WALLSTREET RESEARCH™

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February 14, 2009
Analyst Report - www.WallStreet Research.org
INITIATING COVERAGE - SPECULATIVE BUY

American Energy Group, Ltd. (OTC BB: AEGG)

The American Energy Group, Ltd. (American Energy), headquartered in Westport, Connecticut, has engaged in acquisition of oil and gas properties since 1995. It owns an 18% overriding royalty interest in the Yasin Concession Block (2768-7) in Pakistan, located approximately 230 miles northeast of the port city of Karachi, and a non-producing working interest in an oil and gas lease in Galveston County, Texas. Experts view Pakistan as a country with a realistic potential for the discovery of large oil and gas reserves. Based on geological data gathered in recent years, which suggest nearly identical structures with those of other Arabian Peninsula-countries, and based upon a favorable regulatory environment for foreign energy investment, a significant number of well known international oil and gas operators have moved into Pakistan.

BASIS FOR RATING On January 30, 2009, American Energy Group, Ltd. (American Energy) announced the release of an independent reserve study for a gas field within its Yasin Concession. *In our opinion, the study confirms that the value of the 18% royalty interest in this concession could be many times the current market price of the shares.* We believe past delays and concerns about the location of this concession, in south-central Pakistan, have held back the shares from more fully reflecting the concession's value. In our opinion, the imminent pipeline tie-in of its gas property which will result in meaningful revenues may allay investor concerns about this project's likelihood of commercial success. Understanding that there will be continuing headwinds from reported developments in Pakistan, we believe the underlying stability of that country's business environment, particularly within the oil and gas sector, is underappreciated.

While production from the first well alone should enable American Energy to turn profitable, we have focused on reserve values rather than cash flow projections in assigning near-term target levels for the stock as any start-up delays or product price fluctuations may have a significant affect on near-term earnings while having only modest relevance to the long-term underlying value of the company. Our initial target price for the shares of $3.78 is based on proven reserves ($1.25), the current net cash position ($0.03), and a discounted value of 2009 drilling prospects ($2.50).

CURRENT PRICE: $0.78
52-WEEK RANGE: $0.40 - $1.17
AVG DAILY VOLUME (90-DAY): 16,952
OUTSTANDING SHARES: 30.9 million
FLOAT: 27.3 million
MARKET CAPITALIZATION: $24.1 million
TARGET PRICE: $3.78

SELECTED INCOME STATEMENT DATA

REVENUE: Nil
NET INCOME: ($383,708)
Basic & Diluted EPS: ($0.01)

All income statement figures six months ended as of December 31, 2008

SELECTED BALANCE SHEET DATA

CASH: $1,431,347
WORKING CAPITAL: $959,063
TOTAL ASSETS: $1,495,579
LONG TERM DEBT: Nil
NET WORTH: $1,023,295

All balance sheet figures as of December 31, 2008

HIGHLIGHTS

- Recently announced results from independent reserve study that estimates 217 billion cubic feet of reserves at gas concession for which it has an 18% royalty interest.
- Expected to tie-in gas field to pipeline and commence sales of up to 28 million cubic feet per day, starting in the second quarter of 2009.
- Spudded exploratory well in November 2008, with results expected to be announced in the second quarter of 2009.

STOCK CHART

Following the announcement of the independent reserve study findings, the shares rallied approximately 20% from their January 29, 2009 close of $0.65. While the shares remain below their 52-week high of $1.17 reached on November 28, 2008, and have pulled back from the recent high of $0.99, they are holding near their 200-day moving average, of $0.79.

HEADQUARTERS

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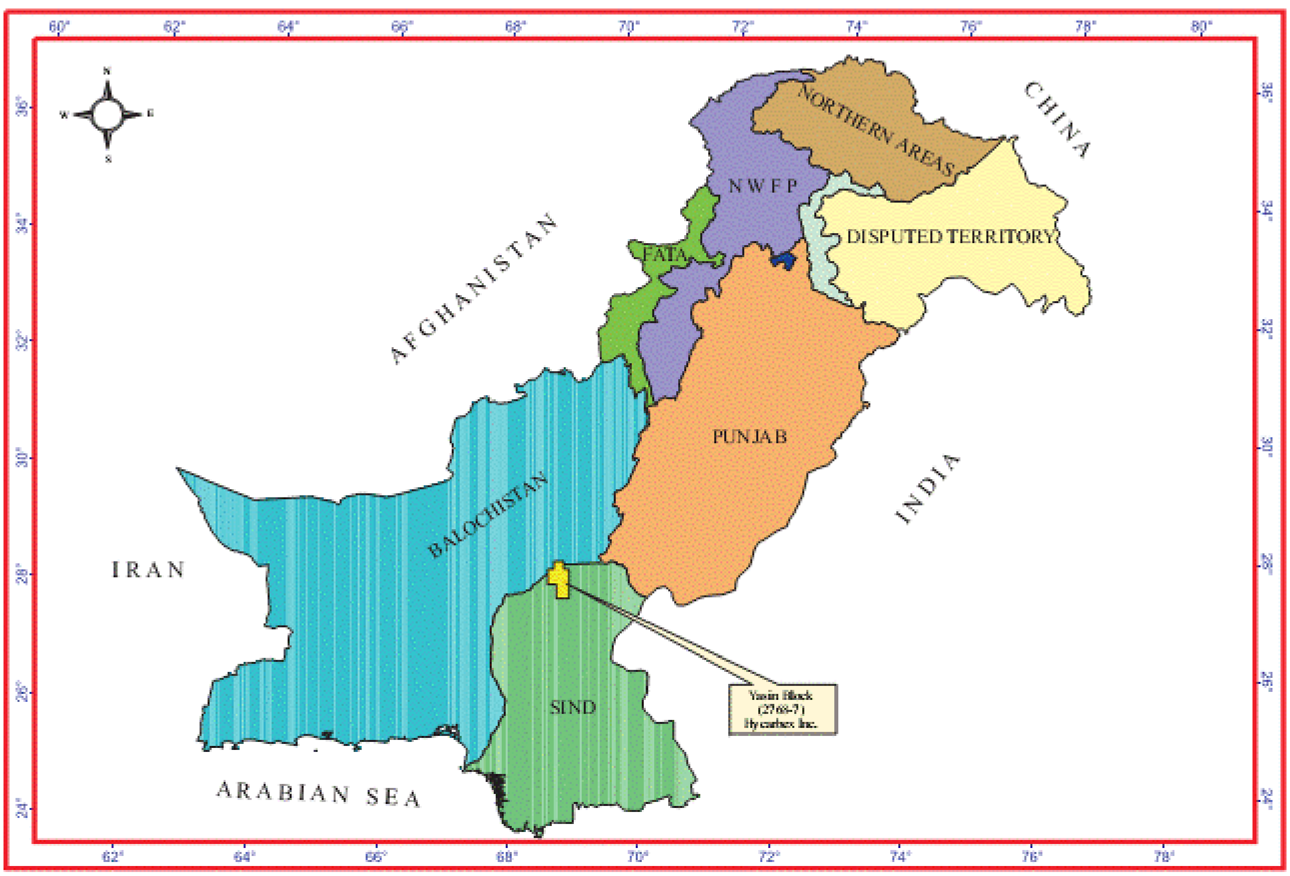
CORPORATE HISTORY

