

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

AMERICAN ENERGY PARTNERS, INC.

A Colorado Corporation

PO Box 443
Allentown, PA 18105

(610) 217-3275

<http://www.americanenergy-inc.com>

Contact@americanenergy-inc.com

SIC Code: 4941

Annual Report For the Period Ending: December 31, 2020 (the "Reporting Period")

As of December 31, 2020, the number of shares outstanding of our Common Stock was:

721,477,325 shares of Class A Common Stock

212,500,000 shares of Class B Common Stock

As of September 30, 2020, the number of shares outstanding of our Common Stock was:

374,810,658 shares of Class A Common Stock

212,500,000 shares of Class B Common Stock

As of December 31, 2019, the number of shares outstanding of our Common Stock was:

194,643,990 shares of Class A Common Stock

12,500,000 shares of Class B Common Stock

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐

No: ☒ (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐

No: ☒

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐

No: ☒

1) Name of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

American Energy Partners, Inc.	08/05/2017 - Present
Converde Energy USA Inc.	09/09/2014 - 08/05/2017
W2 Energy, Inc.	12/01/2004 - 09/09/2014
World Wise Technologies, Inc.	10/12/2004 - 12/01/2004

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g., active, default, inactive):

American Energy Partners, Inc. (the "Company") was originally incorporated in Nevada on October 12, 2004 as World Wise Technologies, Inc.

On August 5, 2017, the Company entered into a Plan of Conversion where it changed its name and domicile from Converde Energy USA, Inc. a Nevada corporation, to American Energy Partners, Inc., a Colorado corporation. The trading symbol for the Common Stock was changed from "XFUL" to "AEPT."

The Company is currently active in the State of Colorado.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On January 24, 2020, the Company completed the purchase from Oilfield Basics, LLC of 100% of its outstanding equity. The aggregate purchase price paid was 1,000,000 shares of Class A common stock.

On January 19, 2021, the Company effected a 1-for-100 reverse stock split of all outstanding shares of Class A common stock.

On February 19, 2021, the Company converted all outstanding shares of Class B common stock and amended its certificate of incorporation to eliminate Class B common stock. Common stock of the Company consists of shares of Class A common stock only as of February 19, 2021.

On February 19, 2021, the entirety of issued and outstanding preferred stock of the Company was converted into Class A common stock on a 1-for-20 basis. The Company's authorized preferred stock consists of 250 million shares, par value \$0.001 per share, as of February 19, 2021.

The address(es) of the issuer's principal executive office:

1275 Glenlivet Drive Suite 100
Allentown, PA 18106

The address(es) of the issuer's principal place of business:

1275 Glenlivet Drive Suite 100
Allentown, PA 18106

Check box if principal executive office and principal place of business are the same address: ☒

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

Not applicable.

2) Security Information

Trading symbol:	<u>AEPT</u>	
Exact title and class of securities outstanding:	<u>Class A Common Stock</u>	
CUSIP:	<u>02563X102</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>1,500,000,000</u>	as of date: <u>12/31/2020</u>
Total shares outstanding:	<u>721,477,325</u>	as of date: <u>12/31/2020</u>
Number of shares in the Public Float ² :	<u>215,292,903</u>	as of date: <u>12/31/2020</u>
Total number of shareholders of record:	<u>156</u>	as of date: <u>12/31/2020</u>

All additional class(es) of publicly traded securities (if any):

Transfer Agent

Name: Transfer Online, Inc.
Phone: (503) 227-2950
E-mail: info@transferonline.com

Is the Transfer Agent registered under the Exchange Act?³ Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

³ To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Number of Shares outstanding as of <u>January 1, 2017</u>	<u>Opening Balance:</u> Common A: <u>21,382,184</u> Common B: <u>56,000,000</u> Preferred: <u>215,498,745</u>		*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
03/10/2017	New Issuance	105,000,000	Common A	N/A	No	West End Consulting Group LLC, controlled by Brad Domitrovitsch	See Item A below	Restricted	N/A
03/20/2017	New Issuance	60,000	Common A	\$0.50	No	Thomas W. Fogle	Investment	Restricted	N/A
03/20/2017	New Issuance	10,000,000	Common A	\$0.0025	Yes	DJK Investments 10 Inc., controlled by Daniel Manceno	See Item B below	Unrestricted	N/A
03/20/2017	New Issuance	10,000,000	Common A	\$0.0025	Yes	Paladin Advisors LLC, controlled by Daniel Fried	See Item B below	Unrestricted	N/A
03/20/2017	New Issuance	10,000,000	Common A	\$0.0025	Yes	WT Consulting Group LLC, controlled by Bill Hershey	See Item B below	Unrestricted	N/A
03/20/2017	New Issuance	10,000,000	Common A	\$0.0025	Yes	2V Capital Inc., controlled by Mike Gulyas	See Item B below	Unrestricted	N/A
04/07/2017	New Issuance	315,955	Common A	N/A	No	Aaron Reyer & Jennifer Reyer	See Item A below	Restricted	N/A
04/07/2017	New Issuance	631,911	Common A	N/A	No	Chris Bernal & Charlene Bernal	See Item A below	Restricted	N/A
04/07/2017	New Issuance	126,382	Common A	N/A	No	Gregory Barnes	See Item A below	Restricted	N/A
08/05/2017	20:1 Reverse Stock Split	(158,340,476)	Common A	N/A	N/A	N/A	N/A	N/A	N/A
08/23/2017	New Issuance	34	Common A	N/A	No	Fast Cede & Co. (brokerage)	See Item C below	Unrestricted	N/A
09/21/2017	New Issuance	8,333,333	Common A	\$0.03	No	William T. Rousis	Investment	Restricted	N/A
10/10/2017	New Issuance	434,667	Common A	\$0.05	No	Asymtote Capital, LLC,	See Section B below	Restricted	N/A

						controlled by Aaron White			
11/29/2017	New Issuance	1,700,000	Common A	\$0.05	Yes	GPL Ventures, LLC, controlled by Alexander Dillon	Investment	Unrestricted	Regulation A
11/29/2017	Share Cancellati on	(800,000)	Common A	\$0.05	N/A	GPL Ventures, LLC, controlled by Alexander Dillon	Item D	N/A	N/A
11/29/2017	New Issuance	2,000,000	Common A	\$0.05	No	Josh Hickman	Compensation	Restricted	N/A
11/29/2017	New Issuance	3,000,000	Common A	\$0.05	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Compensation	Restricted	N/A
12/19/2017	New Issuance	2,000,000	Common A	\$0.05	Yes	GPL Ventures, LLC, controlled by Alexander Dillon	Investment	Unrestricted	Regulation A
01/16/2018	New Issuance	2,000,000	Common A	\$0.05	Yes	GPL Ventures, LLC, controlled by Alexander Dillon	Investment	Unrestricted	Regulation A
01/30/2018	New Issuance	2,700,000	Common A	\$0.02	Yes	GPL Ventures, LLC, controlled by Alexander Dillon	Investment	Unrestricted	Regulation A
02/08/2018	New Issuance	1,250,000	Common A	\$0.02	Yes	Tri-Bridge Ventures, LLC, controlled by John Forsyth III	Investment	Unrestricted	Regulation A
02/12/2018	New Issuance	2,000,000	Common A	\$0.058	No	Josh Hickman	2017 Bonus	Restricted	N/A
02/12/2018	New Issuance	3,000,000	Common A	\$0.058	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	2017 Bonus	Restricted	N/A
03/08/2018	New Issuance	2,100,000	Common A	\$0.01	Yes	GPL Ventures, LLC, controlled by Alexander Dillon	Investment	Unrestricted	Regulation A
03/20/2018	New Issuance	1,250,000	Common A	\$0.01	Yes	Tri-Bridge Ventures, LLC, controlled by John Forsyth III	Investment	Unrestricted	Regulation A
03/29/2018	New Issuance	3,000,000	Common A	\$0.005	Yes	GPL Ventures, LLC, controlled by Alexander Dillon	Investment	Unrestricted	Regulation A
04/05/2018	New Issuance	3,000,000	Common A	\$0.015	No	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	N/A
04/05/2018	New Issuance	5,000,000	Common A	\$0.015	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	N/A
04/05/2018	New Issuance	7,500,000	Common A	\$0.015	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	N/A
04/06/2018	New Issuance	5,000,000	Common A	\$0.015	No	Random Walk Consulting LLC, controlled by	Shares issued in lieu of cash compensation	Restricted	N/A

						Gardner Dean Schroth			
05/09/2018	New Issuance	1,000,000	Common A	\$0.005	Yes	Gardner Dean Schroth	Investment	Unrestricted	Regulation A
06/28/2018	New Issuance	3,000,000	Common A	\$0.0065	No	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	N/A
06/28/2018	New Issuance	5,000,000	Common A	\$0.0065	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	N/A
06/28/2018	New Issuance	7,500,000	Common A	\$0.0065	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	N/A
08/01/2018	New Issuance	1,500,000	Common A	\$0.007	No	Damian Georgino	Shares issued in lieu of cash compensation	Restricted	N/A
10/15/2018	New Issuance	5,000,000	Common A	\$0.0051	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	N/A
10/15/2018	New Issuance	7,500,000	Common A	\$0.0051	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	N/A
10/15/2018	New Issuance	3,000,000	Common A	\$0.0051	No	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	N/A
01/07/2019	New Issuance	5,000,000	Common A	\$0.003	No	Damian Georgino	Shares issued in lieu of cash compensation	Restricted	N/A
01/07/2019	New Issuance	3,000,000	Common A	\$0.003	No	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	N/A
01/07/2019	New Issuance	5,000,000	Common A	\$0.003	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	N/A
01/07/2019	New Issuance	7,500,000	Common A	\$0.003	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	N/A
04/29/2019	New Issuance	3,000,000	Common A	\$0.006	No	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	N/A
04/29/2019	New Issuance	5,000,000	Common A	\$0.006	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	N/A
04/29/2019	New Issuance	7,500,000	Common A	\$0.006	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	N/A
08-20-2019	New Issuance	5,000,000	Common A	\$0.0055	No	Carmel, Milazzo & DiChiara, LLP, controlled by Ross David Carmel, Esq.	Shares issued in lieu of cash compensation	Restricted	N/A

10-11-2019	New Issuance	5,000,000	Common A	\$0.0025	No	Carmel, Milazzo & DiChiara, LLP, controlled by Ross David Carmel, Esq.	Shares issued in lieu of cash compensation	Restricted	N/A
10-11-2019	New Issuance	9,000,000	Common A	\$0.0025	No	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	N/A
10-11-2019	New Issuance	15,000,000	Common A	\$0.0025	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	N/A
10-11-2019	New Issuance	5,000,000	Common A	\$0.0025	No	Sewickley Capital Partners LLC, controlled by Damian Georgino	Shares issued in lieu of cash compensation	Restricted	N/A
10-11-2019	New Issuance	22,500,000	Common A	\$0.0025	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	N/A
01-27-2020	New Issuance	1,000,000	Common A	\$0.0050	No	Derekallen L. Krieg	Shares issued in consideration of acquisition of 100% of outstanding equity of Oilfield Basics, LLC	Restricted	N/A
01-29-2020	New Issuance	13,333,334	Common A	\$0.0030	Yes	GPL Ventures LLC controlled by Alexander Dillon	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
01-31-2020	New Issuance	5,000,000	Common A	\$0.0030	Yes	Continuation Capital Inc., controlled by Paul Winkle	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
02-26-2020	New Issuance	10,000,000	Common A	\$0.0030	No	GPL Ventures LLC controlled by Alexander Dillon	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
03-09-2020	New Issuance	5,000,000	Common A	\$0.0030	No	Continuation Capital Inc., controlled by Paul Winkle	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
04-20-2020	New Issuance	15,000,000	Common A	\$0.0030	Yes	GPL Ventures LLC controlled by Alexander Dillon	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020

05-07-2020	New Issuance	10,000,000	Common A	\$0.0027	No	Random Walk Consulting LLC, controlled by Gardner Dean Schroth	Shares issued in lieu of cash compensation	Restricted	N/A
06-08-2020	New Issuance	6,500,000	Common A	\$0.0030	Yes	Continuation Capital Inc., controlled by Paul Winkle	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
06-17-2020	New Issuance	25,000,000	Common A	\$0.0010	Yes	Random Walk Consulting LLC, controlled by Gardner Dean Schroth	Debt conversion: Random Walk Consulting converted \$25,000 of interest under \$100,000 convertible note	Free-trading	Rule 144
06-19-2020	New Issuance	13,333,334	Common A	\$0.0030	Yes	GPL Ventures LLC controlled by Alexander Dillon	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
07-08-2020	New Issuance	20,000,000	Common A	\$0.0030	Yes	GPL Ventures LLC controlled by Alexander Dillon	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
07-08-2020	New Issuance	8,000,000	Common A	\$0.0030	Yes	Continuation Capital Inc., controlled by Paul Winkle	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
07-13-2020	New Issuance	30,000,000	Common A	\$0.0001	Yes	Ice Group Inc., controlled by Bash Ahmed	Conversion of the promissory note resulting from assignment of a portion of the promissory note held by Random Walk Consulting	Free-trading	Rule 144, Section 3(a)9 of the Securities Act
07-21-2020	New Issuance	8,000,000	Common A	\$0.0030	Yes	Continuation Capital Inc., controlled by Paul Winkle	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
07-28-2020	New Issuance	10,000,000	Common A	\$0.0030	Yes	Continuation Capital Inc., controlled by Paul Winkle	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020

