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MARKET ANNOUNCEMENT

10 FOLD PRODUCTION INCREASE TO 300 BOEPD

Melbourne, October 15, 2018, American Patriot Oil and Gas Ltd ("AOW") ") is pleased to update the market on the transformative transactions closing this week. The various transactions have materially improved the long term prospects of the company, setting AOW up to become a leading US based Oil & Gas producer.

Key highlights of these actions are:

Completed Peak Energy and Magnolia & Burnett Acquisitions

Additional funding provided by Vertua Limited (NSX: VERA) to enable early completion on above assets

Transactions result in additional 270 net boepd, with an additional 1.9 million barrels of 1P oil and gas reserves, taking total production to 300bopd (from 30boepd currently)

At current oil prices this delivers operating revenue of USD$5m revenue (AUD $7.1m) and a projected EBITDA of USD$3m (AUD$4.3m) in 2019

Update on Foothills settlement & associated funding

Fully underwritten rights issue complete

We set out more detail on each event as follows.

Peak Energy and Magnolia/Burnett Petroleum Assets

AOW has closed on the Peak Energy, Magnolia/Burnett Petroleum acquisitions. The key statistics of each asset are set out below:

Acquired production profiles			
	Peak Energy	Magnolia / Burnett	Total
Asset Type	Conventional	Conventional	
Operator	American Patriot	Various	
BOEPD**	114	156	270
Reserves – Oil (mbbl)	238	482	720
Reserves – Gas (mmcf)	3,732	3396	7,128
Total (mboe)	860	1,048	1,908
EBITDA (USD)	$600,000	$1,400,000	$2,000,000
Purchase Price (USD)	$ 2,200,000	$ 3,200,000	$5,400,000
PV10 Value * (USD)	$5,540,000	$ 10,143,000	$ 15,683,000

*PV 10 based on average oil prices of US$60/bbl (well below current oil prices of US$72/bbl), according to independent engineering reports.
**Post Completion of Capex Programme

Both Peak Energy and the Magnolia and Burnett Petroleum assets are conventional oil and gas assets with infrastructure in place and significant behind pipe and infill drilling opportunities to grow the production significantly with low capital expenditure. The program includes work-overs and recompletions which will commence immediately after close of the transaction. Further details of Peak and Magnolia / Burnett are provided in Annexure 1 & 2.

Rights Issue

The Company is also please to confirm that it has completed the issue and allotment of 100% of the shortfall of the Company's fully underwritten pro-rata non-renounceable 1 for 3.57 Rights Issue as announced on 12 October 2018. As a result of the Rights Issue, the Company has raised approximately $3 million AUD (before costs). The issue was underwritten by Capital Investment Partners (CIP) an existing major shareholder in AOW.

The rights issue, when combined with the AUD$4m Placement undertaken on 24 July 2018 has resulted in a total of AUD$7m in equity being raised.

Additional Funding by Vertua Limited

In an effort to accelerate the settlement of the Peak Energy, Magnolia & Burnett assets the Company has entered into a funding arrangement with a wholly owned subsidiary of Vertua Limited (NSX: VERA), a major shareholder of AOW. The facility provides the Company with the ability to settle these transactions without waiting on the Foothills settlement as was originally planned.

This funding arrangement will enable AOW to settle on these assets, as well as a general working capital facility to fund deposits, workover/re-completion, security bonds and other corporate costs. The facility is for a period of 4 years. Monthly principle and interest amortisation is required.

Current Production Profile for AOW

As a result of the settlement of these 3 assets, AOW is now a fully operational oil and gas producer, with a production rate of approximately 300 boepd, and 1.9 mmbbl of 1P reserves bringing total company reserves to 2.5mmbbl 1P proven reserves.

Current production profile				
	Existing Assets	Peak Energy	Magnolia / Burnett	Total
Asset Type	Conventional	Conventional	Conventional	
Operator	American Patriot	American Patriot	Various	
BOEPD**	30	114	156	300
Reserves – Oil (mbbl)	481	238	482	1,201
Reserves – Gas (mmcf)	354	3,732	3396	7,482
Total (mboe)	540	860	1,048	2,448
EBITDA (USD)	$1,000,000	$600,000	$1,400,000	$3,000,000
Purchase Price (USD)	$1,100,000	$ 2,200,000	$ 3,200,000	$6,500,000
PV10 Value * (USD)	$6,665,000	$5,540,000	$ 10,143,000	$ 22,348,000

*PV 10 based on average oil prices of US$60/bbl (well below current oil prices of US$72/bbl), according to independent engineering reports.
**Post Completion of Capex Programme

Foothills Settlement & Funding

AOW is working to finalise the settlement of the last remaining asset ('Foothills assets'), having executed a USD $17m debt term sheet. The facility provides flexibility and strong growth potential for American Patriot. Due diligence is anticipated to be completed in the coming weeks which will trigger settlement/acquisition of the Foothills assets and a further material increase in the production profile of AOW.

