

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934
 TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2003

Commission file number: 0-22149

THE AMERICAN ENERGY GROUP, LTD.

(Exact name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

87-0448843
(I.R.S. Employer
Identification No.)

120 Post Road West
Suite 202
Westport, Connecticut
(Address of principal executive offices)

06880
(Zip code)

203-222-7315

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to section 12(g) of the Act:
Common Stock, Par Value \$.001 Per Share

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or in any amendment of this Form 10-K. []

The issuer's revenues for the year ended June 30, 2003 were \$357,062

The issuer's Common Stock was not traded on a public exchange or market on August 18, 2004. As a result, no stated market value of the issuer's Common Stock is provided.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No
(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of August 18, 2004, the number of Common shares outstanding was 23,280,456

DOCUMENTS INCORPORATED BY REFERENCE

None.

**THE AMERICAN ENERGY GROUP, LTD.
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PART I

ITEMS 1 AND 2 – BUSINESS AND PROPERTIES.

Overview and Subsequent Events

The American Energy Group, Ltd. was, until its calendar 2002 bankruptcy, an independent oil and natural gas company engaged in the exploration, development acquisition and production of crude oil and natural gas properties in the Texas gulf coast region of the United States and in the Jacobabad area of the Republic of Pakistan. While the bankruptcy proceedings were pending, the Texas producing oil and gas leases in Fort Bend County, Texas were foreclosed by the secured lender. Our non-producing Galveston County, Texas oil and gas lease rights were not affected by the foreclosure. In November, 2003, we sold the capital stock of our Hycarbex-American energy, Inc. subsidiary, which held the exploration license in Pakistan, to Hydro Tur (Energy) Ltd., a company organized under the laws of the Republic of Turkey. The Company retained an 18.0% overriding royalty interest in the production which may be derived in the future from drilling operations by Hydro Tur (Energy) Ltd. We emerged from bankruptcy in early 2004 with these two assets intact, but without ongoing business activities other than the maintenance and management of these assets.

Pre-Bankruptcy History

The American Energy Group, Ltd. (formerly Belize-American Corp. International and before that, Dim, Inc.) [hereinafter “Company”] was organized in the State of Nevada on July 21, 1987, as a wholly owned subsidiary of Dimension Industries, Inc. a Utah Corporation (hereinafter “Dimension”). At the time of organization, we issued 1,366,250 shares of voting Common Stock to Dimension, which was the sole stockholder. On April 28, 1989, our form S-18 filed with the Securities and Exchange Commission was declared effective. Dimension distributed the 1,366,250 shares it held to the stockholders of Dimension as a dividend. Also distributed were 1,566,250 warrants to purchase 1 share of voting Common Stock of the Company for each warrant held. The warrant offering expired on August 11, 1989. Exercise of the warrants by shareholders resulted in our issuing 1,547,872 shares of voting Common Stock. In 1987, we engaged in marketing an automobile carburetor modification kit. The efforts were not successful and were abandoned. From 1987 to 1990, we were inactive. In October, 1990, the shareholders approved a one for ten (1:10) reverse split of the voting Common Stock. In June, 1991, we obtained an Oil Prospecting License from the government of Belize. At a special meeting of shareholders, resolutions to change the name of the Company to “Belize-American Corp. International”, forward split the voting Common Stock ten for one (10:1) and a vote to ratify the Oil Prospecting License received a vote of approval.

During 1991, we attempted various means to attract sufficient capital investment to develop the oil prospect in Belize, but we were not successful. The license expired due to our lack of performance. From 1992 until 1994, our activities consisted of attempting to raise capital for a business venture and solicitation of other business enterprises for a possible merger. On September 22, 1994, we entered into an agreement with Simmons Oil Company, Inc., a Texas corporation (hereinafter “Simmons”) whereby we issued 2,074,521 shares of Convertible Voting Preferred Stock to the shareholders of Simmons in order to acquire Simmons and two subsidiaries of Simmons, Simmons Drilling Company and Sequoia Operating Company. The agreement was effective September 30, 1994. Prior to the acquisition of Simmons, Simmons had acquired certain oil and gas properties located in Texas. Subsequent to the acquisition, we acquired additional oil and gas properties in the same general area through subsidiaries.

In April 1995, we acquired all of the outstanding shares of Hycarbex, Inc., a Texas corporation (hereinafter “Hycarbex”) for 120,000 shares of our voting Common Stock, a 1% Overriding Royalty Interest in the revenues generated through the development of Hycarbex’s Pakistan Concession, and an agreement to pay the sole shareholder \$200,000 conditioned upon the success of that development. For accounting purposes, this acquisition was treated as a pooling of interests. We changed the name of Hycarbex, Inc. to Hycarbex-American Energy, Inc. and operated it as a subsidiary until the stock was sold in November of 2003. Hycarbex holds an oil and gas Concession and Exploration License granted by the government of Pakistan in the Sindh Province. The Yasin Concession is comprised of approximately 2,200 square kilometers.

We began producing commercial quantities of oil on our Texas-based properties and emerged from the development stage during the year ended June 30, 1997, during which month, we purchased oil and gas properties comprised of approximately 1,400 acres in Texas which contained several existing producing wells. A program of reworking the existing wells and drilling new wells on these Texas properties ensued from that point. These Texas-

based properties were, at the time, the only source of cash flow from business operations. During 1997, we also acquired by purchase from a bankruptcy trustee, the rights then held by Luck Petroleum Corporation in oil and gas leases comprising approximately 593 acres in Galveston County, Texas. These rights included “after payout” interests in shallow and mid-range horizons held and operated by third parties, as well as interests in the deeper zones below approximately 10,000 feet.

During the year ended June 30, 1998, we drilled our initial well on our Pakistan Concession, the Kharnhak #1, which indicated the presence of high BTU methane gas in the wellbore formations, but which was not completed as a commercial discovery well. During the year ended June 30, 1999, we drilled our second exploration well, the David #1 Well, and due to mechanical difficulties, abandoned it and commenced a substitute exploratory well, the David #1A Well shortly thereafter in the Spring of 1999. The David #1A likewise experienced problems, including the presence of hydrogen sulfide gas. Although both wells encountered gas shows, both were plugged and abandoned as non-commercial. No additional drilling was undertaken during the year ended June 30, 2000, and we obtained an extension from the Pakistan Government to commence a substitute well for the David #1A Well by November 30, 2000, conditioned upon the completion of additional seismic surveys on the acreage. The required seismic surveys were completed and we drilled the Jacobabad No. 3 well in January 2001. While it demonstrated hydrocarbon presence on its analytical logs, it was plugged and abandoned as non-commercial.

During the quarter ended March 31, 2000, we announced our intention to sell our Texas oil and gas leases in order to focus our activities and resources toward the development of our Pakistan concession. On May 9, 2000, we entered into an agreement with Northern Lights Energy, Ltd. to sell our Texas oil and gas leases for \$4,000,000 after considering the relative terms of a number of verbal and written offers from the interested parties. As a result of this contract to sell the assets for \$4,000,000, we recorded a net loss on our books for the year ending June 30, 2000 of \$12,283,248 based, in part, upon the deemed asset impairment loss of \$11,643,262 recorded by us pursuant to SFAS 121 titled “Accounting for the Impairment of Long-Lived Assets”. The asset loss calculation was based upon the difference between the four million dollar sale price and the value previously attributed to those assets on our books. Northern Lights Energy, Ltd. failed to consummate the transaction and we initiated litigation during the quarter commencing October 1, 2000, to cancel the contract, while simultaneously commencing efforts to market the oil and gas leases to alternative prospective purchasers. The Northern Lights Energy, Ltd. litigation was settled in 2001. As part of the settlement, we repaid to Northern Lights, a portion of the funds which Northern Lights had advanced toward the purchase price at the time of the May 2000 agreement and Northern Lights released all claims to the Texas-based oil and gas leases. The source of the repayment of the advance was Zaber Investments, L.L.C., a Texas based company owned by William Aber and Michael Zabransky. For providing these funds, Zaber Investments, L.L.C. was assigned a ten percent (10%) interest in all of the Texas-based leases and drilling equipment. Contemporaneously with this transaction, William Aber became a member of the Board of Directors and an officer of the Company and he served in those capacities until early in calendar 2003. Zaber Investments, L.L.C. reassigned its interests in the Galveston County oil and gas leases to the Company in calendar 2004.

Events Preceding Bankruptcy and During Bankruptcy

After settling the Northern Lights litigation, fervent efforts were made to sell the Texas-based producing oil and gas leases. In January 2002, Georg von Canal was purportedly removed from the Board by certain shareholders constituting a majority, as prescribed by the Company’s bylaws, but which votes did not meet the two-thirds majority required by the Nevada corporate laws. In March 2002, Mr. von Canal filed a lawsuit seeking a judicial declaration as to his rightful management positions in the District Court of Harris County. In April, 2002, the Company entered into a sale agreement with a German concern, Vivus Beiteiligungs-Aktiengesellschaft, which, if closed, would have resolved the operating capital deficiency and the management dispute. The purchaser failed to consummate the transaction and on June 28, 2002, the Company was placed in involuntary Chapter 7 bankruptcy by three (3) creditors, one of which subsequently withdrew and was replaced by Georg von Canal. This proceeding stayed the attempts by the first lien creditor to foreclose on the Texas oil and gas leases and was ultimately converted to a debtor-in-possession Chapter 11 bankruptcy in December 2002. At the request of Mr. von Canal, the Bankruptcy Court permitted the State District Court to proceed with the Georg von Canal lawsuit and on November 13, 2002, the State District Court granted Mr. von Canal’s motion for summary judgment and reinstated his management positions.