10-14-2020	New Issuance	320,000,000	Common A	N/A	N/A	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued as result of conversion of preferred stock	Restricted	Section 3(a)9 of Securities Act of 1933
12-14-2020	New Issuance	26,666,667	Common A	\$0.0030	Yes	GPL Ventures, LLC, controlled by Alexander Dillon	Investment under Regulation A offering qualified on January 24, 2020	Free-trading	Regulation A offering qualified on January 24, 2020
03/10/2017	New Issuance	194,000,000	Common B	N/A	N/A	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	See Item A below	Restricted	N/A
08/05/2017	20:1 Reverse Stock Split	(237,500,000)	Common B	N/A	N/A	N/A	N/A	N/A	N/A
03/10/2017	New Issuance	534,501,255	Preferred	N/A	N/A	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	See Item A below	Restricted	N/A
09-21-2020	New Issuance	10,000,000	Common B	N/A	N/A	Random Walk Consulting LLC, controlled by Gardner Dean Schroth	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	10,000,000	Common B	N/A	N/A	Carmel, Milazzo & Feil, LLP, controlled by Ross David Carmel, Esq.	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	10,000,000	Common B	N/A	N/A	Elliot Berman	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	140,000,000	Common B	N/A	N/A	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	20,000,000	Common B	N/A	N/A	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	4,000,000	Common B	N/A	N/A	Derekallen L. Krieg	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	3,000,000	Common B	N/A	N/A	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	3,000,000	Common B	N/A	N/A	Sewickley Capital Partners LLC, controlled by Damian Georgino	Shares issued in lieu of cash compensation	Restricted	n/a
07-10-2019	New Issuance	40,500,000	Preferred	N/A	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	N/A

							See item E below.		
09-21-2020	New Issuance	5,000,000	Preferred	N/A	No	Random Walk Consulting LLC, controlled by Gardner Dean Schroth	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	5,000,000	Preferred	N/A	No	Carmel, Milazzo & Feil, LLP, controlled by Ross David Carmel, Esq.	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	155,100,000	Preferred	N/A	No	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	29,400,000	Preferred	N/A	No	Josh Hickman	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	5,000,000	Preferred	N/A	No	Derekallen L. Krieg	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	5,000,000	Preferred	N/A	No	John Rattaporn Pippy	Shares issued in lieu of cash compensation	Restricted	n/a
09-21-2020	New Issuance	5,000,000	Preferred	N/A	No	Sewickley Capital Partners LLC, controlled by Damian Georgino	Shares issued in lieu of cash compensation	Restricted	n/a
10-14-2020	Conversion	(16,000,000)	Preferred	N/A	N/A	West End Consulting Group, LLC, controlled by Brad Domitrovitsch	Conversion of preferred stock into Class A Common Stock	10-14-2020	Section 3(a)9 of Securities Act of 1933
Shares Outstanding on December 31, 2020	<u>Ending Balance:</u> Common A: <u>721,477,325</u> Common B: <u>212,500,000</u> Preferred: <u>984,000,000</u>								

Use the space below to provide any additional details, including footnotes to the table above:

Does not include options issued to any shareholder.

Item A – The shares were issued pursuant to the terms of a Share Exchange Agreement dated December 10, 2016 with Hydration Company of PA, LLC.

Item B – On March 24, 2017 - Aged Debt - \$100,000 worth of aged debt was converted into equity in four tranches of 10,000,000 shares of Class A Common Stock.

Item C – On or about August 5, 2017, the Company entered into a Plan of Conversion where it changed its name and domicile from Converde Energy USA, Inc. a Nevada corporation, to American Energy Partners, Inc., a Colorado corporation. The trading symbol for the Common Stock was changed from "XFUL" to "AEPT." The Plan of Conversion also provided for a 20:1 reverse stock split, whereby every Twenty (20) shares of Common Stock of Converde Energy USA, Inc. was converted into One (1) share of Class A Common Stock of American Energy Partners, Inc. Every Twenty (20) shares of Class B Common Stock of Converde Energy USA, Inc. was converted into One (1) share of Class B Common Stock of American Energy Partners, Inc. These shares were requested by DTC to satisfy a shortfall due to rounded shares.

Item D – The shares were initially associated with an aged debt transaction that turned out to be unsubstantiated. The shares were returned by GPL Ventures to the transfer agent.

Item E – The shares were issued in consideration of purchasing the membership interest in Hickman Geological Consulting, LLC. See “Issuer’s Business, Products and Services” for more information about Hickman Geological Consulting, LLC.

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
05/12/2017	\$70,000	\$100,000	\$2,624	05/12/2018	See Item A	Random Walk Consulting, LLC, controlled by Dean Schroth	Loan
07/01/2020	\$ 50,000	\$25,000 (up to \$75,000)	\$1,326	07/01/2021	See Item B	Hickman Management Company, LLC, controlled by Josh Hickman	Loan

Use the space below to provide any additional details, including footnotes to the table above:

Item A – Not converted by maturity. The holder of the note shall have the right to convert any part of the outstanding interest or principal amount of the note into shares of Common A Stock equal to 50% of the lowest Trading Price during the 20 days commencing on the first trading day following delivery and clearance of notice.

Item B – Commencing from the issuance date, the holder may convert any part of the outstanding interest or principal amount of the note into fully paid and non-assessable shares of common stock of the corporation. The conversion price shall equal to 70% of the lowest "Trading Price" during the "Valuation Period." Trading Price means the price of the corporation's common stock on the OTC Bulletin Board or other applicable reporting service of the trading market. Valuation Period shall mean thirty (30) trading days preceding the date of the notice of conversion.

4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁴:

Name: Elliot Berman
Title: Certified Public Accountant
Relationship to Issuer: Accountant

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance sheet;
- D. Statement of income;
- E. Statement of cash flows;
- F. Financial notes; and
- G. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below.

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Company is comprised of three subsidiaries that source, treat and distribute reclaimed water in an effort to preserve our nation's naturally occurring resources. We are comprised of subsidiaries that source, treat and distribute reclaimed water in an effort to preserve our nation's naturally occurring resources.

B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

Our subsidiaries, Hydration Company of PA, LLC ("Hydration Company"), American Energy Solutions, LLC ("American Energy Solutions"), and Gilbert Oil and Gas, LLC ("GOG"), will own energy operations as well as design,

⁴ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

build, and operate regional water treatment facilities that serve the industrial and energy sectors. Together with Hydration Company and American Energy Solutions, GOG provides value through net revenue interests, mineral interests, and royalty rights.

Hydration Company of PA, LLC

Hydration Company is engaged in the businesses of water exploration, water augmentation, and the treatment of impacted waters. Through its subsidiaries and partners, we design, build, and operate regional water treatment facilities. Hydration Company is a leader in water-neutral energy solutions, as well as providing waste water technologies specifically designed to improve the impaired water disposal process.

We believe that Hydration Company's technology delivers one of the highest energy yields from a broad range of water-bearing assets, with one of the lowest capital expenditures of any other known water processes.

Hydration Company offers a range of low cost attractive modular systems or fixed facilities via its water conveyance methodologies, which produce low-cost water solutions in partnership with select small to large-size industrial energy users, government agencies, and non-profit watershed groups in target markets.

Hydration Company provides a solution to locate, procure, treat, and distribute water. This patent-pending process provides cleaner water which results in an improved, safer environment. It can also mitigate drought conditions by accessing water previously unavailable. Applications may include, but are not limited to: oil and gas, pipelines, industrial use, utilities, mining, municipalities, and landowners.

Hydration Company has designed a unique, patent-pending system to treat and distribute water in an efficient and economical process that should encourage treated water to be used by gas drillers, pipeline companies, utility companies, industry and municipalities.

Over time Hydration Company has gained support for our unique, patent-pending process by the Pennsylvania Department of Environmental Protection (DEP), Susquehanna River Basin Commission (SRBC), and the Pennsylvania Department of Conservation and Natural Resources (DCNR). In fact, we are currently negotiating contracts and letter of intent agreements with these organizations for mines that store our inventory.

Hydration Company conducted its first pump test that was a field demonstration at Coal Creek, Blossburg, Pennsylvania, which was granted by the Pennsylvania DEP and the SRBC. The pump test was performed through American Energy Solutions using GeoTube Technology which produced a favorable test result. This enabled Hydration Company to: (1) confirm the economic model; (2) prove the validity of the business model; and (3) share the results with potential partners, customers, and government agencies.

Since that field demonstration, Hydration Company has partnered with Eastern Pennsylvania Coalition for Abandoned Mine Reclamation (EPCAMR) and the SRBC to start the first three phases of due diligence at the Mocanaqua Tunnel. This property has an estimated 500 billion gallons of storage and appears to be an excellent candidate for Hydration Company's methodologies. This opportunity may be worth an estimated \$2.5 million of construction and operation and maintenance for American Energy Solutions. American Energy Solutions would provide the treatment technologies beginning in Phase IV.

Hydration Company's competitive edge lies within its pure volume of reclaimed water and its access to low-cost treatment with high flow rates and highly concentrated solids through American Energy Solutions' partners' technologies. Because of this volume, Hydration Company can effectively gain market share immediately as large corporations want access to one source that can supply massive amounts of reclaimed water to fulfill their input of production through Hydration Company's patent (USPTO #10,730,760) methodology and conveyance methods.

The success of Hydration Company is dependent upon effectively entering into contracts with private and state-owned mines. These contracts will give Hydration Company the sole right to distribute water from privately owned mines across the country.

Hydration Company will operate out of multiple, predetermined, selected sites within the United States and will need minimal space to conduct its office activities. The sites differ in terms of geography, storage, and water quality. All sites will be enabled for augmentation or the ability to mitigate during pass-by conditions. Augmentation is an

important factor of the equation. It allows Hydration Company to not only provide everyday water but to provide additional waters to the system when low flow conditions are present. This is a valuable piece of the model because no matter how long or severe of a drought, it gives customers the ability to consume, at their intake, up to their maximum docketed withdrawal thus granting them pass-by exemption.

How the model works: First, hydrological studies are performed statewide to determine the largest pools of non-potable water. Second, access to and control of these mines are gained through contracts with the landowner. Third, final hydrology and engineering studies performed. Next, a filtration system is installed with all needed permits. Lastly, a dynamically-adjustable, turn-key system is put online that allows Hydration Company to execute its model of treatment and distribution through its proprietary conveyance system.

American Energy Solutions, LLC

American Energy Solutions is an industrial waste stream treatment company that intends to engage in the remediation of Superfund sites, coal ash, acid mine drainage, mine influenced water (MIW), drill cuttings (horizontal direction drilling or HDD and vertical directional drilling or VDD), flowback (water and other debris that comes to the surface after a well is fracked), produced waters, and other industrial processes.

We provide treatment technologies that contribute to Hydration Company's business model of low-cost treatment and distribution. These treatment technologies also allow American Energy Solutions to leverage existing contacts in the industrial space and convert these contacts into contract value. American Energy Solutions' long-term goal is to bring waste stream treatment technologies in-house.

Gilbert Oil and Gas, LLC

We intend to develop GOG as a U.S. based exploration and production company focused on generating long-term shareholder value through drilling, operating, and partnership opportunities in the upstream oil and gas space.

GOG's sole service is to provide cash flow through investment in oil and gas royalties, producing wells and the development of mineral rights.

GOG came into existence to capitalize on the depressed asset pricing in the oil and gas space. GOG's business model is to first capture royalty opportunities then gain working interests on producing wells and lastly to acquire land inventory through mineral rights.

GOG will concentrate its initial capital inside the Marcellus and Utica formations where we can monetize existing water assets and treatment technologies in WV, OH, and PA.

Following this model, we are of the belief that meaningful asset and cash flow value will be derived over the course of time.

Hickman Geological Consulting, LLC

Hickman Geological Consulting, LLC ("HGC") is a full-service valuation and geotechnical services company that focuses on the decision space between earth materials and financial matters. Since 2013, HGC has been the Pittsburgh area's leading valuation house for oil and gas minerals connected with estate planning, expert witness, lease negotiations, and mineral sales. Since 2016, HGC has provided these services nationwide. In 2018, HGC diversified into geotechnical services related to landslide identification, mitigation, and design as well as geotechnical residential building services, such as ground stability and infiltration testing.

Mr. Hickman is a registered professional geologist in the State of Pennsylvania. HGC is sub-contracted for these services by small to mid-sized engineering and environmental firms to lend our expertise in these matters to their individual projects. Mr. Hickman's areas of expertise include soil physics and mapping for construction, erosion, sediment, and landslide issues, writing geologic investigation reports, and hydrological investigations.

