). Alexis will also be reimbursed for reasonable expenses incurred in carrying out his duties.
- (f) **Hoar Consultancy Agreement:** The Company has entered into a consultancy agreement with Robert Hoar on arm's length commercial terms. See Section 14.3 for details.
- (g) **Morning Gun Royalty:** American Patriot Oil and Gas, Inc has granted an overriding royalty interest to Morning Gun Exploration Inc, an entity associated with Justin Dunn, American Patriot's Landman.
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 any land acquired by American Patriot after the date of this Prospectus. Whilst the override will not apply to newly acquired land, it will continue to apply to any extension, renewals, replacements of leases over land that is currently burdened by the overriding royalty interest.

15. Additional Information

15.12 PROMOTERS

The Board considers that Mr Kleanthe Hatziladas is a promoter of the Company. Mr Hatziladas was founder of APOG LLC and was previously a director of APOG Inc and is a substantial Shareholder of the Company.

As at the Prospectus date, Mr Hatziladas and his Associates hold a relevant interest in approximately 21% of the Existing Shares. Mr Hatziladas has confirmed that he will not, nor will his Associates, acquire Shares under the Offer. Accordingly after completion of the Offer, Mr Hatziladas will have voting power of 15% (if only the Minimum Subscription is raised) or 13% (if the Maximum Subscription is raised).

Set out below is a summary of all contracts between American Patriot and Mr Hatziladas or his Associates:

- (a) **CS Service Agreement:** On 15 June 2012, California Services Pty Ltd (ACN 115 027 775), a company associated with Mr Hatziladas, entered in a consultancy agreement with the Company (**CS Services Agreement**) pursuant to which California Services Pty Ltd agreed to advise American Patriot in relation to the maintenance of appropriate financial records, development of a business strategy and promotion of American Patriot.

Under the terms of the CS Services Agreement California Services Pty Ltd is entitled to receive a monthly retainer of \$10,000 (inclusive of GST) and reimbursement for travel and accommodation expenses incurred in the provision of the services to the Company. The monthly retainer will increase to \$30,000 per month upon the Company being admitted to the official list of the ASX.

The CS Services Agreement has a term of 36 months and will expire on 15 June 2015.

- (b) **ADC Service Agreement:** On 8 February 2012, Australian Development Consortium Residential and Commercial Developers Pty Ltd (**ADC**), a company associated with Mr Hatziladas, entered in a consultancy agreement with the Company (**ADC Services Agreement**) pursuant to which California Services Pty Ltd agreed to provide resources required by American Patriot to administer its business activities.

Under the terms of the ADC Service Agreement, ADC is entitled to receive a monthly retainer of \$5,000 (inclusive of GST) and reimbursements for travel and accommodation expenses incurred in the provision of the services to the Company. The monthly retainer will increase to \$10,000 per month upon the Company being admitted to the official list of the ASX.

The ADC Service Agreement has a term of 36 months and will expire on 1 March 2015.

- (c) **Agreement to Lease:** On 7 December 2013 JK Hatz Pty Ltd (ACN 125 634 648) (**Lessor**), a company associated with Mr Hatziladas, and the Company entered into an agreement for lease (**AFL**). Pursuant to the AFL, the Company has agreed to rent office space from the Lessor in a building being constructed at the rate of \$70,000 per annum. The Company has paid a deposit of \$38,500 to secure the AFL.

The proposed lease is on arm's length, industry standard terms. Construction of the building is expected to be completed by mid 2014.

- (d) **Sale of Assets:** On 10 March 2012, the Company entered into an agreement with Pasic Pty Ltd (ACN 119 483 251) (**Pasic**) pursuant to which Pasic transferred leasehold interests over 5,422.55 acres of land situated in Garfield, Montana (**Pasic Leasehold**) to APOG Inc. At the time the agreement was entered into Pasic was associated with Mr Hatziladas. In consideration for the transfer of the Pasic Leasehold, the Company:

- (i) paid Pasic USD\$1 million; and
- (ii) issued Pasic 2,500,000 Shares at an issue price of \$0.20.

Completion of the purchase of Pasic Leasehold occurred on 28 February 2014.

- (e) **Rough House Project Heads of Agreement:** Mr Hatziladas is a director of Colorado Land Management and Development, LLC, the company with whom APOG Inc has entered into the Rough House Project Heads of Agreement. The terms of Rough House Project Heads of Agreement is summarised in Section 14.2 of this Prospectus.