American Energy has been principally engaged in the business of acquisition, exploration and development of oil and gas properties since 1995 when its then wholly owned subsidiary, Hycarbex-American Energy, Inc. ("Hycarbex"), acquired an exploration license for the Jacobabad (2768-4) Block in the Sindh Province of the Middle Indus Basin of Pakistan, approximately 230 miles northeast of the port city of Karachi.

Early drilling efforts on the Jacobabad (2768-4) Block were unsuccessful but critical, together with extensive seismic, in identifying potential targets on the Jacobabad Block (2768-4). Hycarbex relinquished some of its Jacobabad Block (2768-4) acreage to the Pakistan Government and the remaining acreage was redesignated the Yasin Block (2768-7) and awarded to Hycarbex as a new exploration license on August 11, 2001.

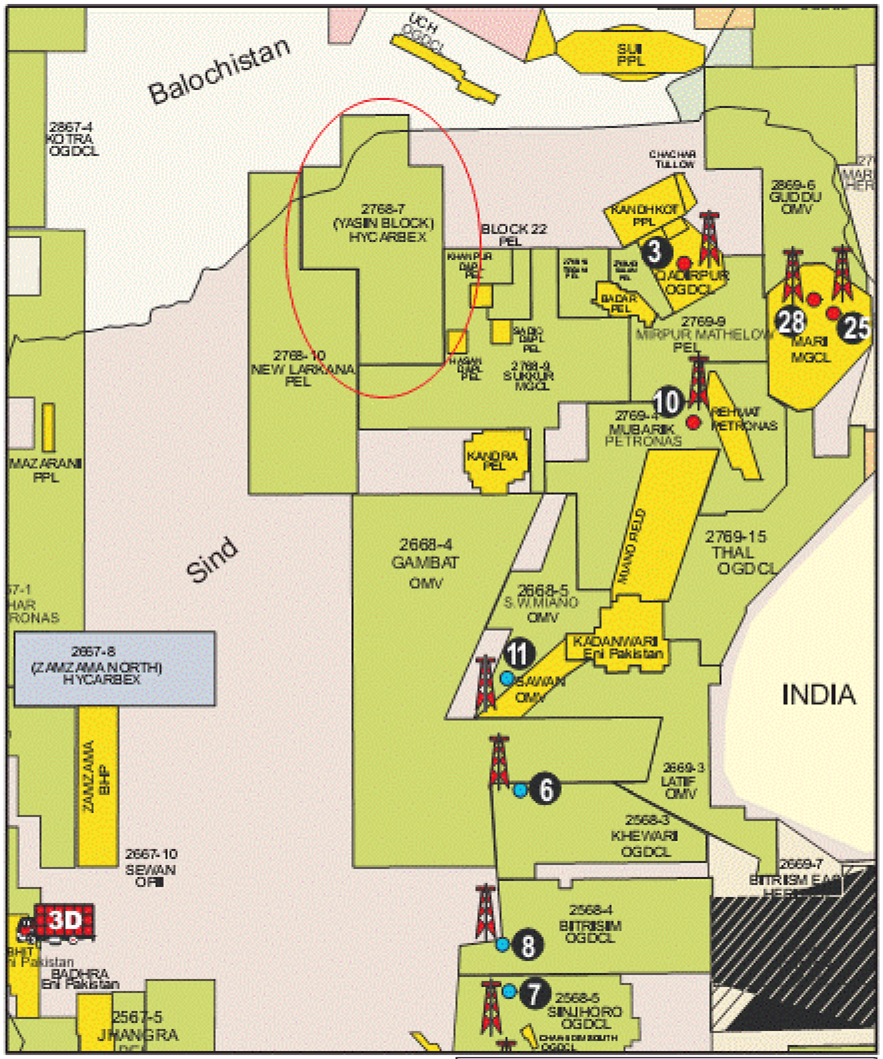
On June 28, 2002, involuntary bankruptcy proceedings were initiated against American Energy in the Southern District of Texas, which were converted to Chapter 11 debtor-in-possession proceedings in December 2002. In the first quarter of 2003, American Energy's primary secured lender obtained the approval of the Bankruptcy Court to foreclose all of the Texas-based oil and gas leases except the leases in Galveston County, Texas. At the time, the status of the Pakistan Yasin exploration license was also in jeopardy despite its high potential, due to the financial and continuous drilling requirements imposed under the terms of the license by the Pakistan Government. In November 2003, after American Energy management concluded negotiations with several interested prospective purchasers, American Energy reached an agreement with Turkey-based Hydro Tur (Energy) Ltd. to sell to Hydro Tur all of American Energy's interest in its Hycarbex subsidiary with the approval of the Bankruptcy Court. Hydro Tur (Energy) Ltd. was selected as the purchaser due to its strong financial background, its commitment to implement a multiple well development of the Yasin concession, and its willingness to assign to American Energy an 18% gross royalty on oil and gas production, which is a high royalty by industry standards.

