

AMERICAN PETRO-HUNTER INC  
Form 10-Q  
May 17, 2012

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the quarterly period ended: March 31, 2012

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-22723

**AMERICAN PETRO-HUNTER INC.**

(Exact name of registrant as specified in its charter)

Nevada 90-0552874  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification Number)

**17470 North Pacesetter Way  
Scottsdale, AZ 85255**

(Address of principal executive offices) (Zip Code)

**(480) 305-2052**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Non-accelerated filer

Large accelerated filer  Accelerated filer  (Do not check if smaller  Smaller Reporting company reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 15, 2012
Common stock, \$.001 par value	47,540,406

**AMERICAN PETRO HUNTER INC.**

**FORM 10-Q**

**March 31, 2012**

**INDEX**

	PAGE
<b>PART I—FINANCIAL INFORMATION</b>	
Item 1. Financial Statements.	4
Condensed Balance Sheets as of March 31, 2012 (Unaudited) and December 31, 2011	4
Condensed Statements of Operations for the three month periods ended March 31, 2012 and 2011 (Unaudited)	5
Condensed Statements of Stockholders' Equity (Deficit) for the three month period ended March 31, 2012 (Unaudited) )	6
Condensed Statements of Cash Flows for the three month periods ended March 31, 2012 and 2011 (Unaudited)	7
Notes to Condensed Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3. Quantitative and Qualitative Disclosures About Market Risk	21
Item 4. Controls and Procedures	21
<b>PART II—OTHER INFORMATION</b>	
Item 1. Legal Proceedings	21
Item 1A. Risk Factors	21
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 3. Defaults Upon Senior Securities	21
Item 4. Mine Safety Disclosures	21

Item 5. Other Information	21
Item 6. Exhibits	22
Signatures	23

## **FORWARD-LOOKING STATEMENTS**

This Report on Form 10-Q contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Reference is made in particular to the description of our plans and objectives for future operations, assumptions underlying such plans and objectives, and other forward-looking statements included in this report. Such statements may be identified by the use of forward-looking terminology such as “may,” “expect,” “believe,” “estimate,” “anticipate,” “intend,” “continue,” or similar terms, variations of such terms, or the negative of such terms. Such statements are based on management’s current expectations and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those described in the forward-looking statements. Such statements address future events and conditions concerning, among others, capital expenditures, earnings, litigation, regulatory matters, liquidity and capital resources, and accounting matters. Actual results in each case could differ materially from those anticipated in such statements by reason of factors such as future economic conditions, changes in consumer demand, legislative, regulatory and competitive developments in markets in which we operate, results of litigation, and other circumstances affecting anticipated revenues and costs, and the risk factors set forth under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed on March 29, 2012.

As used in this Form 10-Q, “we,” “us” and “our” refer to American Petro-Hunter Inc., which is also sometimes referred to as the “Company.”

## **YOU SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD LOOKING STATEMENTS**

The forward-looking statements made in this report on Form 10-Q relate only to events or information as of the date on which the statements are made in this report on Form 10-Q. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this report and the documents that we reference in this report, including documents referenced by incorporation, completely and with the understanding that our actual future results may be materially different from what we expect or hope.

**Item 1. Financial Statements.****American Petro-Hunter, Inc.****Condensed Balance Sheets**

	(Unaudited)	
	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	\$7,311	\$2,609
Accounts receivable	45,178	46,417
Prepaid expenses	61,354	79,464
Total current assets	113,843	128,490
Investments in mineral properties, net of accumulated amortization of \$172,330 and \$135,987, respectively	1,765,898	1,965,577
Total assets	\$1,879,741	\$2,094,067
Liabilities and Stockholders' (Deficit)		
Current liabilities:		
Accounts payable and other liabilities	\$589,902	\$565,552
Note payable and accrued interest	163,794	202,484
Convertible debenture, net of discount of \$9,553 and \$212,070	377,927	2,164,205
Convertible debenture	633,306	633,306
Accrued interest on convertible debenture	26,336	456,638
Royalty interest payable	113,164	113,164
Loan guarantee	-	94,860
Total current liabilities	1,904,429	4,230,209
Stockholders' equity (deficit):		
Common stock, \$0.001 par value, 200,000,000 shares authorized, 45,081,594 and 32,867,028 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively	45,081	32,867
Additional paid-in capital	11,309,002	8,313,575
Accumulated comprehensive gain (loss)	-	(8,114 )
Accumulated deficit	(11,378,771)	(10,474,470)
Total stockholders' (deficit)	(24,688 )	(2,136,142 )

Total liabilities and stockholders' equity (deficit)	\$1,879,741	\$2,094,067
--	-------------	-------------

