

Venture Research, LLC
Independent Research

October 29, 2005

American Energy Group, Ltd.

Recommendation:

12-Month Price Target:

Volatility Risk:

OTC BB: AEGG

Speculative BUY

\$8.00

HIGH

Confirm \$8 Price Target – Back Up the Truck and Load Up!!

Analyst

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<u>Market Data</u>			<u>EPS Estimate Fully Diluted</u>			<u>Valuation</u>	
			<u>Prior</u>	<u>Revised</u>	<u>Actual</u>	<u>PE</u>	<u>Price/CF</u>
Fiscal Year End	June 30	2005FY Q4	(0.01)	-	(0.01)	-	-
Current Price	\$1.50	2005FY	(0.04)	-	(0.04)	-	-
52 Week High-Low	\$3.24-0.25	2006FY Q1	(0.01)	0.00	-	-	-
Basic Shares Out	27,139,584	2006FY Q2	0.02	0.00	-	-	-
(October, 3 2005)		2006FY Q3	0.03	0.00	-	-	-
Market Cap, \$mil	\$40.7	2006FY Q4	0.05	0.01	-	-	-
Average Volume	22,300	2006FY	0.09	0.01	-	150	150
(3 months)		2007FY	0.16	0.39	-	3.8	3.8
		2008FY	0.59	0.67	-	2.2	2.2

HIGHLIGHTS

- Plan announced for next 6 months
- Reserve Study of Pakistan Yassin Block commissioned
- Recent Private Placements
- Solid Near Term Visibility and Catalysts
- NPV of cash flow and fundamental value is confirmed

American Energy Group, Ltd is a microcap oil and gas exploration company with assets in Pakistan and Galveston County, TX. A successful exploratory well in Pakistan was completed June 2005 and prior reserve estimates indicate as much as 2.6 trillion cubic feet may exist. The Company has an 18% over riding royalty on the Block.

- Management revealed major actions in their press release of October 27, 2005 related to actions by the operator of the Yassin Block – Hycarbex- American Energy
- Announced a two well drilling program for the 3rdQ 2006
- Commissioned a reserve study of the Yassin Block to be completed by mid January 2006. This will be the first update since 1998 and incorporates the results from the successful Haseeb No. 1 exploratory well and additional 2-D seismic information.
- Schlumberger completed a test of the Haseeb No 1 well that indicates acidification can increase production 31% to 10MMCF/day
- A successful private placement was completed in October that will generate \$240,000. 260,000 warrants were issued at \$0.50 for \$130,000 including conversion of a \$25,000 existing loan. Selling 122,222 restricted shares generated \$110,000. This should cover the burn rate of \$30,000/month until income is generated from the new wells in Q3.

Slight adjustments were made to the assumed drilling plan and a number of conservative assumptions were made but the NPV of projected cash flows confirms the \$8.00/share target price.

SEE IMPORTANT DISCLOSURE ON PAGE 14

NEAR TERM CATALYSTS

- Results of Reserve Report (January 2006)
- Two wells are spudded on schedule (January 2006)
- Initial production meets or exceeds estimates (6.5MMCF/D) (February/March 2006)
- Announcement to move to American Stock Exchange (2006FY)

RESERVE ANALYSIS

YASSIN BLOCK, PAKISTAN AEGG has an 18% over riding royalty on the 2,200 km² Yassin Block in Central Pakistan. Prior reserve studies were performed in 1997 and 19998 by Martin Petroleum & Associates, which are summarized below.

Reservoir Target	Source	Initial Hydrocarbons In Place, BCFE	Recovery & Loss Factor	Ultimate Recoverable Reserves,BCFE	Risk,%	Risked Reserves,BCFE
Pab Sandstone	(1),(2)	6,750	80%	5,400	75%	1,350
Goru Sandstone	(1),(2)	1,080	80%	864	83%	144
Sui Main Limestone	(3)					
Probable		8,820	59%	5,160	50%	2,580
Possible		3,766	59%	2,203	75%	551
Grand Total		20,416		13,627		4,625

Additional Risk Assessments made by Venture Research LLC

Pab Sandstone	50%	(675)
Goru Sandstone	100%	(144)
Sui Main Limestone		
Probable	38%	(980)
Possible	38%	(209)
Sub-total adjustments		(2,009)

