

Due Diligence Report: Low Oil Prices Keeping AREN Afloat

Summary

America Resources Exploration, Inc., formerly Alazio Entertainment Corp., is an oil and gas exploration and production company. The Company is focused on the acquisition of properties in areas with oil reserves and drilling potential. The Company holds an interest in approximately 56 wells located in Ellis and Harper Counties, Oklahoma. The Company holds oil and gas leases located in Frio and Atascosa Counties, Texas, consisting of a total of approximately 714 total acres of land, two working wells and a total of seven wells. The Company holds the Snyder leases of approximately 950 acres situated in Callahan County, Texas. There are three producing wells in which the Company holds an interest as part of the Begert 38 lease located in Section 38, Block A-1, H&G Survey, A-1075 in Hemphill, Texas. The Company also holds oil and gas leases totaling approximately 2,800 acres issued from the State of Utah and located in Emery County. In addition, the Company holds an interest in the wellbores of the Vols DU 01H and Vols DU B 01SL wells located in the H. L. Wiggins Survey, A-763, Shelby County, Texas. The Company holds interests in the wellbore of the oil and gas Winchester Number 1H well located in the T P Davey Survey, A-90, Madison County, Texas.

America Resources Exploration Inc. has a current market capitalization of \$6.99 M with 130.40 M outstanding shares. Its daily average volume traded is 169,944 shares.

Key Indicators (Q2 2015)

Shares Outstanding	130.40 M
Revenue	Nil
Gross Profit	Nil
Net Loss (basic/diluted)	-0.02 M
Cash and Short-term Inv	0.15 M
Total Debt	Nil

Performance (6 months)



Recent News and Analysis:

The Company recently announced the departure of the company's CFO. The current CEO stepped in to fill the shoes; a role he previously held. In addition, the company recently announced that it has received the results of a reserves estimate study for its newly acquired Harris leases in Texas. Three reservoirs were evaluated: Strawn, Cross Plains and Cisco. A High Case and a Low Case were evaluated

NOVEMBER 19, 2015

for each reservoir. The difference in the two cases is a change in porosity value. The reserves values are shown immediately below are for all of the productive acreage:

Lease	High Case Reserves, stk bbls	Low Case Reserves, stk bbls
Harris A	447,308	255,604
Harris B	525,736	300,420
Harris C	1,030,895	589,083
Total Project Reserves	2,003,939	1,145,107

Despite the company announcing that there is more than 1.1 million barrels of oil on their property with six wells already in place; the company has yet to record any revenue. Financials are dismal and share price seems to have other factors moving it. Reaching a high of \$1.30 this past summer and closing on Wednesday at \$0.054 makes for a wild ride. Stock promotion and market manipulation have been floating around in the analyst community and don't seem to be far off from the truth. Definitely do your due diligence on this one before investing.

The company commented on the current state of the oil market; "The outlook for oil in the US appears much better than it was a few months ago, however there are still distressed assets available and we are using this opportunity to acquire properties at extremely attractive prices and close contracts with our service providers at much reduced price levels," stated Huang Yu, CEO of America Resources. "We continue to evaluate these future prospect properties in an effort to meet our expansion plans. Our team is working diligently to achieve our goal of reaching record revenues for the 2015 calendar year." Texas produces the greatest amount of oil of any State in the U.S. The EIA's April 2015 figures put its total production at roughly 3.71 million barrels of crude per day. While the rest of the US production experienced a year-over-year decline, Texas crude oil production increased 16% in May 2015 to 107 million barrels from 92 million barrels in May 2014, according the Texas Petro Index. The EIA also raised its forecasts for US oil consumption. The EIA further reported that WTI crude prices should average \$55.51 per barrel this year, up from its previous forecast of \$55.35. It maintained its 2016 forecasts for US prices to average \$62.04 per barrel for WTI and \$67.04 per barrel for Brent.

Conclusions:

While the company appears to have a decent business model whereby they purchase distressed company's assets at a bargain, there doesn't seem to be much in terms of positive financial results coming from management. Oil has remained low as the company favors, however, the positive news has yet to produce any concrete results. Additionally, the company has just \$150,000 in cash; doubtful that is enough to produce and sell oil.

Sources:

1. <http://www.google.ca/finance?q=OTCMKTS%3AAREN&hl=en&gl=ca&ei=dgZNVtmAEsWs2AahioLoDw>
2. <http://www.reuters.com/finance/stocks/companyProfile?rpc=66&symbol=AREN.PK#bZpb07epALouldTS.97>
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4. <https://ca.finance.yahoo.com/q?s=AREN>
5. <http://www.microcapdaily.com/what-happened-to-america-resources-exploration-incotcbbaren/113057/>

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Disclosure: I, Robert Borowski, research analyst have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions and I have no business relationship with any company whose stock is mentioned in the article.

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