On completion and post workover/re-completion, the Foothills assets will increase the production profile to 750 boepd, which at current oil prices will deliver operating revenue of USD$18m (AUD$25m) and EBITDA of USD$13m (AUD$18.5m) in 2019.

In anticipation of the completion of the Foothills acquisition, the Texas Rail Road Commission, Electricity, and other key infrastructure bonds plus other associated lead items are expected to be paid within 14 days.

Funding for the Foothills acquisition is a combination of debt and equity, with AOW providing all the required performance and deposit bonds in advance of settlement. To date AOW has paid a deposit of USD$900,000 for the Foothills acquisition.

We set out a pro-forma table and production profile of the group post the Foothill acquisition for the market to consider the transformative nature of the transaction.

	Existing Assets	Peak Energy	Magnolia / Burnett	Foothills	Total
Asset Type	Conventional	Conventional	Conventional	Conventional	
Operator	American Patriot	American Patriot	Various	American Patriot	
BOEPD**	30	114	156	450	750
Reserves – Oil (mbbl)	481	238	482	2,848	4,049
Reserves – Gas (mmcf)	354	3,732	3396		7,482
Total (mboe)	540	860	1,048	2,848	5,296
EBITDA (USD)	$1,000,000	$600,000	$1,400,000	$10,000,000	$13,000,000
Purchase Price (USD)	$1,100,000	$ 2,200,000	$ 3,200,000	$15,000,000	$21,500,000
PV10 Value * (USD)	$6,665,000	$5,540,000	$ 10,143,000	$32,914,000	$ 55,262,000

*PV 10 based on average oil prices of US$60/bbl (well below current oil prices of US$72/bbl), according to independent engineering reports.
**Post Completion of Capex Programme

Board Supportive of transactions

The Board is highly supportive of these transactions including the stepped process undertaken to deliver material production soon after the capital raise process.

Alexis Clark CEO stated: *"We are now well on the path to becoming a significant conventional production company in Texas with 300boepd of production, and the potential to introduce a number of new acquisition targets to rapidly build scale and increase production," Mr Clark said.*

"Both Peak Energy and the Magnolia and Burnett Petroleum assets are conventional, long life oil and gas projects with infrastructure in place and significant proven behind pipe and infill drilling opportunities to grow the production significantly for low capex expenditure."

"We are set to close the remaining asset, Foothills Resources Inc, in the coming weeks, deciding to split the transactions in order to finalise the bonding and regulatory requirements on each asset," Mr Clark said.

"The Foothills assets will set the scene for the transformation of AOW into a significant oil and gas production company with a growing reserve base.

-ENDS-

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About American Patriot Oil and Gas

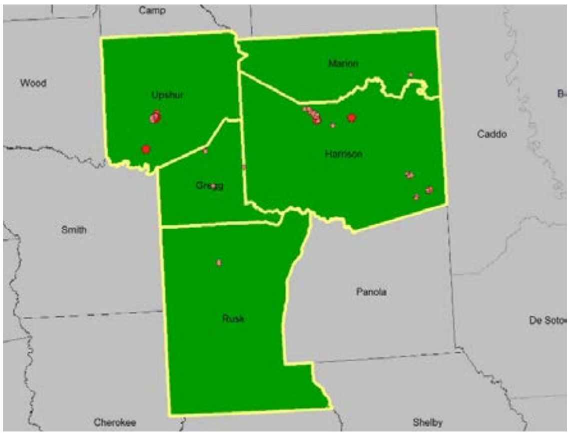
American Patriot Oil and Gas (AOW) is an oil and natural gas exploration and development (E&P) group headquartered in Melbourne, Australia, with a U.S. office in Houston, Texas. The Company is focused on developing a significant conventional oil and gas production company focused on assets in the Texas and Gulf Coast region. The company has announced a number of recent acquisitions with a focus on acquiring conventional producing properties with low operating costs onshore USA with reserve reports and significant production upside via shut in wells, workover potential, behind pipe potential and infill drilling upside.

APPENDIX 1 - Peak Energy

American Patriot Oil and Gas has closed the Peak Energy deal to acquire additional conventional oil and gas assets in Èast Texas, consisting of 114 boepd of production, 41 barrels of oil a day and 440 mcfd of gas production (114 boepd) with significant upside potential. The asset contains 1,100,000 barrels of oil equivalent proven oil and gas 1P reserves certified by independent reserve reports with a PV10 value of US$5.5m. These reserves have been acquired for US$2.2m and are estimated to have the potential to generate USD$20m revenue over time. The reserve study has been conservatively valued at $50 USD/bbl oil prices vs current market prices of USD$75/bbl. The assets have been acquired from a number of private oil and gas companies.