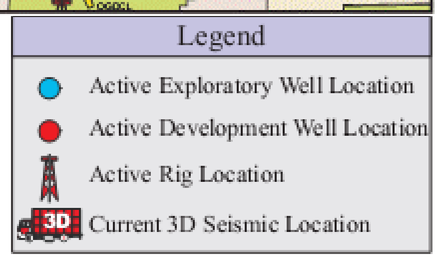
American Energy emerged from bankruptcy in early 2004 with new management (Pierce Onthank became CEO) virtually debt-free and with its common stock restructured. A leaner American Energy emerged from bankruptcy focused upon acquiring and developing new oil and gas-based projects through prudent management of its two assets, an 18% royalty in the Yasin Block (2768-7) license in Pakistan and the Galveston County, Texas leases. Focus has been placed on the Pakistan assets which management



Location map of Yasin Block (2768-7) in Jacobabad and Shikarpur Districts, Sind and Balochistan Provinces, Pakistan believes will generate the necessary resources to exploit these opportunities.

Petroleum activities map showing Yasin Block (2768-7)





PAKISTAN CONCESSION

Martin Petroleum and Associates, a recognized engineering firm specializing in technical and economic evaluation of oil and gas properties with considerable experience in Pakistan evaluations, conducted an evaluation of the Jacobabad concession in 1998. Martin Engineering assigned gross Probable gas reserves of 5.2 trillion cubic feet (TCF) and an additional 2.2 TCF of Possible reserves to the structure encompassing a portion of the concession. However, these figures were estimates based upon geologic analysis and also needed to be verified by further scientific data and drilling.

INDUSTRY

Neighboring wells drilled by other companies near concession acreage have become successful producers of gas, providing further evidence that commercial discoveries can be drilled on the Yasin concession itself. Block 22 directly adjacent and east of the Yasin Block has had three commercial discoveries: the Hamza X-1 well in 1998 tested gas at 8.0 MMCFD (million cubic feet per day), the Hasan X-1 tested 13.4 MMSCFD from a separate structure, and the Sadiq X-1 tested 12.4 MMSCFD. Finally, the Hassan #1 well to the southeast was completed as a producing gas well in the Sui Main Limestone formation in December, 2000. During calendar 2004, the Hassan #1 well produced an average of 14 million cubic feet of gas per day. The operator of the Hasssan #1 well commenced the Hassan #2 well less than one mile from the Hassan #1 well in January of 2005.

Large gas reserves exist in other producing fields surrounding the Yasin concession. The Sui field, approximately 40 miles to the northeast contains 9.6 TCF of recoverable gas. The Uch field just over 10 miles from the concession contains 3.3 TCF; and the Mari field, approximately 75 miles to the east is estimated to contain reserves of 6.3 TCF.

Through the former Hycarbex subsidiary (before the sale of that subsidiary), American Energy expended in excess of $10 million on drilling and seismic on the Jacobabad and Yasin Concessions in the Republic of Pakistan. The current Yasin Concession is 70 miles long and 40 miles wide (approximately 539,000 acres; roughly 80% of the size of Rhode Island). Efforts by Hycarbex (now a fully-owned subsidiary of Hydro Tur) to substantially expand the seismic database in 2004 resulted in approximately 85 miles of additional seismic being shot on the concession. This new seismic raw data and the old seismic data have been processed using current techniques and all of the seismic has been reinterpreted and analyzed.. The results verified geologic structures in Yasin Concession with high likelihood of gas productivity and delineated a number of drill site locations which are likely to enhance drilling success.

In the fourth fiscal quarter of 2005, American Energy successfully drilled the Haseeb #1 well (the Haseeb Field is only one of 18 structures in the Yasin Block (2768-7 acreage. Based upon all available test results, as well as the completion of 110 kilometers of additional seismic by Hycarbex which provided data for selection of future wells, American Energy believed that the concession acreage contained oil and gas prospects producing physical structures worthy of further exploration. However, confirmation of the commercial potential of the Yasin Concession awaited a comprehensive reserve study by a third party.

RECENT REPORT ON RESERVES

On January 30, 2009, American Energy announced that Hycarbex had released to American Energy an independent third party reserve study covering the Haseeb Gas Field, Yasin Block (2768-7). American Energy owns an 18% gross royalty in the Yasin Block (2768-7) Concession, including the Haseeb #1 well. The working interest is co-owned by Hycarbex (85%), Hypak Asia (Pvt) Ltd. (10%) and Government Holdings (Pvt) Limited (5%). A copy of the independent third party reserve study has been made available on the American Energy website www.aegg.net.

