

AMERICAN ENERGY PARTNERS, INC.

OTC PINK BASIC DISCLOSURES

for the Period

December 31, 2018

ITEM 1 – NAME OF ISSUER AND ITS PREDECESSORS (IF ANY):

American Energy Partners, Inc. 08/05/2017 to Present
Converde Energy USA Inc., 03/31/2014 to 08/05/2017
W2 Energy, Inc. 09/15/2014

ITEM 2 – ADDRESS OF THE ISSUER’S PRINCIPAL EXECUTIVE OFFICES:

Company Headquarters

PO Box 443
Allentown, PA 18105
Phone: (610) 217-3275
Email: brad@americanenergy-inc.com
Website(s): <http://www.americanenergy-inc.com>

IR Contact

Minivest
450 7th Avenue
New York, NY
646-661-1907

ITEM 3 – SECURITY INFORMATION:

As of December 31, 2018:

Trading Symbol: AEPT

Common Stock – 1,500,000,000 shares authorized, par value \$0.001 and 122,143,990 issued and 97,143,990 outstanding.
CUSIP: 02563X102

Common B Stock – 2,000,000,000 shares authorized, par value \$0.001 and 12,500,000 issued and outstanding.
CUSIP: None

Preferred Stock – 1,000,000,000 shares authorized, par value \$0.001 and 750,000,000 issued and outstanding.
CUSIP: None

Transfer Agent

Transfer Online, Inc.
512 SE Salmon Street
Portland, OR 97214
Phone: (503) 227-2950

Is the Transfer Agent registered under the Exchange Act?

Yes: X No: ☐

List any restrictions on the transfer of security: None.

Describe any trading suspension orders issued by the SEC in the past 12 months: None.

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

On January 4, 2018, the Company amended its Articles of Incorporation to reduce the number of authorized stock to three billion five hundred million (3,500,000,000) shares of Common Stock, par value \$0.001. The Common Stock shall be divided into two classes: Class A and Class B. There shall be One and One Half Billion (1,500,000,000) shares of Class A Common Stock and Two Billion (2,000,000,000) shares of Class B Common Stock.

During the three months ended September 30, 2017, the Board of Directors authorized a 20:1 reverse stock split. The outstanding Common B Stock shares were reduced from 250,000,000 to 12,500,000. The outstanding Common Stock shares were reduced from 167,516,432 to 8,375,822. The Company also changed its name to American Energy Partners, Inc. and its corporate domicile from the State of Nevada to the State of Colorado. The trading symbol for the Common Stock was changed from “XFUL” to “AEPT.”

On December 16, 2016, the “Company” entered into a Share Exchange Agreement with Hydration Company of PA, LLC (“HCPA”), XFUELS, Inc. (“XFUELS”) and Brad Domitrovitsch (“Domitrovitsch”), where the Company agreed to issue Domitrovitsch shares of the Company’s common stock, par value \$0.001 (“Common Stock”) equal to 80% of the issued and outstanding Common Stock in consideration for Domitrovitsch’s 91.52% membership interest in HCPA.

ITEM 4 – ISSUANCE HISTORY

Common Stock

On October 15, 2018, the Company issued 15,500,000 shares of Common Stock at \$0.0051 per share to Officers and Directors as compensation in the accordance to the following: (i) 7,500,000 shares of Common Stock to West End Consulting Group LLC; (ii) 5,000,000 shares of Common Stock to Josh Hickman; and (iii) 3,000,000 shares of Common Stock to John Pippy.

On October 3, 2018, the Company issued 9,750,000 options to Officers and Directors as part of the Incentive Stock Option Plan in the accordance to the following: (i) 5,000,000 options to West End Consulting Group LLC; (ii) 3,500,000 options to Josh Hickman; and (iii) 1,250,000 options to John Pippy.

On August 1, 2018, the Company issued 1,500,000 shares of Common Stock at \$0.007 per share as compensation to Damian Georgino.

On June 28, 2018, the Company issued 15,500,000 shares of Common Stock at \$0.0065 per share to Officers and Directors as compensation in the accordance to the following: (i) 7,500,000 shares of Common Stock to West End Consulting Group LLC; (ii) 5,000,000 shares of Common Stock to Josh Hickman; and (iii) 3,000,000 shares of Common Stock to John Pippy.

On May 9, 2018, the Company issued 1,000,000 shares of Common Stock at \$0.005 per share to Gardner Dean Schroth pursuant to a Regulation A offering.

On April 6, 2018, the Company issued 5,000,000 shares of Common Stock at \$0.015 per share to Random Walk Consulting LLC as compensation for consulting services.

On April 5, 2018, the Company issued 15,500,000 shares of Common Stock at \$0.015 per share to Officers and Directors as compensation in accordance to the following: (i) 7,500,000 shares of Common Stock to West End Consulting Group LLC; (ii) 5,000,000 shares of Common Stock to Josh Hickman; and (iii) 3,000,000 shares of Common Stock to John Pippy.