Estimated Reserves

2,616

(1) Martin Petroleum & Associates 1997

(2) Oil converted to gas at 6 MCF/B BCFE: billion cubic feet equivalent

(3) Martin Petroleum & Associates 1998

The basis for the additional adjustments is this analyst's judgment. The successful exploratory well Haseeb No 1 indicates 100-150 BCF in that structure can be categorized as "proved". AEGG's 10K does not address whether the reserves are "proved" since they only have a royalty, and not ownership, interest in the property. Categorization of the reserves is estimated as follows:

	BCF
Proved	125
Probable	1,475
Possible	1,016

Total	2,616

This is a huge find and extremely valuable: ultimately can produce over \$7 billion revenue.

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The definitive report by a recognized engineering firm has been commissioned and expected mid January, 2006.

GALVESTON COUNTY, TX AEGG has interest in a lease that has a producing well but AEGG collects nothing since the operator claims to not have yet reached payout. AEGG disputes this and sued the operator in January 2004. AEGG has substantial working interest (78% and 84.5%) in the leases at depths below current operations (10,000 feet) and would hope to replace the operator and commence drilling to this deeper zone. The lease targets the prolific Frio/Vicksburg Zone in coastal Texas. Significant producing wells exist in the adjacent vicinity at depths below 10,000 feet (5 MMCF/D to 14MMCF/D). No estimate of reserves has been made and no value is put on this at this time.

RECENT PRICE PERFORMANCE AEGG began trading about 12 months ago at \$0.20 and reached a high of \$3.24 about the time the Haseeb No 1 well results were announced. Price and volume declined substantially over the summer. This seems to be attributable to technical factors and the large over hang of low priced stock. As part of the Reorganization 18+ million shares were issued to creditors at a ratio of 3 shares per dollar debt and to former employees at a lower rate. Since then shares have been issued for services from time to time. A summary follows:

	# Shares	Value, \$	\$/share
Reorganization 2003	18,898,518	6,236,511	\$0.33
Issued in 2004FY	5,800,000	301,500	\$0.052
Issued in 2005FY	2,441,066	550,496	\$0.678
Total	27,139,584	7,088,507	\$0.26

Source: 2004 10K

PEER GROUP PERFORMANCE AEGG is up 25% from my Initiation Report March 10, 2005 and has outperformed the selected Peer Group, the AMEX Oil Index and the MicroCap Energy Indextm. This Index was developed by the author and tracks the 30 largest Oil and Gas companies having an adjusted market capitalization less than \$300 million. (More information is available 203-355-0500)

		3/10/2005	10/28/2005		%
			Last Price	Volume	Change
ERHC ENERGY INC	ERHE.OB	\$0.62	\$0.37	688,749	-41.1%
GALAXY ENERGY COR	GAXI.OB	\$1.93	\$1.12	580,105	-42.0%
DUNE ENERGY INC (*)	DNE	\$2.40	\$2.35	79,700	-2.1%
AMERICAN OIL & GAS (*)	AEZ	\$2.95	\$6.04	175,400	104.7%
FAR EAST ENERGY C	FEFC.OB	\$1.25	\$1.72	255,840	37.6%
WESTSIDE ENERGY Corp (*)	WHT	\$5.50	\$3.70	59,900	-32.7%
AMERICAN ENERGY N	AEGG.OB	\$1.20	\$1.50	6,480	25.0%
Average ex AEGG					4.1%
Amex Oil Index	^XOI	852	969		13.7%
MicroCap Energy Index tm		1,515	1,568		3.5%

(*) Moved to American Stock Exchange subsequent to Initiation Report

The free float is probably much less than indicated due to large blocks existing with former creditors and long-term investors

Shares Outstanding Oct 3, 2005	27,139,584
Directors Pierce Onthank	1,500,000
Iftikhar Zahid	1,500,000
Karl Welser	159,000

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5% Owners	-	
Subtotal	3,159,000	11.6% of outstanding
Free Float	23,980,584	

Nevertheless, the low trading volume and large over hang of low priced stock will contribute to continued volatility.