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

**American Petro-Hunter, Inc.****Condensed Statements of Operations**

	(Unaudited)	
	March 31, 2012	2011
Revenue	\$114,723	\$45,669
Cost of Goods Sold		
Production and amortization	72,653	25,851
Gross profit	42,070	19,818
General and administrative	105,791	102,652
Executive compensation	285,000	66,000
Impairment expense	256,737	-
Total expenses	647,528	168,652
Net loss before other income (expense)	(605,458 )	(148,834 )
Other income (expense):		
Gain on forgiveness of debt	86,746	0
Interest expense	(385,589 )	(411,227 )
Total other income (expense)	(298,843 )	(411,227 )
Net loss before income taxes	(904,301 )	(560,061 )
Provision for income taxes	-	-
Net loss	(904,301 )	(560,061 )
Other comprehensive income (expense)	8,114	-
Comprehensive loss	\$(896,187 )	\$(560,061 )
Weighted average common shares outstanding - basic and fully diluted	33,844,015	27,060,561
Net (loss) per share - basic and fully diluted	\$(0.03 )	\$(0.02 )



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

**American Petro-Hunter, Inc.****Condensed Statement of Stockholder's Equity (Deficit)**

	Common Stock		Additional Paid-in Capital	Stock owed but not issued	Accumulated Deficit	Accumulated Comprehensive (Loss)	Total Stockholder's Equity
	Shares	Amount					(deficit)
Balance at December 31, 2010	27,060,561	27,061	6,348,559	543	(7,740,391 )	(8,114 )	(1,372,342 )
Shares issued that were owed	542,856	543	-	(543 )	-	-	-
Shares issued for compensation	600,000	600	305,400	-	-	-	306,000
Shares issued for services	100,000	100	50,900	-	-	-	51,000
Shares issued for cash	200,000	200	49,800	-	-	-	50,000
Convertible debenture converted to stock	4,363,611	4,363	1,086,539	-	-	-	1,090,902
Beneficial conversion feature issued on convertible debenture	-	-	472,377	-	-	-	472,377
Net loss	-	-	-	-	(2,734,079 )	-	(2,734,079 )
Balance at December 31, 2011	32,867,028	32,867	8,313,575	-	(10,474,470 )	(8,114 )	(2,136,142 )
Shares issued for compensation	900,000	900	188,100	-	-	-	189,000
Shares issued in exchange for accts pay.	200,000	200	39,800	-	-	-	40,000
Convertible debenture converted to stock	10,927,289	10,927	2,720,895	-	-	-	2,731,822
Shares issued in exchange for notes pay.	187,277	187	46,632	-	-	-	46,819
Net Loss	-	-	-	-	(904,301 )	8,114	(896,187 )
Balance at March 31, 2012	45,081,594	45,081	11,309,002	-	(11,378,771 )	-	(24,688 )

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

**American Petro-Hunter, Inc.****Condensed Statement of Cash Flows**

	For the three months ended March 31,	
	2012	2011
Cash flows from operating activities		
Net (loss)	\$(904,301 )	\$(560,061 )
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Shares issued for compensation	189,000	-
Amortization of discount	202,517	271,555
Impairment expense	256,737	-
Amortization of mineral properties	36,342	7,051
Gain on forgiveness of debt	(86,746 )	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	1,239	404
(Increase) decrease in prepaid expenses	18,110	8,373
Increase (decrease) in accounts payable and accrued liabilities	64,350	52,342
Increase (decrease) in accrued interest	132,604	90,923
Net cash used by operating activities	(90,148 )	(129,413 )
Cash flows from investing activities		
Proceeds from sale of mineral properties	65,000	-
Acquisition of mineral properties	(158,400 )	(309,000)
Net cash used by investing activities	(93,400 )	(309,000)
Cash flows from financing activities		
Proceeds from convertible debenture	188,250	436,861
Net cash provided by financing activities	188,250	436,861
Net increase (decrease) in cash	4,702	(1,552 )
Cash - beginning	2,609	3,225
Cash - ending	\$7,311	\$1,673
Supplemental disclosures:		
Interest paid	\$29,250	\$48,750
Income taxes paid	\$-	\$-
Non-cash transactions:		
Shares issued for compensation	\$189,000	\$-
Accounts payable converted to stock	\$40,000	\$-
Note payable and accrued interest converted to stock	\$2,778,641	\$-

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

**American Petro-Hunter Inc.**

**Notes to Condensed Financial Statements**

**March 31, 2012**

**1. Nature and Continuance of Operations**

American Petro-Hunter Inc. (the “Company”) was incorporated in the State of Nevada on January 24, 1996 as Wolf Exploration Inc. On March 17, 1997, Wolf Exploration Inc. changed its name to Wolf Industries Inc.; on November 21, 2000, they changed its name to Travelport Systems Inc., and on August 17, 2001, changed its name to American Petro-Hunter Inc.