The independent third party reserve study is titled "Volumetric Reserve Evaluation and Third Party Certification Haseeb Gas Field Yasin Block (2768-7)" and is authored by GSM, Inc. of Amarillo, Texas, USA and its Pakistan associate, Integrated Petroleum Consultants (Pvt.) Limited (IPC). The study is a third party assessment, evaluation and certification of the geological and reservoir engineering work performed in Pakistan by IPC. The study provides estimates of proved, probable and possible total gas reserves in place in the Sui Main Limestone geologic formation in the Yasin gas field and estimates of the proved, probable and possible ultimate recoverable gas reserves from the formation. The study concludes that the Haseeb Gas Field contains proved, recoverable gas reserves of 174 Billion Standard Cubic Feet (BSCF) using World Petroleum Congress reserve classifications. The summary within the report of all proved, probable and possible reserves is as follows:

Reserve Classification	P-90	P-50	P-10
Total Gas in Place (BCSF)	217	230	261
Recovery Factor	80%	77%	75%
Recoverable Gas (BSCF)	174	177	196

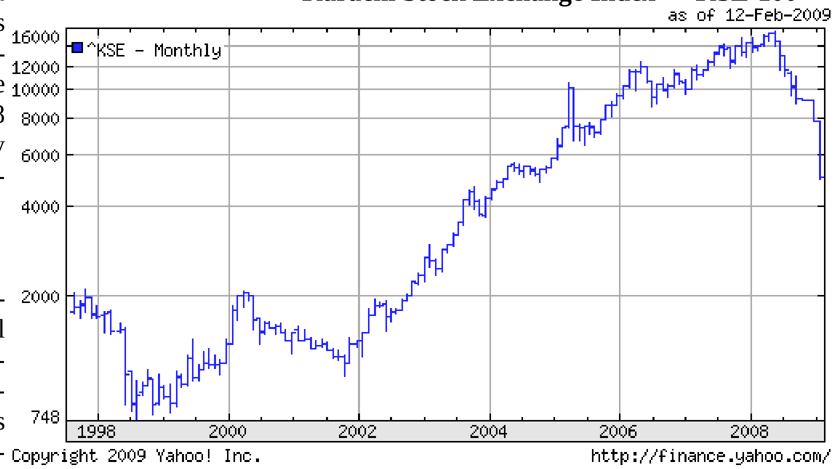
P-90 represents proved reserves based on well data and other reservoir parameters.
P-50 represents probable reserves based on engineering and reservoir modeling of pertinent data and are considered to have a high degree of certainty.
P-10 represents possible reserves where investigations support further economic investment.

The United States Securities and Exchange Commission (SEC) permits oil and gas companies to disclose in their filings with the SEC only "proved" reserves that the company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. Disclosure in SEC filings of other categories of reserves is prohibited. American Energy uses in its release the terms "probable" reserves and "possible" reserves. Probable reserves are unproved reserves which are more likely than not to be recoverable. Possible reserves are unproved reserves which are less likely to be recoverable than probable reserves. Estimates of probable and possible reserves which potentially may be recoverable through additional drilling or recovery techniques are by their nature more uncertain than estimates of proved reserves and thus are subject to substantially greater risk of not being realized by the exploration company.

IPC notes in the report that a quick stabilization of shut-in pressure and a small difference between the last flowing pressure and the shut-in pressure indicate a very high permeability reservoir. This as well as a high degree (23%) of porosity, is the basis for the high recovery factors indicated in the report. The report contains engineered recoverable reserve estimates which are actually higher than the preliminary reserve estimates originally made by the Pakistan Government after the completion of the Haseeb #1 well. Accordingly, American Energy believes that this enhances the likelihood that multiple wells will be drilled on the structure by Hycarbex. In reviewing the study, we were particularly heartened to see the quality of the participants involved in the drilling process: Schlumberger (electrical logging and testing), Halliburton (cementing services) and Baker Oil Tools (completion services). If one wanted to do one's best to get a project done right, then we believe those are the people to have in there doing it.

Also, on January 30, 2009 American Energy announced that Hycarbex had been notified by the Pakistan Ministry of Petroleum and Natural Resources that the provisional

Karachi Stock Exchange Index — KSE-100™



gas allocation for the extended well test (EWT) period for the Haseeb #1 well has been assigned pursuant to Hycarbex's application dated February 27, 2008. The allocation authorizes the sale of up to 28 million cubic feet of gas per day (MMCFD) to the Sui Southern Gas Company.

THE PAKISTAN OPPORTUNITY

We believe Pakistan is a country with realistic potential for the discovery of large oil and gas reserves, with a need for meaningful production for domestic needs. Perceived as containing far less oil and gas potential than the Arabian Peninsula countries, Pakistan has never received the extensive exploration efforts required to fully explore the vast and numerous structures warranting such attention. However, in recent years, a significant number of well known international oil and gas operators have moved into Pakistan, and their efforts have met with a high degree of success. A number of new commercial discoveries have been announced in recent years. Boosting investors' confidence is geological data which suggest nearly identical structures with those of the Arabian Peninsula. Of the comparatively few exploration undertakings an above-average number have succeeded and support the position that Pakistan represents a very opportune country in which to focus exploration efforts. About 25 companies, 15 of them foreign (including BHP Billiton, BP, Eni, and Shell Oil), are engaged in oil and gas exploration in Pakistan. The advisor to the prime minister on petroleum, Dr. Asim Hussain, has indicated a government goal of 100 gas and oil exploratory wells to be drilled this year.

With regard to American Energy's Pakistan endeavors, we note that the Yasin concession has ready access to pipeline infrastructure. The 12-inch Quetta gas line runs NW-SE through the concession and connects to the 20-inch Sui-Karachi gas line. The Karachi-Muzaffargarh oil line also runs through the southern portion of the concession. The capital costs and time delays inherent in connecting to gas pipelines will not affect the Yasin concession. (In any event, all expenses for the surface gas treatment facility and the connecting pipeline are incurred by concession owners, not the royalty holder). In sum, we believe the proximity of a pipeline for gas sales and the additional seismic and technical data collected enhance the chances of continued success on the Yasin concession.