HGC provides expert reports and testimony on the value of oil and gas rights and royalties in cases of tax, estate planning, divorce, real estate transactions, and litigation. HGC is the technical backbone of many successful mineral

buying companies. We direct buy areas, provide expected profit statements, and provide the technical data necessary to educate investors.

We provide independent acquisition and divestment due diligence reports. We provide advisement to supplement customers' existing teams, or act as customers' representatives. These services include geologic and/or reservoir modeling, well curve, EUR, and cost input creation and verification, economic model creation, data room generation and review, and environment and sediment control field review.

HGC's experienced staff can provide the needed experience and technical understanding to put landowners on level ground with operating companies in negotiations. We provide assistance during leasing, right of way, and well pad siting. Examples of these services include leasing terms, right of way negotiations, settlement options, and well pad locations.

Oilfield Basics LLC

Oilfield Basics LLC creates a host of resources that make learning about the oilfield simple. It partners with companies and individuals across the vast range of industries and enables them to share their piece of the industry with others. Oilfield Basics LLC provides a platform for podcast interviews, educational webinars, videos, and online courses.

C. Describe the issuers' principal products or services, and their markets

Water sourcing, treatment, and distribution in industrial and government markets. Acquisition of oil and gas assets.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

GOG, a wholly owned subsidiary of American Energy Partners, Inc., owns 15 oil and gas wells in western Pennsylvania. Included in these assets are 127 net mineral acres of deep rights (the "Deep Rights") and over 1,000 acres of shallow rights in the Tier I area of the wet Marcellus and dry Utica Shale. On October 9, 2018, GOG sold the Deep Rights to HGC for \$30,000. Mr. Josh Hickman, COO, is the principal of HGC. The information with regard to our wells is as follows:

OGO	OPERATOR	API / PERMIT	FARM	SPUD DATE	WELL STATUS	WELL TYPE	UNCONVENTIONAL	CONSERVATION	CONFIGURATION	REGION	COUNTY	MUNICIPALITY
OGO-51004	GOG	125-01875	C.E. SMITH 1	01/01/1800	Active	OIL	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	South Franklin Twp
OGO-51004	GOG	125-01876	C.E. SMITH 2	01/01/1800	Active	OIL	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	South Franklin Twp
OGO-51004	GOG	125-01877	C.E. SMITH 3	01/01/1800	Active	OIL	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	South Franklin Twp
OGO-51004	GOG	125-01878	C.E. SMITH 4	01/01/1800	Active	OIL	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	South Franklin Twp
OGO-51004	GOG	125-21045	J I PHILLIPS 1	01/07/1977	Active	GAS	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Long Branch Boro
OGO-51004	GOG	125-21055	CAMPANA 1	04/03/1977	Active	GAS	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	California Boro
OGO-51004	GOG	125-21429	HESS 1	02/14/1982	Active	GAS	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Long Branch Boro
OGO-51004	GOG	125-21430	HESS 2	02/21/1982	Active	GAS	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Long Branch Boro
OGO-51004	GOG	125-21435	WINNETT 1	02/07/1982	Active	GAS	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Long Branch Boro
OGO-51004	GOG	125-21446	HUNTER 1	06/18/1982	Active	GAS	Yes	Yes	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Hopewell Twp
OGO-51004	GOG	125-21448	KOVALICK 1	05/22/1982	Active	GAS	No	Yes	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Cross Creek Twp
OGO-51004	GOG	125-21460	HAROLD L WARD 1	06/03/1982	Active	GAS	No	Yes	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Canton Twp
OGO-51004	GOG	125-21461	ANNA B JOHNSON 1	07/08/1982	Active	GAS	No	Yes	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Hopewell Twp
OGO-51004	GOG	125-21499	ROSCOE SPORTSMEN ASSOCIATION 1	10/24/1983	Active	GAS	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Long Branch Boro
OGO-51004	GOG	125-21501	CROW 1	10/17/1983	Active	GAS	No	No	Vertical Well	EP DOGO SWDO Dstr Off	Washington	Long Branch Boro

Link to our: [Well Inventory where you can observe the entirety of the information about our wells.](#)

Hydration Company, a subsidiary of American Energy Partners, Inc. has a patent –USPTO #10,730,760, dated August 4, 2020, natural pipeline water conveyance system and method.

Current Assignee: Hydration Company of PA, LLC

Abstract: A method of supplying water using a natural water pipeline includes withdrawing impaired water from an impaired water body connected to a waterway and treating the impaired water from the impaired water body to produce treated water. The method also includes discharging the treated water into the waterway and conveying the treated water via the waterway to one or more locations proximate to one or more remote operational facilities that withdraws water from the waterway at the one or more locations. The method further includes receiving a monetary value from one or more operational entities operating the one or more remote operational facilities and providing at least a portion of one or more water access rights to the one or more operational entities in exchange for the monetary value.

[Our Patent](#)

7) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information regarding any person or entity owning 5% or more of the issuer, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Brad J. Domitrovitsch	CEO, CFO, Chairman	Allentown, PA	383,200,000	Common A	53.11%	Includes shares owned by West End Consulting Group LLC of which Brad J. Domitrovitsch is the owner. Does not include option to purchase 10,000,000 shares of Class A Common Stock
			149,700,000	Common B	70.45%	
			673,601,255	Preferred	68.46%	
Josh Hickman	Director & COO	Canonsburg, PA	44,000,000	Common A	6.10%	Does not include unvested stock options for 7,000,000 shares of Class A Common Stock not exercisable in 60 days.
			20,000,000	Common B	9.41%	
			69,900,000	Preferred	7.10%	
John Rattaporn Pippy	Director, CSO, and President	Moon Township, PA	24,000,000	Common A	3.33%	Does not include unvested stock options for 2,500,000 shares of Class A Common Stock.
			3,000,000	Common B	1.41%	
			5,000,000	Preferred	0.51%	
Damian Georgino	Director	Beaufort, SC	11,500,000	Common A	1.59%	Includes shares owned by Sewickley Capital Partners LLC
			3,000,000	Common B	1.41%	Includes shares owned by Sewickley Capital Partners LLC
			5,000,000	Preferred	0.51%	Includes shares owned by Sewickley Capital Partners LLC

West End Consulting Group LLC	Owner of more than 5%	Allentown, PA	383,200,000	Common A	53.11%	Beneficially owned by Brad J. Domitrovitsch. Does not include unvested stock options for 10,000,000 shares of Class A Common Stock.
			149,700,000	Common B	70.45%	Beneficially owned by Brad J. Domitrovitsch
			673,601,255	Preferred	68.46%	Beneficially owned by Brad J. Domitrovitsch
Michael McLaren	Owner of more than 5%	Didsbury, AB Canada	101	Common A	*	Includes shares owned by Converde Industries Inc. of which Michael McLaren is the owner.
			2,800,000	Common B	1.32%	
			177,247,834	Preferred	18.01%	
Converde Industries Inc.	Owner of more than 5%	Didsbury, AB Canada	2,500,000	Common B	1.18%	Beneficially owned by Michael McLaren
			50,000,000	Preferred	5.08%	Beneficially owned by Michael McLaren

* Less than 1%

8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a

description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Please provide the name, address, telephone number and e-mail address of each of the following outside providers:

Securities Counsel

Name: Ross David Carmel, Esq.
Firm: Carmel, Milazzo & Feil LLP
Address 1: 55 West 39th Street, 18th Floor
Address 2: New York, NY 10018
Phone: 212-658-0458
E-mail: rcarmel@cmfllp.com

Accountant or Auditor

Name: Elliot Berman
Firm: Berman Audit & Advisory, P.A.
Address 1: 11756 Bayou Lane
Address 2: Boca Raton, FL 33498
Phone: 954-729-3025
E-mail: eberman@bermanauditadvisorycpa.com

Other Service Providers

Provide the name of any other service provider(s), including, counsel, advisor(s) or consultant(s) **that assisted, advised, prepared or provided information with respect to this disclosure statement**, or provided assistance or services to the issuer during the reporting period.

Name: N/A
Firm: N/A
Nature of Services: N/A
Address 1: N/A
Address 2: N/A
Phone: N/A
E-mail: N/A

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, Brad Domitrovitsch, certify that:

1. I have reviewed this Annual Disclosure Statement of American Energy Partners, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 30, 2021 [Date]

/s/ Brad Domitrovitsch [CEO's Signature]

Principal Financial Officer:

I, Brad Domitrovitsch, certify that:

1. I have reviewed this Annual Disclosure Statement of American Energy Partners, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 30, 2021 [Date]

/s/ Brad Domitrovitsch [CFO's Signature]

American Energy Partners, Inc. and Subsidiaries

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
American Energy Partners, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of **American Energy Partners, Inc. and Subsidiaries** (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of operations, shareholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company had a net loss and net cash used in operating activities of approximately \$12,354,000 and \$389,000, respectively for the year ended of December 31, 2020 and stockholders' deficit of approximately \$862,000 at December 31, 2020. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

also d/b/a McNAMARA and ASSOCIATES, PLLC

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JACKSONVILLE: 4720 Salisbury Road, Suite 223 | Jacksonville, FL 32256 | Office: 888.410.2323 | Fax: 813.443.5053
ORLANDO: 1800 Pembroke Drive, Suite 300 | Orlando, FL 32810 | Office: 888.410.2323 | Fax: 813.443.5053
SOUTH FLORIDA: 2000 Banks Road, Suite 218 | Margate, FL 33063 | Office: 754.800.3400 | Fax: 813.443.5053

www.assurancedimensions.com



Oil and Natural Gas

Description of the Matter

As disclosed in Notes 2, 3, and 9, the Company owns oil and gas producing wells in Western Pennsylvania, which requires significant estimates to account for proved developed reserves of oil and natural gas, depletion of oil and natural gas wells, asset impairments related to oil and natural gas wells. Oil and natural gas reserves are based on available geologic and seismic data, reservoir pressure data, core analysis reports, well logs, analogous reservoir performance history, production data and other available sources of engineering, geological and geophysical information. The Company does not operate its oil and natural gas properties and, therefore, receives actual oil, and natural gas sales volumes and prices (in the normal course of business) more than a month later than the information is available to the operators of the wells. This being the case, on wells with greater significance to the Company, the most current available production data is gathered from the appropriate operators, and oil, and natural gas index prices local to each well are used to estimate the accrual of revenue on these wells. The Company utilizes past production receipts and estimated sales price information to estimate its accrual of revenue on all other wells each quarter. The oil, and natural gas sales revenue accrual can be impacted by many variables including rapid production decline rates, production curtailments by operators, the shut-in of wells with mechanical problems and rapidly changing market prices for oil, and natural gas. These variables could lead to an over or under accrual of oil, and natural gas sales at the end of any particular reporting period. Based on past history, the Company's estimated accrual has been materially accurate.

How We Addressed the Matter in Our Audit

The primary procedure we performed to address this critical audit matter included the following: obtaining and discussing with management their depreciation, depletion, amortization and accretion schedules as well as the reserve analysis. We analyzed the Company's assumptions and data used to compute its depreciation, depletion, amortization and accretion expenses and corresponding balances and tested the accuracy of the Company's calculations.

Assurance Dimensions

We have served as the Company's auditor since 2020.