Thereafter, efforts continued to sell the Texas-based assets and/or to sell securities of the Company with the permission of the Bankruptcy Court. A contract was negotiated with Global Energy Group, AG, a Swiss company, during January and February 2003, the terms of which provided for convertible debt financing to the Company sufficient to discharge the first lien debt against the Texas oil and gas assets. The purchaser did not perform the

contract and, as a result, the first lien lender foreclosed. These foreclosed assets could no longer be considered for reorganization purposes. Management proceeded to redirect its reorganization efforts to the remaining assets.

In November 2003, the Company reached an agreement with Hydro Tur (Energy) Ltd. to sell to Hydro Tur all of the stock of Hycarbex-American Energy, Inc. in exchange for an 18% royalty and the commitment by Hydro Tur to drill a well by April 16, 2004. The agreement provided for the royalty to be reduced upon certain contingencies, including the failure of Hydro Tur to drill initially a successful discovery well and including the failure by the Company to perform its Second Amended Plan of Reorganization. By amendment dated February 16, 2004, these contingencies were removed in exchange for issuance to Hydro Tur of 1,500,000 restricted shares of Common Stock. The drilling obligation was likewise extended from April 16, 2004 to November 16, 2004.

Office Facilities

The Company relinquished its leased office space in Houston, Texas at 9441 Sam Houston Parkway during the year ended June 30, 2003, and moved its principal office to 115 Hickory Ridge Drive, Houston, Texas 77024. We did not pay a fee for usage of the Hickory Drive address and commencing in July 2004, the principal address was temporarily moved to 120 Post Road West, Westport, Connecticut to accommodate the Company's sole officer, Pierce Onthank. We intend to research, identify and lease a suitable office facility in the Houston, Texas, area in the future.

Employees

We did not have any remaining paid employees by June 30, 2003, as our field operations were shut down contemporaneously with the foreclosure of the producing Texas oil and gas leases. We had one executive officer on June 30, 2003, who accrued his salary.

ITEM 3 – LEGAL PROCEEDINGS

We had numerous prepetition suits by creditors based upon nonpayment for services and goods related to our Texas-based oil and gas activities, some of which resulted in judgments. Several of these creditors asserted claims in the bankruptcy proceedings which commenced June 28, 2002, and as a result, received Common Stock in satisfaction of their claims pursuant to the Second Amended Plan of Reorganization, which plan provided for cancellation of all outstanding securities and issuance of new Common Stock to the creditors.

On January 22, 2004, we filed lawsuit in the United States Bankruptcy Court, Southern District of Texas, as an adversary proceeding against Smith Energy 1986-A Partnership, Smith Energy Company, Inc. and Howard Smith. The basis of the lawsuit is a claim for unpaid working interest proceeds claimed by The American Energy Group, Ltd. as the owner of a 15% "after payout" working interest in certain producing zones under our Galveston County, Texas assets. The basis of our claim is that payout may have actually been achieved resulting in a possible wrongful retention of revenues by the named defendants. If successful, we believe that we will recoup proceeds which should have been paid previously as well as obtain a revenue stream from future production from these zones. This lawsuit is pending as of the date of filing of this report.

ITEM 4 – SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matters to a vote of security holders during the fourth quarter of the year ended June 30, 2003.

ITEM 5 – MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our Common Stock previously traded on the National Association of Securities Dealers Bulletin Board quotation system under the symbol "AMEL". Although an active trading market for our Common Stock existed prior to bankruptcy, currently our shares are not trading due to our failure to file the annual and quarterly reports for the periods ending September 30, 2002; December 31, 2002; March 31, 2003, June 30, 2003, September 30, 2003; December 31, 2003, and March 31, 2004. These delinquent reports have been filed as of the date of this report. Additionally, our shares are not currently traded because the outstanding securities prior to bankruptcy were cancelled and new Common Stock issued solely to creditors, pursuant to the Second Amended Plan of Reorganization. Upon emergence from bankruptcy, we obtained a new CUSIP number and issued the new share certificates. The number of

record holders of the Company's \$0.001 par value Common Stock at August 18, 2004 was forty eight (48). Of the 23,280,456 shares outstanding, 4,500,000 are restricted shares and the balance are unrestricted shares.

To date, the Company has not paid dividends on its shares and we do not anticipate paying dividends.

ITEM 6 – MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward-Looking Statements

This report contains statements about the future, sometimes referred to as "forward-looking" statements. Forward-looking statements are typically identified by the use of the words "believe," "may," "will," "should," "expect," "anticipate," "estimate," "project," "propose," "plan," "intend" and similar words and expressions. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act. Statements that describe our future strategic plans, goals or objectives are also forward-looking statements.

Readers of this report are cautioned that any forward-looking statements, including those regarding the Company or its management's current beliefs, expectations, anticipations, estimations, projections, proposals, plans or intentions, are not guarantees of future performance or results of events and involve risks and uncertainties, such as:

- . The future results of drilling individual wells and other exploration and development activities;
- . Future variations in well performance as compared to initial test data;
- . Future events that may result in the need for additional capital;
- . Fluctuations in prices for oil and gas;
- . Future drilling and other exploration schedules and sequences for various wells and other activities;
- . Uncertainties regarding future political, economic, regulatory, fiscal, taxation and other policies in Pakistan;
- . Our future ability to raise necessary operating capital.

The forward-looking information is based on present circumstances and on our predictions respecting events that have not occurred, which may not occur or which may occur with different consequences from those now assumed or anticipated. Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors, including the risk factors detailed in this report. The forward-looking statements included in this report are made only as of the date of this report. We are not obligated to update such forward-looking statements to reflect subsequent event or circumstances.

Overview

Prior to the Company's bankruptcy proceedings, we were an active oil and gas exploration and development company. The foreclosure of our Fort Bend County, Texas oil and gas leases by the secured creditor in early calendar 2003 resulted in the loss of our only revenue producing asset. We intend to initiate new business activities by prudent management of our Pakistan overriding royalty interest and our Galveston, Texas interests and if we are successful in generating working capital from these investments or from sales of securities, we intend to pursue investment opportunities in the oil and gas business.

Results of Operations

Our operations for the period ending June 30, 2003 reflected a net loss of \$1,565,581 on revenues from oil and gas operations of \$357,062. All of our producing oil and gas leases were foreclosed by the first lien lender in early calendar 2003. As a result, the Company is again a development stage company as it emerges from bankruptcy, solely dependent upon cash infusion from the sale of securities and loans until business operations which generate an income stream can be developed. As a result of the loss of these cash producing assets, we have purposely omitted a detailed discussion of operational results and their ramifications.

Liquidity and Capital Resources

Our lack of liquidity and adequate capital resources through June 30, 2003 was addressed in our bankruptcy proceedings and the need for reorganization. Our operating company, The American Energy Operating Corp. did not participate in the bankruptcy proceedings and its accounts payable and accrued liabilities totaling \$289,588 are still carried on our books post-bankruptcy, despite the inactivation of the subsidiary. The sale of our other subsidiary, Hycarbex American Energy, Inc., carried with it the assets and liabilities of the subsidiary, including prepaid restricted deposits in Pakistan of \$1,116,822 which would have been forfeited with the loss of the exploration license had the subsidiary not been sold. This restricted cash is not reflected in the cash assets subsequent to the sale.

Since emerging from bankruptcy, we have been funded solely through the private sale of convertible debt securities totaling \$550,000 pursuant to Second Amended Plan of Reorganization, which if such securities are converted, will increase the outstanding Common shares by 2,750,000 shares. This is our only current source of capital. On a going forward basis, we believe that we will have sufficient cash assets to meet our needs into the first calendar quarter of 2005, but the need for additional operating capital after that time will require an infusion of cash through loans, sales of securities, a sale or partial sale of the Galveston County, Texas assets or successful resolution of the Smith Energy litigation. Successful drilling on the Pakistan Concession by Hydro Tur (Energy) Ltd. will also result in the generation of operating capital once sales into the existing pipeline infrastructure begin. However, there can be no assurance that we will be successful in obtaining sufficient operating capital to meet future needs from any of these potential sources.

In light of our current lack of revenue-generating business operations and our need to further capitalize future overhead, operations and growth, our viability as a going concern is uncertain. There can be no assurance that we will be successful in our efforts to improve the Company's financial position and to develop its assets.

Business Strategy and Prospects

We believe that there have been positive developments resulting from the bankruptcy proceedings. We have eliminated the Company's debt burden, diminished its labor force and significantly reduced all facets of general and administrative overhead. The cancellation and reissuance of new securities have reduced the outstanding shares from over sixty six million shares to just over twenty three million shares, a number which both permits the issuance of additional securities in the future as needed to obtain strategic assets or funding from investors, and which provides an opportunity for enhanced shareholder value if the current assets become cash generating assets. However, the Company does not currently enjoy a revenue stream from any business operation or asset. We must continue to raise operating capital through other means until a revenue stream is developed, if at all.