If successfully exploited, American Energy's reserved 18% overriding royalty interest will likely be a good source of cash revenues because the royalty, by its nature, entitles the Company to share in gross, rather than net, production. American Energy expects to use these anticipated revenues for further investment in other revenue generating assets or business activities. The financial risks inherent in oil and gas drilling in Pakistan will not be borne by American Energy because an overriding royalty interest is not subject to such costs. While financial risks are substantially reduced by the royalty arrangement, we believe the perceived political risk has colored investor sentiment regarding American Energy shares. We believe the following discussion of Pakistan's business and political trends indicate that the risks associated with doing business in Pakistan are not as great as perceived.

PAKISTAN

Economic Overview Although Pakistan's coverage in the press has understandably focused on the political issues of Moslem fundamentalist strength in the Northern Tribal Frontier sector bordering Afghanistan, the 60-year dispute with India over the Kashmir region, the country's nuclear capabilities, and challenges to its new democratic government, there is a broader, more constructive untold story. Pakistan, situated in the heart of Asia, is a gateway to the energy-rich Central Asian States, the financially-liquid Gulf States, and the economically-advanced Far Eastern countries. Its 160 million population is mostly English proficient and includes a growing middle class.

Its economy is one of the fastest growing in the world; annual Gross Domestic Product growth has exceeded 5% in each of the past five years (5.8% in the July 2007-June 2008 year). Despite the well-publicized political issues, foreign direct investment (FDI) has grown steadily; from an average of $400 million a year in the 1990s to $5.2 billion in 2007/08. In the six months ended December, 2008, FDI rose to $2.3 billion from $2.1 billion in the year earlier period. Of note, FDI in the oil and gas sector more than tripled from $194 million in 2004/05 to $635 million in 2007/08 and rose from $331 million in the 7/07 – 12/07 period to $372 million in the 7/08 – 12/08 period. The rising trend in FDI reflects government policies that, despite ruling party changes, have consistently been focused on liberalization, deregulation, and privatization (not nationalization).

In addition, Pakistan has modernized its capital markets and under the auspices of a national Securities and Exchange Commission has improved the regulatory environment and transparency for its stock exchange. The Karachi 100 Index was one of the world's best performing stock markets during the period 2000-2007.

One negative factor in Pakistan's economic picture is its growing trade deficit. Although exports more than doubled from $9.1 billion to $19.2 billion in the 2001/02 – 2007/08 period, imports almost quadrupled from $10.3 billion to $40.0 billion. An important part of this problem comes from petroleum group imports which account for about 40% of total imports. This underscores the need for the rapid development of indigenous natural gas reserves. The United States has provided a substantial amount of financial aid to Pakistan in recent years.

The Ministry of Petroleum and Natural Resources' Petroleum Exploration & Production Policy, issued in 2007, argues that "the importance of the domestic petroleum industry to the economy of Pakistan cannot be overemphasized as an issue of national security, national self reliance and as a major source of government revenue." The policy document points out that "Pakistan's current crude oil production meets only 17% of the total demand for domestic consumption. The balance requirement is imported involving large expenditures of foreign exchange. Domestic gas production and supply presently fails to meet the demand of domestic users, the industrial sector and power generation. Furthermore, gas supply may soon become insufficient due to increasing demand and depletion of present reserves. This, in turn, will force Pakistan to soon begin importing large volumes of gas at international prices to feed the domestic market. The Government of Pakistan is committed to accelerate an exploration and development programme in order to reverse the decline in crude oil production, to increase the domestic gas production and supply and to reduce the burden of imported energy which otherwise will have adverse effect on the balance of payments & trade."

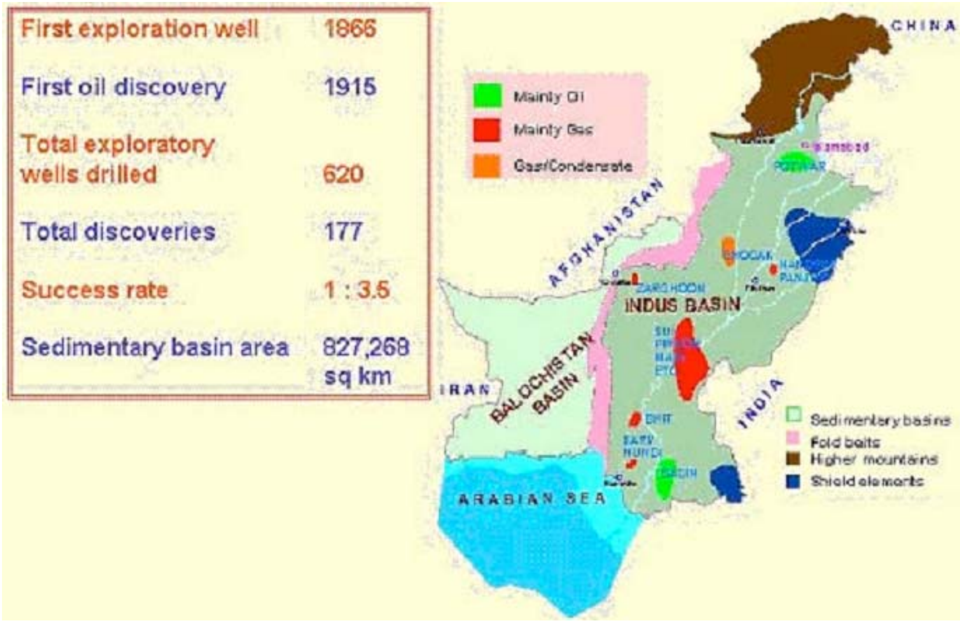
Political Overview Although the country's record with parliamentary democracy has been mixed, Pakistan, after lapses, has returned to this form of government. The constitution of the Islamic Republic of Pakistan (1973) provides for a federal parliamentary system with a president as head of state and a popularly elected prime minister as head of government.