During the period ended March 31, 2018, the Company issued 12,300,000 shares of Common Stock pursuant to a Regulation A offering.

On February 12, 2018, the Company issued 2,000,000 shares of Common Stock to John Hickman and 3,000,000 shares of Common Stock to West End Consulting Group LLC, at \$0.058 per share in the form of compensation.

During the three months ended December 31, 2017, the Company issued 2,900,000 shares of Common Stock at \$0.05 per share pursuant to a Regulation A offering.

On November 29, 2017, the Company issued 2,000,000 shares of Common Stock to Josh Hickman and 3,000,000 shares of Common Stock to West End Consulting Group LLC at \$0.05 per share as compensation for services.

On October 10, 2017, the Company issued 434,667 shares of Common Stock at \$0.05 per share, pursuant to a Convertible Note issued to Asymtote Capital, LLC.

On September 21, 2017, the Company issued 8,333,333 shares of Common Stock to William T. Rousis pursuant to a \$250,000 private placement.

On August 23, 2017, 34 shares of Common Stock were issued to Cede & Co. as a result of the Stock Split.

On April 7, 2017, the Company issued 1,074,248 shares of Restricted Common Stock to various shareholders pursuant to a Share Exchange Agreement with Hydration Company.

During the three months ended March 31, 2017, the Company issued 10,000,000 shares of free trading Common Stock each to: (i) Paladin Advisors LLC; (ii) WT Consulting Group LLC; (iii) 2V Capital Inc.; and (iv) DJK Investments 10 Inc. in satisfaction of aged debt conversion in an aggregate of 40,000,000 shares of Common Stock issued. The shares were issued at \$0.0025 per share.

On March 20, 2017, the Company issued 60,000 shares of Restricted Common Stock, at \$0.50 per share, to Thomas W. Fogle.¹

On March 10, 2017, the Company issued: (i) 84,000,00 shares of Common Stock; (ii) 194,000,000 shares of Common B; and (iii) 534,501,255 shares of Preferred Stock to West End Consulting Group LLC pursuant to the terms of the Equity Exchange Agreement. The shares were issued with a restrictive legend.

.

¹ This issuance was not processed by the Transfer Agent until April 7, 2017.

ITEM 5 – FINANCIAL STATEMENTS

**AMERICAN ENERGY PARTNERS, INC.
AND SUBSIDIARIES**

**FINANCIAL REPORT
(Compiled)**

December 31, 2018

**BUCKNO
LISICKY**
& COMPANY

BUCKNOLISICKY.COM

A Professional Corporation

Certified Public Accountants | Business Consultants

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES

Table of Contents

December 31, 2018 and 2017

	<u>Page</u>
Independent Accountants' Compilation Report on the Financial Statements	1
Financial Statements	
Consolidated balance sheets	2
Consolidated statements of income	3
Consolidated statements of change in stockholders' equity (deficiency)	4
Consolidated statements of cash flows	5
Notes to the consolidated financial statements	6-11

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To Management
American Energy Partners, Inc. and Subsidiaries
Allentown, Pennsylvania

Management is responsible for the accompanying consolidated financial statements of American Energy Partners, Inc. and Subsidiaries (a corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, change in stockholders' equity (deficiency) and cash flows for the years then ended, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
January 19, 2019

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2018 and 2017****See Independent Accountants' Compilation Report**

ASSETS		
	2018	2017
CURRENT ASSETS		
Cash	\$ 11,800	\$ 30,466
Accounts receivable	10,997	6,600
TOTAL CURRENT ASSETS	22,797	37,066
PROPERTY AND EQUIPMENT, NET	75,647	57,000
TOTAL ASSETS	\$ 98,444	\$ 94,066
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Accounts payable	\$ 49,658	\$ -
Interest payable	13,826	5,158
Convertible notes	100,000	100,000
TOTAL CURRENT LIABILITIES	163,484	105,158
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Preferred stock (\$.001 par value, 1,000,000,000 shares authorized, 750,000,000 issued and outstanding)	750,000	750,000
Common B stock (\$.001 par value, 2,000,000,000 shares authorized, 12,500,000 issued and outstanding)	12,500	12,500
Common stock (\$.001 par value, 1,500,000,000 shares authorized, 122,143,990 issued and 97,143,990 outstanding)	97,144	25,844
Additional paid in capital	1,290,270	341,270
Accumulated deficit	(2,214,954)	(1,140,706)
TOTAL STOCKHOLDERS' EQUITY (DEFICIENCY)	(65,040)	(11,092)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	\$ 98,444	\$ 94,066

See Notes to Consolidated Financial Statements.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES**Consolidated Statements of Income****Years Ended December 31, 2018 and 2017****See Independent Accountants' Compilation Report**