OPERATING ASSUMPTIONS

Hycarbex-American Energy, owned by Hydro Tur (Energy) Ltd, is the operator and is privately held and has just released short term drilling plans. In order to value AEGG, however, longer-term plans must be presented which have not yet been provided. The Martin Studies indicated 30 wells would be added each year. The 2004 Business Plan indicated 27 wells would be drilled over three years to develop all of the identified structures on the lease. A drilling schedule is assumed on the basis of two rigs being available for the next 12 months and each well drilled in 60 days. Allowance is made for tying in to pipelines and an estimated producing well count is made as noted below.

Wells Spudded and Producing

2006FY end	4
2007FY	11
2008 FY and beyond	24

This may prove very conservative if Hydro Tur is able to secure adequate financing for a more aggressive program. The availability of rigs is unknown but generally that is just a matter of money. However, this poses a risk to AEGG as they are not able to secure these resources themselves and are dependent on Hydro Tur.

The 2004 Business Plan estimated production by structure as noted in Table 1 and these values are reduced by 50% to be conservative. The result is an average production of 6.5 MMCF/D.

The NPV was calculated based on the Base Case assumptions noted. The loss carry forward is exhausted in the 3rd year. The terminal value of AEGG in 2009FY is estimated based on an assumed PE multiple appropriate at that time. AEGG would have excellent growth prospects given the reserve base would not be close to exhaustion: reserve to production ratio in excess of 20 about twice a good E&P producer. Gas prices are assumed constant at \$3.00/MCF, which is well below market. Additional upside would exist because the assumed drilling schedule is not close to the maximum that might be attained if money, equipment and people were available without limit. At the assumed 24 well per year drilling plan AEGG would still be have 30-40%/year growth potential at the end of 2009FY. Currently producers are valued at 16 times next year's earnings that are mostly linked to higher commodity prices not production. AEGG on the other hand would be entirely based on drilling growth since prices are assumed to be constant and well below the market.

A PE of 8 is assumed which is a 50% discount to the market. The results in a NPV of \$8.32 per share.

A Sensitivity Analysis shows that the NPV could be in the \$14 - \$16 range if either a market multiple is used for the terminal value, or the estimated production rates are not discounted.

Alternatively, the Company can be viewed as an income vehicle (could convert to a tax free royalty structure once the loss carry forward is exhausted). In 2009 the EPS is estimated to be \$1.24 per share. At an 8% yield (a discount to US and Canadian trusts providing 5-7% yield with declining production but less country risk) this suggests a price of \$15.50 per share.

Significant uncertainty exists as to the reserves, production, etc so no change is made in the \$8 price target at this time.

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	2006FY	2007FY	2008FY	2009FY
Revenue	687,960	11,973,825	31,831,650	58,637,250
Expenses	570,000	587,100	604,713	622,854
Income Tax	0	0	11,692,260	22,045,470
Net Income	117,960	11,386,725	19,534,677	35,968,925
Discount factor @ 10%	0.909	0.826	0.751	0.683
PV	107,236	9,410,517	14,676,692	24,567,260

Terminal Value Estimation: 2009FY Net Income at PE Ratio

	6	8	10	16
Terminal Value	215,813,552	287,751,402	359,689,253	575,502,804
PV of Terminal Value	147,403,560	196,538,080	245,672,599	393,076,159
Total Value	196,165,265	245,299,784	294,434,304	441,837,864
Diluted shares	29,476,389	29,476,389	29,476,389	29,476,389
NPV, \$/share	\$6.65	\$8.32	\$9.99	\$14.99

Sensitivity Analysis, NPV \$/share fully diluted

		Terminal Value PE			
		6	8	10	16
Production, MMCF/D	6.5	\$6.65	\$8.32	\$9.99	\$14.99
	13	\$12.94	\$16.26	\$19.64	\$29.69

KEY RISKS

NO INCOME The Company has no revenue currently and is dependent on sales of shares and loans to cover expenses.

LACK OF DIVERSIFICATION Essentially all of the companies assets are represented in a single lease in Pakistan. The lease in Texas is significantly smaller.

OPERATIONS As discussed AEGG is not the operator and is dependent on a 3rd party, Hydro Tur (Energy) Ltd to finance and drill out the lease in Pakistan. They are not a well- known international production operator but may prove capable to the job at hand. The lease in Texas is operated by a 3rd party whom the Company has sued re: performance under terms of the Agreement.