The Company is evaluating the acquisition of certain natural resource projects with the intent of developing such projects. The Company focus is currently in locating and assessing potential acquisition targets, including real property, oil and gas companies.

**Going Concern**

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has limited assets and requires additional funds to maintain its operations. Management’s plan in this regard is to raise equity financing as required. There can be no assurance that sufficient funding will be obtained. The foregoing matters raise substantial doubt about the Company’s ability to continue as a going concern. The condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

**2. Significant Accounting Policies**

The following is a summary of significant accounting policies used in the preparation of these financial statements.

**Principles of accounting**

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Income taxes**

The Company accounts for income taxes under FASB Codification Topic 740-10-25 (“ASC 740-10-5”). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. See footnote 8 for further details.

### **Revenue Recognition**

It is our policy that revenues will be recognized in accordance with ASC subtopic 605-10. Under ASC 605-10, product revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed and determinable and collectability is reasonably assured.

### **Use of estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amount 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.

### **Cash Equivalents**

The Company maintains cash balances in interest and non-interest bearing accounts. For the purpose of these financial statements, all highly liquid cash and investments with a maturity of three months or less are considered to be cash equivalents.

### **Net loss per share**

In accordance with ASC subtopic 260-10, the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. For the year ended December 31, 2011 and the three months ended March 31, 2012, the denominator in the diluted EPS computation is the same as the denominator for basic EPS due to the anti-dilutive effect of the warrants and stock options on the Company's net loss.

### **Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, notes payable and loan guarantee. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values because of their relatively short-term maturities. See Note 5 for further details.

### **Fair Value of Financial Instruments**

The Company has financial instruments whereby the fair value of the financial instruments could be different from that recorded on a historical basis in the accompanying balance sheets. The Company's financial instruments consist of cash, accounts receivable, accounts payable, and notes payable. The carrying amounts of the Company's financial instruments approximate their fair values as of December 31, 2011 and March 31, 2012 due to their short-term nature. See Note 5 for further details.

### **Reclassifications**

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

### **Oil and Gas Properties**

We follow the successful efforts method of accounting for oil and gas exploration and production activities. All costs for development wells, related plant and equipment, proved mineral interests in oil and gas properties are capitalized. Costs of exploratory wells are capitalized pending determination of whether the wells found proved reserves. Cost of wells that are assigned proved reserves remain capitalized. All other exploratory wells and costs are expensed.

Depreciation, depletion and amortization of all capitalized costs of proved oil and gas producing properties are expensed using the straight-line method over the life of each well. Period valuation provisions for impairment of capitalized costs of unproved mineral interests are expensed. The costs of unproved properties are excluded from amortization until the properties are evaluated.

Unproved properties are assessed periodically individually when drilling and flow testing results indicate whether there is an economic resource or not. All capitalized costs associated with properties that have been determined to be a "dry-hole" are impaired when that determination is made. Proved properties are assessed periodically for impairment on an individual basis. Events that can trigger the test for possible impairment include significant decreases in the market value of a property, significant change in the extent or manner of use or change in property and the expectation that a property will be sold or otherwise disposed of significantly sooner than the previously estimated useful life. The assessment is done by comparing each property's carrying value to their associated estimated undiscounted future net cash flows. Impaired properties are written down to their estimated fair values. The resulting impairment would be expensed to operations as impairment expense in the period in which it was determined that the impairment was indicated and calculated.

### **3. Recent Accounting Pronouncements**

In February 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-09, "Subsequent Events (Topic 855)—Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-09"). ASU 2010-09 was issued to change certain guidance in the original codification and to clarify other portions. All of the amendments in ASU 2010-09 are effective upon issuance of the final ASU 2010-09, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010. The Company determined that this updated guidance has no impact on its consolidated financial position or results of operations.

In May 2011, the FASB issued a new accounting standard on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The standard is effective for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. The Company does not expect the adoption of this accounting guidance to have a material impact on its consolidated financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements

### **International Financial Reporting Standards**

In November 2008, the Securities and Exchange Commission ("SEC") issued for comment a proposed roadmap regarding potential use of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Under the proposed roadmap, the Company would be required to prepare financial statements in accordance with IFRS in fiscal year 2014, including comparative information also prepared under IFRS for fiscal 2013 and 2012. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to follow the proposed roadmap for future developments.