	<u>2018</u>	<u>2017</u>
SALES	<u>\$ 96,261</u>	<u>\$ 6,600</u>
COST OF GOODS SOLD	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>96,261</u>	<u>6,600</u>
OPERATING EXPENSES		
Advertising & promotion	78,529	220,677
Automobile Expense	32	167
Bank charges	8,894	21,283
Compensation	787,800	250,000
Depletion expense	1,585	-
Dues & subscriptions	17,867	22,498
Insurance	-	5,583
Interest expense	8,668	6,448
Meals & entertainment	1,896	3,832
Office expense	293	923
Postage	64	119
Professional fees	275,281	203,967
Repair & maintenance	20,432	532
Rent expense	116	56
Royalties	7,116	-
Travel expense	8,417	3,125
Utilities	119	3
TOTAL OPERATING EXPENSES	<u>1,217,109</u>	<u>739,213</u>
OPERATING LOSS	<u>(1,120,848)</u>	<u>(732,613)</u>
OTHER INCOME (EXPENSES)		
Gain from sale of equipment	29,500	-
Loss on investment write off	-	(77,551)
Miscellaneous income	17,100	-
TOTAL OTHER INCOME (EXPENSES)	<u>46,600</u>	<u>(77,551)</u>
NET LOSS	<u>\$ (1,074,248)</u>	<u>\$ (810,164)</u>

See Notes to Consolidated Financial Statements.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES

Consolidated Statements of Change in Stockholders' Equity (Deficiency)

Years Ended December 31, 2018 and 2017

See Independent Accountants' Compilation Report

	Preference Shares		Common B Shares		Common Shares		Additional Paid-in Capital		Accumulated Deficit		Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficiency	Equity		
BALANCE, January 1, 2017	215,498,745	\$ 215,499	56,000,000	\$ 56,000	21,382,184	\$ 21,382	\$ -	\$ (330,542)	\$ (37,661)			
Share issuance	534,501,255	534,501	194,000,000	194,000	106,134,248	106,134	(804,635)	-	30,000			
Share issuance from convertible note	-	-	-	-	40,000,000	40,000	60,000	-	100,000			
Stock compensation	-	-	-	-	-	-	-	-	-			
20:1 Reverse stock split	-	-	(237,500,000)	(237,500)	(158,340,476)	(158,340)	395,840	-	-			
BALANCE, August 3, 2017	750,000,000	\$ 750,000	12,500,000	\$ 12,500	9,175,956	\$ 9,176	\$ (348,795)	\$ (330,542)	\$ 92,339			
Share issuance	-	-	-	-	11,233,367	11,233	423,767	-	435,000			
Share issuance from convertible note	-	-	-	-	434,667	435	21,298	-	21,733			
Stock compensation	-	-	-	-	5,000,000	5,000	245,000	-	250,000			
Net loss	-	-	-	-	-	-	-	(810,164)	(810,164)			
BALANCE, December 31, 2017	750,000,000	750,000	12,500,000	12,500	25,843,990	25,844	341,270	(1,140,706)	(11,092)			
Share issuance	-	-	-	-	13,300,000	13,300	219,200	-	232,500			
Share issuance from convertible note	-	-	-	-	-	-	-	-	-			
Stock compensation	-	-	-	-	58,000,000	58,000	729,800	-	787,800			
Net loss	-	-	-	-	-	-	-	(1,074,248)	(1,074,248)			
BALANCE, December 31, 2018	750,000,000	\$ 750,000	12,500,000	\$ 12,500	97,143,990	\$ 97,144	1,290,270	\$ (2,214,954)	\$ (65,040)			

See Notes to Consolidated Financial Statements.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****Years Ended December 31, 2018 and 2017****See Independent Accountants' Compilation Report**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,074,248)	\$ (810,164)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on investment write off	-	77,551
Convertible note	-	121,733
Depletion expense	1,585	-
Gain on sale of assets	(29,500)	-
Stock compensation	787,800	250,000
Increase in assets:		
Accounts receivable	(4,397)	(6,600)
Increase (decrease) in liabilities:		
Accounts payable	49,658	-
Interest payable	8,668	4,715
Convertible notes	-	(20,000)
NET CASH USED IN OPERATING ACTIVITIES	<u>(260,434)</u>	<u>(382,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of assets	30,000	-
Additions to property, plant, and equipment	<u>(20,732)</u>	<u>(57,000)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>9,268</u>	<u>(57,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuance	<u>232,500</u>	<u>465,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>232,500</u>	<u>465,000</u>
NET INCREASE (DECREASE) IN CASH	(18,666)	25,235
CASH		
Beginning	30,466	5,231
Ending	<u><u>\$ 11,800</u></u>	<u><u>\$ 30,466</u></u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Stock issued from convertible debt	<u>\$ -</u>	<u>\$ 100,000</u>
Stock issued from equity exchange	<u>\$ -</u>	<u>\$ 1,074</u>

See Notes to Consolidated Financial Statements.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

See Independent Accountants' Compilation Report

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

American Energy Partners, Inc. is a publicly-traded company (OTC: AEPT) comprised of subsidiaries that source, treat and distribute reclaimed water in an effort to preserve our nation's naturally occurring resources. Together with Hydration Company of PA (sourcing, distributing), American Energy Solutions (treating) and Gilbert Oil and Gas Company the Companies provide value through net revenue interests, mineral interests and royalty rights.