COUNTRY RISK Pakistan has many positive factors and is well on their way as a developing country, but many investors have a negative perception of the country, rightfully so or not.

COMMODITY PRICING The good news here is there is no price risk: the bad news is local prices are \$2.50/MCF currently scheduled to increase to \$3.0/MCF January 1, 2006 so are substantially below world prices. Prices in South Asia are in this range however.

PENNY STOCK AEGG is not listed on an exchange and the stock trades in the "over the counter" Bulletin Board market. This restricts broker dealers from recommending the stock to most clients. Many institutional investors similarly will not consider a stock under \$3/share or not on an exchange.

American Energy Group Ltd Annual Financial Statements

	FY 2005	FY 2006	FY 2007	FY 2008
Income Statement				
Total Operating Revenue	0	626,535	11,973,825	31,831,650
Cost of Sales	0	0	0	0
Gross Operating Profit	0	626,535	11,973,825	31,831,650
SG & A Expense	694,018	570,000	587,100	604,713
EBITDA	(694,018)	56,535	11,386,725	31,226,937
Depreciation & Amortization	246	328	328	328
Interest Expense	12,406	5,764	5,764	5,764
Pre-Tax Income (EBT)	(706,670)	50,443	11,380,633	31,220,845
Loss Carry Forward	(43,103,661)	(43,053,218)	(31,672,585)	(451,740)
Income Taxes	0	0	0	11,692,260
Net Income	(706,670)	50,443	11,380,633	19,528,585
Diluted EPS	(\$0.03)	\$0.01	\$0.39	\$0.67

Cash Flow Statement

	FY 2005	FY 2006	FY 2007	FY 2008
NET INCOME (LOSS)	(706,670)	50,443	11,380,633	19,528,585
Cash Flow from OPERATING Activities				
Depreciation and Amortization	246	328	328	328
Changes in Working Capital				
(Increase) Decrease in Receivables	(152)	0	0	0
(Increase) Decrease in Inventories				
(Incr.) Decr. in Other Current Assets	(20,000)	0	0	0
(Decrease) Increase in Payables	(4,027)	0	0	0
(Decr.) Incr. in Other Curr. Liabilities	20,129	0	0	0
(Incr.) Decr. in Other Working Capital				
Common Stock Issued for services	114,940	0	0	0
Net Cash from OPERATING Activities	(571,386)	50,771	11,380,961	19,528,913
Cash Flow from INVESTING Activities				
Purchase of Property, Plant, Equipment	(3,286)	0	0	0
Net Cash from INVESTING Activities	(3,286)	0	0	0
Cash Flow from FINANCING Activities				
Issuance of Debt	317,000	25,000	0	0
Issuance of Capital Stock	0	215,000	0	0
Repayment of Long-Term Debt	0	0	0	0
Net Cash from FINANCING Activities	317,000	240,000	0	0
Net Increase in Cash	(257,672)	290,771	11,380,961	19,528,913
Cash at Beginning of Period	257,899	227	290,998	11,671,959
Cash at End of Period	227	290,998	11,671,959	31,200,872
NET CHANGE IN CASH/EQUIVALENTS	(257,672)	290,771	11,380,961	19,528,913