Margate, Florida

March 30, 2021

ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

also d/b/a McNAMARA and ASSOCIATES, PLLC

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American Energy Partners, Inc. and Subsidiaries
Consolidated Balance Sheets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 34,720	\$ 26,976
Accounts receivable - oil and natural gas	3,391	7,455
Accounts receivable - geotechnical consulting services	7,645	26,901
Total Current Assets	<u>45,756</u>	<u>61,332</u>
Oil and natural gas properties - full cost method of accounting	97,826	103,250
Total Assets	<u><u>\$ 143,582</u></u>	<u><u>\$ 164,582</u></u>
<u>Liabilities and Stockholders' Deficit</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 104,049	\$ 148,936
Convertible note payable - net	70,000	100,000
Convertible note payable - related party - net	18,930	-
Derivative liabilities	457,274	235,521
Asset retirement obligations	300,000	297,938
Total Current Liabilities	<u>950,253</u>	<u>782,395</u>
Asset retirement obligations	55,066	49,293
Total Liabilities	<u>1,005,319</u>	<u>831,688</u>
Commitments and Contingencies (Note 5)		
Series A, Redeemable Preferred Stock - Related Parties - \$0.001 par value		
1,000,000,000 shares authorized, 0 and 7,905,000		
shares issued and outstanding, respectively	<u>-</u>	<u>790,500</u>
Stockholders' Deficit		
Series A, Redeemable Preferred Stock - Related Parties - \$0.001 par value		
1,000,000,000 shares authorized, 9,840,000 and 0	9,840	-
shares issued and outstanding, respectively		
Common stock, Class A, \$0.001 par value, 1,500,000,000 shares authorized		
7,214,773 and 1,946,440 shares issued and outstanding, respectively	7,214	1,946
Common stock, Class B, \$0.001 par value, 2,000,000,000 shares authorized		
2,125,000 and 125,000 shares issued and outstanding, respectively	2,125	125
Additional paid-in capital	49,943,269	36,930,021
Stock subscription receivable (26,666,667 shares of Class A common stock)	(80,000)	-
Accumulated deficit	(50,744,185)	(38,389,698)
Total Stockholders' Deficit	<u>(861,737)</u>	<u>(1,457,606)</u>
Total Liabilities and Stockholders' Deficit	<u><u>\$ 143,582</u></u>	<u><u>\$ 164,582</u></u>

The accompanying notes are an integral part of these consolidated financial statements

American Energy Partners, Inc. and Subsidiaries
Consolidated Statements of Operations

	For the Years Ended December 31,	
	2020	2019
Revenues		
Oil and natural gas	\$ 27,868	\$ 44,731
Geotechnical consulting services	629,647	243,641
Other	5,165	-
Total revenues	<u>662,680</u>	<u>288,372</u>
Costs and expenses		
General and administrative expenses	12,619,821	6,633,051
Lease operating expenses	26,710	15,641
Royalties	8,457	4,909
Depreciation, depletion, amortization and accretion	13,259	16,601
Total costs and expenses	<u>12,668,247</u>	<u>6,670,202</u>
Loss from operations	<u>(12,005,567)</u>	<u>(6,381,830)</u>
Other income (expense)		
Amortization of debt discount	(18,930)	-
Change in fair value of derivative liabilities	(215,008)	19,416
Derivative expense	(20,476)	-
Gain on forgiveness of accounts payable	54,034	-
Loss on debt extinguishment	(139,862)	-
Interest expense	(8,678)	(8,000)
Total other income (expense) - net	<u>(348,920)</u>	<u>11,416</u>
Net loss	<u>\$ (12,354,487)</u>	<u>\$ (6,370,414)</u>
Loss per share - basic and diluted	<u>\$ (3.33)</u>	<u>\$ (4.48)</u>
Weighted average number of shares - basic and diluted	<u>3,713,097</u>	<u>1,420,577</u>

The accompanying notes are an integral part of these consolidated financial statements

American Energy Partners, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2020 and 2019

	Preferred Stock - Class A		Common Stock - Class A		Common Stock - Class B		Additional	Subscription	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Receivable	Deficit	Stockholders' Deficit
December 31, 2018	-	\$ -	971,440	\$ 971	125,000	\$ 125	\$30,644,154	\$ -	\$(32,019,284)	\$ (1,374,034)
Series A preferred stock issued in asset purchase - HGC	-	-	-	-	-	-	5,629,500	-	-	5,629,500
Stock issued for services	-	-	100,000	100	-	-	50,550	-	-	50,650
Stock issued for services - related parties	-	-	875,000	875	-	-	373,885	-	-	374,760
Stock options issued for services	-	-	-	-	-	-	231,932	-	-	231,932
Net loss - 2019	-	-	-	-	-	-	-	-	(6,370,414)	(6,370,414)
December 31, 2019	-	-	1,946,440	1,946	125,000	125	36,930,021	-	(38,389,698)	(1,457,606)
Reclassification of temporary equity from prior year	7,905,000	7,905	-	-	-	-	782,595	-	-	790,500
Stock issued for cash	-	-	1,408,333	1,408	-	-	421,092	(80,000)	-	342,500
Stock issued for acquisition of OB	-	-	10,000	10	-	-	3,990	-	-	4,000
Stock issued for services	100,000	100	-	-	200,000	200	559,700	-	-	560,000
Stock issued for services - related parties	1,995,000	1,995	-	-	1,700,000	1,700	10,939,305	-	-	10,943,000
Stock issued in settlement of convertible debt and accrued interest	-	-	550,000	550	-	-	194,450	-	-	195,000
Stock issued to settle accounts payable	-	-	100,000	100	100,000	100	36,800	-	-	37,000
Stock options issued for services	-	-	-	-	-	-	14,625	-	-	14,625
Reclassification of financial instruments that ceased to be derivative liabilities	-	-	-	-	-	-	63,731	-	-	63,731
Conversion of Series A preferred stock into common stock - related party	(160,000)	(160)	3,200,000	3,200	-	-	(3,040)	-	-	-
Net loss - 2020	-	-	-	-	-	-	-	-	(12,354,487)	(12,354,487)
December 31, 2020	9,840,000	\$ 9,840	7,214,773	\$ 7,214	2,125,000	\$ 2,125	\$49,943,269	\$ (80,000)	\$(50,744,185)	\$ (861,737)

The accompanying notes are an integral part of these consolidated financial statements

American Energy Partners, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2020	2019
Operating activities		
Net loss	\$ (12,354,487)	\$ (6,370,414)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation, depletion, amortization and accretion	13,259	16,603
Series A preferred stock issued for compensation in asset purchase - HGC	-	5,608,966
Stock issued for services	560,000	50,650
Stock issued for services - related parties	10,943,000	374,760
Stock options issued for services	14,625	231,932
Change in fair value of derivative liability	215,008	(19,416)
Derivative expense	20,476	-
Amortization of debt discount	18,930	-
Gain on forgiveness of accounts payable	(54,034)	-
Loss on debt extinguishment	139,862	-
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable - oil and natural gas	4,063	7,780
Accounts receivable - geotechnical consulting services	19,256	(17,734)
Increase (decrease) in		
Accounts payable and accrued expenses	71,286	76,235
Net cash used in operating activities	(388,756)	(40,638)
Investing activities		
Cash acquired in acquisition of OB	4,000	-
Cash acquired in acquisition of HGC	-	55,813
Net cash provided by investing activities	4,000	55,813
Financing investing		
Proceeds from issuance of convertible notes - related parties	50,000	-
Class A common stock issued for cash	342,500	-
Net cash provided by financing activities	392,500	-
Net increase in cash	7,744	15,175
Cash - beginning of year	26,976	11,801
Cash - end of year	\$ 34,720	\$ 26,976
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities		
Series A preferred stock issued in asset purchase - HGC	\$ -	\$ 61,034
Class A common stock issued in asset purchase - OB	\$ 4,000	\$ -
Debt discount recorded in connection with derivative liabilities	\$ 50,000	\$ -
Common stock issued in settlement of convertible debt and accrued interest	\$ 55,138	\$ -
Common stock issued to settle accounts payable	\$ 37,000	\$ -
Reclassification of financial instruments that ceased to be derivative liabilities	\$ 63,731	\$ -
Issuance of Class A stock subscription receivable for shares sold	\$ 80,000	\$ -
Reclassification of temporary equity from prior year	\$ 790,500	\$ -

The accompanying notes are an integral part of these consolidated financial statements

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1 - Organization and Nature of Operations

Organization and Nature of Operations

American Energy Partners, Inc., and Subsidiaries (collectively, “we”, “us”, “our” or the “Company”) is a diversified energy company. Through its various subsidiaries, the Company engages in water treatment and distribution, oil and natural gas production, geotechnical consulting services, and energy education.

The parent (American Energy Partners, Inc.) and subsidiaries are organized as follows:

<u>Company Name</u>	<u>Incorporation Date</u>	<u>State of Incorporation</u>
American Energy Partners, Inc.	January 10, 2017	Colorado
Hydration Company of PA, LLC	January 31, 2011	Pennsylvania
American Energy Solutions, LLC	July 1, 2015	Pennsylvania
Gilbert Oil & Gas, LLC	December 15, 2016	Pennsylvania
Hickman Geoloigcal Consulting, LLC	* November 19, 2013	Pennsylvania
Oilfield Basics, LLC	** March 31, 2018	Ohio

* Entity was acquired July 11, 2019.

** Entity was acquired January 27, 2020. See Note 6.

Hydration Company of PA, LLC (“HCPA”)

Hydration is engaged in the businesses of water exploration and water augmentation. Hydration provides a solution to locate, procure, treat, and distribute water. This patented process provides a method of supplying water using a natural water pipeline includes withdrawing impaired water from an impaired water body connected to a waterway and treating the impaired water from the impaired water body to produce treated water. The method also includes discharging the treated water into the waterway and conveying the treated water via the waterway to one or more locations proximate to one or more remote operational facilities that withdraws water from the waterway at the one or more locations.

American Energy Solutions, LLC (“AES”)

AES is an industrial waste stream treatment company that intends to engage in the remediation of Superfund sites, coal ash, acid mine drainage, mine influenced water (“MIW”), drill cuttings (horizontal direction drilling or “HDD” and vertical directional drilling or “VDD”), flowback (water and other debris that comes to the surface after a well is fracked), produced waters and other industrial processes.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
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Gilbert Oil and Gas, LLC (“GOG”)

GOG owns 15 oil and gas producing wells in Western Pennsylvania. Included in these assets are over 1,000 acres of shallow rights in the Tier I area of the wet Marcellus and dry Utica Shale.

Gilbert will concentrate its initial capital inside the Marcellus & Utica formations where we can monetize existing water assets and treatment technologies in West Virginia, Pennsylvania, and Ohio.

Hickman Geological Consulting, LLC (“HGC”)

HGC is a full-service valuation and geotechnical consulting services company that focuses on the decision space between earth materials and financial matters. HGC provides valuation services for oil and natural gas minerals connected with estate planning, expert witness, lease negotiations, and mineral sales. HGC also performs geotechnical consulting services related to landslide identification, mitigation, and design as well as geotechnical residential building services, such as ground stability and infiltration testing. HGC is typically engaged by small to mid-sized engineering and environmental firms.

HGC (a related party whose sole owner is the Company’s Chief Operating Officer) was acquired by American Energy Partners, Inc. on July 10, 2019 in exchange for 405,000 shares of Class A Preferred stock, having a fair value of \$5,670,000. (See Notes 6 and 7)

Oilfield Basics, LLC (“OB”)

OB provides educational tools to companies including engineering and law firms, as well as services related to construction, drilling, flowback and completions. OB specializes in the educational marketing platforms of podcasts and videography to not only inform the public about their customer’s solutions, but also as a platform to discuss issues faced and opportunities present within the industry.

OB was acquired by American Energy Partners, Inc. on January 27, 2020 in exchange for 10,000 shares of Class A common stock, having a fair value of \$4,000. (See Note 6)

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
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The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. The COVID-19 pandemic, which is ongoing, has the potential to significantly impact the Company's supply chain, distribution centers, or logistics and other service providers.

In addition, a severe prolonged economic downturn could result in a variety of risks to the business, including weakened demand for products and services and a decreased ability to raise additional capital when needed on acceptable terms, if at all. As the situation continues to evolve, the Company will continue to closely monitor market conditions and respond accordingly.

To date, the Company has not experienced any significant economic impact due to COVID-19.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Liquidity, Going Concern and Management's Plans

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business.

As reflected in the accompanying consolidated financial statements, for the year ended December 31, 2020, the Company had:

- Net loss of \$12,354,487; and
- Net cash used in operations was \$388,756

Additionally, at December 31, 2020, the Company had:

- Accumulated deficit of \$50,744,185
- Stockholders' deficit of \$861,737; and
- Working capital deficit of \$904,497

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

The Company has cash on hand of \$34,720 at December 31, 2020. Although the Company intends to raise additional debt or equity capital, the Company expects to continue to incur significant losses from operations and have negative cash flows from operating activities for the near-term. These losses could be significant as product and service sales ramp up along with continuing expenses related to compensation, professional fees, development and regulatory are incurred.

The Company has incurred significant losses since its inception and has not demonstrated an ability to generate sufficient revenues from the sales of its products and services to achieve profitable operations. There can be no assurance that profitable operations will ever be achieved, or if achieved, could be sustained on a continuing basis. In making this assessment we performed a comprehensive analysis of our current circumstances including: our financial position, our cash flows and cash usage forecasts for the year ending December 31, 2020, and our current capital structure including equity-based instruments and our obligations and debts.

The Company has satisfied its obligations from operating cash flows as well as the issuance of \$50,000 in convertible notes payable with a related party and the sale of its Class A common stock for \$422,500 (of which \$80,000 was a stock subscription receivable received in February 2021 – see Note 10); however, there is no assurance that such successful efforts will continue during the twelve months subsequent to the date these consolidated financial statements are issued.

If the Company does not obtain additional capital, the Company will be required to reduce the scope of its business development activities or cease operations. The Company continues to explore obtaining additional capital financing and the Company is closely monitoring its cash balances, cash needs, and expense levels.

These factors create substantial doubt about the Company's ability to continue as a going concern within the twelve month period subsequent to the date that these consolidated financial statements are issued. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Management's strategic plans include the following:

- Pursuing additional capital raising opportunities,
- Continuing to explore and execute prospective partnering or distribution opportunities; and
- Identifying unique market opportunities that represent potential positive short-term cash flow.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Business Combinations

The Company accounts for business acquisitions using the acquisition method of accounting, in accordance with which assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date. The fair value of the consideration paid, including contingent consideration, is assigned to the assets acquired and liabilities assumed based on their respective fair values. Goodwill represents excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed.