On August 3, 2017 Converde Energy USA, Inc. fully converted into American Energy Partners, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the Company and its majority owned subsidiaries, Hydration Company of PA, American Energy Solutions, and Gilbert Oil and Gas Company. All significant intercompany transactions and balances have been eliminated in consolidation.

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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company classifies an investment with original maturities of three months or less as cash and cash equivalents.

Accounts Receivable

The Company considers account receivable to be fully collectable at period end. Accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment are stated at cost. Depreciation on property and equipment is recorded using the straight-line method of depreciation over the estimated useful lives of depreciable assets which range from 7 to 10 years for equipment and automobiles and 40 years for improvements.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

See Independent Accountants' Compilation Report

Oil and gas assets are calculated using the unit-of-production method based upon estimates of proved oil and gas reserves with oil and gas production being converted to a common unit of measure based upon their relative energy content. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals that extend the useful lives of property and equipment are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation are reduced, and any gain or loss is included in operations.

Impairment

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the income statement in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

Stock Option Plan

During 2017, the Company established a stock option plan, the American Energy Partners, Inc. and Subsidiaries Stock Incentive Plan. Stock options are granted to officers and other key employees. The options fully vest after two years of continued employment. Newly issued shares of common stock are provided to satisfy stock option exercises. Under the Company's policy, all stock option awards and exercise prices are approved prior to the date of grant by the Board of Directors.

See Note 4 for additional information.

Income Taxes

The Company and its subsidiaries have elected to be taxed as a C corporation.

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are recalculated using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Due to continued net losses no asset or liability has been recorded.

The returns for 2017, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Each company files separate state income tax returns based on its individual earnings.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

See Independent Accountants' Compilation Report

Advertising

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2018 and 2017 is \$78,529 and \$220,677.

Date of Management's Review

Subsequent events were evaluated through January 19, 2019, which is the date the financial statements were available to be issued.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of the years ended December 31, 2018 and 2017:

	2018	2017
Oil and gas wells	\$ 77,232	\$ 57,000
Less accumulated depletion	1,585	-
	<u>\$ 75,647</u>	<u>\$ 57,000</u>

Depletion expense for the years ended December 31, 2018 and 2017 is \$1,585 and \$0.

NOTE 4. CONVERTIBLE NOTES

The Company engaged Asymtote Capital, LLC for working capital funding. The consideration for that funding was a \$20,000 convertible note with a maturity dated September 2019 and 8% interest capitalized into the note principal. The note also has a 2% default penalty. The note has mandatory terms related to third party stock issuance, annual earnings or a sale of the Company to a third party. The amount of conversion shares will be based on the stock value at the time of the triggering event. The Company recorded interest expense relating to this not in the amount of \$0 and \$1,291 for the years ended December 31, 2018 and 2017. This note was converted during 2017.

The Company engaged GPL Ventures, LLC/Mininvest for crowdsourcing related to the Regulation A. The consideration for that retention was a \$100,000 convertible note yielding 8% with a maturity dated May 2018. The Company recorded interest expense relating to this not in the amount of \$8,668 and \$5,157 for the years ended December 31, 2018 and 2017.

GPL Ventures, LLC/Mininvest has the right, commencing on the issuance date of this note, to convert any part of the outstanding interest or principal amount of this note into fully paid and non-assessable shares of common stock. The conversion price shall equal 50% of the lowest trading price during the valuation period, and the conversion amount shall be the amount of principal or interest electively converted in the conversion notice. The total

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

See Independent Accountants' Compilation Report

number of shares due under any conversion notice will be equal to the conversion amount divided by the conversion price.

The Company inherited two \$50,000 convertible notes payable to Mark and Michael Brierley in the buyout. The note was in default when inherited and had an interest rate of 7%. The Company issued \$100,000 worth of shares in a debt conversion during the year ended December 31, 2017.

NOTE 5. STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized 1,000,000,000 shares of Preferred Stock with a par value of \$0.001 per share. As of the years ending December 31, 2018 and 2017 750,000,000 shares are issued and outstanding.

Common B Stock

The Board of Directors authorized a 20:1 reverse stock split. The outstanding Common B Stock shares were reduced from 250,000,000 to 12,500,000. This reduction was finalized August 3, 2017.

The Company has authorized 2,000,000,000 shares of Common B Stock with a par value of \$0.001 per share. As of the years ending December 31, 2018 and 2017 12,500,000 shares are issued and outstanding.

Common Stock

The Board of Directors authorized a 20:1 reverse stock split. The outstanding Common Stock shares were reduced from 167,516,432 to 9,175,956. This reduction was finalized August 3, 2017.