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	Balance Sheet			
	FY 2005	FY 2006	FY 2007	FY 2008
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	227	290,998	11,671,959	31,200,872
Other Current Assets	0	0	0	0
Accounts Receivable	91,560	91,560	91,560	91,560
Total Current Assets	91,787	382,558	11,763,519	31,292,432
NON-CURRENT ASSETS				
Gross Fixed Assets (PP&E)	3,286	3,286	3,286	3,286
Accum Depreciation & Depletion	(246)	(574)	(902)	(1,230)
Net Fixed Assets (PP&E)	3,040	2,712	2,384	2,056
TOTAL ASSETS	94,827	385,270	11,765,903	31,294,488
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	52,841	52,841	52,841	52,841
Short-Term Debt	317,000	342,000	342,000	342,000
Other Current Liabilities (*)	284,767	284,767	284,767	284,767
TOTAL CURRENT LIABILITIES	654,608	679,608	679,608	679,608
NON-CURRENT LIABILITIES				
Convertible Debt	0	0	0	0
Total Non-Current Liabilities	0	0	0	0
TOTAL LIABILITIES	654,608	679,608	679,608	679,608
SHAREHOLDER'S EQUITY				
Common Par	27,140	27,262	27,262	27,262
Additional Paid In Capital	1,860,545	2,075,423	2,075,423	2,075,423
Retained Earnings	(2,447,466)	(2,397,023)	8,983,610	28,512,195
Net Shareholders Equity	(559,781)	(294,338)	11,086,295	30,614,880
TOTAL STOCKHOLDERS EQUITY	(559,781)	(294,338)	11,086,295	30,614,880
TOTAL LIABILITIES & STOCK EQUITY	94,827	385,270	11,765,903	31,294,488
SHARES OUTSTANDING				
Total Common Shares Out.	27,140,000	27,262,222	27,262,222	27,262,222
Basic Weighted Shares Out.	25,319,754	27,216,389	27,262,222	27,262,222
Diluted Weighted Shares Out.	27,319,754	29,476,389	29,476,389	29,476,389
MISCELLANEOUS ITEMS				
Working Capital	(562,821)	(297,050)	11,083,911	30,612,824
Net Realization Shares Issued, \$/share	\$0.00	\$3.00	\$3.00	\$3.00

(*) Liabilities of a subsidiary that is in voluntary Bankruptcy Liquidation

Table 1
AEGG Pakistan Drilling Plan Assumptions and Estimates

	km2	Acre	Est Reserves, BCF	Est Prod, Unrisked, MMCF/D	Risk,%	Net Risked Production, MMCF/D	# Wells	Acres/well
Sui Main Prospects								
Prospect 1	12.9	3,186	415	13	50%	6.5	4	797
Prospect 2	25.0	6,175	802	20	50%	10	8	772
Prospect 3	8.5	2,102	274	10	50%	5	3	701
Prospect 4	11.5	2,848	370	10	50%	5	4	712
Prospect 5,6,7	32.5	8,023	642	10	50%	5	8	1003
Others- Oil Pab and Goru				5	50%	2.5		
Total-Unrisked	90.4	22,334	2,503	362			27	827
Natural Gas, 2005CY	\$/MCF	\$2.50						
2006,'07,'08CY	\$/MCF	\$3.00						

Table 2
Estimated Drilling Plan, New Wells Completed and Tied In To Pipelines

	2005 FY Jun	2006FY Sep	2006FY Dec	2006FY Mar	2006FY Jun	2006FY Total	2007FY Total	2008FY Total	2009FY Total
Prospect 1		0	0	1	1	2	2	4	4
Prospect 2		0	0	0	1	1	2	4	4
Prospect 3			0	0	1	1	2	4	4
Prospect 4			0	0	0	0	2	4	4
Prospect 5,6,7			0	0	0	0	2	4	4
Others			0	0	0	0	1	4	4
Total New Wells			0	1	3	4	11	24	24

Average Producing Well Count, Period

Prospect 1	0	0	0	0.5	0.5	1.0	3.0	6.0	10.0
Prospect 2	0	0	0	0	0.5	0.5	2.0	5.0	9.0
Prospect 3	0	0	0	0	0.5	0.5	2.0	5.0	9.0
Prospect 4	0	0	0	0	0	0.0	1.0	4.0	8.0
Prospect 5,6,7	0	0	0	0	0	0.0	1.0	4.0	8.0
Others	0	0	0	0	0	0.0	0.5	3.0	7.0
Total Operating Wells	0	0	0	0.5	1.5	2.0	9.5	27.0	51.0

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Table 3

	Production, MMCFE								
	2005 FY Jun	2006FY Sep	2006FY Dec	2006FY Mar	2006FY Jun	2006FY Total	2007FY Total	2008FY Total	2009FY Total
Prospect 1	0	0	0	296	296	592	7,118	14,235	23,725
Prospect 2	0	0	0	0	455	455	7,300	18,250	32,850
Prospect 3	0	0	0	0	228	228	3,650	9,125	16,425
Prospect 4	0	0	0	0	0	0	1,825	7,300	14,600
Prospect 5,6,7	0	0	0	0	0	0	1,825	7,300	14,600
Others	0	0	0	0	0	0	456	2,738	6,388
Total	0	0	0	296	978	1,274	22,174	58,948	108,588
Average Production per well						2	6	6	6