Significant judgments are used in determining fair values of assets acquired and liabilities assumed, as well as intangibles. Fair value and useful life determinations are based on, among other factors, estimates of future expected cash flows, and appropriate discount rates used in computing present values. These judgments may materially impact the estimates used in allocating acquisition date fair values to assets acquired and liabilities assumed, as well as the Company's current and future operating results. Actual results may vary from these estimates which may result in adjustments to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever occurs first. Adjustments to fair values of assets and liabilities made after the end of the measurement period are recorded within the Company's operating results.

Business Segments and Concentrations

The Company uses the "management approach" to identify its reportable segments. The management approach requires companies to report segment financial information consistent with information used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments.

The Company manages its business as two reportable segments and the consolidated financial statements are presented as two operating business segments, consisting of oil and natural gas sales from its wells through GOG, as well as geotechnical consulting services provided by HGC.

The Company also has insignificant operations from OB. However, the Company does not believe this requires separate financial reporting for its segment disclosures.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Use of Estimates

Preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates, and those estimates may be material.

Significant estimates during the years ended December 31, 2020 and 2019 include proved developed reserves of oil and natural gas*, depletion of oil and natural gas wells, asset impairments related to oil and natural gas wells, acquisition purchase price asset and liability allocations, valuation of derivative liabilities, valuation of stock-based compensation, uncertain tax positions, and the valuation allowance on deferred tax assets.

*Oil and natural gas reserves are based on available geologic and seismic data, reservoir pressure data, core analysis reports, well logs, analogous reservoir performance history, production data and other available sources of engineering, geological and geophysical information.

Oil and natural gas prices are volatile and largely affected by worldwide production and consumption and are outside the control of management. Projected future crude oil and natural gas pricing assumptions are used by management to prepare estimates of crude oil and natural gas reserves used in formulating management's overall operating decisions. The Company's Chief Operating Officer is a registered Professional Geologist in the State of Pennsylvania, who as a member of management assists with the valuation of these reserves.

The Company does not operate its oil and natural gas properties and, therefore, receives actual oil, and natural gas sales volumes and prices (in the normal course of business) more than a month later than the information is available to the operators of the wells. This being the case, on wells with greater significance to the Company, the most current available production data is gathered from the appropriate operators, and oil, and natural gas index prices local to each well are used to estimate the accrual of revenue on these wells. Timely obtaining production data on all other wells from the operators is not feasible; therefore, the Company utilizes past production receipts and estimated sales price information to estimate its accrual of revenue on all other wells each quarter. The oil, and natural gas sales revenue accrual can be impacted by many variables including rapid production decline rates, production curtailments by operators, the shut-in of wells with mechanical problems and rapidly changing market prices for oil, and natural gas. These variables could lead to an over or under accrual of oil, and natural gas sales at the end of any particular reporting period. Based on past history, the Company's estimated accrual has been materially accurate.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Full Cost Method of Accounting

The Company uses the full cost method of accounting for its oil and gas exploration and development activities. Under the full cost method of accounting, all costs associated with successful and unsuccessful exploration and development activities are capitalized into a single cost center ("full cost pool"). Such costs include property acquisition costs, geological and geophysical ("G&G") costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells. Overhead costs, which includes employee compensation and benefits including stock-based compensation, incurred that are directly related to acquisition, exploration and development activities are capitalized. Interest expense is capitalized related to unevaluated properties and wells in process during the period in which the Company is incurring costs and expending resources to get the properties ready for their intended purpose. For significant investments in unproved properties and major development projects that are not being currently depreciated, depleted, or amortized and on which exploration or development activities are in progress, interest costs are capitalized. Proceeds from property sales will generally be credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 25% or more of the proved reserves related to a single full cost pool.

Proved properties are amortized using the units of production method ("UOP"), whereby capitalized costs are amortized over total proved reserves. The amortization base in the UOP calculation includes the sum of proved property, net of accumulated depreciation, depletion, and amortization ("DD&A"), estimated future development costs (future costs to access and develop proved reserves), and asset retirement costs, less related salvage value.

The costs of unproved properties and related capitalized costs (such as G&G costs) are withheld from the amortization calculation until such time as they are either developed or abandoned. Unproved properties and properties under development are reviewed for impairment at least quarterly and are determined through an evaluation by management and third party consultants considering, among other factors, seismic data, requirements to relinquish acreage, drilling results, remaining time in the commitment period, remaining capital plan, and political, economic, and market conditions. In countries where proved reserves exist, exploratory drilling costs associated with dry holes are transferred to proved properties immediately upon determination that a well is dry and amortized accordingly. In countries where a reserve base has not yet been established, impairments are charged to earnings.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Companies that use the full cost method of accounting for oil and natural gas exploration and development activities are required to perform a ceiling test calculation each quarter. The full cost ceiling test is an impairment test prescribed by SEC Regulation S-X Rule 4-10. The ceiling test is performed quarterly, utilizing the average of prices in effect on the first day of the month for the preceding twelve month period. The cost center ceiling is defined as the sum of (a) estimated future net revenues, discounted at 10% per annum, from proved reserves, (b) the cost of properties not being amortized, if any, and (c) the lower of cost or market value of unproved properties included in the cost being amortized. If such capitalized costs exceed the ceiling, the Company will record a write-down to the extent of such excess as a non-cash charge to earnings. Any such write-down will reduce earnings in the period of occurrence and results in a lower depreciation, depletion, and amortization rate in future periods. A write-down may not be reversed in future periods even though higher oil and natural gas prices may subsequently increase the ceiling.

The Company capitalizes exploratory well costs into oil and gas properties until a determination is made that the well has either found proved reserves or is impaired. If proved reserves are found, the capitalized exploratory well costs are reclassified to proved properties. The well costs are charged to expense if the exploratory well is determined to be impaired.

We did not record a ceiling test write-down during the years ended December 31, 2020 and 2019. If average crude oil and natural gas prices decrease significantly, it is possible that ceiling test write-downs could be recorded during 2021 or in future periods.

Asset Retirement Obligations

The Company owns interests in oil and natural gas properties, which may require expenditures to plug and abandon the wells upon the end of their economic lives.

The fair value of legal obligations to retire and remove long-lived assets is recorded in the period in which the obligation is incurred (typically when the asset is installed at the production location). We are required to record a separate liability for the present value of our ARO, with an offsetting increase to the related oil and natural gas properties on our balance sheets.

When the liability is initially recorded, this cost is capitalized by increasing the carrying amount of the related properties and equipment. Over time the liability is increased for the change in its present value. The Company does not have any assets restricted for the purpose of settling the asset retirement obligations.

Estimating such costs requires us to make judgments on both the costs and the timing of ARO. Asset removal technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations, which can substantially affect our estimates of these future costs from period to period.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

At December 31, 2020 and 2019, respectively, the Company had the following ARO Obligations:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	\$ 300,000	\$ 297,938
Long-Term	55,066	49,293
Total ARO	<u>\$ 355,066</u>	<u>\$ 347,231</u>

During the years ended December 31, 2020 and 2019, the Company recorded accretion expense of \$7,835 and \$7,833, respectively. These amounts are included as a component of depreciation, depletion, amortization, and accretion.

Oil and Natural Gas Reserve Information

We use the unweighted average of first-day-of-the-month commodity prices over the preceding 12-month period when estimating quantities of proved reserves. Similarly, the prices used to calculate the standardized measure of discounted future cash flows and prices used in the ceiling test for impairment are the 12-month average commodity prices. Proved undeveloped reserves may only be classified as such if a development plan has been adopted indicating that they are scheduled to be drilled within five years, with some limited exceptions allowed.

Environmental Costs

As the Company is directly involved in the extraction and use of natural resources, it is subject to various federal, state, and local provisions regarding environmental and ecological matters. Compliance with these laws may necessitate significant capital outlays. The Company does not believe the existence of current environmental laws or interpretations thereof will materially hinder or adversely affect the Company's business operations; however, there can be no assurances of future effects on the Company of new laws or interpretations thereof. Since the Company does not operate any wells where it owns an interest, actual compliance with environmental laws is controlled by the well operators, with the Company being responsible for its proportionate share of the costs involved.

The Company does not carry liability and pollution control insurance. However, all risks would not be insured due to the availability and cost of insurance.

Environmental liabilities (including plugging and abandonment costs), which historically have not been material, are recognized when it is probable that a loss has been incurred and the amount of that loss is reasonably estimable. Environmental liabilities, when accrued, are based upon estimates of expected future costs.

At December 31, 2020 and 2019, respectively, there were no such costs accrued.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Capitalization of Leasehold Acquisition Costs

Leasehold acquisition costs are initially capitalized. Costs to drill exploratory wells are initially capitalized until a determination as to whether proved reserves have been discovered. If an exploratory well is deemed to not have found proved reserves, the associated costs are charged to exploration expense at that time. Exploration costs, other than the cost of drilling exploratory wells, which can include geological and geophysical expenses applicable to undeveloped leasehold, leasehold expiration costs and delay rentals are charged to exploration expense as incurred. All development costs, including developmental dry hole costs, are capitalized.

Fair Value of Financial Instruments

The Company accounts for financial instruments under Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements*. ASC 820 provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
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The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

See Note 4 for level 3 reconciliation of derivative liabilities.

The Company's financial instruments, including cash, accounts receivable – oil and natural gas, accounts receivable – geotechnical consulting services, accounts payable and accrued expenses, are carried at historical cost. At December 31, 2020 and 2019, respectively, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments.

ASC 825-10 "*Financial Instruments*" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value ("fair value option"). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding financial instruments.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents.

At December 31, 2020 and 2019, respectively, the Company did not have any cash equivalents.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES
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Accounts Receivable

Oil and Natural Gas from GOG

Accounts receivable are due from purchasers of oil, and natural gas or operators of the oil and natural gas properties. Oil, and natural gas sales receivables are generally unsecured. This industry concentration has the potential to impact our overall exposure to credit risk, in that the purchasers of our oil, and natural gas and the operators of the properties we have an interest in may be similarly affected by changes in economic, industry or other conditions.

The allowance for doubtful accounts is determined based on the Company's previous loss history. The Company has not experienced any significant credit losses. Allowance for doubtful accounts was \$0 at December 31, 2020 and 2019, respectively.

Geotechnical Consulting Services from HGC

Credit is extended to customers based on an evaluation of their financial condition and other factors. Interest is not accrued on overdue accounts receivable. Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. Accounts determined to be uncollectible are charged to operations when that determination is made. The Company does not require collateral.

The allowance for doubtful accounts is determined based on the Company's previous loss history. The Company has not experienced any significant credit losses. Allowance for doubtful accounts was \$0 at December 31, 2020 and 2019, respectively.

The following represents the Company's concentrations of its oil and natural gas receivables at December 31, 2020 and 2019:

Customer	2020	2019
A	71%	55%
B	-	45%
C	29%	-
Total	100%	100%

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Impairment of Long-lived Assets

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists, in accordance with the provisions of ASC 360-10-35-15 "*Impairment or Disposal of Long-Lived Assets*." Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets.

If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

Expenditures for repair and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations.

Management reviews the carrying value of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

There were no impairment losses for the years ended December 31, 2020 and 2019, respectively.

Derivative Liabilities

The Company analyzes all financial instruments with features of both liabilities and equity under FASB ASC Topic No. 480, ("ASC 480"), "*Distinguishing Liabilities from Equity*" and FASB ASC Topic No. 815, ("ASC 815") "*Derivatives and Hedging*". Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The Company uses a binomial model to determine fair value.

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Upon conversion, exercise or repayment, the respective derivative liability is marked to fair value at the conversion, repayment, or exercise date and then the related fair value amount is reclassified to other income or expense as part of gain or loss on debt extinguishment recognized in the Company's Consolidated Statements of Operations.

The Company has adopted ASU 2017-11, "*Earnings per share (Topic 260)*", provided that when determining whether certain financial instruments should be classified as liability or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. If a down round feature on the conversion option embedded in the note is triggered, the Company will evaluate whether a beneficial conversion feature exists, the Company will record the amount as a debt discount and will amortize it over the remaining term of the debt.

If the down round feature in the warrants that are classified as equity is triggered, the Company will recognize the effect of the down round as a deemed dividend, which will reduce the income available to common stockholders.

Debt Issue Cost

Debt issuance cost paid to lenders, or third parties are recorded as debt discounts and amortized to interest expense in the consolidated statements of operations, over the life of the underlying debt instrument.

Revenue Recognition

Pursuant to ASC 606, we recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration or payment the Company expects to be entitled to receive in exchange for those goods or services. Our revenue is recognized by applying the following five steps: 1) identify the contracts with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) we satisfy a performance obligation.

We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit or financial information pertaining to the customer. If a contract includes multiple promised goods or services, we apply judgment to determine whether the promised goods or services are capable of being distinct and are distinct within the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation. We determine the transaction price based on the consideration which we will be entitled to receive in exchange for transferring goods or services to our customer.

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We recognize revenue at the time that the related performance obligation is satisfied by transferring the promised goods or services to our customer.