Pakistan Overriding Royalty

The Company, through its Hycarbex subsidiary (before the sale of that subsidiary) expended in excess of \$10,000,000.00 on drilling and seismic on the Jacobabad and Yasin concessions in the Republic of Pakistan comprised of over 2,200 square kilometers. The structure, to date, has no Proved Reserves as that term and the calculation for discounted future net cash flows for reporting purposes is mandated by the Financial Accounting Standards Board in Statement of Financial Accounting Standards No. 69, titled "Disclosures About Oil and Natural Gas Producing Activities". While we did not obtain a commercial discovery well in any of our previous Pakistan drilling efforts, we have been encouraged by the technical data derived from the drilling and seismic activities. We believe that the concession acreage contains oil and gas producing physical structures which are worthy of further exploration. If successfully developed, our reserved 18% overriding royalty interest would likely be a good source of cash revenues because the royalty, by its nature, entitles us to share in gross, rather than net, production. These revenues, if any, could be used by the Company for further investment in other revenue generating assets or business activities. The financial risks inherent in oil and gas drilling in Pakistan will no longer be borne by the Company because an overriding royalty interest is not subject to such costs. While successful production and favorable hydrocarbon prices are necessary for the overriding royalty interest to demonstrate real value, we are optimistic that the additional seismic and technical data generated by the Company prior to sale and further expanded and refined after the sale by Hydro Tur (Energy) Ltd. will enhance the chances of a commercial discovery by Hydro Tur (Energy) Ltd. Under the terms of the stock purchase agreement with the Company, Hydro Tur (Energy) Ltd. is required to commence its initial well prior to November 16, 2004. However, absent successful drilling by Hydro Tur (Energy) Ltd., the reserved overriding royalty interest is likely to have little or no value.

Galveston County, Texas Leases

In 1997, we purchased the interests of Luck Petroleum Corporation from its bankruptcy trustee in two oil and gas leases in Galveston County, Texas. The leases are situated in an area which is productive in multiple zones or horizons and the leases themselves have produced commercial quantities of oil and gas from both shallow and mid-range zones. In 1986, Luck Petroleum Corporation assigned these mid-range zones to Smith Energy, reserving for itself an “after-payout” 15% back-in working interest. Luck Petroleum Corporation also limited the depths assigned to Smith Energy, thereby resulting in depths generally greater than 10,000 feet being reserved to Luck Petroleum Corporation. We succeeded to the interests of Luck Petroleum Corporation as a result of the 1997 purchase from the bankruptcy trustee. With regard to the mid-range zones, our research to date has given rise to the belief that “payout” has occurred, as defined in the 1986 conveyance by Luck Petroleum Corporation to Smith Energy. If we are correct, then we are entitled to receive 15% of the monthly working interest production from the existing Smith Energy wells on the leases. As indicated in this report, we have initiated a lawsuit against Smith Energy to establish these rights.

The Smith Energy lawsuit does not pertain to the deep zones under the leases which were acquired from Luck Petroleum Corporation. Based upon our research, we believe that these zones have development potential. We are exploring the various opportunities to realize value from these deep rights, including potential sale. We have not yet determined the best course for these assets. These leases are held in force by third party production and, therefore, the leases do not require development of these rights by a certain date. We believe that we will be able to continue our research and conduct future negotiations toward a development path which best suits our goals and our cash flow position. We are compelled to focus on these efforts for the near term in order to generate additional working capital.

ITEM 7-FINANCIAL STATEMENTS

The consolidated financial statements required to be filed pursuant to this item 7 begin on Page F-1 of this report. Such consolidated financial statements are hereby incorporated by reference into this Item 7. The Supplementary Data requirement as set forth in Item 302 of Regulation S-K is inapplicable to the Company.

ITEM 8-CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We have neither changed or had disagreements with our accountants regarding accounting and financial disclosure.

ITEM 8A-CONTROLS AND PROCEDURES

In conjunction with this Annual Report on Form 10-KSB and the certification of the disclosures herein, the Company’s principal executive officer and principal financial officer, Pierce Onthank, evaluated the effectiveness of the Company’s disclosure controls and proceedings. This review, which occurred within ninety (90) days prior to the filing of this Annual Report, found the disclosure controls and procedures to be effective. There have been no significant changes in the Company’s internal controls or in other factors which would significantly affect these controls subsequent to the evaluation by Mr. Onthank.

PART III

ITEM 9-DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The directors and executive officers of the Company at June 30, 2003, included Georg von Canal, who has since resigned, and the following persons, each of whom serves on the audit committee of the Company:

Pierce Onthank, age 44, serves as President, Secretary and one of two Directors of the Company. Mr. Onthank is currently the sole officer and succeeds Georg von Canal, William Aber and Dean Smith in that regard. Mr. Onthank received a BA in economics from Denison University. He served as the investment broker for the Company from 1998 until 2001. In addition to raising millions of dollars for American Energy Group Ltd., he has specialized in oil and gas investments for his previous clients. With over 20 years of experience in the securities business, Mr. Onthank has held senior positions in investment banking firms and has managed high yield net worth and institutional

portfolios. Mr. Onthank began his career in the Merrill Lynch training program and subsequently became a limited partner with Bear Stearns. Later he became a Senior Vice President at Drexel Burnham Lambert, where his primary responsibilities were to manage the private client group, which was involved in both public and private investments for individual and institutional accounts. Mr. Onthank moved on to serve as a Senior Vice President at Paine Webber and later at Smith Barney Shearson where he managed the investments of institutional and individual clients. Before becoming President of American Energy Group Ltd. he co-founded Crary Onthank & O'Neill, an Investment Banking Company, in 1998.

Dr. Iftikhar Zahid, age 45, serves as the remaining Director of the Company. Dr. Iftikhar Zahid was educated at The Dow Medical College, Karachi University in 1979. In 1981, he joined the police services of Pakistan. In 1988, he resigned from governmental services as a Superintendent of Police. Between 1988 and 1996, Dr. Zahid served as an advisor and consultant to several multi-national organizations doing business in Pakistan. In 1996, Dr. Zahid joined the Company as a Resident Director/Country Manager of the Pakistan Office of Hycarbex-American Energy, Inc. In June 2001, he was promoted to Vice-President and Resident Director and joined the international board of The American Energy Group Ltd. as a director. Since the sale of Hycarbex-American Energy Inc. by the Company, Dr. Zahid has been managing the Company's 18% royalty interest in the Yasin Block.

The Company believes that during the year ended June 30, 2003, its officers and directors complied with all filing requirements under Section 16(a) of the Securities Exchange Act of 1934.

Code of Ethics

The Company has adopted a Code of Ethics that is applicable to all employees of the Company and, in particular, to its senior officers. A copy of the Code of Ethics may be obtained from the Company without charge by writing to the Company at The American Energy Group, Ltd., 120 Post Road West, Suite 202, Westport, Connecticut 06880.

ITEM 10-EXECUTIVE COMPENSATION

Between September 2002 and December 2002, William Aber was paid \$25,000 in cash and Dean Smith was paid \$20,000 in cash. Each gentleman had simultaneously accrued unpaid wages of \$15,000 and \$12,000, respectively. Other salary accruals for the period included Georg von Canal and Michael Zabransky. Between January 1, 2003 and March 31, 2003, Mr. Aber and Mr. Smith accrued \$5,000 and \$4,000, respectively. Georg von Canal accrued his monthly wages for the period as well. Each such officer's accrued but unpaid wages comprised a part of such officer's monetary claims against the Company in the bankruptcy proceedings and were eventually paid with stock under the terms of the Second Amended Plan of Reorganization.

ITEM 11-SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

All of the securities owned by beneficial owners and management as of June 30, 2003 were cancelled pursuant to the Second Amended Plan of Reorganization. Certain of these management members for 2003, namely Georg von Canal, William Aber and Dean Smith, received stock as creditors of the Company pursuant to the Second Amended Plan of Reorganization, but the stock issuance did not occur until calendar 2004, after all management positions had been relinquished.

ITEM 12-CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For the period ended June 30, 2003, William Aber, an officer and director, was the principal officer of Zaber Investments, L.L.C., which acquired ten percent (10%) of the Texas-based oil and gas leases and equipment of the Company in 2001. Zaber Investments, L.L.C. reconveyed to the Company the 10% interest Galveston County oil and gas leases in calendar 2004.

PART IV

ITEM 13-EXHIBITS AND REPORTS ON FORM 8-K

- (a) The following documents are filed as Exhibits to this report:

- Exh. 23.1 – Consent of Independent Auditor;
- Exh. 31.1 – Certification by R. Pierce Onthank, President and acting chief financial and accounting officer pursuant to Rule 13a-14(a) or Rule 15d-14(a);
- Exh. 32.1 – Certification by R. Pierce Onthank, President and acting chief financial and accounting officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Section 1350(a) and (b).

(b) No reports on Form 8-K were filed during the period ended June 30, 2003.

ITEM 14-PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

Audit fees billed by the Company's Principal Accountant total \$13,000 as of the date of this report.

Audit Related Fees

There have been no audit related fees billed by the Company's Principal Accountant as of the date of this report.

Tax Fees

There have been no tax fees billed by the Company's Principal Accountant as of the date of this report.

All Other Fees

There have been no other fees billed by the Company's Principal Accountant as of the date of this report.