Table 4

	Operating Gross Revenue, \$								
	2005 FY Q4 Jun	2006FY Q1 Sep	2006FY Q2 Dec	2006FY Q3 Mar	2006FY Q4 Jun	2006FY Total	2007FY Total	2008FY Total	2009FY Total
Prospect 1	0	0	0	887,250	887,250	1,774,500	21,352,500	42,705,000	71,175,000
Prospect 2	0	0	0	0	1,137,500	1,365,000	21,900,000	54,750,000	98,550,000
Prospect 3	0	0	0	0	568,750	682,500	10,950,000	27,375,000	49,275,000
Prospect 4	0	0	0	0	0	0	5,475,000	21,900,000	43,800,000
Prospect 5,6,7	0	0	0	0	0	0	5,475,000	21,900,000	43,800,000
Others	0	0	0	0	0	0	1,368,750	8,212,500	19,162,500
Total	0	0	0	887,250	2,593,500	3,822,000	66,521,250	176,842,500	325,762,500

Table 5

	AEGG Income 18% Over riding Royalty, \$								
	2005 FY Q4 Jun	2006FY Q1 Sep	2006FY Q2 Dec	2006FY Q3 Mar	2006FY Q4 Jun	2006FY Total	2007FY Total	2008FY Total	2009FY Total
Prospect 1	0	0	0	159,705	159,705	319,410	3,843,450	7,686,900	12,811,500
Prospect 2	0	0	0	0	204,750	245,700	3,942,000	9,855,000	17,739,000
Prospect 3	0	0	0	0	102,375	122,850	1,971,000	4,927,500	8,869,500
Prospect 4	0	0	0	0	0	0	985,500	3,942,000	7,884,000
Prospect 5,6,7	0	0	0	0	0	0	985,500	3,942,000	7,884,000
Others	0	0	0	0	0	0	246,375	1,478,250	3,449,250
Total	0	0	0	159,705	466,830	687,960	11,973,825	31,831,650	58,637,250

American Energy Group Ltd Quarterly Financial Statements

	FY 2005	FY 2005	FY 2005	FY 2005	FY 2006	FY 2006	FY 2006	FY 2006
	Q1 Sep	Q2 Dec	Q3 Mar	Q4 Jun	Q1 Sep	Q2 Dec	Q3 Mar	Q4 Jun
INCOME SHEET								
Total Operating Revenue	1	1	0	(2)	0	0	159,705	466,830
Cost of Sales	---	---	0	0	0	0	0	0
Gross Operating Profit	---	---	0	0	0	0	159,705	466,830
OPERATING EXPENSES								
SG & A Expense	156,763	115,741	131,059	290,455	90,000	90,000	90,000	300,000
EBITDA	(156,763)	(115,741)	(131,059)	(290,455)	(90,000)	(90,000)	69,705	166,830
Depreciation & Amortization	---	0	82	164	82	82	82	82
Interest Income	0	0	0	0	0	0	0	0
Interest Expense	4,275	1,740	1,441	4,950	1,441	1,441	1,441	1,441
Pre-Tax Income (EBT)	(161,038)	(117,481)	(132,582)	(295,569)	(91,523)	(91,523)	68,182	165,307
Loss carry forward				(43,103,661)	(43,195,184)	(43,286,707)	(43,218,525)	(43,053,218)
Income Taxes	0	0	0	0	0	0	0	0
Net Income	(161,038)	(117,481)	(132,582)	(295,569)	(91,523)	(91,523)	68,182	165,307
Basic EPS	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	\$0.01	\$0.01
Diluted EPS	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)	\$0.00	\$0.01