The President of Pakistan is Asif Ali Zardari, Co-Chairman of the Pakistan Peoples Party (PPP). He was married to Shaheed Mohtarma Benazir Bhutto in 1987 and was widowed on December 27, 2007 when she was assassinated in a terrorist attack. Ms Bhutto was PPP Chairperson from 1979 until her assassination and was twice elected Prime Minister of Pakistan. Mr. Zardari served as a Member of the National Assembly twice (1990-93 and 1993-96), as Federal Minister for the Environment (1993-1996) and as Federal Minister for Investment (1995-96). He was the principal architect of the Benazir Bhutto government's efforts to transform Pakistan's energy power sector by encouraging major investment opportunities in power generation. He was also the initiator of the Iran-Pakistan natural gas pipeline project. Mr. Zardari was elected Senator in 1997 and served in that capacity until the dissolution of the Senate following the military coup of 1999. He was elected Co-Chairman of the PPP in January 2008 following the assassination of his wife.

During Mr. Zardari's political career, working closely with his wife, he helped formulate policies that expanded the freedom of the media, revolutionized telecommunications and opened Pakistan for foreign direct investment. During his wife's first term in office CNN and BBC were allowed broadcasting rights in Pakistan and mobile telephone services were introduced at Mr. Zardari's initiative (cell phone subscribers as of June 2008 totaled 88 million up from 2 million five years earlier). During her second term in office, in addition to the independent power producers being allowed in, Mr. Zardari encouraged the introduction of FM radio in the private sector.

Mr. Zardari was asked by the Central Executive Committee of the PPP to serve as Chairman of the Party after his wife's assassination. Although he was elected unopposed, he nominated his son Bilawal Bhutto Zardari for that role and instead accepted the job of Co-Chairman. Under Mr.

Overview of oil and gas exploration in Pakistan



Zardari's leadership of the Party, the PPP's candidate for Prime Minister Syed Yousaf Raza Gillani was elected Prime Minister of Pakistan unopposed. Mr. Zardari also spearheaded the appointment of Dr. Fehmida Mirza as the first female Speaker of Pakistan's National Assembly, and continues to support the empowerment of women and minorities in all government policy making.

The PPP government has coalition governments in all of Pakistan's four provinces. Most recently the PPP, under Mr. Zardari's leadership, removed General Pervez Musharraf, the unconstitutional President of Pakistan, from office through a series of negotiations and political diplomacy. Mr. Zardari united Pakistan's major political parties and this act was accomplished without any violence. Mr. Zardari was elected President of Pakistan with an overwhelming majority in the presidential election held on September 6, 2008.

We believe Pakistan’s history of above-average economic growth and pressing need for greater domestic natural gas production together with Mr. Zardari’s long history of supporting the private sector in general and foreign investment in particular and the broad support held by his coalition government argue for a favorable operating environment for the American Energy/Hycarbex project in Pakistan.

FUTURE PLANS IN PAKISTAN

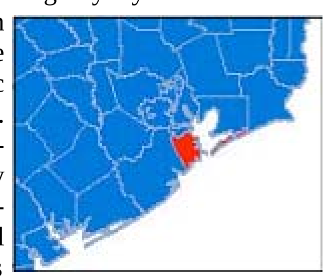
Hycarbex has indicated its belief that there are several drill sites with over 1 TCF potential in the Yasin concession. On one of these drill sites a new exploratory well, Yasin 1, was spudded in November, 2008. It should be noted that another exploration and production company had a discovery well in the same Sui Main Limestone formation only 9 miles away from the Yasin #1 site. We expect results from this well, which is taking longer than expected to complete, to be announced in the second quarter. Hycarbex is expected to drill Haseeb #2, a confirmation well, this summer. Two more wells, one exploratory and one a confirmation well, could be completed by the end of calendar 2009.

Concurrent with the third party Yasin Block exploration activities, management will be investigating other upstream oil and gas royalty opportunities that fit the Company’s investment criteria, utilizing the hopefully replenished $2.1 million escrow fund.

GALVESTON COUNTY, TEXAS LEASES

In 1997, American Energy purchased interests in two oil and gas leases in Galveston County, Texas from Luck Petroleum. The leases are situated in an area which is productive in multiple zones or horizons and the leases themselves have produced commercial quantities of oil and gas from both shallow and mid-range zones. Prior to this purchase, these mid-range zones (generally less than 10,000 feet) were assigned to Smith Energy, with Luck Petroleum maintaining an “after-payout” 15% back-in working interest. With regard to the mid-range zones, once “payout” had occurred, as defined in the conveyance by Luck Petroleum to Smith Energy, the American Energy was entitled to receive 15% of the monthly working interest production from the existing Smith Energy wells on the leases. The Company had initiated a lawsuit against Smith Energy to establish these rights based upon the belief that payout has occurred.

On April 20, 2006, American Energy executed a Compromise Settlement Agreement with Smith Energy 1986A Partnership and Howard A. Smith pertaining to the Galveston oil and gas leases. Under the terms of the Compromise Settlement Agreement, American Energy acquired all of Smith Energy's 3% overriding royalty interest in the deep zones greater than 10,000 feet as well as the right to review 3D seismic data covering the leases. American Energy also acquired from Smith Energy affirmation of American Energy's right to operate the oil and gas leases as to wells



Galveston County, Texas

MANAGEMENT

As a non-operating oil and gas company that will receive royalties on the output of another entity, American Energy operates with modest staff; one officer, two other employees, and two independent directors.