The Registrant's audit committee is comprised solely of its Board of Directors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE AMERICAN ENERGY GROUP, LTD.
(REGISTRANT)

By: /s/ R. Pierce Onthank

R. Pierce Onthank, President, Secretary, Director
and acting Chief Financial Officer

By: /s/ Dr. Iftihhar Zahid
Dr. Iftikhar Zahid, Director

DATED: August 18, 2004

**THE AMERICAN ENERGY GROUP, LTD.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003 and 2002

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
The American Energy Group, Ltd. and Subsidiaries
Houston, Texas

We have audited the accompanying consolidated balance sheet of The American Energy Group, Ltd. and Subsidiaries as of June 30, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of The American Energy Group, Ltd. and Subsidiaries as of June 30, 2001 and for the year ended June 30, 2001, was audited by other auditors whose report, dated October 8, 2001, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The American Energy Group, Ltd. and Subsidiaries as of June 30, 2003 and 2002 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has no operations and is dependent upon financing to continue operations. These factors raise substantial doubt about their ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Chisholm, Bierwolf & Nilson, LLC
Bountiful, Utah
August 10, 2004

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

Assets

	<u>June 30,</u>	
	<u>2003</u>	<u>2002</u>
<u>Current Assets</u>		
Cash (Note 1)	\$ 7,394	\$ 210,481
Restricted cash (Note 1)	1,116,822	1,108,107
Receivables	-	87,360
Other current assets	-	15,022
	<u>1,124,216</u>	<u>1,420,970</u>
 <u>Oil and Gas Properties Using Full Cost Accounting</u>		
(Notes 1 and 2)		
Properties being amortized	-	17,088,619
Accumulated amortization	-	(2,152,881)
	<u>-</u>	<u>14,935,738</u>
 <u>Other Property and Equipment (Note 1)</u>		
Drilling and related equipment	-	405,564
Vehicles	-	113,590
Office equipment	-	52,835
Accumulated depreciation	-	(443,330)
	<u>-</u>	<u>128,659</u>
 <u>Other Assets</u>		
Investments	-	8
Deposits	-	8,491
	<u>-</u>	<u>8,499</u>
 Total Assets	 <u>\$ 1,124,216</u>	 <u>\$16,493,866</u>

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

Liabilities and Stockholders' Equity

	June 30,	
	2003	2002
<u>Current Liabilities</u>		
Accounts payable	\$ 496,378	\$ 1,065,971
Accrued liabilities	218,243	957,184
Current portion of capital lease obligations (Note 4)	679	1,405
Current portion of notes payable and long-term debt (Note 3)	-	3,840,000
Total Current Liabilities	<u>715,300</u>	<u>5,864,560</u>
<u>Liabilities Not Subject to Compromise</u>		
Accrued postpetition expenses	<u>65,722</u>	-
Total Liabilities Not Subject to Compromise	65,722	-
<u>Liabilities Subject to Compromise</u>		
Prepetition trade accounts payable	565,584	-
Prepetition notes payable (note 3)	3,534,371	-
Accrued prepetition expenses	<u>1,619,679</u>	-
Total Liabilities Subject to Compromise	<u>5,719,634</u>	-
Total Current Liabilities	<u>6,500,656</u>	<u>5,864,560</u>
<u>Long-Term Liabilities</u>		
Notes payable and long-term debt (Note 3)	-	4,934,290
Less: Current portion of notes payable and long-term debt (Note 3)	-	(3,840,000)
Total Long-Term Liabilities	<u>-</u>	<u>1,094,290</u>
Total Liabilities	<u>6,500,656</u>	<u>6,958,850</u>
<u>Stockholders' Equity (Notes 5, 6 and 7)</u>		
Convertible voting preferred stock; par value \$0.001 per share; authorized 15,000,000 shares; 41,499 shares issued and outstanding	42	42
Common stock; par value \$0.001 per share; authorized 80,000,000 shares; 66,318,037 shares issued and outstanding	66,318	66,318
Capital in excess of par value	37,763,777	37,763,777
Accumulated deficit	<u>(43,206,577)</u>	<u>(28,295,121)</u>
Total Stockholders' Equity	<u>(5,376,440)</u>	<u>9,535,016</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,124,216</u>	<u>\$ 16,493,866</u>

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES
Consolidated Statements of Operations

	For the Years Ended		
	June 30,		
	2003	2002	2001
Revenue			
Oil and gas sales	\$ 357,062	\$ 1,051,358	\$ 1,806,335
Total Revenue	357,062	1,051,358	1,806,335
Expenses			
Lease operating and production costs	118,389	507,382	811,757
Penalties	262,581	636,500	540,000
Legal and professional	100,423	321,909	336,597
Depreciation and amortization expense	351,652	645,582	6,389,705
Warrant settlements (Note 6)	-	-	1,758,000
Other general and administrative	1,089,598	1,217,980	4,965,120
Total Expenses	1,922,643	3,329,353	14,801,179
Net Operating Loss	(1,565,581)	(2,277,995)	(12,994,844)
Other Income (Expenses)			
Gain on settlement of debt (Note 2)	-	255,902	-
Interest income	9,765	15,738	15,466
Interest expense	(110,228)	(488,432)	(229,887)
Debt issuance costs	-	(48,620)	(64,827)
Gain (loss) on sale of assets	-	5,159	-
Total Other Income (Expenses)	(100,463)	(260,253)	(279,248)
Income (loss) before Reorganization Items and Income Taxes	(1,666,044)	(2,538,248)	(13,274,092)
Reorganization (Expenses)			
Loss on foreclosure of properties and assets	(3,813,506)	-	-
Loss on abandonment of leases	(9,226,614)	-	-
Legal fees	(205,292)	-	-
Total Reorganization (Expenses)	(13,245,412)	-	-
Net Loss	\$ (14,911,456)	\$(2,538,248)	\$(13,274,092)
Basic Loss per Common Share	\$ (0.22)	\$ (0.04)	\$ (0.25)
Weighted Average Number of Shares Outstanding	66,318,037	65,006,780	52,566,109

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

For the Years Ended June 30, 2003, 2002 and 2001

	<u>Common Stock</u>		<u>Convertible Voting Preferred Stock</u>		<u>Capital in Excess of Par Value</u>	<u>Accumulated Deficit</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>		
Balance, June 30, 2000	35,297,881	35,298	41,499	42	25,403,069	(12,482,781)
Common stock issued for cash and warrants at \$0.30 per share	13,780,083	13,780	-	-	4,120,245	-
Common stock issued in satisfaction of penalty fee at an average price of \$0.51 per share (Notes 3 and 6)	711,740	712	-	-	359,288	-
Common stock issued upon retirement of warrants at \$0.80 per share (Note 6)	2,197,500	2,197	-	-	1,755,803	-
Common stock issued to directors for services and expenses at an average price of \$0.43 per share	6,050,000	6,050	-	-	2,607,948	-
Common stock issued in conversion of debt at an average price of \$0.40 per share	1,293,661	1,294	-	-	520,392	-
Common stock issued for services rendered at an average price of \$0.43 per share	457,500	457	-	-	198,143	-
Common stock issued in conversion of debt and services at \$0.66 per share	4,692,746	4,693	-	-	3,092,518	-
Common stock canceled pursuant to court decree (Note 6)	(321,146)	(321)	-	-	235,321	-
Common stock repurchased and canceled (Note 6)	(4,168,300)	(4,168)	-	-	(1,090,122)	-
Offering costs related to sale of common stock	-	-	-	-	(478,502)	-
Net (loss) for the year ended June 30, 2001	-	-	-	-	-	(13,274,092)
Balance, June 30, 2001	59,991,665	59,992	41,499	42	36,724,103	(25,756,873)

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

For the Years Ended June 30, 2003, 2002 and 2001

	<u>Common Stock</u>		<u>Convertible Voting Preferred Stock</u>		<u>Capital in Excess of Par Value</u>	<u>Accumulated Deficit</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>		
Common stock issued to officers for services rendered at an average price of \$0.24 per share	950,000	950	-	-	230,050	-
Common stock issued for services rendered at an average price of \$0.20 per share	250,000	250	-	-	49,750	-
Common stock re-issued for shares previously canceled in error at \$0.00 per share	40,750	41	-	-	(41)	-
Common stock issued in satisfaction of penalty fee at an average price of \$0.17 per share (Notes 3 and 6)	4,085,622	4,085	-	-	670,915	-
Common stock issued as additional interest on a note payable at \$0.25 per share	1,000,000	1,000	-	-	249,000	-
Common stock issued in conversion of debt at \$0.43 per share (Note 6)	2,544,768	2,545	-	-	1,091,745	-
Common stock issued in conversion of debt at \$0.10 per share (Note 6)	6,400,000	6,400	-	-	633,600	-
Repurchase of common stock previously issued (Note 6)	(8,944,768)	(8,945)	-	-	(1,885,345)	-
Net (loss) for the year ended June 30, 2002	-	-	-	-	-	(2,538,248)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, June 30, 2002	66,318,037	66,318	41,499	42	37,763,777	(28,295,121)
Net (loss) for the year ended June 30, 2003	-	-	-	-	-	(14,911,456)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, June 30, 2003	66,318,037	66,318	41,499	42	37,763,777	43,206,577

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Years Ended		
	June 30,		
	2003	2002	2001
<u>Cash Flows from Operating Activities</u>			
Net loss	\$ (14,911,456)	\$ (2,538,248)	\$ (13,274,092)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	351,652	686,685	6,436,152
Less amount capitalized to oil and gas properties	(4,784)	(41,103)	(46,447)
Common stock issued for services rendered	-	281,000	5,909,809
Common stock issued for penalty fee	-	540,000	-
Common stock issued for retirement of warrants	-	-	1,758,000
Common stock issued for interest	-	250,000	-
Amortization of note payable discount	-	120,000	174,843
(Gain) loss on sale/disposal of asset	13,040,120	(7,051)	-
(Gain) loss on investment	8	1,892	-
Note payable exchanged for liabilities	25,000	-	-
Liabilities reduced on foreclosed properties	97,329	-	-
Gain on settlement of debt	-	(255,902)	-
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	87,360	16,748	59,839
(Increase) decrease in other current assets	15,022	1,053	3,585
(Increase) decrease in other assets	-	48,620	64,827
(Increase) decrease in deposits	8,491	(3,391)	-
Increase (decrease) in accounts payable	(4,009)	(643,559)	963,584
Increase (decrease) in accrued liabilities and other current liabilities	<u>946,460</u>	<u>157,627</u>	<u>(264,692)</u>
Net Cash Provided (Used) by Operating Activities	<u>(348,807)</u>	<u>(1,385,629)</u>	<u>1,785,408</u>
<u>Cash Flows from Investing Activities</u>			
Proceeds from sale of assets	140,000	295,000	-
Expenditures for oil and gas property development	(59,920)	(644,974)	(5,717,022)
Expenditures for other property and equipment	-	(18,136)	(2,589)
Net Cash Provided (Used) by Investing Activities	<u>80,080</u>	<u>(368,110)</u>	<u>(5,719,611)</u>
<u>Cash Flows from Financing Activities</u>			
Proceeds from notes payable and long-term liabilities	75,081	2,150,000	-
Proceeds from issuance of preferred and common stock	-	-	4,134,025
Expenditures for offering costs	-	-	(478,502)
Payments on notes payable and long-term liabilities	<u>(726)</u>	<u>(1,504)</u>	<u>(142,002)</u>
Net Cash Provided by Financing Activities	<u>74,355</u>	<u>2,148,496</u>	<u>3,513,521</u>
Net Increase (Decrease) in Cash	(194,372)	394,757	(420,682)
Cash and Cash Equivalents at Beginning of Year	<u>1,318,588</u>	<u>923,831</u>	<u>1,344,513</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,124,216</u>	<u>\$ 1,318,588</u>	<u>\$ 923,831</u>
<u>Cash Paid for:</u>			
Interest	\$ 1,586	\$ 14,095	\$ 9,601
Income taxes	\$-	\$ -	\$ -