### **4. Investments in Mineral Properties**

During the three months ended March 31, 2012, the Company made one investment totaling \$158,400. During the year ended December 31, 2011, the Company made six investments totaling \$1,374,730. Prior to 2011, the Company made seventeen investments totaling \$2,505,103. Several of those investments produced "dry holes" and were therefore fully impaired. During the three months ended March 31, 2012, impairment expense relating to these "dry holes" was \$0. During the year ended December 31, 2011, 2010, and 2009, impairment expense related to these "dry holes" was \$80,000, 765,229, and 765,229, respectively. In addition, during the three months ended March 31, 2012, an investment was impaired by \$256,737 to bring the total capitalized costs in line with its market value. During the year ended December 31, 2011, an investment was impaired by \$93,879 to bring the total capitalized costs in line with its market value for total impairment expense for 2011 of \$173,879. As of March 31, 2012, the Company has investments, value at cost of \$1,938,228; \$1,314,848 in proved wells and \$623,380 in unproved wells. As of December 31, 2011, the Company has investments, valued at cost, of \$2,101,564; \$1,365,714 in proved wells and \$735,850 in unproved wells. Capitalized costs of proved properties are amortized and expensed using the straight-line method over the estimated useful life of each well. Unproved properties are excluded from amortization. Amortization expense for the three months ended March 31, 2012 and year ended December 31, 2011 was \$36,342 and \$119,415, respectively. A summary of investments follows:

### **S&W Oil & Gas, LLC - Poston Prospect**



On May 4, 2009, the Company entered into a binding Letter of Intent (“LOI”) with S&W Oil & Gas, LLC (“S&W”) to participate in the drilling for oil in the Poston Prospect #1 Lutters in Southwest Trego County, Kansas (the “Poston Prospect”). Pursuant to the LOI, the Company paid S&W \$64,500 in exchange for a 25% working interest in the 81.5% net revenue interest in the Poston Prospect. During the year ended December 31, 2009, an additional \$44,624 was paid for completion of the oil well and for the purchase of necessary equipment. During the year ended December 31, 2010, the Company paid an additional \$106,167 for drilling and completion costs of a second well on this property. Amortization expense was \$22,568 and 16,572 on this prospect for the years ended December 31, 2011 and 2010, respectively. During the year ended December 31, 2011, an impairment charge of \$93,879 was taken on this property to bring the net book value in-line with its market value. During the three months ended March 31, 2012, 75% of the property was sold for \$65,000, which matched its book value.

#### **S&W Oil & Gas, LLC – Rooney Prospect**

On June 19, 2009, the Company entered into a binding LOI with S&W to participate in the drilling for oil and natural gas in the Rooney Prospect located in southwestern Ford County, Kansas. Pursuant to the LOI, the Company paid S&W a total of \$113,333 for land acquisition and leasing costs, \$216,697 for the 3D seismic shoot costs, and \$392,231 for completion of the oil well and the purchase of necessary equipment in exchange for a 50% working interest in the 81.5 net revenue interest of the project. During the year ended December 31, 2010, this prospect was determined to be a “dry hole” and an impairment charge of \$642,260 was taken on this property to bring the total capitalized costs in-line with its market value. The property was sold for \$80,000 on October 15, 2010.

### **Shelor 23-3 Prospect**

During the year ended December 31, 2009, the Company entered into an agreement with S&W to participate in the drilling for oil. Pursuant to the agreement, the Company paid S&W \$116,900 for a 50% working interest in the project. During the year ended December 31, 2010, the well was determined to be a “dry hole” and the full \$116,900 was written off to impairment expense.

### **Oklahoma prospects**

During the year ended December 31, 2010, the Company entered into an agreement with Bay Petroleum to purchase working interests in several properties in Oklahoma and advanced funds for lease purchases. During the year ended December 31, 2010, the Company paid Bay Petroleum \$697,600 in exchange for 25% to 50% working interest in the net revenue of several properties in the project. \$1,374,730 of additional properties were purchased during the year ending December 31, 2011. During the year ended December 31, 2011, one well was determined to be a “dry hole” and its full \$80,000 cost was written off to impairment expense. During the three months ended March 31, 2012, the Company purchased additional property for \$158,400. As of March 31, 2012 and December 31, 2011, amortization expense was \$129,449 and \$96,847, respectively, relating to these wells. As of December 31, 2010, these prospects are unproved wells and were not being amortized.

## **5. Fair Value Measurements**

The Company adopted ASC Topic 820-10 at the beginning of 2009 to measure the fair value of certain of its financial assets required to be measured on a recurring basis. The adoption of ASC Topic 820-10 did not impact the Company's financial condition or results of operations. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 – Valuations based on inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The Company has no level 3 assets or liabilities and therefore no reconciliation has been presented for the change in level 3 assets.