Pierce Onthank serves as Chairman, CEO, President, Secretary, Treasurer and one of three Directors of the Company. Mr. Onthank is currently the sole officer. Before becoming President of American Energy Group Ltd. he co-founded Crary Onthank & O'Neill, an Investment Banking Company, in 1998. He served as the investment broker for the Company from 1998 until 2001. In addition to raising millions of dollars for American Energy Group Ltd., he has specialized in oil and gas investments for his previous clients. With over 20 years of experience in the securities business, Mr. Onthank has held senior positions in investment banking firms and has managed high yield net worth and institutional portfolios. Mr. Onthank began his career in the Merrill Lynch and subsequently became a limited partner with Bear Stearns. Later he became a Senior Vice President at Drexel Burnham Lambert, where his primary responsibilities were to manage the private client group, which was involved in both public and private investments for individual and institutional accounts. Mr. Onthank moved on to serve as a Senior Vice President at Paine Webber and later at Smith Barney Shearson where he managed the investments of institutional and individual clients. Mr. Onthank received a BA in economics from Denison University located in Granville, Ohio. He is a member of the Pakistan-American Business Council in Washington, D.C.

Dr. Iftikhar Zahid serves as Director of the Company. He joined the Company as a Resident Director/Country Manager of the Pakistan Office of Hycarbex-American Energy, Inc. in 1996. In June 2001, he was promoted to Vice-President and Resident Director and joined the international board of The American Energy Group Ltd. as a director. Since the sale of Hycarbex-American Energy Inc. by the Company, Dr. Zahid, who also serves as President of Hycarbex, has been managing the Company's 18% royalty interest in the Yasin Block and serves as liaison officer to American Energy for the region. Dr. Zahid was educated at The Dow Medical College, Karachi University in 1979. In 1981, he joined the police services of Pakistan. In 1988, he resigned from governmental services as a Superintendent of Police. Between 1988 and 1996, Dr. Zahid served as an advisor and consultant to several multi-national organizations doing business in Pakistan.

Karl Welser, who serves as Director of the Company, has been actively involved in private real estate and finance ventures since 1999. After attending business school in Zurich, Mr. Welser joined Bank J. Vontobel in 1971 which specialized in private financial management. In the late 1970s Mr. Welser attended the Zurich Management School where he obtained his Economist KSZH degree. From 1980 through 1998, while employed at Zürcher Kantonalbank, Bankinstitut and UBS in Zurich, Switzerland, respectively, Mr. Welser's primary activities included analysis of the securities markets.

drilled to depths greater than 10,000 feet. The agreement also affords American Energy access under mutually agreed terms to existing Smith Energy facilities in connection with American Energy's future operations, such as roads and salt water disposal facilities. American Energy relinquished to Smith Energy under the agreement its claims to the 15% back-in interest in the zones above 10,000 feet. This settlement provides American Energy the opportunity to deal in the sale or exploration of the deeper zones under the oil and gas leases.

Based upon Company research, American Energy believes that the deeper zones which it currently holds may have development potential. It is exploring the various opportunities to realize value from these deep rights, including potential sale. American Energy has not yet determined the best course for these assets. These leases are held in force by third party production and, therefore, the leases do not require development of these rights by a certain date. In any event, this property is not a focus of the Company until new seismic can be shot and interpreted.

FINANCIALS AND OUTLOOK

Financial Position

After emerging from bankruptcy in 2004, American Energy funded its operations through private loans, all of which have been repaid, and through the private sale of securities. During the fourth quarter of the June 2007 fiscal year, the Company sold $3.95 million of units of a combination of common stock and warrants exercisable at $1.70 per share. Of this amount, it deposited $2.1 million with Hycarbex in trust for future acquisitions of additional royalty interests in Pakistan. Based upon prior estimates received from Hycarbex, American Energy previously anticipated that gas sales from the Haseeb #1 Well would begin by mid-calendar 2007, which did not occur. The most recent estimates for pipeline connection received from Hycarbex indicate a connection during the first six months of calendar 2009 after completion of contractual documents, gas allocation, and construction of surface facilities. While these contractual and construction matters have caused Hycarbex to modify its previous estimates as to the timing of pipeline connection, we believe that the pipeline connection may occur as soon as April.

The depletion of available cash on hand resulting from the delay in the royalty stream from gas sales has created the need for additional operating capital to meet future requirements. American Energy has met and expects to continue to meet these operating capital requirements in the near term by withdrawing a portion of the $2.1 million deposit in escrow with Hycarbex in Pakistan which is sufficient to meet its needs. As of December 31, 2008, American Energy had withdrawn a total of $672,855 of the escrow deposit. The Company expects to replenish the escrow deposit with funds derived from future royalty sales.

The start-up of production was delayed by the recent political turmoil in Pakistan. On October 6, 2007, President Pervez Musharraf was reelected. On November 3, 2007, President Musharraf declared a state of emergency in Pakistan. The declaration was accompanied by a suspension of the constitution. The state of emergency was lifted and the constitution was reinstated on December 15, 2007. The Parliamentary elections originally slated for January, 2008, were postponed after the death of Benazir Bhutto on December 27, 2007 until February 18, 2008, on which date, Asif Ali Zardari succeeded Mr. Musharraf as President. This change in the political party in power has resulted in numerous personnel realignments within the several governmental ministries. Of particular importance has been the vacancy in the position of Oil Minister. Other than delays encountered by Hycarbex in obtaining governmental approval of a surface facility construction contract for the Haseeb #1 well, these political events have not impacted American Energy's ownership of the overriding royalty or the ongoing business practices within the country, including oil and gas exploration, development and production by Hycarbex and other major foreign and domestic operators doing business in Pakistan. These delays now appear to be behind the Company, and we anticipate that the Haseeb #1 well will be tied into the Sui Southern pipeline as early as April.