15. Additional Information

15.13 EXPENSES OF THE OFFER

The Company will pay all expenses associated with the Offer which include:

Nature of the Expense	Estimated Expense (ex GST)	
	Minimum Subscription	Maximum Subscription
Listing fees	\$50,400	\$61,950
ASIC Fees	\$2,225	\$2,225
Share Registry, Printing & Administration	\$24,000	\$24,000
Legal Fees and Due Diligence Costs	\$120,935	\$120,935
Corporate Advisory	\$30,000	\$30,000
Capital Raising Fee	\$480,000	\$720,000
Independent Accountant	\$15,000	\$15,000
Independent Technical Report	\$80,490	\$80,490
Independent Land Title Report	\$11,539	\$11,539
Total	\$814,589	\$1,066,139

15.14 LEGAL PROCEEDINGS

The Company is not and has not been, during the 12 months preceding the date of this Prospectus, involved in any legal or arbitration proceedings which have had a significant effect on the financial position on the Company. As far as the Directors are aware, no such proceedings are threatened against the Company.

- (e) MHA Petroleum Consultants LLC consented to being named as the Independent Geologist to the Company and the inclusion of the Independent Geologist's Report in this Prospectus.
- (f) Wells Petroleum Inc has consented to being named as the author of the Independent Report on Leasehold Interests contained in this Prospectus.
- (g) Akers & Associates, LLC has consented to being named as the author of the Attorney's Report contained in this Prospectus.
- (h) Link Market Services Limited has consented to being named as the Share Registry to the Offer.

Each of the parties referred to above in this Section:

- (a) Peloton Capital has consented to being named as the Lead Manager to the Offer.
- (b) Watson Mangioni Lawyers Pty Limited has consented to being named as the Australian legal advisors to the Offer in this Prospectus.
- (c) Bentley Partners has consented to being named as the Independent Accountant to the Company and the inclusion of the Independent Accountant's Report in this Prospectus.
- (d) Treasure Exploration Company LLC has consented to being named in the Prospectus.
- (a) does not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based, other than as specified in this Section;
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of that party as specified in this Section; and
- (c) has not caused or authorised the issue of this Prospectus.

15. Additional Information

15.16 INTERESTS OF EXPERTS

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

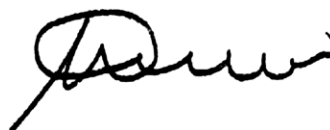
- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Further, no sums have been paid or agreed to be paid to a prescribed person for services rendered by the prescribed person in connection with the promotion or the formation of the Company or the Offer except as set out below:

- (a) Watson Mangioni Lawyers Pty Limited has acted as Australian legal advisors to the Offer. In respect of this work, the Company will pay approximately \$120,000 (excluding GST and disbursements). Further amounts may be paid to Watson Mangioni Lawyers Pty Limited in accordance with their usual time based charge out rates.
- (b) Bentley Partners has prepared the Independent Accountant's Report in this Prospectus. In respect of this work, the Company will pay approximately \$15,000 (excluding GST and disbursements).
- (c) MHA Petroleum Consultants LLC has prepared the Independent Technical Report in this Prospectus. In respect of this work, the Company will pay approximately \$80,490 (excluding GST and disbursements).
- (d) Wells Petroleum Inc has prepared the Independent Report on Leasehold Interests in this Prospectus. In respect of this work, the Company will pay approximately \$11,539 (excluding GST and disbursements).
- (e) Akers & Associates, LLC has prepared the Attorney's Report in this Prospectus. In respect of this work, the Company will pay approximately \$3,000 (excluding GST and disbursements).
- (f) Certain partners, directors and employees of the above firms may subscribe for Shares in the context of the Offer.