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of March 31, 2012:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$7,311	\$-	\$ -	\$7,311
Accounts & other receivables	-	45,178	-	45,178
Prepaid expenses	-	61,354	-	61,354
Accounts payable	-	589,902	-	589,902
Notes payable	-	163,794	-	163,794
Convertible debentures, net of disc.	-	1,011,233	-	1,011,233
Accrued interest	-	23,336	-	23,336
Royalty interest payable	-	113,164	-	113,164

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$2,609	\$-	\$ -	\$2,609
Accounts & other receivables	-	46,417	-	46,417
Prepaid expenses	-	79,464	-	79,464
Accounts payable	-	565,552	-	565,552
Notes payable	-	202,484	-	202,484
Convertible debentures, net of disc.	-	2,797,511	-	2,797,511
Accrued interest	-	456,638	-	456,638
Royalty interest payable	-	113,164	-	113,164
Loan Guarantee	-	94,860	-	94,860

## 6. Debt and Debt Guarantee

### Notes Payable

As of December 31, 2011 and 2010, the Company has a note payable of \$25,000 bearing interest at 12% per annum collateralized by a general security arrangement over all of the Company's assets. The note was payable in full on May 18, 2007 and is therefore in default as of December 31, 2011 and 2010. During the three months ended March 31, 2012 and year ended December 31, 2011, the Company accrued interest expense of \$1,244 and \$5,082, respectively. As of December 31, 2011, the balance of the note payable, including accrued interest, is \$45,575. On March 26, 2012, \$46,819, the note balance and accrued interest, was converted to 187,277 shares of common stock at a fair market value of \$0.25 per share. As of March 31, 2012, there is no remaining balance on the note.

During the year ended December 31, 2011, the Company received \$71,000 for a demand note bearing interest at 24% per annum. During the three months ended March 31, 2012 and the year ended December 31, 2011, the Company accrued interest expense of \$4,603 and \$5,929, respectively. As of March 31, 2012 and December 31, 2011, the balance of the note payable, including accrued interest, is \$81,532 and \$76,929, respectively.

During the year ended December 31, 2011, the Company acquired mineral properties in exchange for a \$300,000 note payable. A down payment of \$50,000 was paid and the remainder of \$250,000 was paid in three payments starting in October of 2011. This note was paid in full during the year ended December 31, 2011.

During the year ended December 31, 2011, the Company received \$79,980 for a demand note bearing interest at 6% per annum. During the three months ended March 31, 2012 and the year ended December 31, 2011, the Company

accrued interest expense of \$2,282 and \$0, respectively. As of March 31, 2012 and December 31, 2011, the balance of the note payable is \$82,262 and \$79,980, respectively.

### **Convertible Debentures - 2009**

In August and September of 2009, the company received \$1,000,000 from an investor to issue a convertible debenture, bearing interest at a rate of 18% per annum paid monthly on any unpaid principal balance to the investor, secured by the assets of the Company. \$500,000 of the debenture was due on August 13, 2010 and the other \$500,000 was due on September 15, 2010. During the year ended December 31, 2010, the Company amended the promissory note to extend the repayment date of the first to August 13, 2011 and the second to September 15, 2011. On August 13, 2011, the Company entered into a second amendment to extend the repayment date of the first note to August 13, 2012 and the second note to September 15, 2012. The debenture calls for monthly interest payments to the investor until the debenture is fully paid. The holder of the convertible debenture has the right to convert any portion of the unpaid principal and/or accrued interest at any time at the lower of \$0.35 per share or a 25% discount to the average closing price of the five preceding days. With the debentures, the Company issued 2,857,142 warrants to purchase common shares of the Company for \$0.50 per share. The warrants had a term of two years and expired during 2011. Interest payments continue to be made. During the year ended December 31, 2010, the Company and Holder agreed to reduce the initial conversion price from the lower of \$0.35 per share or a 25% discount to the average closing price of the five preceding days to the lower of \$0.25 per share or a 25% discount to the average closing price of the five preceding days. At the time of this adjustment the 25% discount to the average closing price of the five preceding days was \$0.25.

The warrants issued and beneficial conversion feature associated with the above convertible debentures were valued using the black-scholes option pricing model and bifurcated out of the debenture proceeds and recorded as additional paid in capital in the amount of \$581,626. A discount on the convertible debenture was recorded in the same amount and was amortized into interest expense over the original life of the debenture using the interest method. As of December 31, 2010, all of the discount had been amortized into interest expense.

In March of 2010, \$350,000 of the debenture balance was converted at a conversion rate of \$0.35 per share to 1,000,000 shares of stock. As of March 31, 2012 and December 31, 2011, the balance due on the convertible debentures was \$633,306 and \$633,306, respectively.