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CASH FLOW STATEMENT

	FY 2004 Q4 Jun	FY 2005 Q1 Sep	FY 2005 Q2 Dec	FY 2005 Q3 Mar	FY 2005 Q4 Jun	FY 2006 Q1 Sep	FY 2006 Q2 Dec	FY 2006 Q3 Mar	FY 2006 Q4 Jun
NET INCOME (LOSS)	(928,389)	(161,038)	(117,481)	(132,582)	(295,569)	(91,523)	(91,523)	68,182	165,307
CASH FLOW FROM OPERATING ACTIVITIES									
Depreciation and Amortization	---	---	---	82	164	82	82	82	82
Changes in Working Capital									
(Increase) Decrease in Rec/prepaid expense	---	---	---	0	(152)	0	0	0	0
(Increase) Decrease in Inventories	---	---	---	0					
(Incr.) Decr. in Other Current Assets	(35,000)	(5,000)	(5,000)	(46,712)	36,712	0	0	0	0
(Decrease) Increase in Payables	10,737	15,500	15,500	(43,500)	8,473	0	0	0	0
(Decr.) Incr. in Other Curr. Liabilities	(88,018)	(3,927)	(5,793)	(5,360)	35,209	0	0	0	0
(Incr.) Decr. in Other Working Capital	---	---	1,500	(1,418)	24,160	0	0	0	0
Common Stock Issued for services	---	0	36,496	32,500	45,944	0	0	0	0
Net Cash from Continuing Ops	(319,436)	(154,465)	(74,778)	(197,072)	(145,071)	(91,441)	(91,441)	68,264	165,389
Net Cash from OPERATING Activities	(319,436)	(154,465)	(74,778)	(197,072)	(145,071)	(91,441)	(91,441)	68,264	165,389
CASH FLOW PROVIDED BY INVESTING ACTIVITIES									
Sale of Property, Plant, Equipment	---	---	---						
Purchase of Property, Plant, Equipment	---	---	---	(3,286)	0	0	0	0	0
Other Investing Changes, Net	(1,121,881)	---	---						
Net Cash from INVESTING Activities	(1,121,881)	0	0	(3,286)	0	0	0	0	0
CASH FLOW FROM FINANCING ACTIVITIES									
Issuance of Debt	575,000	---	---	220,000	97,000	25,000	0	0	0
Issuance of Capital Stock	---	---	---	0	0	105,000	110,000	0	0
Repayment of Long-Term Debt	---	---	---	0	0	0	0	0	0
Net Cash from FINANCING Activities	575,000	0	0	220,000	97,000	130,000	110,000	0	0
Net Increase in Cash	(866,317)	(154,465)	(74,778)	19,642	(48,071)	38,559	18,559	68,264	165,389
Cash at Beginning of Period	1,124,216	257,899	103,434	28,656	48,298	227	38,786	57,345	125,609
Cash at End of Period	257,899	103,434	28,656	48,298	227	38,786	57,345	125,609	290,998
NET CHANGE IN CASH/EQUIVALENTS	(866,317)	(154,465)	(74,778)	19,642	(48,071)	38,559	18,559	68,264	165,389