Oil and Natural Gas

Sales of oil and natural gas are recognized when production is sold to a purchaser and control has transferred. Oil is priced on the delivery date based upon prevailing prices published by purchasers with certain adjustments related to oil quality and physical location. The price the Company receives for natural gas is tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality and heat content of natural gas, and prevailing supply and demand conditions, so that the price of natural gas fluctuates to remain competitive with other available natural gas supplies. These market indices are determined on a monthly basis. Each unit of commodity is considered a separate performance obligation; however, as consideration is variable, the Company utilizes the variable consideration allocation exception permitted under the standard to allocate the variable consideration to the specific units of commodity to which they relate.

Geotechnical Consulting Services

Geotechnical consulting service revenue is generally recognized ratably over the period of performance, provided all other revenue recognition criteria have been met. Payments due or received from the customers prior to rendering the associated services are recorded as deferred revenue.

Oilfield Basics

Educational course revenue is recognized on the date of payment. At this time, the Company provides its customer with access to the requested course, with no further performance obligations required. This revenue has been classified as other revenues in the accompanying consolidated statements of operations.

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The following represents the Company's disaggregation of revenues for the years ended December 31, 2020 and 2019:

	Year Ended December 31,			
	2020		2019	
Revenue	Revenue	% of Revenues	Revenue	% of Revenues
Oil sales	\$ 485	<1%	\$ 3,241	1%
Natural gas sales	27,383	4%	41,490	14%
Geotechnical consulting services	629,647	95%	243,641	85%
Other	5,165	1%	-	-
Total Revenues	<u>\$ 662,680</u>	<u>100%</u>	<u>\$ 288,372</u>	<u>100%</u>

The following represents the Company's concentration of its oil and natural gas sales for the years ended December 31, 2020 and 2019:

Oil and Natural Gas Sales Customer	Year Ended December 31,	
	2020	2019
A	79%	63%
B	12%	28%
C	2%	7%
D	7%	2%
Total	<u>100%</u>	<u>100%</u>

Income Taxes

The Company accounts for income tax using the asset and liability method prescribed by ASC 740, "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 "Income Taxes". Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of December 31, 2020 and 2019, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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The Company recognizes interest and penalties related to uncertain income tax positions in other expense. No interest and penalties related to uncertain income tax positions were recorded for the years ended December 31, 2020 and 2019.

As of December 31, 2020, tax years 2017-2020 remain open for IRS audit.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of general and administrative expense in the consolidated statements of operations.

The Company recognized \$171,442 and \$128 in marketing and advertising costs during the years ended December 31, 2020 and 2019, respectively.

Stock-Based Compensation

We account for our stock-based compensation under ASC 718 *"Compensation – Stock Compensation"* using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

We use the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

When determining fair value, the Company considers the following assumptions in the Black-Scholes model:

- Exercise price,
- Expected dividends,
- Expected volatility,
- Risk-free interest rate,
- Expected life of option; and
- Expected forfeiture rate (0%)

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In June 2018, the FASB issued ASU No. 2018-07, *"Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting."* ASU No 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance also specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards.

Common Stock Awards

The Company may grant common stock awards to non-employees in exchange for services provided. The Company measures the fair value of these awards using the fair value of the services provided or the fair value of the awards granted, whichever is more reliably measurable. The fair value measurement date of these awards is generally the date the performance of services is complete. The fair value of the awards is recognized on a straight-line basis as services are rendered. The share-based payments related to common stock awards for the settlement of services provided by non-employees is recorded in accordance with ASU 2018-07 (June 2018) on the consolidated statement of operations in the same manner and charged to the same account as if such settlements had been made in cash.

Stock Warrants

In connection with certain financing, consulting and collaboration arrangements, the Company may issue warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants are recorded at fair value as expense over the requisite service period or at the date of issuance if there is not a service period.

There were no warrants grants during the years ended December 31, 2020 and 2019, respectively. Additionally, there were no warrants issued, outstanding or exercisable as of December 31, 2020 and 2019, respectively.

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Basic and Diluted Earnings (Loss) per Share and Reverse Stock Split

Pursuant to ASC 260-10-45, basic loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the periods presented. Diluted loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period. Potentially dilutive common shares may consist of common stock issuable for stock options and warrants (using the treasury stock method), convertible notes and common stock issuable. These common stock equivalents may be dilutive in the future.

On January 19, 2021, all of the Company's issued and outstanding Class A, preferred stock and Class B, common stock was converted into Class A, common stock (see Note 6).

Effective February 8, 2021, the Company executed a 1:100 reverse stock split for its Class A, common stock.

As a result, all disclosures herein for the Class A, preferred stock and all Class B, common stock are reflected on a split adjusted basis giving effect for the reverse stock split of the Class A, common stock (post conversion).

All share and per share amounts have been retroactively restated to the earliest period presented.

The following potentially dilutive equity securities outstanding as of December 31, 2020 and 2019 were not included in the computation of diluted loss per common share because the effect would have been anti-dilutive:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Series A, redeemable preferred stock (20:1 into Class A, common stock)	196,800,000	158,100,000
Convertible note (exercise price \$0.09 and \$0.18/share)	1,295,752	671,472
Stock options (exercise prices \$0.65 - \$8.50/share)	197,500	92,500
Total common stock equivalents	<u>198,293,252</u>	<u>158,863,972</u>

The convertible notes contain exercise prices that have a discount to market ranging from 60% - 70% of the lowest trading market price in the preceding 30 or 40 days (See Note 4). As a result, the amount computed for common stock equivalents could change given the quoted closing trading price at each reporting period.

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Based on the potential common stock equivalents noted above at December 31, 2020, the Company has sufficient authorized shares of Class A, common stock (1,500,000,000). Pursuant to the terms of the Series A, preferred stock, these shares are only convertible if there are sufficient amount of unissued authorized Class A, common stock. At December 31, 2019, all Series A, preferred stock was classified as temporary equity on the consolidated balance sheet (See Notes 6 and 7). However, in connection with the conversion of Series A, preferred stock into Class A, common stock, on January 19, 2021, the Series A, preferred stock ceased to be a component of temporary equity and was then included as permanent equity on the consolidated balance sheets and the consolidated statement of stockholders' deficit at December 31, 2020.

Related Parties

Parties are considered to be related to the Company if the parties, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Recent Accounting Standards

Changes to accounting principles are established by the FASB in the form of ASU's to the FASB's Codification. We consider the applicability and impact of all ASU's on our consolidated financial position, results of operations, stockholders' deficit, cash flows, or presentation thereof.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which supersedes current guidance by requiring recognition of credit losses when it is probable that a loss has been incurred. The new standard requires the establishment of an allowance for estimated credit losses on financial assets including trade and other receivables at each reporting date. The new standard will result in earlier recognition of allowances for losses on trade and other receivables and other contractual rights to receive cash. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842)*, which extends the effective date of Topic 326 for certain companies until fiscal years beginning after December 15, 2022. The new standard will be effective for the Company in the first quarter of fiscal year beginning October 1, 2023, and early adoption is permitted. The Company has not completed its review of the impact of this standard on its financial statements.

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However, based on the Company's history of immaterial credit losses from trade receivables, management does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

Note 3 – Oil and Natural Gas Properties

Oil and Natural Gas Properties consisted of the following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Producing oil and natural gas wells (including ARO)	\$ 117,564	\$ 117,564
Mineral rights	<u>2,000</u>	<u>2,000</u>
	119,564	119,564
Accumulated depletion	<u>21,738</u>	<u>16,314</u>
Total oil and natural gas properties - net	<u>\$ 97,826</u>	<u>\$ 103,250</u>

Depletion expense for the years ended December 31, 2020 and 2019 was \$5,424 and \$8,768, respectively. These amounts are included as a component of depreciation, depletion, amortization, and accretion on the accompanying consolidated statements of operations.

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Note 4 – Convertible Notes Payable and Derivative Liability

Convertible Note Payable

The following represents a summary of the Company's convertible note, key terms, and outstanding balances at December 31, 2020 and 2019, respectively:

<u>Terms</u>	<u>Convertible Note (Derivative Liability)</u>	
Issuance date of convertible note	May 23, 2017	
Term	1 year	
Maturity date	May 23, 2018	
Interest rate	8%	
Collateral	Unsecured	
Conversion price	*	
Note Date	<u>May 23, 2017</u>	<u>In-Default</u>
Principal	<u>\$ 100,000</u>	
Balance - December 31, 2018	\$ 100,000	<u>\$ 100,000</u>
No activity in 2019	-	
Balance - December 31, 2019	100,000	<u>100,000</u>
Stock issued to repay convertible note	(30,000) **	
Gross proceeds	-	
Debt discount	-	
Amortization of debt discount	-	
Balance - December 31, 2020	<u>\$ 70,000</u>	<u>\$ 70,000</u>

* 60% of the lowest trading price, in the forty (40) preceeding trading days. The Company has determined that the embedded conversion feature requires bifurcation and will be measured at its fair value on a recurring basis at each reporting period.

** See Note 6 for Class A, common stock that was issued to repay principal and related accrued interest on this convertible note.

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Convertible Notes Payable - Related Party

On July 1, 2020, the Company executed a convertible note payable with an affiliate of the Company's Chief Operating Officer for up to \$75,000. The Company can draw down on the note through July 1, 2021, however, all principal and accrued interest must be repaid by the maturity date.

The following represents a summary of the Company's convertible notes payable – related party, key terms, and outstanding balances at December 31, 2020 and 2019, respectively:

<u>Terms</u>	<u>Convertible Note (Derivative Liability) Related Party</u>	<u>Convertible Note (Derivative Liability) Related Party</u>		
Issuance date of convertible note	July 1, 2020	November 2, 2020		
Term	1 year	0.66 years		
Maturity date	July 1, 2021	July 1, 2021		
Interest rate	8%	8%		
Collateral	Unsecured	Unsecured		
Conversion price	*	*		
Note Date	<u>July 1, 2020</u>	<u>November 2, 2020</u>	<u>Total</u>	<u>In-Default</u>
Principal	\$ 25,000	\$ 25,000	\$50,000	
Balance - December 31, 2019	-	-	-	-
Gross proceeds	25,000	25,000	50,000	
Debt discount	(25,000)	(25,000)	(50,000)	
Amortization of debt discount	12,602	6,328	18,930	
Balance - December 31, 2020	\$ 12,602	\$ 6,328	\$18,930	\$ -

* 70% of the lowest trading price, in the thirty (30) preceeding trading days. The Company has determined that the embedded conversion feature requires bifurcation and will be measured at its fair value on a recurring basis at each reporting period.

On January 8, 2021, the Company took a final drawdown of \$25,000 (tranche #3), under the same terms as the previous advances.

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Derivative Liabilities

The above convertible notes contained an embedded conversion option with a conversion price that could result in issuing an undeterminable amount of future Class A common stock to settle the host contract. Accordingly, the embedded conversion option is required to be bifurcated from the host instrument (convertible note) and treated as a liability, which is calculated at fair value, and marked to market at each reporting period.

The Company used the binomial pricing model to estimate the fair value of its embedded conversion option liabilities with the following inputs:

Convertible Note Payable

	<u>Remeasurement Date</u>	<u>Remeasurement Date</u>	<u>Remeasurement Date</u>
Convertible Note Date	December 31, 2019	July 13, 2020	December 31, 2020
Maturity date	May 23, 2018	May 23, 2018	May 23, 2018
Expected term (years)	1.00	1.00	1.00
Expected volatility	457%	436%	424%
Expected dividends	0%	0%	0%
Risk free interest rate	1.59%	0.16%	0.12%
Fair value	<u>\$ 235,521</u>	<u>\$ 212,440</u>	<u>\$ 290,608</u>

Convertible Note Payable - Related Party - Tranche #1

	<u>Commitment Date</u>	<u>Remeasurement Date</u>
Convertible Note Date	July 1, 2020	December 31, 2020
Maturity date	July 1, 2021	July 1, 2021
Expected term (years)	1.00	0.50
Expected volatility	438%	419%
Expected dividends	0%	0%
Risk free interest rate	0.16%	0.10%
Fair value	<u>\$ 44,286</u>	<u>\$ 83,333</u>

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Convertible Note Payable - Related Party - Tranche #2

	<u>Commitment Date</u>	<u>Remeasurement Date</u>
Convertible Note Date	November 2, 2020	December 31, 2020
Maturity date	July 1, 2021	July 1, 2021
Expected term (years)	0.66	0.50
Expected volatility	419%	419.40%
Expected dividends	0%	0.00%
Risk free interest rate	0.13%	0.10%
Fair value	<u>\$ 26,190</u>	<u>\$ 83,333</u>

The following is a summary of the Company's derivative liabilities for the years ended December 31, 2020 and 2019:

<u>Convertible Note Date</u>	<u>May 23, 2017</u>	<u>Related Party Tranche #1 July 1, 2020</u>	<u>Related Party Tranche #2 November 2, 2020</u>	<u>Total</u>
Derivative liability - December 31, 2018	\$ 254,937	\$ -	\$ -	\$ 254,937
Fair value mark to market adjustment	<u>(19,416)</u>	<u>-</u>	<u>-</u>	<u>(19,416)</u>
Derivative liability - December 31, 2019	235,521	-	-	235,521
Fair value at commitment date	-	44,286	26,190	70,476
Fair value mark to market adjustment	118,818	39,047	57,143	215,008
Reclassification to APIC (cease liability treatment)	<u>(63,731)</u>	<u>-</u>	<u>-</u>	<u>(63,731)</u>
Derivative liability - December 31, 2020	<u>\$ 290,608</u>	<u>\$ 83,333</u>	<u>\$ 83,333</u>	<u>\$ 457,274</u>

On July 13, 2020, in connection with the conversion of \$30,000 in convertible note principal, the Company reclassified \$63,731 of its derivative liability to additional paid-in capital as that portion of the financial instrument ceased to be a derivative liability.