The Company has issued 122,143,990 shares of Common Stock of the total authorized amount of 1,500,000,000 shares. As of the years ending December 31, 2018 and 2017 97,143,990 and 25,843,990 shares are outstanding. For each common share, \$0.001 is allocated to par value.

The Company issued 58,000,000 and 5,000,000 shares of Common Stock in lieu of compensation for the years ended December 31, 2018 and 2017.

Stock Option Plan

As discussed in Note 1, the Company established a stock option plan during 2017 and management reserved a pool of 20,000,000 shares of Common Stock to be issued when the options are exercised.

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****Years Ended December 31, 2018 and 2017****See Independent Accountants' Compilation Report**

The Company granted stock options as follows:

<u>Issue Date</u>	<u>Options Issued</u>	<u>Common Stock Purchase Price</u>
September 6, 2017	250,000	\$0.0750
September 7, 2017	3,500,000	\$0.0750
September 7, 2017	5,000,000	\$0.0750
December 12, 2017	500,000	\$0.0740
January 5, 2018	750,000	\$0.0850
October 3, 2018	9,750,000	\$0.0065
	<u>19,750,000</u>	

The options fully vest two years from the grant date and are exercisable from then through a period of ten years from the date of grant. Using the Black-Scholes option pricing model, management has determined that the options issued in 2017 and 2018 have a value of \$.046, \$.056, \$.056, \$.080, \$.080 and \$.004 per share, respectively. Total compensation cost is \$11,500, \$196,000, \$280,000, \$40,000, \$60,000 and \$39,000, respectively. Compensation cost will be recognized after the options fully vest in two years. The Company did not recognize stock option-based compensation in the years ended December 31, 2018 and 2017.

As of December 31, 2018, unrecognized compensation cost related to nonvested awards totaled \$626,500. Of this amount, \$527,500 will be recognized in 2019, \$99,000 in 2020. The weighted average period over which this remaining compensation cost will be recognized is 1.16 years.

The significant assumptions used and the calculated fair value of options are as follows:

	<u>2018</u>	<u>2017</u>
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	3.30-3.88%	2.95-3.24%
Expected life in years	10	10
Expected volatility	355-534%	532-832%
Weighted-average fair value of options granted	\$ 0.0318	\$ 0.1123

AMERICAN ENERGY PARTNERS, INC. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****Years Ended December 31, 2018 and 2017****See Independent Accountants' Compilation Report**

The following is an analysis of options to purchase shares of the Company's stock issued and outstanding:

	2018		2017	
	Total Options	Weighted Average Exercise Price	Total Options	Weighted Average Exercise Price
Outstanding at January 1	9,250,000	\$0.1316	-	\$ -
Granted	10,500,000	0.0121	9,250,000	0.1316
Exercised	-	-	-	-
Expired/cancelled	-	-	-	-
Forfeited	-	-	-	-
Outstanding at December 31	<u>19,750,000</u>	<u>\$0.0415</u>	<u>9,250,000</u>	<u>\$0.1316</u>
Options exercisable, December 31	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

	2018		2017	
	Nonvested Options	Weighted Average Fair Value	Nonvested Options	Weighted Average Fair Value
Nonvested options				
Nonvested options, January 1	9,250,000	\$0.1123	-	\$ -
Granted	10,500,000	0.0090	9,250,000	0.1123
Vested	-	-	-	-
Forfeited	-	-	-	-
Nonvested options, December 31	<u>19,750,000</u>	<u>\$0.0318</u>	<u>9,250,000</u>	<u>\$0.1123</u>

Options for 19,750,000 shares, granted September 6, 2017 through October 3, 2018 will vest over the next 2 years and expire during the year ended December 31, 2028.

NOTE 5. CONCENTRATIONS OF CREDIT RISK

As of December 31, 2018, four major customer accounted for \$4,205 of trade accounts receivable and 91% of revenue.

The Company maintains cash accounts in one commercial bank. As of December 31, 2018, the amount on deposit that exceed the insurance limits for the Federal Deposit Insurance Corporation in the commercial bank is \$0. The Company has not experienced any losses as a result of these noninsured balances.

ITEM 6 – DESCRIBE THE ISSUER’S BUSINESS, PRODUCTS AND SERVICES

The Company, sometimes referred to herein as “we,” “us,” “our,” and the “Company” and/or “American Energy Partners, Inc.” was incorporated originally on October 12, 2004, under the laws of the State of Nevada, to engage in any lawful corporate undertaking. Recently, the Company changed its name to American Energy Partners, Inc. and its corporate domicile to the State of Colorado. In connection with this conversion, the Company engaged in a one for 20 reverse split of the Company’s Common Stock. The trading symbol for the Common Stock was changed from “XFUL” to “AEPT.” Within the past five years, the Company has changed its name from W2 Energy, Inc. on September 15, 2014 and then to Converde Energy from 2014 through 2017. The Company is comprised of three subsidiaries that source, treat and distribute reclaimed water in an effort to preserve our nation’s naturally occurring resources. We are comprised of subsidiaries that source, treat and distribute reclaimed water in an effort to preserve our nation’s naturally occurring resources. Our subsidiaries, Hydration Corporation of PA, LLC (“Hydration Corporation”), American Energy Solutions, LLC (“American Energy Solutions”), and Gilbert Oil and Gas (“Gilbert Oil”), will own energy operations as well as design, build and operate regional water treatment facilities that serve the industrial and energy sectors. Together with Hydration Corporation and American Energy Solutions, Gilbert Oil provides value through net revenue interests, mineral interests and royalty rights.