### **Convertible Debentures - 2010**

During the year ended December 31, 2010, the company received \$1,462,774 from an investor to issue a convertible debenture, bearing interest at a rate of 24% per annum. The note was due May 17, 2011. The holder of the convertible debenture had the right to convert any portion of the unpaid principal and/or accrued interest at any time at the conversion price of \$0.90, which was the market value at the time.

In November of 2010, the Company amended the agreement to reduce the conversion price applicable to the conversion from \$0.90 per share to \$0.25 per share. The amendment made no other changes to the terms of the original debenture. The Company determined and recorded a beneficial conversion feature in relation to this amendment. The beneficial conversion feature was valued at \$515,271 and recorded as additional paid in capital. A discount on the convertible debenture was recorded in the same amount and will be amortized into interest expense over the remaining life of the debenture using the interest method. For the three months ended March 31, 2012 and the year ended December 31, 2011, \$202,517 and \$386,453, respectively, was amortized into interest expense in relation to these discounts.

During the year ended December 31, 2011, the Company received additional funds of \$1,700,918. The beneficial conversion feature was valued at \$472,377 and recorded as additional paid in capital. A discount on the convertible debenture was recorded in the same amount and will be amortized into interest expense over the remaining life of the debenture using the interest method. For the year ended December 31, 2011, \$260,306 was amortized into interest expense in relation to these discounts.

The total amount of discounts amortized into interest expense during the year ended December 31, 2010 and 2011 was \$512,839 and \$646,760, respectively, and \$202,517 during the three months ended March 31, 2012.

In May of 2011, the Company amended the agreement to increase the credit line from \$1,500,000 to \$1,800,000. In July of 2011, the Company amended the agreement to increase the credit line from \$1,800,000 to \$2,000,000 in exchange for a 3% royalty interest in the proceeds of the Company's working interests in mineral properties. In August of 2011, the Company amended the agreement to extend the repayment date for all advances before September 30, 2010 to November 17, 2012; and all other advances after September 30, 2010 to be due one year from the date of advance. Additionally the credit line was increased from \$2,000,000 to \$3,000,000 in exchange for an additional 3% royalty interest.

The 6% royalty interest given in the amendments was valued at the present value of estimated future payments over the life of the wells. \$113,164 was recorded as a royalty interest payable and corresponding prepaid financing charges. The prepaid expense will be amortized over the extension period of the loans. For the three months ended March 31, 2012 and the year ended December 31, 2011, \$56,582 and \$35,364 was amortized into interest expense in relation to this prepaid, respectively, and \$56,582 and \$77,800 remains in prepaid expenses as of March 31, 2012 and December 31, 2011. The royalty interest payable will be lowered by future royalty payments made. \$0 and \$4,418 royalties were paid and earned, respectively, in the year ended December 31, 2011.

In December of 2011, \$1,090,902 of the debenture balance was converted into 4,363,611 shares of common stock at a conversion rate of \$0.25 per share.

During the three months ended March 31, 2012, the Company received additional funds under this debenture of \$188,250.

In March of 2012, \$2,731,822 of the debenture balance was converted into 10,927,289 shares of common stock at a conversion rate of \$0.25 per share.

As of March 31, 2012 and December 31, 2011, the balance due on the convertible debentures, net of the discount of \$9,553 and \$212,070, was \$377,927 and \$2,164,205, respectively.

### **Loan Guarantee**

In 2004, the Company received a demand for payment from Canadian Western Bank (“CWB”) pursuant to a guarantee provided by the Company in favor of Calgary Chemical, a former subsidiary. The Company divested itself of Calgary Chemical in 1998 under an agreement with a former president and purchaser. The agreements included an indemnity guarantee from the purchaser of Calgary Chemical, whereby the purchaser would indemnify and save harmless the Company from any and all liability, loss, damage or expenses. Upon receipt of the demand, the Company accrued the amount of the claim since in the opinion of legal counsel it is more likely than not that CWB would prevail in this action. No interest expense has been accrued on this balance. During the three months ended March 31, 2012, the Company determined, due to the age of the loan guarantee and the appropriate statute of limitations, that the loan guarantee was invalid. The Company wrote off the loan guarantee as well as the other comprehensive loss related to the foreign currency adjustments made on the loan and realized a gain on forgiveness of debt of \$86,746.

### **Interest expense**

Interest expense related to all of the above items for the three months ended March 31, 2012 and 2011, was \$385,589 and \$411,227, respectively.

## **7. Stockholders' Equity Transactions**

### **Common Stock**



Edgar Filing: AMERICAN PETRO-HUNTER INC - Form 10-Q

As of December 31, 2009, the Company had 23,748,561 shares of common stock issued and outstanding and 1,830,825 shares owed but not issued.