American Energy has 3,607,326 warrants outstanding to purchase stock at an average price of $1.31 with exercise prices and expiration dates as follows: 1,000,000 shares at $0.75, expiration December 2010; 500,000 shares at $1.00, expiration December 2010, 500,000 shares at $1.50, expiration December 2010; and 1,607,326 shares at $1.70, expiration December 2011.

Balance sheet highlights as December 31, 2008 include: cash and equivalents of $1,431,347; working capital of $959,063; no long-term debt; and shareholders' equity of $1,023,295.

Earnings Projections

The initial $2.45/MCF ($3.06/MMBTU adjusted for the 805BTU per cubic foot heat content which is about 80% of standard) price set by the Pakistani government should rise after the initial six-month testing period when the well is classified as commercial. We anticipate that the price could be revised upward to $3.20/MCF ($4.00/MMBTU adjusted) by September. We believe this is a reasonable expectation as: 1) a condition of a $4-$5 billion World Bank loan to Pakistan would be the 70% reduction in gas subsidies which would result in higher prices for American Energy and 2) the delivery price of gas to be supplied by pipeline from Iran may be as high as $7.00/MMBTU. Our estimates for June 2009 and June 2010 fiscal year revenues and earnings assume production starting at 15 MMCF per day in April, gradually rising to reach 28 MMCF per day by July, and about doubling from this level as the Haseeb #2 confirmation well hopefully begins production in October. On this basis, we believe American Energy, receiving an 18% royalty on revenues, net of a 12.5% excise tax, can post revenues and earnings per share for the June 2009 fourth fiscal quarter of approximately $600,000 and $0.01 (based on fully diluted shares of 34.7 million) and revenues and earnings per share for the June 2010 fiscal year of $8.7 million and $0.17. We are assuming that general and administrative expenses continue at about the $200,000/quarter level, approximately the same rate reported for the six months ended December 2008, and that American Energy pays Pakistani taxes at a 25% rate (American Energy has a $46 million tax loss carry forward that would negate any US taxes for some time). We are not assuming any contributions from the two additional wells expected to be drilled later in calendar 2009. It should also be noted that as a non-operating company with income derived from royalties, American Energy may eventually choose to restructure itself as a royalty trust with most of its income passing through directly to shareholders.

Peer Comparison

As a non-producing company with its major asset, a royalty interest on potential gas production in Pakistan, American Energy shares are not easily compared to other stocks. Recognizing the difference in size and nature of the two companies, we still thought it may prove useful to review the metrics of Oil and Gas Development Company, Ltd. (OGDC), the company with the largest exploration and production operation in Pakistan. This company is 85%-owned by the government of Pakistan; its shares trade on the Karachi and London Stock Exchanges. During the June 2008 fiscal year average total production was 43,434 barrel/day of crude oil, 976 million cubic feet per day of gas, 339,000 tons/day of LNG and 72,000 tons per day of sulphur; total sales were reported at 125.4 billion rupees (about $2.06 billion). OGDC holds 44 exploration licenses covering 85,101 acres, 32% of Pakistan's total exploration acreage. The proven reserves as of the end of the June 2008 fiscal year were reported as 800 million barrels of oil equivalent which equals 4.8 trillion cubic feet of gas. The company has 4.3 billion ordinary shares outstanding. On the London Stock Exchange, trading as Global Depository Receipts (each representing 10 ordinary shares), the recent market price for the GDR was $5.55 for a market capitalization of $2.39 billion. Evaluating OGDC shares on a market capitalization/MCF of gas reserves basis, would value the reserves of OGDC at $0.50/MCF.

Share Valuation

There are numerous issues in ascertaining an appropriate share value: 1) the success or failure of individual wells; 2) the ability to raise prices closer to world market levels; 3) the possibility of acquisitions of additional royalty interests; and 4) any adjustment for the political uncertainties in

Pakistan. If we ignore the potential for additional reserve additions and value only currently proven recoverable reserves at $0.50/MCF, project a price increase that will bring gross prices up to $4.00/MCF (but not to world market levels), assume no royalty interest acquisitions but give a value cash minus liabilities (approximately $960,000), and assign a 50% valuation adjustment for country risk, we generate a current value of $44.0 million or $1.28 per share. This figure is 64% above the current market price. The success of Yasin #1 well, the outcome of which will be known in just months, could alone provide a value of four times the $1.25 per share thus far assigned to the Haseeb drilling; and yet another exploratory well is expected to be completed by year end. Adjusting the potential Yasin #1 value by 50% to adjust for drilling risk, and providing no value for the additional exploratory well, we add $2.50 to our $1.28 base value and generate a current price target of $3.78. *As the American Energy progresses with the gas tie-in for Haseeb, the results for Yasin #1 and Haseeb #2, additional exploratory wells and eventually new royalty interest acquisitions, we believe the shares will not only move toward this target price but a basis will be formed for the shares to reach significantly higher target levels.* This issue has the traditional risks of an OTCBB company which include limited liquidity and price volatility as well as the lack current profitability. Recognizing the risks inherent in any drilling operation and the particular risks of American Energy's dependence on another company to do the drilling and exclusive focus on a single exploration block in Pakistan, we nonetheless view the potential valuation compelling and we have initiated coverage with a Speculative Buy rating. Given the potential for a steady stream of income, American Energy may also be viewed as a potential acquisition target.

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