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES
 Consolidated Statements of Cash Flows (Continued)

Non-Cash Financing Activities:

Common stock issued to retire notes payable, accounts payable and accrued liabilities	\$-	\$ -	\$ 756,686
Notes payable and capital lease obligations for acquisition of other property and equipment	\$-	\$ -	\$ 3,901
Common stock issued in satisfaction of accrued penalty fees	\$-	\$ 135,000	\$ 360,000
Common stock issued for services rendered	\$-	\$ 260,000	\$ 5,909,809
Common stock repurchased for note payable	\$-	\$ 160,000	\$ 1,094,290
Note payable exchanged for liabilities	\$ 25,000	\$ -	\$ -

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The American Energy Group, Ltd. (the Company) was incorporated in the State of Nevada on July 21, 1987 as Dimension Industries, Inc. Since incorporation, the Company has had several name changes including DIM, Inc. and Belize-American Corp. Internationale with the name change to The American Energy Group, Ltd. effective November 18, 1994.

Effective September 30, 1994, the Company entered into an agreement to acquire all of the issued and outstanding common stock of Simmons Oil Company, Inc. (Simmons), a Texas Corporation, in exchange for the issuance of certain convertible voting preferred stock (see Note 5). The acquisition included wholly owned subsidiaries of Simmons, Sequoia Operating Company, Inc. and Simmons Drilling Company, Inc. The acquisition was recorded at the net book value of Simmons of \$1,044,149 which approximates fair value.

During the year ended June 30, 1995, the Company incorporated additional subsidiaries including American Energy-Deckers Prairie, Inc., The American Energy Operating Corp., Tomball American Energy, Inc., Cypress-American Energy, Inc., Dayton North Field-American Energy, Inc. and Nash Dome Field-American Energy, Inc. In addition, in May 1995, the Company acquired all of the issued and outstanding common stock of Hycarbex, Inc. (Hycarbex), a Texas corporation, in exchange for 120,000 shares of common stock of the Company, a 1% overriding royalty on the Pakistan Project (see Note 2) and a future \$200,000 production payment if certain conditions are met. The acquisition was accounted for as a pooling-of-interests on the date of the acquisition. The fair value of the assets and liabilities assumed approximated the fair value of the 120,000 shares issued of \$60,000 as of the date of the acquisition. Accordingly, book value of the assets and liabilities assumed was \$60,000. In April 1995, the name of that company was changed to Hycarbex-American Energy, Inc. The American Energy Group, Ltd., The American Energy Operating Corp. and Hycarbex-American Energy, Inc., were the only operating entities during the years ended June 30, 2003 and 2002. The Company and its subsidiaries were principally in the business of acquisition, exploration, development and production of oil and gas properties.

On June 28, 2002, the Company was placed into involuntary Chapter 7 bankruptcy by three creditors, including Georg von Canal, an officer and director who was then involved in litigation with the Company to invalidate an attempt to remove him from his management positions. The bankruptcy filing followed an unsuccessful effort by management to resolve both the litigation and the need for a substantial cash infusion through a stock sale to a German-based investor which would have simultaneously resulted in a restructure of management. Shortly after this bankruptcy filing, the secured creditor holding a first lien on the Company's only producing oil and gas leases in Fort Bend County, Texas, sought permission from the bankruptcy court to foreclose on those assets. The Company responded by converting the Chapter 7 bankruptcy court to foreclose on those assets. The Company responded by converting the Chapter 7 bankruptcy proceedings to a Chapter 11 reorganization proceeding. The company obtained approval of a plan or reorganization in September 2002, but the secured creditor was nevertheless permitted to foreclose upon the Fort Bend County oil and gas leases. Subsequent to the approval of the foreclosure of the oil and gas producing properties, the Company abandoned the remaining oil and gas properties except for one lease in southeast Texas. For the year ended June 30, 2003, the Company recognized a loss of \$13,040,120 on the foreclosure and abandonment of the oil and gas properties and the sale of the fixed assets.

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

On October 26, 2003, the Company sold its wholly-owned subsidiary, Hycarbex-American Energy, Inc., for an 18% overriding royalty interest in the Exploration License No. 2768-7 dated August 11, 2001, of the Yasin Exploration Block.

On January 29, 2004, the Company was released from bankruptcy. Pursuant to the plan, all of the existing 66,318,037 shares of common stock and 41,499 shares of preferred stock were cancelled. The Company issued 17,790,884 new shares of common stock to creditors for settlement of approximately \$5,700,000 of liabilities at June 30, 2003.

As of August 10, 2004, the company has no operations.

b. Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. These factors raise substantial doubt about the Company's ability to continue as going concerns. The Company has no operations and is dependent upon financing to continue its operations. It is management's plan to manage and maintain its two core assets and to develop these assets where possible to generate cash for further investment and growth. In the case of the southeast Texas oil and gas lease, generation of cash will likely require an outright sale or a partial sale with a retained interest in production, as the company does not have sufficient cash assets to conduct drilling operations or the bonding capacity to obtain operating authority under Texas regulations. With regard to the Pakistan royalty, the company does not have development rights or obligations and must await the results of drilling by Hydro Tur (Energy) Ltd, in the latter part of calendar 2004. If either activity is successful in generating cash assets, management plans to seek out investment opportunities compatible with its focus upon oil and gas properties.

The recovery of assets and continuation of future operations are dependent upon the Company's ability to obtain additional debt or equity financing, and their ability to generate revenues sufficient to continue pursuing their business purpose. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

c. Accounting Methods

The Company's consolidated financial statements are prepared using the accrual method of accounting. The Company has elected a June 30 year-end.

d. Oil and Gas Properties

The full cost method is used in accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs, are capitalized. In addition, depreciation on property and equipment used in oil and gas exploration and interest costs incurred with respect to financing oil and gas acquisition, exploration and development activities are capitalized in accordance with full cost accounting. In addition, depreciation capitalized during the years ended June 30, 2003 and 2002 totaled \$4,784 and \$41,103, respectively. All capitalized costs of proved oil and gas properties subject to amortization are being amortized on the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects not subject to amortization are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

impaired, the amount of the impairment is added to the capitalized costs to be amortized. As of June 30, 2003, no proved oil and gas reserves had been identified on the one remaining oil and gas property in Southeast Texas. As of June 30, 2002, proved oil and gas reserves had been identified on some of the Companies oil and gas properties with revenues generated and barrels of oil produced from those properties. Accordingly, amortization totaling \$13,040,120 and \$637,710 have been recognized in the accompanying consolidated financial statements for the years ended June 30, 2003 and 2002, respectively, on proved and impaired or abandoned oil and gas properties.

e. Principles of Consolidation

The consolidated financial statements include the Company and its wholly-owned subsidiaries as detailed previously. All significant intercompany accounts and transactions have been eliminated in consolidation.

f. Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

g. Property and Equipment and Depreciation

Property and equipment are stated at cost. Depreciation on drilling and related equipment, vehicles and office equipment is provided using the straight-line method over expected useful lives of five to seven years. For the years ended June 30, 2003, 2002 and 2001, the Companies incurred total depreciation of \$6,506, \$48,975 and \$63,738, respectively.

In accordance with full cost accounting, \$4,784, \$41,103 and \$46,447 of depreciation was capitalized as costs of oil and gas properties for the years ended June 30, 2003, 2002 and 2001, respectively, as previously discussed.

h. Basic Loss Per Share of Common Stock

	<u>June 30,</u>	
	<u>2003</u>	<u>2002</u>
Loss (numerator)	\$ (14,911,456)	\$ (2,538,248)
Shares (denominator)	<u>66,318,037</u>	<u>65,006,780</u>
Per share amount	<u>\$ (0.22)</u>	<u>\$ (0.04)</u>

The basic loss per share of common stock is based on the weighted average number of shares issued and outstanding during the period of the consolidated financial statements. Stock warrants and preferred shares prior to conversion are not included in the basic calculation because their inclusion would be antidilutive, thereby reducing the net loss per common share.