Hydration Corporation of PA, LLC

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

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

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

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

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

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

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

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

Hydration Corporation's competitive edge lies within its pure volume of reclaimed water and its access to low cost treatment with high flow rates and highly concentrated solids through AES' partners' technologies. Because of this volume Hydration Corporation can effectively gain market share immediately as large corporations want access to one source that can supply massive amounts of reclaimed water to fulfill their input of production through Hydration's patent pending (US 2018/0362364 A1) methodology and conveyance methods.

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

Hydration Corporation will operate out of multiple, predetermined, selected sites within the United States and will need minimal space to conduct its office activities. The sites differ in terms of geography, storage and water quality. All sites will be enabled for augmentation or the ability to mitigate during pass-by conditions. Augmentation is an important factor of the equation. It allows Hydration Corporation to not only provide everyday water but to provide additional waters to the system when low flow conditions are present. This is a valuable piece of the model because no matter how long or severe of a drought, it gives customers the ability to consume, at their intake, up to their maximum docketed withdrawal thus granting them pass-by exemption.

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

American Energy Solutions, LLC

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

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

Gilbert Oil and Gas, LLC

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

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

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

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

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

Date and State (or Jurisdiction) of Incorporation:

We were originally incorporated in Nevada on October 12, 2004 as World Wise Technologies, Inc. Our name was changed to W2 Energy, Inc. on December 1, 2004. On December 15, 2004, we acquired 100% of the issued and outstanding common stock of World Wise Technologies, Inc., an Ontario corporation formed in 1987, which was subsequently dissolved. On March 31, 2014 the shareholders voted to change the name of the company from W2 Energy Inc. to Converde Energy USA Inc. On September 9, 2014 when the directors officially changed the name with the state of Nevada to Converde Energy USA Inc. Recently, the Company changed its name to American Energy Partners, Inc. and its corporate domicile to the State of Colorado. In connection with this conversion, the Company engaged in a one for 20 reverse split of the Company's Common Stock. The trading symbol for the Common Stock was changed from "XFUL" to "AEPT."

The trading symbol for the Common Stock is "AEPT"

The Company's primary and secondary SIC Codes: 1311

The Company's fiscal year end date is December 31.

Principal Products or Services, and their Markets

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

ITEM 7 – DESCRIBE THE ISSUER'S FACILITIES

The Company's principal executive offices are located at PO Box 443 Allentown, PA 18105.

Gilbert Oil & Gas, LLC ("Gilbert O&G"), a wholly owned subsidiary of American Energy Partners, Inc. owns 15 oil and gas wells in western Pennsylvania. Included in these assets are 127 net mineral acres of deep rights (the "Deep Rights") and over 1,000 acres of shallow rights in the Tier I area of the wet Marcellus and dry Utica Shale. On October 9, 2018 Gilbert O&G sold the Deep Rights to Hickman Geological Consulting, LLC for \$30,000. Josh Hickman, COO is the principal of Hickman Geological Consulting, LLC.

Link to our: [Well Inventory](#)

Hydration Company of PA, LLC ("HCPA"), a subsidiary of American Energy Partners, Inc. has a patent pending - US 2014/0305879 A1. On December 20, 2018 HCPA refiled a revised patent application with a new publication number of US 2018/0362364 A1.

Current Assignee: Hydration Company of PA, LLC

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

Link to our: [Patent Pending](#)

ITEM 8 - Officers, Directors, and Control Persons

A. Officers and Directors

Brad J. Domitrovitsch, Chairman of the Board of Directors, CEO, CFO and President of Hydration Company of PA, LLC

Brad Domitrovitsch has 20 years of expertise in analyzing, identifying and developing new market opportunities. His entrepreneurial background spans multiple industries including recycling, water treatment, transportation, real estate and technology. Domitrovitsch was the Managing Member of HCPA for the last five years. Prior to his role at AEPT he was the president of a recycling company servicing the Northeast market. Domitrovitsch grew this company into a multi-million-dollar business and successfully exited his firm to form AEPT. Domitrovitsch holds a B.S. in Economics and obtained his MBA from Moravian College. Domitrovitsch brings his experience and skill set to provide value to his shareholders first while putting to work a suite of environmental solutions with demonstrated success.