AOW has completed an independent reserve report and full engineering study on the assets including land title and environmental due diligence. Importantly all the existing infrastructure is in place consisting of pump jacks, tanks, batteries and ready access to market through gas pipeline and delivery to nearby refineries. The asset requires minimal workover expenditure to increase the production in the field. AOW will be operator of this asset with existing staff assisting with operations.

The East Texas fields acquired in this transaction are located in Harrison, Gregg, Rusk and Upshur Counties, Texas. The fields are mature legacy assets, with significant proven behind pipe pay and infill drilling opportunities that have not yet been exploited with the ability to grow production significantly with minimal capital expenditure. There are over 38 producing wells over 43 leases with an average NRI of 76%. Estimated reserves are 400,000 bbls oil and 4 bcf gas.



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ANNEXURE 2 - Magnolia/Burnett Acqusition

American Patriot Oil and Gas Ltd (ASX:AOW) ("American Patriot" or "the Company") has closed on the transaction to acquire additional conventional oil and gas assets in South Texas and the Gulf Coast of Texas. The assets currently produce 62 barrels of oil a day (bopd) and 560 mcfd of gas (156 boepd) and have significant work over and upside drilling potential. The non-operated assets contain 1,048,000 boe proven oil and gas 1P reserves certified by independent reserve reports. These reserves have been acquired for US$3.2 million.

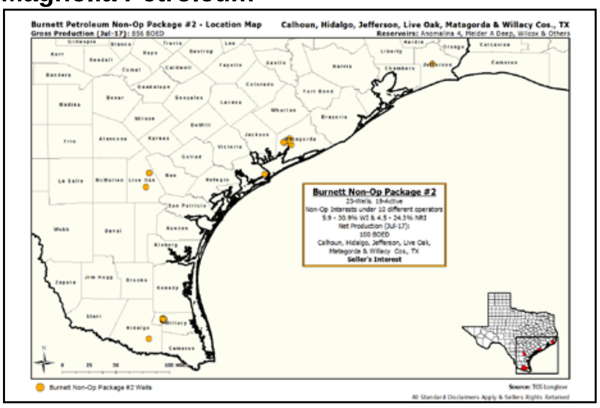
American Patriot is acquiring the assets from two separate private oil and gas companies, Magnolia Petroleum Company and Burnett Petroleum LLC. Engineering due diligence has been completed to the Company's satisfaction, while land title and environmental due diligence remains to be carried out. The asset consists of 51 producing wells with significant behind pipe and new drill upside potential to significantly increase production. The existing operators who are significant US private oil and gas companies will remain in place on these assets.

The existing infrastructure is in place and with ready access to market through gas pipelines and delivery to nearby refineries. Operating costs in this region are approximately US$18/bbl, illustrating the wells are economic at low oil prices.

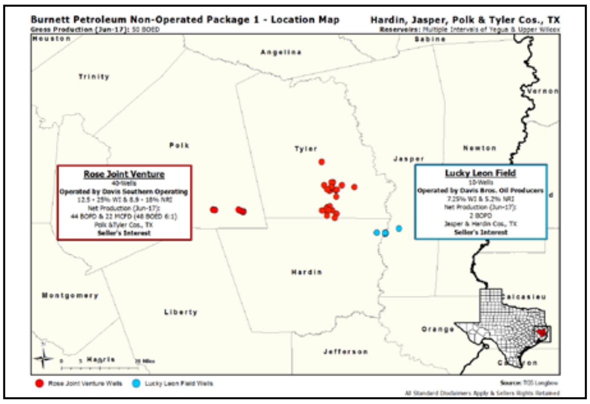
The assets acquired from Magnolia Petroleum Company are are located in Calhoun, Hidalgo, Jefferson, Live Oak, Matagorda and Willacy Counties, Texas. They are mature legacy assets with current daily production of 16 bopd oil and 538 mcfd gas production from multiple formations. It is a non-operated asset with various operating companies. All wells are vertical and directional completions with significant behind pipe and new drill upside. Total proved reserves of 663mboe with a PV10 value of $4m. There are over 19 producing wells with 5.9%-30.9% Working Interest/ 4.5%-24.3% NRI.