15.17 DIRECTOR'S AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.



David Shaw

For and on behalf of
American Patriot Oil and Gas Ltd

SECTION 16

Glossary



16. Glossary

Terms and abbreviations used in this Prospectus have the following meaning:

3D Seismic	Reflection seismic methods are used to create a picture of the subsurface that should enhance the ability of the oil and gas company to successfully select future well locations. 3D seismic has become a common exploration and production tool. Reflection seismic is a method that allows us to image changes in the subsurface geology by inducing an acoustic wave from near the surface of the earth and listening for the echoes from deeper stratigraphic boundaries.
1P	Proven Reserves
2P	Proven Reserves plus Probable Reserves
3P	Proven Reserves plus Probable Reserves plus Possible Reserves
AMI	Area of Mutual Interest
Applicant	A person who submits an Application
Application	An application for Shares pursuant to this Prospectus
Application Form	An application form in the form attached to this Prospectus
Application Monies	The issue price per Share (of \$0.20) multiplied by the number of Shares applied for
ASIC	Australian Securities & Investments Commission
ASX	ASX Limited
Bbbls	Billion barrels
bbl(s)	Barrel(s)
BOPD	Barrels of Oil Per Day
Business Day	A day, other than a Saturday or Sunday, on which banks are open for general banking business in Sydney
CGT	Capital Gains Tax
Closing Date	Expected to be 5 May 2014, or such other date as the Company may determine in its discretion.
Company	American Patriot Oil & Gas Ltd (ACN 154 049 144) or American Patriot
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors or Board	The Board of Directors of the Company
DST (Drill Stem Test)	A short production test of a formation.
Farm-out	A contractual agreement with an owner who holds a Working Interest in an oil and gas lease to assign all or part of that interest to another party in exchange for fulfilling contractually specified conditions, typically drilling a well to a specific depth or common source of supply.
Group	The Company, American Patriot, American Patriot Oil and Gas, LLC and American Patriot Oil and Gas, Inc
Gross Acreage	The amount of leased real estate, that a petroleum and/or natural gas company has a working interest in.
GST	Goods and Services Tax

16. Glossary

GST Act	<i>A New Tax System (Goods and Services Tax) Act 1999 (Cmlth)</i>
IP (Initial Potential)	Measure of an oil or gas wells production over a sustained period of time in the early days of production. Sometimes calculated at 24hr, 7 day and 30 day rate and measured in bbls of oil per day (BOPD) or thousands of cubic feet per day (MCF).
LNG	Liquefied Natural Gas, being natural gas cooled to minus 162 Degrees Celsius, a liquid form for effective transportation.
Listing	Means official quotation of Shares on ASX.
Listing Rules	The listing rules of the ASX
Maximum Subscription	Means the issue of 60,000,000 Shares at \$0.20 per Share to raise \$12,000,000.
Minimum Subscription	Means the issue of 40,000,000 Shares at \$0.20 per Share to raise \$8,000,000.
mmbbls	Thousand barrels
mcf	Thousand cubic feet
mmbbls	Million barrels
Mmcf	Million cubic feet
Net Acres	Means the Project Net Acres multiplied by American Patriot's Working Interest in a Project and represents American Patriot's net mineral rights in a given Project. Net Acres and Project Net Acres will therefore be the same in Projects where American Patriot's Working Interest is 100%.
NRI	NRI or Net Revenue Interest: A share of production after all burdens, such as royalties and overriding royalties have been deducted from a working interest. It is the percentage of production that each party actually receives.
Offer	The offer of up to 60,000,000 Shares to Applicants whose Applications and Application Monies are received by the Company by 5.00pm (Sydney time) on the Closing Date.
Offsetting	Adjacent to
Original oil in place	Means that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of the original oil in place includes production, reserves and contingent resources; the remainder is defined as unrecoverable.
Opening Date	The date the Offer opens, expected to be 9 April 2014.
Overriding Royalty Interest (ORRI)	A royalty interest carved out of the Working Interest, in excess of the royalty provided in the oil and gas lease. A non cost bearing interest usually assigned during an intervening assignment, or rarely by the original lessee.
Paid-Up Lease	An oil and gas lease where rental payments are paid along with bonus upon execution of the Oil and Gas Lease.
Permeability	A measure of the resistance offered by rock to the movement of fluids or gas through it. Measured in millidarcies (mD).
Porosity	The relative volume of the pore spaces between mineral grains as compared to the total rock volume.
Primary Recovery	The extraction of oil or gas from a field by standard methods of flowing or pumping.
Producing wells	Means wells that produce oil and/or gas in sufficient quantities for proceeds from sales of production to exceed directly related costs.
Project Net Acres	Means the number of acres within the total Gross Acres in which American Patriot, together with any joint development partners, hold mineral rights.