During the year ended December 31, 2010, the Company issued 1,830,825 shares of common stock that was owed but not issued as of December 31, 2009.

During the year ended December 31, 2010, the Company issued 250,000 shares to Directors in lieu of executive compensation. The shares were valued at \$170,000 which was market value on the day of the grant.

During the year ended December 31, 2010, the Company issued 231,175 shares of common stock in an exercise of 231,175 warrants at a price of \$0.15 for total proceeds of \$34,676.

During the year ended December 31, 2010, the Company issued 1,000,000 shares of common stock in conversion of \$350,000 of convertible debt at \$0.35 per shares. See Note 6 for further details.

During the year ended December 31, 2010, the Company received \$155,000 for the purchase of 442,857 shares of common stock and 442,857 warrants with an exercise price of \$0.50. As of December 31, 2010, these shares had not been issued and were shown as common stock owed but not issued. The shares were issued in 2011.

During the year ended December 31, 2010, the Company received \$15,000 for the exercise of 100,000 warrants to purchase 100,000 shares of common stock. As of December 31, 2010, these shares had not been issued and were shown as common stock owed but not issued. The shares were issued in 2011.

As of December 31, 2010, the Company had 27,060,561 shares of common stock issued and outstanding and 542,856 shares owed but not issued.

During the year ending December 31, 2011, the Company issued 542,856 shares of common stock that were owed but not issued as of December 31, 2010.

During the year ended December 31, 2011, the Company issued 600,000 shares to Directors in lieu of executive compensation. The shares were valued at \$306,000 which was market value on the day of the grant.

During the year ended December 31, 2011, the Company issued 100,000 shares of common stock for services. The shares were valued at \$51,000, which was market value on the day of the grant.

During the year ended December 31, 2011, the Company issued 200,000 units of equity for cash in the amount of \$50,000. Each unit contained one share of common stock and one warrant for a share of common stock at an exercise price of \$0.40. The warrants have a term of two years.

During the year ended December 31, 2011, the Company issued 4,363,611 shares of common stock in conversion of \$1,090,902 of convertible debt at 0.25 per shares. See Note 6 for further details.

As of December 31, 2011, the Company had 32,867,028 shares outstanding and no shares owed but not issued.

In January of 2012, the Company issued 900,000 shares of common stock in lieu of executive compensation. The shares were valued at \$189,000, which was market value on the day of the grant.

In March of 2012, the Company issued 200,000 shares in relation to the conversion of \$40,000 of accounts payable balances

In March of 2012, the Company issued 10,927,289 shares of common stock in conversion of \$2,731,822 of convertible debt and accrued interest at \$0.25 per share. See Note 6 for further details.

In March of 2012, the Company issued 187,277 shares of common stock in exchange for note payable at \$0.25 per share. See Note 6 for further details.

As of March 31, 2012 there is 45,081,594 shares of common stock issued and outstanding.

### **Warrants**

As of December 31, 2009, there were 331,175 and 2,857,142 warrants outstanding at an exercise price of \$0.15 and \$0.50, respectively.

During the year ended December 31, 2009, the Company issued 2,857,142 warrants with a convertible debenture. These warrants have 2 year terms expiring in August and September of 2011 and an exercise price of \$0.50. See Note 6 for further details. During the year ended December 31, 2011, these warrants expired.

During the year ended December 31, 2010, a total of 331,175 warrants were exercised into common shares of the Company at a price of \$0.15 per share to a total of \$49,676.

During the year ended December 31, 2010, the Company issued 442,857 warrants with an exercise price of \$0.50 in relation to a stock sale. During the year ended December 31, 2011, these warrants expired.

During the year ended December 31, 2011, the Company issued 200,000 warrants in relation to a stock sale as described above. The warrants have a \$0.40 exercise price and a two year life. The warrants expire on November 7, 2013.

No warrants were issued or exercised in the three months ended March 31, 2012.

As of March 31, 2012, there are 200,000 warrants outstanding at an exercise price of \$0.40. The warrants expire on November 7, 2013.

## **8. Income Taxes**

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes") for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

The Company's effective income tax rate is higher than would be expected if the federal statutory rate were applied to income before tax, primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes during the year ended December 31, 2011 and 2010. The Company's operations for the year ended December 31, 2011 and the three months ended March 31, 2012 resulted in losses. Accordingly, no provision for current income taxes have been reflected in the accompanying statements of operations.