Josh Hickman, Director and COO & President of Gilbert Oil & Gas, LLC

Mr. Hickman has 15 years of experience in the unconventional shale oil and gas industry. Five of those years has been spent in the role of an executive building shareholder value. Previous to this role with Gilbert, Mr. Hickman was the CEO of Dahlmont Energy Resources, a private oil, and gas company. In 2014 he founded, and still holds an interest in, Hickman Geological Consulting, LLC. The focus of that company's work is in the decision space between financial matters and technical data. HGC provides this expertise to financial institutions, start-up oil and gas companies, and landowners. Notable achievements with this company include a relationship as Shenhua America's adviser on U.S. oil and gas investments in 2015, and becoming the dominant market shareholder for oil and gas property valuations in the Greater Pittsburgh area.

John Pippy, Director and CSO & President of American Energy Solutions

Mr. John Pippy most recently returned from the Middle East where he served as the Senior Engineer for Special Operations Joint Task Force-Operation Inherent Resolve; a 2 Star Joint Forces Military Command responsible for coordinating missions within a multi-country operational area. He provided strategic and operational expertise in effective planning and execution of complex operations in austere environments with foreign civilian and military partners. Prior to his recent military service, John was the CEO of the Pennsylvania Coal Alliance, a trade organization representing the interests of over 300 member companies and 41,500 workers in the multi-billion dollar Pennsylvania coal industry. Before leading the Alliance, John was a legislator for 16 years in the Pennsylvania General Assembly, serving nine years as a Senator in Allegheny and Washington counties and seven years in the House of Representatives. Senator Pippy served as the Chairman of the Legislative Budget and Finance Committee, Chairman of the Law and Justice Committee and served in Senate Republican Leadership as the Policy Chairman. Preceding his political career, John worked as a supervisor at the U.S. Steel Clairton Coke Works in Clairton, PA.

John has earned a Master's Degree in Strategic Studies from the U. S. Army War College and a Master of Arts in International Relations from Irish American University in Dublin, Ireland. He is a graduate of the United States Military Academy at West Point, N.Y. with a Bachelor of Science degree in Environmental Engineering. He holds the rank of Lieutenant Colonel in the Pennsylvania Army National Guard and has served overseas on active duty in Syria, Iraq, and Kuwait. John has been awarded numerous medals recognizing his military service including the Combat Action Badge, the US Army Bronze Star for meritorious service, the Defense Meritorious Service Medal with "C" device and the US Army Engineer Regiment's Bronze De Fleury Medal for outstanding service in the Engineer Regiment.

Damian Georgino, Director

Damian Georgino has more than 25 years of experience in sourcing, structuring, acquiring, financing and successfully exiting various global enterprises, with a focus on water, wastewater, water as a natural resource, water point-of-use, treatment, and water technologies. He also has significant experience in energy and infrastructure. Mr. Georgino has been the Managing Partner of Sewickley Capital Partners, LLC for 18 years (a family office). SCP invests in all aspects of water, wastewater and the water/energy nexus. Mr. Georgino has successfully led, as a founding executive, the M&A, corporate finance, and legal aspects of three publicly traded water-themed entities, most notably, United States Filter Corporation (US Filter). In addition, Mr. Georgino was most recently an Operating Partner at Titan Grove Holdings, LLC where he invested in various water companies as well as renewable energy and infrastructure companies. He is currently a Strategic Advisor to Ayyeka Technologies, Ltd., an Israeli based IIoT focusing on the emerging need for Big Data in Smart Water Systems/Smart Cities and serves as a model for "water-as-a-service".

Mr. Georgino has also been a partner in global law firms where his focus has been M&A, corporate finance, project finance and public and private investments across a broad spectrum of sectors including, water, wastewater, renewables and diversified industrials. He is currently Special Counsel with the global law firm, Eversheds Sutherland. Mr. Georgino is a frequent speaker on the topics of water, energy, and infrastructure.

Name of All Owners with 10% Beneficial Interest and Address	Shares of Common Stock Beneficially Owned		Shares of Common B Stock Beneficially Owned		Shares of Preferred Stock Beneficially Owned		Total Votes ⁽¹⁾	
	Common Stock	% Owned	Common B Stock	% Owned	Preferred Stock	% Owned	Number	%
Officers and Directors								
Brad Domitrovitsch ⁽²⁾ Chairman, CEO, CFO P.O. Box 443 Allentown, PA 18105	29,700,000	30.57%	9,700,000	77.60%	534,501,255	71.27%	10,913,725,100	71.11%
Josh Hickman Director 518 Blossom Dr. Canonsburg, PA 15317	19,000,000	19.56%	--	--	--	--	19,000,000	*
John Pippy Director 7018 Weeping Willow Dr. Moon Township, PA 15108	9,000,000	9.26%	--	--	--	--	9,000,000	*
Damian Georgino Director 14 Francis Davant Beaufort, SC 29906	1,500,000	1.54%	--	--	--	--	1,500,000	*
Control Persons								
West End Consulting Group LLC ⁽³⁾ P.O. Box 443 Allentown, PA 18105	29,700,000	30.57%	9,700,000	77.60%	534,501,255	71.27%	10,913,725,100	71.11%
Michael McLaren ⁽⁴⁾ 2309 19 th St. Didsbury, AB Canada	650,101	*	2,800,000	22.40%	177,247,834	23.63%	3,601,606,781	23.47%
Converde Industries Inc. ⁽⁵⁾ 2309 19 th St. Didsbury, AB Canada	--	--	2,500,000	20.00%	50,000,000	6.67%	2,000,000,000	6.84%
Josh Hickman 518 Blossom Dr.	19,000,000	19.56%	--	--	--	--	19,000,000	*