16. Glossary

Prospective Resource	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
Prospectus	This replacement prospectus dated 9 April 2014 as modified or varied by any supplementary prospectus made by the Company and lodged with the ASIC from time to time.
Reserves	Those quantities of oil and gas anticipated in to be economically recoverable from discovered resources.
Royalty Interest	The mineral owner's share of revenue received from the production of oil or gas, often free of costs, except taxes.
Secondary Recovery	The extraction of oil or gas from a field beyond what can be recovered normal methods by flowing or pumping.
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A registered holder of a Share
Show of Oil	Any sign or indication of petroleum (live oil or gas) that may be detected by odor, or seen through a hand lense, or by subjecting the cuttings to ultraviolet light, which causes fluorescence in petroleum.
Stacked Pay	An oil industry term "stacked pay" means pay zones (or productive oil formations) that are stacked on top of each other.
Structural Nose	A feature or condition in the depths of the earth cause by deformation or displacement of rocks such as a fold or anticline or crest, commonly referred to as a high.
Stratigraphic	Relating to stratigraphy, which is the study of a sequence of bedded rock.
Tertiary Recovery	Flooding the formation with water mixed with certain chemicals or gases to free the oil adhering to rocks so that it may be taken into solution and pumped to the surface.
Water Flooding	Injecting water into an oil reservoir to force additional oil out of the reservoir rock and into the well bores of producing wells.
Well control	Oil, gas, or abandoned wells, which are used as control points, which have penetrated the subsurface formation which is being mapped and evaluated.
Working Interest	The operating rights under an oil and gas lease subject to all the costs of drilling completion and operations of such lease.

16. Glossary

IMPERIAL TO METRIC CONVERSION TABLE

Feet	Metres	Miles	Kilometres
1	.3	1	1.6
2	.6	2	3.2
3	.9	3	4.8
4	1.2	4	6.4
5	1.5	5	8.0
10	3.0	6	9.7
20	6.1	7	11.3
50	15.2	8	12.9
100	30.5	9	14.5
200	61.0	10	16.1
500	152.4	15	24.1
1,000	304.8	20	32.2
2,000	609.6	50	80.5
5,000	1,524.0	100	160.9
10,000	3,048.0	200	321.9
15,000	4,572.0	500	804.7
20,000	6,096.0	1,000	1,609.3

this page has been left blank intentionally

SECTION 17

Application Form



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are American Patriot Oil and Gas Limited ("Company") Shares. Further details about the shares are contained in the replacement Prospectus dated 9 April 2014 (that replaced the Prospectus dated 24 March 2014) issued by American Patriot. The Prospectus will expire on 24 April 2015. While the Prospectus is current, Company will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 2,500. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, American Patriot will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from The Company and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to American Patriot's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
Make your cheque or bank draft payable to **"American Patriot Oil & Gas Limited – Share Offer"** in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5.00pm (Sydney time) on the Closing Date (expected to be 5 May 2014) at:

Mailing Address

American Patriot Oil and Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

American Patriot Oil and Gas Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Directory

Directors

David Shaw
Alexis Clark
Jim Angelopoulos
Frank Pirera

US Management Team

Robert Hoar
Justin Dunn

Secretary

Frank Pirera

Australian legal advisors to the Offer

Watson Mangioni Lawyers Pty Limited
Level 13, 50 Carrington Street
Sydney NSW 2000
Telephone: +61 2 9262 6666
Facsimile: +61 2 9262 2626

Share Registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000

Tenement Reporter

Well Petroleum Inc
Genesee Centre,
602 Park Point Drive, Suite 225
Golden Colorado 80404

Registered Office

American Patriot Oil & Gas Ltd
C/O: Yarra Business Group Pty Ltd
Level 1, 141 Capel Street
North Melbourne VIC 3051

Lead Manager

Peloton Capital Pty Ltd
Level 5, 56 Pitt Street
Sydney NSW 2000

Independent Geologist

MHA Petroleum Consultants LLC
730 17th Street, Suite 410
Denver Colorado 80202

Solicitors Reporting on Land Rights

Akers & Associates, LLC 5995
Greenwood Plaza Boulevard Suite #225
Greenwood Village Colorado 80111

Independent Accountant/Auditor

George Georgiou/Bentley Partners
Both of Level 4, 333 Collins St Melbourne