The assets acquired from Burnett Petroleum Company are located in Hardin, Jasper, Polk and Tyler Counties, Texas. The package is spread out between two properties defined as the Rose Joint Venture and Lucky Leon Field and they are mature legacy assets with current daily production of 46 bopd oil and 22 mcfd gas production from the Yegua and Wilcox formations. It is a non-operated asset with the operators being the Davis Southern Operating Co LLC and Davis Bros Oil Producers Inc. All wells are vertical and directional completions with significant behind pipe and new drill upside. Total proved reserves of 386mboe with a PV10 value of $6.3m. There are over 32 producing wells with 5.0%-25.0% Working Interest/ 0.3%-20.4% NRI.

Magnolia Petroleum



Burnett Petroleum



ANNEXURE 3 - Additional Information Required under Chapter 5 of the Listing Rules

LR 5.31.1 Material Economic Assumptions

We have employed a reserve-based approach to the valuation of the subject interests which currently have production or activity. Oil and gas mineral interests can be valued based on a projection of revenues received from the oil and gas volumes that are likely to be recovered from the properties in the future. Such volumes are called "reserves" and fall into several subcategories, as further described in the attachment entitled "Petroleum Reserves Definitions". Such projected volumes must be commercially recoverable to be classified as reserves.

Reserves associated with producing wells are categorized as proved developed producing reserves. The value of the wells in this evaluation was determined on this basis. Additional value exists in the undeveloped or behind pipe categories for the subject ownership. Valuation for these reserve categories was performed using guidelines set forth by the Society of Petroleum Evaluation Engineers.

Economics for the reserves identified in the producing properties described above were modelled using revenue and net interest information. The future pricing applied represents the five-year NYMEX strip as of May 2018, with price differentials and product shrinkages calculated from the actual received revenue data. Lease operating expenses were calculated on a per month per well basis and were applied in the model for the purposes of calculating economic producing limits. State of Texas severance taxes and estimated local property taxes have been deducted from the revenue streams. The consequences of federal income taxes have not been considered in this evaluation. The historical data used in this study was sourced from the Texas Railroad Commission through various commercial data suppliers. Tables of economic calculations displaying all significant parameters are attached for all cases.

We have estimated the fair market value of the producing reserves as the 10% discounted value of the projected future revenue streams, 75% of the 10% discounted value for Proved Behind Pipe reserves and 60% of the 10% discounted value for Proved Undeveloped reserves. Cash flows in this report were determined on a monthly basis and compounded annually. The discount factor and adjustments are considered a reasonable value metric considering the risks involved, including but not limited to poorer-than-anticipated results, commodity market price variations, operator decisions and mechanical failure.

Net Present Worth at 10% (NPW-10) NPW -10 figures are net present value of future net revenue, before income taxes and using a discount rate of 10%. The estimated future net revenue values utilised do not necessarily represent the fair market value of American Patriot oil and gas properties. All evaluations of future net revenue in this presentation are after deduction of royalties, drilling and development costs, production costs and well abandonment costs.

Financial projections including earnings before income tax depreciation and amortisation (EBITDA) projections in this announcement are based on detailed financial modelling using a discounted cash flow analysis and include assumptions on oil and gas prices, discount rate, production estimates, reserve life estimates, operating cost estimates, capex estimates and taxation assumptions. These estimates and assumptions are subject to change and as additional information becomes available these estimates are likely to change and impact these financial projections. As a result these estimates of future EBITDA and other estimates are, by nature, forward looking statements and subject to the same risks as other forward looking estimates. Specific key assumptions used to generate these estimates are as follows:

- Reserves and production estimates are based on the Independent Petroleum Engineering estimates and are based on the deterministic estimation method
- The oil price assumption used in the reserve analysis is NYMEX strip pricing and scenario analysis of $50/bbl flat, $60/bbl flat and $70/bbl plus or minus differentials. For the 2019 EBITDA estimate we have used the current spot oil price of USD$72/bbl
- Operating costs were based on 2017 actuals
- The existing PDP, PDNP and PUD estimate are based on the production from all operated and non-operated wells
- The 5 year capex development plan is based on development of the PDNP reserves using workovers, recompletions and restarting shut in wells.
- Type curves are based on historical production data

- Average royalty payments are based on each individual field and are approximately 20%
- Standard Advalorem and Production taxes to production in the State of Texas
- No new drilling is assumed to target the PUD 1P reserves or new drilling to target the 2P Reserves

Definitions

- Mboe means thousands barrels of oil equivalent (BOE) with a BOE determined using a ratio of 6,000 cubic feet of natural gas to one barrel of oil
- 6:1 conversion is based on an energy equivalency conversion method and does not represent value equivalency
- MMcf means millon standard cubic feet
- MMboe means million barrels of oil equivalent
- AOW's net Reserves have not been adjusted for fuel or shrinkage (estimated at approximately 3%) and have been calculated at the wellhead (which is the reference point for the purposes of Listing Rule 5.26.5).

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