Canonsburg, PA 15317								
William T. Rousis 331 Spindle Ct. Canonsburg, PA 15317	8,333,333	8.58%	--	--	--	--	8,333,333	*
Converde Inc. 20 Turnbull Ct. ⁽⁵⁾ Cambridge, Ontario N1T 1H9 Canada	650,000	*	--	--	--	--	650,000	*

Share percentages are calculated based on the number of outstanding classes of stock

* Less than 1%

- (1) Out of a total of 15,347,143,990 votes that can be cast based on 97,143,990 shares of Common Stock, 12,500,000 shares of Common B Stock and 750,000,000 shares of Preferred Stock.
- (2) Includes shares held by West End Consulting Group LLC, an entity for which Mr. Domitrovitsch is a control person.
- (3) Beneficially owned by Brad Domitrovitsch.
- (4) Includes shares held by Converde Industries Inc. and Converde Inc., both entities for which Michael McLaren is a control person.
- (5) Beneficially owned by Michael McLaren.

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

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

None

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

None

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

None

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

None

C. Beneficial Shareholders. The following table sets forth, as of September 30, 2018, information about the beneficial ownership of our capital stock with respect to each person known by the Company to own beneficially more than ten percent (10%) of any class of the issuer's equity securities.

Name of All Owners with 10% Beneficial Interest and Address	Shares of Common Stock Beneficially Owned		Shares of Common B Stock Beneficially Owned		Shares of Preferred Stock Beneficially Owned		Total Votes ⁽¹⁾	
	Common Stock	% Owned	Common B Stock	% Owned	Preferred Stock	% Owned	Number	%
Brad Domitrovitsch ⁽²⁾ P.O. Box 443 Allentown, PA 18105	29,700,000	30.57%	9,700,000	77.60%	534,501,255	71.27%	10,913,606,781	71.11%
West End Consulting Group LLC ⁽³⁾ P.O. Box 443 Allentown, PA 18105	29,700,000	30.57%	9,700,000	77.60%	534,501,255	71.27%	10,913,606,781	71.11%
Michael McLaren ⁽⁴⁾ 2309 19 th St. Didsbury, AB Canada	650,101	*	2,800,000	22.40%	177,247,834	23.63%	3,601,606,781	23.47%
Converde Industries Inc. ⁽⁵⁾ 2309 19 th St. Didsbury, AB Canada	--	--	2,500,000	20.00%	50,000,000	6.67%	2,000,000,000	6.84%
William T. Rousis 331 Spindle Ct. Canonsburg, PA 15317	8,333,333	8.58%	--	--	--	--	8,333,333	*
Converde Inc. 20 Turnbull Ct. ⁽⁵⁾ Cambridge, Ontario N1T 1H9 Canada	650,000	*	--	--	--	--	650,000	*

Share percentages are calculated based on the number of outstanding classes of stock

* Less than 1%

(1) Out of a total of 15,347,143,990 votes that can be cast based on 97,143,990 shares of Common Stock, 12,500,000 shares of Common B Stock and 750,000,000 shares of Preferred Stock.

(2) Includes shares held by West End Consulting Group LLC, an entity for which Mr. Domitrovitsch is a control person.

(3) Beneficially owned by Brad Domitrovitsch.

(4) Includes shares held by Converde Industries Inc. and Converde Inc., both entities for which Michael McLaren is a control person.

(5) Beneficially owned by Michael McLaren.

ITEM 9 – THIRD PARTY PROVIDERS

Legal Counsel

Carmel, Milazzo & DiChiara LLP
55 W. 39th St., 18th Fl.
Phone: 212-658-0458
Email: rcarmel@cmdllp.com

Accountant or Auditor

Buckno Lisicky & Co.
645 Hamilton Street
Allentown, PA 18101
Phone: 610-821-8580

Investor Relations Consultant

None Retained

ITEM 10 – ISSUER CERTIFICATION

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

The certifications shall follow the format below:

I, Brad Domitrovitsch certify that:

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

01/24/2019

/s/ Brad Domitrovitsch

By: Brad Domitrovitsch

Title: Chief Executive Officer, Chief Financial Officer