See Note 6 regarding Class A common stock issued in connection with the conversion of principal and accrued interest and related loss on extinguishment of debt.

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The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. This determination requires significant judgments to be made. Liabilities measured at fair value on a recurring basis consisted of the following at December 31, 2020 and 2019:

	<u>December 31, 2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Derivative liabilities	\$ 457,274	\$ -	\$ -	\$ 457,274

	<u>December 31, 2019</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Derivative liabilities	\$ 235,521	\$ -	\$ -	\$ 235,521

A reconciliation of the beginning and ending balances for the derivative liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is noted above for the years ended December 31, 2020 and 2019.

Changes in fair value of derivative liabilities are included in other income (expense) in the accompanying consolidated statements of operations.

Note 5 – Commitments and Contingencies

In connection with its natural gas operations, and under certain royalty agreements, the Company pays royalties to landowners where natural gas is extracted, equal to 12.5% of product sold. For the years ended December 31, 2020 and 2019, the Company paid \$8,457 and \$4,909, respectively.

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Note 6 – Stockholders’ Deficit

At December 31, 2020, and prior to the conversions noted below, the Company had three (3) classes of stock:

Class A Common Stock

- 1,500,000,000 shares authorized
- Par value - \$0.001
- Voting at 1 vote per share

Series A Preferred Stock

- 1,000,000,000 shares authorized
- Par value - \$0.001
- Voting at 20 votes per share
- Ranks senior to Class A and B common stock
- Eligible for dividends if declared by the Board of Directors
- Liquidation preference - \$1/share
- Conversion into 20 shares of Class A, common stock for each share held, this option is held by the majority of the Series A, Preferred Stockholders, provided there are a sufficient amount of unissued authorized Class A, common stock.

At December 31, 2019, these shares are classified as temporary equity on the consolidated balance sheets as the Company did not have sufficient authorized shares to settle potential conversions.

At December 31, 2020, and in connection with the 1:100 reverse split on February 8, 2021, the Company had sufficient authorized shares to settle any potential conversions. As a result, the Company reclassified the preferred shares previously reflected as temporary equity (\$790,500) at December 31, 2019 to permanent equity in the accompanying consolidated balance sheets at December 31, 2020.

On January 19, 2021, all 9,840,000 issued and outstanding shares were converted into 19,680,000 shares of Class A, Common Stock at par value.

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Preferred Stock

On February 19, 2021, the Company amended its Articles of Incorporation to reflect a new class of Preferred Stock.

- 250,000,000 shares authorized
- Par value - \$0.001

Class B Common Stock

- 2,000,000,000 shares authorized
- Par value - \$0.001
- Voting at 20 votes per share

On January 19, 2021, all 2,125,000 issued and outstanding shares were converted into 2,125,000 shares of Class A, Common Stock at par value.

Equity Transactions for the Year Ended December 31, 2020

Series A Preferred Stock

Stock Issued for Services – 3rd Parties – Series A Preferred Stock

On September 21, 2020, the Company issued 100,000 shares of Series A, preferred stock, for services rendered, having a fair value of \$540,000 (\$0.27/share). Since the Company's preferred stock is not traded in an observable public market, fair value was determined on an as converted basis into common stock at a ratio of 20:1.

On January 19, 2021, these 100,000 shares were converted into 2,000,000 shares of Class A, common stock at par value.

Stock Issued for Services – Related Parties - Series A Preferred Stock

On September 21, 2020, the Company issued 1,995,000 shares of Series A, preferred stock, for services rendered, having a fair value of \$10,773,000 (\$0.27/share). Since the Company's preferred stock is not traded in an observable public market, fair value was determined on an as converted basis into common stock at a ratio of 20:1.

On January 19, 2021, these 1,995,000 shares were converted into 39,900,000 shares of Class A, common stock at par value.

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Conversion of Series A, Preferred Stock into Class A, Common Stock - Related Party

In 2020, the Company's Chief Executive Officer converted 160,000 shares of Series A, preferred stock into 3,200,000 shares of Class A, common stock at par value.

Class A Common Stock

Stock Issued for Cash – 3rd Parties – Class A Common Stock

During 2020, the Company issued 1,408,333 shares of Class A, common stock, for \$422,500 (\$0.30/share). Of the total, \$80,000 was a stock subscription receivable, which was received in February 2021.

Stock Issued for Acquisition of OB – Class A Common Stock

On January 27, 2020, the Company issued 10,000 shares of Class A, common stock, having a fair value of \$4,000 (\$0.40/share), based upon the quoted closing trading price of the Company's common stock to purchase 100% of OB.

This acquisition was determined to be that of an asset and not a business, therefore, there was not a business combination requiring acquisition accounting or related financial reporting. This acquisition was deemed insignificant.

Stock Issued for Accounts Payable – 3rd Parties – Class A Common Stock

On May 7, 2020, the Company issued 100,000 shares of Class A common stock to settle an outstanding accounts payable balance of \$50,000, having a fair value of \$27,000 (\$0.27/share), based upon the quoted closing trading price of the Company's common stock. In connection with the settlement, the company recorded a gain on forgiveness of accounts payable of \$23,000.

Stock Issued in Settlement of Convertible Debt and Accrued Interest and Loss Debt Extinguishment – Class A Common Stock

On June 23, 2020, the Company issued 250,000 shares of Class A common stock to repay \$24,700 of accrued interest on its convertible note payable (See Note 4). These shares had a fair value of \$97,500 (\$0.39/share), based upon the quoted closing trading price of the Company's common stock. The remaining \$72,800 was charged to loss on debt extinguishment.

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On July 13, 2020, the Company issued 300,000 shares of Class A common stock to repay \$30,000 of principal and accrued interest of \$438 on its convertible note payable (See Note 4). These shares had a fair value of \$97,500 (\$0.33/share), based upon the quoted closing trading price of the Company's common stock. The remaining \$67,062 was charged to loss on debt extinguishment.

In connection with these stock issuances, the Company recognized a loss on debt extinguishment as follows:

Fair value of Class A, common stock issued	\$195,000
Repayment of convertible note	(30,000)
Repayment of accrued interest	<u>(25,138)</u>
Loss on debt extinguishment	<u>\$139,862</u>

Class B Common Stock

Stock Issued for Services – 3rd Parties – Class B Common Stock

On September 21, 2020, the Company issued 200,000 shares of Class B, common stock, for services rendered, having a fair value of \$20,000 (\$0.10/share). Since the Company's Class B common stock is not traded in an observable public market, fair value was based upon the services rendered as that represented the best evidence of fair value in the exchange.

Stock Issued for Services – Related Parties - Class B Common Stock

On September 21, 2020, the Company issued 1,700,000 shares of Class B, common stock, for services rendered, having a fair value of \$170,000 (\$0.10/share). Since the Company's Class B common stock is not traded in an observable public market, fair value was based upon the services rendered as that represented the best evidence of fair value in the exchange.

Stock Issued to Settle Accounts Payable – Class B Common Stock

In 2020, the Company issued 100,000 shares of Class B, common stock to settle outstanding accounts payable with a service provider, having a fair value of \$10,000 (\$0.10/share). Since the Company's Class B common stock is not traded in an observable public market, fair value was based upon the value of the accounts payable that was settled, as that represented the best evidence of fair value in the exchange.

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Equity Transactions for the Year Ended December 31, 2019

Series A Preferred Stock

Stock Issued for Acquisition of HGC – Related Party – Series Preferred Stock

On July 10, 2019, the Company issued 405,000 shares of Series A, preferred stock (8,100,000 shares on an as-converted basis), having a fair value of \$5,670,000 (\$0.70/share), based upon the quoted closing trading price on the acquisition date, to purchase 100% of HGC, in a transaction considered both an asset purchase and a compensation arrangement (See Note 7).

The Company's Chief Operating Officer was the sole owner of HGC at the time of acquisition.

The Company's Series A, preferred stock is not traded in an observable public market and there were no other third party cash offerings to establish a fair value for these preferred shares. However, in accordance with ASC 470 "*Debt*", under its parity value (as-converted value), this represented the best evidence of fair value on the acquisition date as these preferred shares convert on a 20 for 1 basis (see above) into Class A, common stock (See Note 7).

The Company determined the valuation of this transaction as follows:

Quantity of Series A, preferred stock issued to HGC	405,000
Conversion ratio of Series A, preferred stock into Series A, common stock	20
Equivalent Series A, common shares	8,100,000
Quoted closing trading price on date of acquisition	\$ 0.70
Value of Series A, preferred stock issued	5,670,000
Less: amount allocated to net assets acquired	<u>(61,034)</u>
Compensation paid to acquiree (related party)	<u>\$ 5,608,966</u>

The payment for compensation specifically relates to HGC's sole owner (our COO) and the technical know-how and branded reputation of HGC that is expected to be used in expanding the Company's business operations. The compensation was earned on the acquisition date for services rendered and is included as a component of general and administrative expenses in the consolidated statements of operations.

Class A Common Stock

Stock Issued for Services

During 2019, the Company issued 100,000 shares of Class A, common stock for services rendered, having a fair value of \$50,650 (\$0.46 - \$0.55/share), based upon the quoted closing trading price of the Company's common stock.

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Stock Issued for Services – Related Parties

During 2019, the Company issued 875,000 shares of Class A, common stock for services rendered to various officers and directors, having a fair value of \$374,760 (\$0.36 - \$0.46/share), based upon the quoted closing trading price of the Company's common stock.

Stock Options Issued for Services

During 2017, the Company adopted the Company's 2017 Incentive Plan (the "Plan"). The Plan provides stock based compensation to employees, directors, and consultants. The Company has reserved 200,000 shares under the Plan.

Stock option transactions under the Company's Plan for the years ended December 31, 2020 and 2019 are summarized as follows:

Stock Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding - December 31, 2018	197,500	\$ 4.15	4.23	\$ -	\$ -
Granted	-	-	-	-	\$ -
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding - December 31, 2019	197,500	\$ 4.15	3.23	\$ -	\$ -
Vested and exercisable - December 31, 2019	92,500	\$ 7.49	2.70	\$ -	\$ -
Unvested and non-exercisable - December 31, 2019	105,000	\$ 1.21	3.70	\$ -	\$ -
Outstanding - December 31, 2019	197,500	\$ 4.15	3.23	\$ -	\$ -
Granted	-	-	-	-	\$ -
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding - December 31, 2020	197,500	\$ 4.15	2.23	\$ -	\$ -
Vested and exercisable - December 31, 2020	197,500	\$ 4.15	2.23	\$ -	\$ -
Unvested and non-exercisable - December 31, 2020	-	\$ -	-	\$ -	\$ -

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Compensation expense recorded for stock-based compensation is as follows for the years ended December 31, 2020 and 2019:

<u>2020</u>	<u>2019</u>
<u>\$ 14,625</u>	<u>\$ 231,932</u>

As of December 31, 2020, all stock option compensation cost has been recognized. There are no unvested options.

Note 7 – Acquisition of HGC – Related Party

On July 10, 2019, the Company acquired 100% of the outstanding member units of HGC and paid compensation to its sole owner in exchange for 405,000 shares of Class A Preferred Stock, having a fair value of \$5,670,000 (\$0.70/share), based upon the quoted closing trading price (See Note 6). With the acquisition, the Company gained the ability to provide a wide variety of geotechnical consulting services (See Note 1).

For 2019, the Company has included the results of operations of HGC from the acquisition date through the end of the year. There were no acquisition related costs.

The sole owner of HGC was the Chief Operating Officer of the Company on the date of acquisition, resulting in a transaction with a related party.

Pursuant to ASU 2017-01, Business Combinations (Topic 805): “Clarifying the Definition of a Business”, this acquisition was determined to be that of an asset and not a business, therefore, there was not a business combination requiring acquisition accounting or related financial reporting. The Company has elected to provide additional optional information regarding the acquisition of HGC.

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The following table summarizes the consideration paid to HGC and the amounts of the assets acquired, and liabilities assumed recognized at the acquisition date. See Note 6 for additional discussion regarding a compensation arrangement executed with HGC as a component of this transaction. Since this was deemed to be an asset purchase, this did not result in the recognition of goodwill or other identifiable intangible assets.

Consideration	
Class A Preferred Stock (8,100,000 equivalent Class A, common shares)	<u>\$5,670,000</u>
Fair value of consideration transferred	<u>\$5,670,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	55,813
Accounts receivable	<u>9,167</u>
Total assets acquired	<u>64,980</u>
Accrued expenses	
Total liabilities assumed	<u>3,946</u>
Total identifiable net assets	<u>61,034</u>
Compensation paid to HGC	<u>\$5,608,966</u>

Post-acquisition, accounts receivable was collected, and accrued expenses were paid.