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

i. Concentrations of Risk

From time to time, the cash balances in the Companies U.S. bank accounts exceed Federally insured limits. In addition, the Company had balances held in Pakistan banks that are not federally insured. The balances of \$1,108,107 and \$1,240,282 as of June 30, 2003 and 2002, respectively, held in Pakistan are subject to potential risks based on government intervention.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Debt Issuance Costs

In connection with the receipt of a \$1,100,000 note payable, the Company incurred costs of \$162,067. The Company capitalized these costs and amortized these costs over the term of the note payable (2.5 years) as follows:

	June 30,	
	2003	2002
Total costs incurred	\$ 162,067	\$ 162,067
Accumulated amortization	(162,067)	(162,067)
Net Debt Issuance Costs	<u>\$ -</u>	<u>\$ -</u>

l. Long Lived Assets

All long lived assets are evaluated for impairment per SFAS 144 whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Any impairment in value is recognized as an expense in the period when the impairment occurs.

In addition, pursuant to the full cost method used in accounting for oil and gas properties, the capitalized oil and gas property costs are subject to the full cost ceiling test to determine if the value of proved reserves and other mineral assets in the respective cost center are adequate to recover the unamortized costs in the full cost pool. If the Company determines that the capitalized costs exceed the full cost ceiling, the excess is charged to expense and separately disclosed during the year in which the excess occurs.

m. Recent Accounting Pronouncements

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure - an amendment for FAS 123*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock Based Compensation*, to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This Statement also amends APB Opinion No. 28,

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Interim Financial Reporting, to require disclosure about those effects in interim financial information. SFAS No. 148, is effective for annual and interim periods beginning after December 15, 2002. The adoption of the interim disclosure provisions of SFAS No. 148, did not have an impact on the Company's financial position, results of operations or cash flows. The Company is currently evaluating whether to adopt the fair value based method of accounting for stock-based employee compensation in accordance with SFAS No. 148 and its resulting impact on the Company's consolidated financial statements.

In January 2003, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*. This consensus addresses certain aspects of accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities, specifically, how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EITF Issue No. 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003, or entities may elect to report the change in accounting as a cumulative-effect adjustment. The adoption of EITF Issue No. 00-21 did not have a material impact on the Company's consolidated financial statements.

In January 2003, the FASB issued Interpretation ("FIN") No. 46, *Consolidation of Variable Interest Entities*. Until this interpretation, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 requires a variable interest entity, as defined, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. FIN No.46 is effective for reporting periods ending after December 15, 2003. The adoption of FIN No. 46 did not have an impact on the Company's consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149, is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 will not have an impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150, changes the accounting guidance for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity by now requiring those instruments to be reported as liabilities. SFAS No. 150 also requires disclosure relating to the terms of those instruments and settlement alternatives. SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have an impact on the Company's consolidated financial statements.

n. Equity Securities

Equity securities issued for services rendered have been accounted for at the fair market value of the securities on the date of issuance.

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

o. Restricted Cash

The Company was required under the concession agreement discussed in Note 2 to commit \$2,400,000 over the next three years to explore and test the concession. As of June 30, 2003, \$1,116,822 was on deposit with the bank in Pakistan that was to be used for these purposes, which was classified as restricted cash in the accompanying consolidated balance sheet as of June 30, 2003.

p. Income Taxes

At June 30, 2003, the Company had net operating loss carryforwards of approximately \$40,000,000 that may be offset against future taxable income from the year 2004 through 2023. No tax benefit has been reported in the June 30, 2003 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

The income tax benefit differs from the amount computed at federal statutory rates of approximately 38% as follows:

	June 30,	
	2003	2002
Income tax benefit at statutory rate	\$ 1,520,000	\$ 608,000
Change in valuation allowance	(1,520,000)	(608,000)
	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets are comprised of the following:

	June 30,	
	2003	2002
Income tax benefit at statutory rate	\$ 15,200,000	\$ 13,680,000
Valuation allowance	(15,200,000)	(13,680,000)
	<u>\$ -</u>	<u>\$ -</u>

Note 2 - Oil and Gas Properties

At the time the Company acquired Simmons Oil Company, Inc. and its subsidiaries, those companies had ownership interests in oil and gas prospects located in Texas. These properties contained oil and gas leases on which existing wells had been shut-in and abandoned and had additional sites available for further exploration and development. During the years ended June 30, 2003 and 2002, the Companies expended funds in exploration and development activities and work over of existing wells on those properties and other oil and gas properties acquired during those years. As described in Note 1, as of June 30, 2003, the Company has one lease remaining in Southeast Texas.

On March 10, 1995, American Energy - Deckers Prairie, Inc., a wholly-owned subsidiary of the Company, entered into an agreement with an unrelated entity to accept the transfer of all rights, title and interest to certain oil and gas leases located in the State of Texas along with all personal property and equipment located on and used in connection with those leases. In exchange, American Energy - Deckers Prairie, Inc. assumed all contractual covenants related to those oil and gas leases. The selling entity had previously sold working interests in these oil and gas leases totaling from 33% to 48% depending on the property.

As part of the acquisition agreement, American Energy - Deckers Prairie, Inc. agreed to purchase the working interests from the individual holders for the amount of their original investment plus interest at 7% from the date of their investment, evidenced by a "Drilling Investor Note" to each investor, due and payable on September 15, 1995. Each working interest holder has the option to retain his working interest or sell it to American Energy - Deckers Prairie, Inc.

At June 30, 1997, the Companies had been unable to satisfy this obligation and the financial guaranty bond securing the

payment of the Drilling Investor Notes had not been enforced, although the Companies

intended to satisfy this obligation. Most of the obligation was settled during the year ended June 30, 1998 by issuing 140,383 shares of common stock valued at \$325,278. Accordingly, the value of the acquisition of these working interest has been included in the accompanying consolidated financial statements as part of

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 2 - Oil and Gas Properties (continued)

the cost of oil and gas properties. The remaining liability of \$38,117 was written off during the year ended June 30, 2002 and recorded as a gain on settlement of debt.

On April 6, 1995, Hycarbex entered into a concession agreement with and was issued an exploration license by the President and the Federal Government of the Islamic Republic of Pakistan. This agreement and license related to an oil and gas property known as the "Jacobabad Block" (Block 2768-4) or the Pakistan concession and entitled Hycarbex to a 95% working interest in the property. The exploration license was originally issued for a period of three years which was subsequently extended for an additional year. During the first year Hycarbex expended the minimum required \$26,000 for processing and interpreting data already available. In the second year which was included in the year ended June 30, 1997, Hycarbex performed the minimum seismic work, evaluating and interpreting the data from the work performed. As part of the agreement, Hycarbex was to drill one exploratory well prior to April 1998 to an agreed upon depth. During May 1998, the Company obtained preliminary results of its first Middle Indus Basin exploratory well in Pakistan. The well was spudded during March 1998 and was drilled to total depth during May 1998. A second exploratory well was drilled during the year ended June 30, 1999. This well was subsequently plugged because of encountered downhole and mechanical conditions short of the target depth. As a result, the well bore was plugged and the drill site moved. A replacement well was spudded on April 5, 1999 which also was plugged due to encountering a combination of dangerous levels of hydrogen sulfide gas and loss of circulation while drilling and testing the well. The well was plugged to prevent possible further release of dangerous gas. The Company intended to pursue further plans for the drilling of another exploratory well upon completion of geological and geophysical analysis of the test results. Having completed its three years of work requirements and initial license term, the Company, per the provisions of the original exploration license, relinquished 20% of the acreage originally held under the concession, thereby retaining approximately one million acres for further exploration and development.

The concession agreement also required Hycarbex to provide a bank guaranty for \$551,000 which was done by an unrelated surety company. That surety company received common stock of the Company as compensation for providing the bond.

Effective May 29, 1999, the Government of Pakistan granted an additional six-month extension in the existing terms of the Jacobabad Exploration License so as to enable the Company to drill a substitute well for the previously abandoned wells with a commitment and obligation to expend an additional \$1,100,000. The Company was granted a second renewal of the license to November 28, 2000 to drill an exploration well. This second renewal period was dependent on the Company fulfilling its obligations of drilling the replacement well. The Companies were unable to comply with the requirements of the extension for the replacement well. Accordingly, the Jacobabad Concession was relinquished during the year ended June 30, 2001. All costs related to the relinquished Jacobabad Concession were fully amortized as of June 30, 2001 and written off.

On August 11, 2001, the Companies were awarded a new Concession Agreement and Exploratory License in Pakistan known as the Yasin Concession, in the Sindh Providence of Pakistan. During the year ended June 30, 2003, this agreement was terminated by the Company.

In May 1997, the Companies entered into an agreement to acquire certain oil and gas properties and equipment in the state of Texas for a total of \$1,000,000 from an unrelated party. \$75,000 cash was paid with the balance of \$925,000 to be paid over a maximum of four years with a minimum of \$175,000 the first year and \$250,000 per year thereafter until paid in full (see Note 3). As described in Note 1, the secured creditor foreclosed on the property and purchased the equipment pursuant to approval from the bankruptcy court.

During the year ended June 30, 1997, the Companies received \$800,000 as a joint venture investment in certain of the Companies oil and gas properties. In June 1997, the Companies entered into agreements representing \$500,000 of the joint venture investors to repurchase their interests for a total of 250,000 shares of common stock and notes payable totaling \$389,000 (see Notes 6 and 3, respectively). During the

year ended June 30, 1998, the Companies acquired the remaining \$300,000 joint venture interest for 150,000 shares of common stock (valued at \$1.50 per share) and a note payable of \$121,564 with additional

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 2 - Oil and Gas Properties (continued)

payments made to that individual prior to the consummation of that transaction.