Venture Research, LLC
Independent Research

	BALANCE SHEET								
	FY 2004	FY 2005	FY 2005	FY 2005	FY 2005	FY 2006	FY 2006	FY 2006	FY 2006
	Q4 Jun	Q1 Sep	Q2 Dec	Q3 Mar	Q4 Jun	Q1 Sep	Q2 Dec	Q3 Mar	Q4 Jun
CURRENT ASSETS									
Cash & Cash Equivalents	257,899	103,434	28,656	48,298	227	38,786	57,345	125,609	290,998
Other Current Assets	35,000	40,000	0	0	0	0	0	0	0
Prepaid Expenses	0	0	0	91,712	91,560	91,560	91,560	91,560	91,560
Total Current Assets	292,899	143,434	28,656	140,010	91,787	130,346	148,905	217,169	382,558
NON-CURRENT ASSETS									
Gross Fixed Assets (PP&E)	---	---	---	3,286	3,286	3,286	3,286	3,286	3,286
Accum Depreciation & Depletion	---	---	---	(82)	(246)	(328)	(410)	(492)	(574)
Net Fixed Assets (PP&E)	---	---	---	3,204	3,040	2,958	2,876	2,794	2,712
TOTAL ASSETS	292,899	143,434	28,656	143,214	94,827	133,304	151,781	219,963	385,270
CURRENT LIABILITIES									
Accounts Payable	36,739	48,312	58,019	9,159	52,841	52,841	52,841	52,841	52,841
Short-Term Debt	0	0	0	0	317,000	342,000	342,000	342,000	342,000
Other Current Liabilities	284,767	284,767	241,267	284,767	284,767	284,767	284,767	284,767	284,767
TOTAL CURRENT LIABILITIES	321,506	333,079	299,286	293,926	654,608	679,608	679,608	679,608	679,608
NON-CURRENT LIABILITIES									
Convertible Debt	375,000	375,000	0	220,000	0	0	0	0	0
Total Non-Current Liabilities	375,000	375,000	0	220,000	0	0	0	0	0
TOTAL LIABILITIES	696,506	708,079	299,286	513,926	654,608	679,608	679,608	679,608	679,608
SHAREHOLDER'S EQUITY									
Common Par	24,699	24,699	26,708	26,734	27,140	27,140	27,262	27,262	27,262
Additional Paid In Capital	1,312,490	1,312,490	1,721,977	1,754,451	1,860,545	1,965,545	2,075,423	2,075,423	2,075,423
Retained Earnings	(1,740,796)	(1,901,834)	(2,019,315)	(2,151,897)	(2,447,466)	(2,538,989)	(2,630,512)	(2,562,330)	(2,397,023)
Net Shareholders Equity	(403,607)	(564,645)	(270,630)	(370,712)	(559,781)	(546,304)	(527,827)	(459,645)	(294,338)
TOTAL STOCKHOLDERS EQUITY	(403,607)	(564,645)	(270,630)	(370,712)	(559,781)	(546,304)	(527,827)	(459,645)	(294,338)
TOTAL LIABILITIES & STOCK EQUITY	292,899	143,434	28,656	143,214	94,827	133,304	151,781	219,963	385,270
SHARES OUTSTANDING									
Total Common Shares Out.	24,698,518	24,698,518	26,707,250	26,733,520	27,140,000	27,140,000	27,262,222	27,262,222	27,262,222
Basic Weighted Shares Out.	0	24,698,518	26,881,000	26,720,385	26,936,760	27,140,000	27,201,111	27,262,222	27,262,222
Diluted Weighted Shares Out.	0	24,698,518	26,881,000	26,720,385	28,936,760	29,400,000	29,461,111	29,522,222	29,522,222
MISCELLANEOUS ITEMS									
Working Capital	(28,607)	(189,645)	(270,630)	(153,916)	(562,821)	(549,262)	(530,703)	(462,439)	(297,050)
Net Realization Shares Issued, \$/share								\$3.00	\$3.00

Venture Research, LLC
Independent Research

AEGG American Energy Group Ltd (OTC BB)

10/28/2005

Last: 1.50	Change: <input checked="" type="checkbox"/> UNCH	Open: 1.45	High: 1.50	Low: 1.35	Volume: 6,500
	Percent Change: n/a	Yield: n/a	P/E Ratio: n/a	52 Week Range: 0.20 to 3.25	



Date		Recommendation	Price
3/15/05	1	BUY	\$1.25
6/13/05	2	BUY	\$3.00
10/28/2005	3	BUY	\$1.50

CERTIFICATION

I, Clay Mahaffey, certify this report reflects my true opinion.

DISCLAIMER & DISCLOSURE

Clay Mahaffey, CFA. Mr. Mahaffey has 25 years of business and financial experience. He has worked for Merrill Lynch, a Boston based Venture Capital Company and Investors Capital Management, a Registered Investment Advisor before forming Venture Research LLC. He began his career with Exxon and has broad corporate development experience in the petrochemical and energy industry. He has a BS in Chemical Engineering from LSU and an MBA from The Wharton School, University of Pennsylvania. He is a member of the New York Society of Security Analysts, The CFA Institute and holds the Chartered Financial Analyst (CFA) designation.

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Venture Research, LLC agreed to provide 12 months of research coverage on the American Energy Group, Ltd Company (AEGG.OB OTC Bulletin Board) for the period from March 15, 2005 to March 15, 2006 and has been compensated by the issuer with \$7,500 cash and 17,620 common shares. This disclosure is made in compliance with SEC Rule 17b of the Securities Act of 1933. Venture Research, LLC is an independent research and financial consulting firm based in Stamford, CT and New York City. www.claymahaffey.com