Unaudited Pro Forma Financial Information

The following table presents supplemental unaudited pro forma information for the year ended December 31, 2019, as if the acquisition had occurred on January 1, 2019.

This unaudited pro forma information has been prepared based on estimates and assumptions, which management believes are reasonable. These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of that date or results which may occur in the future.

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	<u>Year Ended December 31, 2019</u>
Revenues	<u>\$ 527,859</u>
Net loss	<u>\$ (588,697)</u>
Loss per share - basic and diluted	<u>\$ (0.41)</u>
Weighted average number of shares - basic and diluted	<u>1,420,577</u>

Note 8 – Income Taxes

The Company's tax expense differs from the "expected" tax expense for the period (computed by applying the blended corporate tax rate of 28.89% to loss before taxes), are approximately as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Federal income tax benefit net of state benefit - 18.90%	\$ (2,335,000)	\$ (1,204,000)
State income tax - net of federal tax effect - 9.99%	(1,234,000)	(636,000)
Tax effect of timing differences for income tax purposes	3,394,000	1,804,000
Non-deductible items	<u>32,000</u>	<u>-</u>
Subtotal	(143,000)	(36,000)
Valuation allowance	<u>143,000</u>	<u>36,000</u>
	<u>\$ -</u>	<u>\$ -</u>

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The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2020 and 2019 are approximately as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Deferred Tax Assets</u>		
Stock issued for services (common and preferred)	\$ (5,275,000)	\$ (1,951,000)
Stock options issued for services	(159,000)	(155,000)
Amortization of debt discount	(34,000)	(29,000)
Change in value of derivative liability	(82,000)	(20,000)
Impairment expense	(78,000)	(78,000)
Net operating loss carryforwards	<u>(143,000)</u>	<u>(36,000)</u>
Total deferred tax assets	(5,771,000)	(2,269,000)
Less: valuation allowance	<u>5,771,000</u>	<u>2,269,000</u>
Net deferred tax asset recorded	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets and liabilities are computed by applying the federal and state income tax rates in effect to the gross amounts of temporary differences and other tax attributes, such as net operating loss carryforwards. In assessing if the deferred tax assets will be realized, the Company considers whether it is more likely than not that some or all of these deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which these deductible temporary differences reverse.

During the years ended December 31, 2020 and 2019, the valuation allowance increased by approximately \$3,502,000 and \$1,739,000, respectively. The total valuation allowance results from the Company's estimate of its inability to recover its net deferred tax assets.

At December 31, 2020, the Company has federal and state net operating loss carryforwards, which are available to offset future taxable income, of approximately \$1,536,000. The Company is in the process of analyzing their NOL and has not determined if the company has had any change of control issues that could limit the future use of these NOL's. NOL carryforwards that were generated after 2017 of approximately \$967,000 may only be used to offset 80% of taxable income and are carried forward indefinitely. NOL's totaling approximately \$568,000 expire through December 31, 2037.

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These carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, and similar state provisions if the Company experienced one or more ownership changes which would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. The Company has not completed an IRC Section 382/383 analysis. If a change in ownership were to have occurred, NOL and tax credit carryforwards could be eliminated or restricted.

If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact the Company's effective tax rate.

The Company files corporate income tax returns in the United States and the State of Pennsylvania jurisdictions. Due to the Company's net operating loss posture, all tax years are open and subject to income tax examination by tax authorities. The Company's policy is to recognize interest expense and penalties related to income tax matters as tax expense. At December 31, 2020 and 2019, there are no unrecognized tax benefits, and there are no significant accruals for interest related to unrecognized tax benefits or tax penalties.

Note 9 – Supplementary Information for Oil and Gas Producing Activities (Unaudited, except for Capitalized Costs Relating to Oil and Gas Producing Activities)

The Company follows authoritative guidance related to oil and gas exploration and production activities that aligns the reserve estimation and disclosure requirements with the requirements of the SEC Modernization of Oil and Gas Reporting rule, which the Company also follows. The SEC rules require companies to value their year-end reserves using an unweighted arithmetic average of the first day of the month oil and gas prices for each month within the twelve month period prior to the end of the reporting period.

The following supplementary information is presented in accordance with the authoritative guidance regarding disclosures about oil and gas producing activities and related SEC accounting rules. All monetary amounts are expressed in U.S. dollars.

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Production	Year Ended December 31,	
	2020	2019
Revenue from external customers (1)	\$ 27,868	\$ 44,731
Depreciation, depletion and amortization	\$ 13,259	\$ 16,603
Segment profit (loss): net income (loss)	\$ (23,221)	\$ 6,249
Expenditures for additions to long-lived assets	\$ -	\$ -

(1) All revenue from external customers originated in the United States.

Segment assets (oil and gas) - net	<u>\$ 88,101</u>	<u>\$ 112,857</u>
Long-Lived Assets:		
United States	<u>\$ 97,826</u>	<u>\$ 103,250</u>

Capitalized Costs Relating to Oil and Gas Producing Activities	Year Ended December 31,	
	2020	2019
Proved properties	\$119,564	\$119,564
Unproved properties	<u>-</u>	<u>-</u>
	119,564	119,564
Less: accumulated depletion	<u>(21,738)</u>	<u>(16,314)</u>
	<u>\$ 97,826</u>	<u>\$103,250</u>

Costs related to unproved properties are excluded from amortization until proved reserves are found or it is determined that the unproved properties are impaired. All costs related to unproved properties are reviewed quarterly to determine if impairment has occurred. The amount of any impairment is transferred to the pool of capitalized costs being amortized. The timing of the ultimate evaluation or disposition of the unproved properties cannot be determined. Following is a summary of costs excluded from amortization at December 31, 2020 and 2019:

Year Costs Incurred	Year Ended December 31,	
	2020	2019
Acquisition costs	\$ -	\$ -
Development costs	-	-
Exploration costs	-	-
Capitalized interest	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

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Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	Year Ended December 31,	
United States	2020	2019
Property Acquisition Costs:		
Proved	\$ -	\$ -
Unproved	-	-
Exploration costs	-	-
Development costs	-	-
Asset retirement costs	-	-
	<u>\$ -</u>	<u>\$ -</u>

Results of Operations for Producing Activities

	Year Ended December 31,	
United States	2020	2019
Operating Revenues:		
Gas (1)	\$ 27,383	\$ 41,490
Oil, condensate and other liquids	485	3,241
Total operating revenues	27,868	44,731
Production/lifting costs	26,710	15,641
Franchise/Ad Valorem taxes	-	-
Depreciation, depletion, amortization and accretion	13,259	16,603
Impairment of oil and gas producing properties	-	-
Income tax (expense) benefit (2)	-	-
Results of operations for producing activities (excluding corporate overheads and interest charges)	<u>\$ (12,101)</u>	<u>\$ 12,487</u>

(1) There were no revenues from sales to affiliates for all periods presented.

(2) The Company has generated historical net operating losses that will be utilized.

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The Company's proved oil and gas reserve estimates are prepared by the Company's reservoir engineering consultants who meet the qualifications of Reserve Estimator per the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007. The Company maintains comprehensive internal reserve guidelines and a continuing education program designed to keep its staff up to date with current SEC regulations and guidance.

The Company's Chief Operating Officer is a Professional Geologist and is the primary technical person responsible for overseeing the Company's reserve estimation process and engaging and overseeing the third party reserve report. His qualifications include a Bachelor of Science Degree and Master of Science in Geology and over 20 years of Professional Geologist experience with both midsized and independent oil and gas companies. He has maintained oversight of the Company's reserve estimation process since 2018. He is a Registered Professional Geologist in the Commonwealth of Pennsylvania.

The Company maintains a system of internal controls over the reserve estimation process. Management reviews the price, heat content, lease operating cost and future investment assumptions used in the economic model to determine the reserves. The Chief Operating Officer reviews and approves all new reserve assignments and significant reserve revisions. Access to the reserve database is restricted. Significant changes to the reserve report are reviewed by senior management on a quarterly basis. Periodically, the Company's internal audit department assesses the design of these controls and performs testing to determine the effectiveness of such controls.

All of the Company's reserve estimates were prepared annually by Ayers Petroleum Consulting, LLC ("Ayers") for the years ended December 31, 2019 and prior. For the year ended December 31, 2020, Ayers served as a consultant to the Company and assisted in developing the Company's estimates under the guidance of management.

Since 2017, Ayers has evaluated gas and oil properties and independently certified petroleum reserve quantities in the United States. The primary technical persons (employed by Ayers) that are responsible for leading the report include the owner, an experienced reserve engineer who has worked for midsized and independent oil and gas companies and has over 20 years of prior industry experience in petroleum engineering and reserves estimation. Ayers also employs a professional geoscientist registered in the Commonwealth of Pennsylvania (consulting at Ayers since 2017 and with over 20 years of prior industry experience in petroleum geosciences). Ayers was satisfied with the methods and procedures used by the Company to prepare its reserve estimates at December 31, 2020 and 2019 and did not identify any problems which would cause it to take exception to those estimates.

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The reliable technologies that were utilized in estimating the reserves include wire line open-hole log data, production performance data, log cross sections, and statistical analysis. The statistical method utilized production performance from both the Company's and competitors' wells. Geophysical data includes data from the Company's wells, third-party wells, published documents and state data-sites. These were used to confirm the validity of the inhouse production data.

Proved Developed and Undeveloped Reserves:

	Gas MMcf	
<u>United States</u>	<u>Appalachian Region</u>	
December 31, 2018	182	
Extensions and discoveries	-	
Revisions of previous estimates	-	
Production	(18)	
Sale of minerals in place	-	
December 31, 2019	164	
Extensions and discoveries	-	
Revisions of previous estimates	-	
Production	(15)	
Sale of minerals in place	-	
December 31, 2020	149	
	Year Ended December 31,	
	2020	2019
Proved Developed Reserves:	149	164
Proved Undeveloped Reserves:	-	-

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Proved Developed and Undeveloped Reserves:

<u>United States</u>	<u>Oil Mbbl</u> <u>Appalachian Region</u>
December 31, 2018	-
Extensions and discoveries	-
Revisions of previous estimates	0.16
Production	(0.16)
Sale of minerals in place	-
December 31, 2019	-
Extensions and discoveries	-
Revisions of previous estimates	0.06
Production	(0.06)
Sale of minerals in place	-
December 31, 2020	-

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Proved Developed Reserves:	-	-
Proved Undeveloped Reserves:	-	-

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Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The Company cautions that the following presentation of the standardized measure of discounted future net cash flows is intended to be neither a measure of the fair market value of the Company's oil and gas properties, nor an estimate of the present value of actual future cash flows to be obtained as a result of their development and production. It is based upon subjective estimates of proved reserves only and attributes no value to categories of reserves other than proved reserves, such as probable or possible reserves, or to unproved acreage. Furthermore, in accordance with the SEC's final rule on Modernization of Oil and Gas Reporting, it is based on the unweighted arithmetic average of the first day of the month oil and gas prices for each month within the twelve-month period prior to the end of the reporting period and costs adjusted only for existing contractual changes. It assumes an arbitrary discount rate of 10%. Thus, it gives no effect to future price and cost changes certain to occur under widely fluctuating political and economic conditions.

The standardized measure is intended instead to provide a means for comparing the value of the Company's proved reserves at a given time with those of other oil- and gas-producing companies than is provided by a simple comparison of raw proved reserve quantities.

Standardized Measure of Discounted Future Net Cash Flows (Approximate Totals)

United States	Year Ended December 31,	
	2020	2019
Future revenues	\$299,000	\$440,000
Less:		
Future production costs	97,000	143,000
Future development costs	-	-
Future income tax expense at applicable statutory rate (1)	-	-
Future net cash flows	202,000	297,000
Less:		
10% annual discount of estimated timing of cash flows	(84,000)	(169,000)
Standardized measure of discounted future net cash flows	<u>\$118,000</u>	<u>\$128,000</u>

(1) The Company is unable to project future taxable income at December 31, 2020. In the event of future net income, the Company has historical net operating losses that could be used to reduce taxable income.

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<u>United States</u>	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Standardized Measure of Discounted Future Net Cash Flows (Approximate Totals)		
Net cash flows - beginning of year	\$128,000	\$182,000
Sales - net of production costs	1,000	29,000
Net changes in prices - net of production costs	(11,000)	(83,000)
Extensions and discoveries	-	-
Changes in estimated future development costs	-	-
Purchases of minerals in place	-	-
Sales of minerals in place	-	-
Previously estimated development costs incurred	-	-
Net change in income taxes at applicable statutory rate (1)	-	-
Revisions of previous quantity estimates	-	-
Accretion of discount and other	-	-
Standardized measure of discounted future net cash flows - end of year	<u>\$118,000</u>	<u>\$128,000</u>

(1) The Company is unable to project future taxable income at December 31, 2020. In the event of future net income, the Company has historical net operating losses that could be used to reduce taxable income.