On May 9, 2000, the Companies entered into an Asset and Stock Purchase and Sale Agreement with Northern Lights Energy, Ltd. (Northern Lights) to sell the U.S. oil, gas and mineral leases, all related equipment to operate such leases, and 100% of the outstanding stock of the operating subsidiary, The American Energy Operating Corp., for a total of \$4,000,000. As of June 30, 2000, a total of \$750,000 of the \$4,000,000 had been received by the Company which was originally recorded in the accompanying consolidated balance sheet as a deposit on the sale of assets. Northern Lights was unable to pay the remaining \$3,250,000 pursuant to the agreement. Effective July 1, 2001, Northern Lights relinquished its purchase rights in the U.S. operations. During the year ended June 30, 2001, the Companies had repaid a portion of the \$750,000 advance through royalty payments to Northern Lights, leaving a balance outstanding at June 30, 2001 of \$483,080. On July 1, 2001, the Company finalized its settlement with Northern Lights Energy, Ltd. and Northern Lights relinquished its purchase rights in the U.S. operations. Northern Lights also accepted a negotiated sum of \$285,000 as full payment of the remaining deposit owed resulting in a gain on settlement of debt of \$198,080 for the year ended June 30, 2002.

During the year ended June 30, 2002, the Company entered into a Purchase and Sale Agreement with Zaber Investments, LLC, a company controlled by an officer of the Company, to sell a 10% interest in certain operating wells and assets in the United States for \$300,000. The proceeds of this agreement were used to make the settlement payment to Northern Lights, as mentioned above.

As described in Note 1, as of June 30, 2003, the Company has one remaining lease for oil and gas properties located in Southeast Texas.

Note 3 - Notes Payable and Long-Term Debt

The following is a summary of notes payable and long-term debt as of June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
10% note payable, due on demand, unsecured	\$ 50,000	\$ 50,000
Note payable to Company's former President, non-interest bearing, due on demand, unsecured.	30,000	30,000
Original issue discount note payable with a face value of \$1,500,000 bearing no interest, originally due March 17, 2002, past due, secured by certain oil and gas properties (see note below)	-	1,500,000
Note payable to a partner in a related company, non- interest bearing, due January 2003, unsecured	1,360,000	1,360,000
7% note payable to a former Director of the Company, due January 2003, unsecured	775,000	775,000
10% note payable to an officer of the Company, due on demand, unsecured	75,000	75,000
10% note payable to an officer of the Company, due on demand, unsecured	50,000	50,000

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 3 - Notes Payable and Long-Term Debt (continued)

	<u>2003</u>	<u>2002</u>
Convertible subordinated promissory note due to a related company, interest at 6% per annum due annually on January 1, principal due April 30, 2011, convertible into shares of common stock at \$0.43 per share, prepayment premiums of 1) 8% of principal balance if paid between 2 nd and 5 th anniversary date, 2) 5% of principal balance if paid between 6 th and 8 th anniversary date and 3) 2% of principal balance if paid after the 8 th anniversary date.	1,094,290	1,094,290
Note payable to an individual, due on demand, unsecured	75,081	-
Note payable to a company, due on demand, unsecured	<u>25,000</u>	<u>-</u>
Total notes payable and long-term debt	3,534,371	4,934,290
Less: current portion	<u>(3,534,371)</u>	<u>(3,840,000)</u>
Long-Term Debt	<u>\$-</u>	<u>\$ 1,094,290</u>

In connection with the \$1,500,000 note payable, the Company originally agreed to arrange third party escrow of 2,000,000 free-trading shares of common stock to secure the Company's covenant to register the stock. If the shares were not registered within 90 days, the Company further agreed to pay a penalty of 3% of the face value of the note, in either common stock or cash for each full month the Registration Statement is not declared effective. Accordingly, the Company issued 4,085,622 and 711,740 shares of common stock valued at \$675,000 and \$360,000 as a result of this penalty fee for the years ended June 30, 2002 and 2001, respectively.

On March 17, 2002, the outstanding \$1,500,000 loan secured by a first lien on the Texas oil and gas leases matured. Negotiations to restructure the debt were conducted by management with the note holder, but the negotiations were unsuccessful in obtaining a long-term extension and renewal of the note. The note holder initiated legal proceedings to obtain foreclosure of the Texas-based oil and gas leases but the foreclosure did not go forward because on June 28, 2002, three other alleged creditors of the Company filed an Involuntary Petition for Bankruptcy. The bankruptcy proceedings had the effect of automatically preventing a foreclosure unless and until the Bankruptcy Court issues an order permitting the creditor to pursue its remedies under State law.

On August 12, 2002, the Companies and the note holder entered into an agreement to forego foreclosure proceeding on the properties, conditional upon the note holder receiving certain prescribed payments thru October 2002. If the \$1,500,000 was not paid by November 10, 2002, the note holder had the right to pursue all of his legal remedies with respect to the property in order to receive the full \$1,500,000. As described in Note 1 the \$1,500,000 note payable was settled through the foreclosure of the oil and gas properties located in Texas.

Note 4 - Capital Lease Obligations

The Company entered into a lease agreement during the year ended June 30, 2001 relating to office equipment which has been accounted for as a capital lease. The lease has a term of 36 months with a total monthly lease payment of \$122.

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

The following are the scheduled annual payments on the capital lease:

<u>Year Ending June 30,</u>	
2004	\$ <u>709</u>
Total minimum lease commitments	709
Less: amount representing interest	<u>(30)</u>
Total capital lease obligations	679
Less: current portion	<u>(679)</u>
Total Long-Term Capital Lease Obligations	<u>\$ -</u>

Note 5 - Convertible Voting Preferred Stock

On September 22, 1994, the board of directors of the Company approved the issuance of 2,074,521 shares of the authorized preferred stock of the Company, to be issued in a series, to be known as the "Convertible Voting Preferred Stock, \$.025 Non-Cumulative Dividend". A corresponding certificate of issuance was filed with the State of Nevada. Holders of these shares are entitled to a noncumulative, preferential dividend of \$.025 per share per annum, when declared by the board of directors, payable from the surplus, net profits or assets of the Company. At any time after September 30, 1999, the board of directors of the Company may elect to redeem this Convertible Voting Preferred Stock at a redemption price of \$0.50 per share. Each share of this Convertible Voting Preferred Stock shall be convertible into five shares of the common stock of the Company.

Under the conversion privileges of these shares, the holder may elect to convert 20% of the Convertible Voting Preferred Stock prior to September 30, 1995 and an additional 20% every year thereafter until September 30, 1999. The right to convert shall terminate if not exercised before September 30, 1999. At June 30, 2002, the remaining 41,499 preferred shares are no longer convertible. The Company has the right to redeem these shares for \$0.50 per share. Each share of this Convertible Voting Preferred Stock shall be entitled to one shareholder vote. These 2,074,521, shares were issued pursuant to the acquisition by the Company of Simmons Oil Company, Inc. and its subsidiaries. One share of Convertible Voting Preferred Stock was issued for every four shares of common stock of Simmons Oil Company, Inc.

As described in Note 1, pursuant to the bankruptcy proceedings, the preferred stock was canceled.

Note 6 - Common Stock

During the year ended June 30, 2001, the Company issued 13,780,083 shares of common stock and 946,929 warrants for \$0.30 per share for a total of \$4,134,025. Offering costs of \$478,502 were paid or accrued related to the 13,780,083 shares issued. As discussed in Note 3, the Company issued 4,085,622 and 711,740 shares of common stock valued at \$675,000 and \$360,000 as a result of a penalty fee related to a late registration filing for certain shares of stock.

During the year ended June 30, 2001, the Company entered into certain Warrant Exchange Agreements. Pursuant to the agreements, the Company issued 2,197,500 shares of common stock valued at \$1,758,000 in exchange for the cancellation of 6,680,000 warrants. The shares issued were valued at \$0.80 per share based upon the trading price of the shares on the date they were issued. The Company also issued a total of 6,050,000 shares of common stock valued at \$2,613,998 to certain directors of the Company in lieu of services rendered and expenses paid on behalf of the Company. In addition, the Company issued 1,293,661 shares of common stock in conversion of outstanding debt totaling \$521,686, 457,500 shares of common stock for services rendered totaling \$198,600 and 4,692,746 shares of common stock in conversion of debt and services rendered totaling \$3,097,211.

Pursuant to a court decree and settlement agreement signed during the year ended June 30, 2001, the Company canceled a total of 321,146 shares of common stock. As part of the settlement agreement, outstanding debt of \$235,000 was also released. Accordingly, the transaction and cancellation of shares was recorded as contributed capital of \$235,000.

The Company also converted 4,168,300 shares of common stock owned by certain officers of the Company to a convertible subordinated promissory note in the amount of \$1,094,290 (Note 3), bearing interest at 6% per annum. The promissory note is convertible into common shares of the Company at a conversion rate of \$0.43 per share, adjusted accordingly for any stock splits or dividends effected by the Company subsequent to the original issued date of the note.

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 6 - Common Stock (continued)

During July 2001, the Company issued 200,000 and 250,000 shares of previously authorized but unissued common stock for services rendered to officers valued at \$46,000 and \$60,000, respectively.

During August 2001, the Company issued 100,000 shares of previously authorized but unissued common stock for services rendered, valued at \$29,000.

During August 2001, the Company reissued 40,750 shares of common stock for shares previously canceled in error in a previous year. The original cancellation was recorded at a zero value, thus the reissuance is being recorded at the same value.

During August 2001, the Company issued 500,000 shares of previously authorized but unissued common stock for services rendered to officers, valued at \$125,000.

During October 2001, the Company issued 150,000 shares of previously authorized but unissued common stock for services rendered, valued at \$21,000.

During December 2001 and May 2002, the Company issued 2,607,299 and 1,478,323 shares of previously authorized but unissued common stock for conversion of penalties payable, valued at \$450,000 and \$225,000, respectively.

During January 2002, the Company issued 1,000,000 shares of previously authorized but unissued common stock for interest payable, valued at \$250,000.

During January 2002, pursuant to two separate agreements, the Company issued 2,544,768 and 6,400,000 shares of previously authorized but unissued common stock to two separate creditors for notes payable, valued at \$1,094,290 and \$640,000 (or \$0.43 and \$0.10 per share), respectively. During April 2002, the Company canceled 2,544,768 of those previously issued shares in exchange for the original debt in order to make available a significant number of additional authorized shares of common stock for an investment transaction contracted with a German company which was originally scheduled to close in that month. Simultaneously with this cancellation, the Company also repurchased 6,400,000 shares of common stock for \$800,000, which were previously issued for \$640,000.

As described in Note 1, all of the outstanding shares of common stock as of June 30, 2003, were cancelled pursuant to bankruptcy proceedings.

Note 7 - Common Stock Warrants

The Company applies Accounting Principles Board ("APB") 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for all stock option plans. Under APB 25, compensation cost is recognized for stock options and warrants granted to employees when the option/warrant price is less than the market price of the underlying common stock on the date of grant.

FASB Statement 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") requires the Company to provide proforma information regarding net income and net income per share as if compensation costs for the Company's stock option plans and other stock awards had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option pricing model.

Under the provisions of SFAS No. 123 for warrants granted to employees, the Company's net loss for the years ended June 30, 2003, 2002 and 2001 would have been unchanged from the reported net loss.

A summary of the status of the Company's stock warrants as of June 30, 2003 and changes during the year ended June 30, 2003 are presented below:

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 7 – Warrants (continued)

	<u>Stock Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding, June 30, 2002	3,351,929	\$ 1.37	\$ 0.17
Granted	-	-	-
Expired/Canceled	-	-	-
Exercised	-	-	-
Outstanding, June 30, 2003	<u>3,351,929</u>	<u>1.37</u>	<u>0.17</u>
Exercisable, June 30, 2003	<u>3,351,929</u>	<u>\$ 1.37</u>	<u>\$ 0.17</u>

The following summarizes the exercise price per share and expiration date of the Company's outstanding warrants to purchase common stock at June 30, 2003;

	<u>Number of Shares</u>	<u>Expiration Date</u>	<u>Exercise Price</u>
	150,000	9/17/04	\$ 0.360
	50,000	11/4/04	2.310
	80,000	5/1/05	1.250
	80,000	6/18/05	3.970
	168,530	7/24/05	0.360
	28,166	7/29/05	0.360
	25,000	8/4/05	4.000
	187,333	9/29/05	0.360
	22,500	10/1/05	0.360
	135,000	12/9/05	4.030
	390,400	1/5/06	0.360
	450,000	1/6/06	3.000
	185,000	5/4/06	1.560
	125,000	5/17/06	1.500
	1,200,000	12/27/06	1.000
	<u>75,000</u>	2/14/07	0.750
Balance outstanding, June 30, 2003	<u><u>3,351,929</u></u>		

During the year ended June 30, 2000, the Company issued 225,000 warrants ranging in exercise prices from \$0.75 to \$1.00 per share. These warrants were issued to various consultants for services rendered. In addition, the Company issued 1,500,000 warrants exercisable at \$1.00 per share which expired unexercised after 60 days. The Company also issued an additional 1,600,000 warrants exercisable at \$1.00 per share. 400,000 expire on September 15, 2001, 400,000 expire on September 15, 2002, 400,000 expire on September 15, 2003 and 400,000 expire on September 15, 2004.

During the year ended June 30, 2001, the Company granted a total of 796,929 warrants to purchase common stock at an exercise price of \$0.36 per share to the placement agent pursuant to the issuance of common shares for cash. As discussed in Note 6, the Company issued 2,197,500 shares of common stock during the year ended June 30, 2001 in exchange for the cancellation of 6,680,000 warrants. An additional 1,275,000 warrants were canceled during the year, bringing the total outstanding warrants at June 30, 2001 at 3,876,929.

During the year ended June 30, 2002, 525,000 warrants expired. The total outstanding warrants at June 30, 2003 is 3,351,929.

As described in Note 1, all of the outstanding warrants as of June 30, 2003, were cancelled pursuant to bankruptcy proceedings.

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2003, 2002 and 2001

Note 8 - Direct Method Cash Flow Statement

Pursuant to SOP 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* the following statement of cash flows has been prepared for the year ended June 30, 2003 using the direct method.

	<u>2003</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 443,118
Cash paid for general and administrative expenses	<u>(791,925)</u>
Net cash used by Operating Activities	(348,807)
Cash Flows from Investing Activities:	
Cash received from sale of assets	140,000
Cash paid for capital leases	<u>(59,920)</u>
Net cash provided by Investing Activities	80,080
Cash Flows from Financing Activities	
Cash received from notes payable	75,081
Cash paid for capital leases	<u>(726)</u>
Net cash provided by Financing Activities	<u>74,355</u>
Net Increase (Decrease) in Cash	(194,372)
Cash and cash equivalents at Beginning of Year	<u>1,318,588</u>
Cash and cash equivalents at End of Year	<u><u>\$ 1,124,216</u></u>

THE AMERICAN ENERGY GROUP, LTD. AND SUBSIDIARIES

S.F.A.S. 69 Supplemental Disclosures

(Unaudited)

June 30, 2003 and 2002

S.F.A.S. 69 SUPPLEMENTAL DISCLOSURES

(1) Capitalized Costs Relating to Oil and Gas Producing Activities

	June 30,	
	2003	2002
Proved oil and gas producing properties and related lease and well equipment	\$-	\$ 704,333
Accumulated depreciation and depletion	-	(637,710)
Net Capitalized Costs	\$-	\$ 66,623

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

	For the Years Ended June 30,	
	2003	2002
Acquisition of Properties		
Proved	\$ -	\$ -
Unproved	-	-
Exploration Costs	-	-
Development Costs	-	704,333

The Company does not have any investments accounted for by the equity method.

(3) Results of Operations for Producing Activities

	For the Years Ended June 30,	
	2003	2002
Sales	\$ 357,062	\$ 1,051,358
Production costs	(34,082)	(507,382)
Depreciation and depletion	(351,652)	(637,710)
Results of operations for producing activities (excluding corporate overhead and interest costs)	\$ (28,672)	\$ (93,734)

(4) Reserve Quantity Information

	Oil BBL	Gas MCF
Proved developed and undeveloped reserves:		
Balance, June 30, 2002	2,338,099	-
10% of reserves sold during year	(233,810)	-
Change in estimates	(2,104,289)	-
Production	-	-
Balance, June 30, 2003	-	-

Proved developed reserves:

	<u>Oil BBL</u>	<u>Gas MCF</u>
Beginning of the year ended June 30, 2002	483,247	-
End of the year ended June 30, 2003	-	-

During the year ended June 30, 2003, the Company did not have reserve studies and estimates prepared on the one remaining oil and gas property located in Southeast Texas. Therefore, the balance of the proved reserves and underdeveloped reserves should be \$0.

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

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves, less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on year-end statutory tax rates, with consideration of future tax rates already legislated) to be incurred on pretax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent a year to reflect the estimated timing of the future cash flows.

At June 30, 2003

	<u>The American Energy Group Ltd. and Subsidiaries</u>
Future cash inflows	\$ -
Future production and development costs	-
Future net inflows before income taxes	-
Future income tax expense	-
Future net cash flows	-
10% interest held by related company	-
10% annual discount for estimated timing of cash flows	-
Standardized measure of discounted future net cash flows	<u>\$ -</u>

The above schedules relating to proved oil and gas reserves, standardized measure of discounted future net cash flows and changes in the standardized measure of discounted future net cash flows have their foundation in engineering estimates of future net revenues that are derived from proved reserves and with the assumption of current pricing and current costs of production for oil and gas produces in future periods.

Subsequent development and production of the Company's reserves will necessitate revising the present estimates. In addition, information provided in the above schedules does not provide definitive information as the results of any particular year but, rather, helps explain and demonstrate the impact of major factors affecting the Company's oil and gas producing activities. Therefore, the Company suggests that all of the aforementioned factors concerning assumptions and concepts should be taken into consideration when reviewing and analyzing this information.

Since the Company did not complete a reserve study at June 30, 2003, the standardized measure of discounted future net cash flows is \$0.

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the use of our report for the years ended June 30, 2003 and 2002, dated August 10, 2004, in the Form 10-KSB for The American Energy Group, Ltd.

Chisholm, Bierwolf & Nilson
Bountiful, Utah
August 18, 2004

Exhibit 31.1

CERTIFICATION

I, R. PIERCE ONTHANK, President and acting chief financial and accounting officer of The American Energy Group, Ltd., certify that:

1. I have reviewed this Annual Report on Form 10-KSB for the fiscal year ended June 30, 2003 of The American Energy Group, Ltd..
2. Based on my knowledge, this report 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 report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am the registrant's sole certifying officer and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I am the registrant's sole certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
6. I am the registrant's sole certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 18, 2004

Printed Name: R. PIERCE ONTHANK
President (chief executive) and acting chief financial and
accounting officer

EXHIBIT 32.1

**THE AMERICAN ENERGY GROUP, LTD.
CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I am the President, chief executive officer and acting chief financial and accounting officer of The American Energy Group, Ltd. (the "Corporation").
2. To the best of my knowledge:
 - (a) The Corporation's June 30, 2003 Form 10-KSB filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
 - (b) The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

DATED: August 18, 2004

By: _____/S/
R. Pierce Onthank
President (chief executive officer) and
acting chief financial and accounting officer