As of December 31, 2011 and 2010, the Company has total losses of approximately \$10,500,000 and \$7,750,000, respectively, since inception which may or may not be used to reduce future income taxes payable. Current Federal Tax Law limits the amount of loss available to offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount of these losses available to offset future taxable income may be limited. The Company has not filed income tax returns which may also limit its ability to claim past net operating losses. A valuation allowance has been recorded to reduce the net benefit recorded in the financial statements related to this deferred asset to \$0. The valuation allowance is deemed necessary as a result of the uncertainty associated with the

ultimate realization of these deferred tax assets. Accordingly, no provision for deferred income taxes have been reflected in the accompanying statements of operations.

## **9. Related Party Transactions**

During the three months ended March 31, 2012 and the year ended December 31, 2011, the Company granted 900,000 and 600,000 shares , respectively, to directors and officers in lieu of executive compensation.

During the period from August to December of 2011, the Company reimbursed an officer \$1,800 per month for a residential lease in Wichita, Kansas. The Company also reimbursed the officer approximately \$8,700 in connection with meals and groceries during the same period and \$6,525 during the three months ended March 31, 2012.

## **10. Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through the date the financial statements were issued.

In May of 2012, the holder (the "Holder") of our 2010 convertible debentures described in Note 6 converted all of the remaining principal and related accrued interest into common stock at \$0.25 per share. A total of \$431,395 was converted into 1,725,580 shares of common stock.

In May of 2012, Centennial Petroleum Partners, LLC ("CPP"), the holder of the \$71,000 demand note described in Note 6 converted the demand note and related accrued interest into common stock at \$0.25 per share. A total of \$83,140 was converted into 332,561 shares of common stock.

In May of 2012, the holder of the \$79,980 demand note described in Note 6 converted the note and the related accrued interest into common stock at \$0.25 per share. A total of \$82,668 was converted into 330,671 shares of common stock.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion should be read in conjunction with our financial statements and notes thereto included elsewhere in this quarterly report. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, or other developments. Forward-looking statements are based upon estimates, forecasts, and assumptions that are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf. We disclaim any obligation to update forward-looking statements.

### **Background**

We are an oil and natural gas exploration and production (E&P) company with current projects in Kansas and Oklahoma. As of May 15, 2012, we have two producing wells in Kansas and five producing wells in Oklahoma. We also have rights for the exploration and production of oil and gas on an aggregate of approximately 6,230 acres in those states. This includes our core assets with rights to explore on 2,000 acres in Oklahoma, near the town of Ripley on the North Oklahoma Mississippi Project and a forty percent (40%) working interest in 3,000 acres in south-central Oklahoma (the "South Oklahoma Lease").

Typically, our interest in a well arises from a contract with another entity pursuant to which we provide financial support for certain costs incurred in the exploration and development of a project, which may include land costs, seismic or other exploration, and test drilling. In exchange, we typically receive an interest in the proceeds from the project's production.

We were formed on January 24, 1996 pursuant to the laws of the State of Nevada under the name Wolf Exploration, Inc. In August 2001, we changed our name to American Petro-Hunter Inc. and began focusing our business on the exploration and eventual exploitation of oil and gas.

### **Producing Properties**

*Poston Oil Project* - On May 4, 2009, we entered into a binding Letter of Intent with S&W Oil & Gas, LLC ("S&W") to acquire a 25% working interest and 81.5% net revenue interest on all commercial production in the 750-acre Poston

Prospect #1 Lutters oilfield in Southwest Trego County, Kansas. On June 16, 2009, the #1 Lutters Well was completed at a total depth of 4,400 feet, encountering both oil and gas over a 46 foot interval. Oil production on the #1 Lutters Well began on June 18, 2009, with current production of six barrels per day. On July 1, 2010 we announced completion of the #3 Lutters Well and on July 14, 2010, we announced that the #3 Lutters Well had begun production. The current daily rate of the #3 Lutters Well is six barrels per day. Collectively, 12 barrels per day is going into the tanks for sale.

On February 23, 2012, due to an increase in costs of water haulage for disposal that was affecting the net revenue to the lease and a desire to focus on the planned wells and development of our Oklahoma leases, we sold 75% of our 25% working interest in the Poston Prospect for \$65,000.

*North Oklahoma Project (North Oklahoma Woodford "Yale" and North Oklahoma Mississippi "Ripley" Projects)*  
- On April 21, 2010, we entered into an operating agreement with Bay Petroleum Corp. ("Bay") to participate in the drilling for oil in northern Oklahoma (the "Prospect"). Pursuant to such operating agreement, we agreed to pay to Bay \$52,125 for all costs in connection with the acquisition and operation of the Prospect, up to the drilling of an initial test well, in exchange for a 25% working interest and 80% net revenue interest in the Prospect. We are also responsible for 25% of all expenditures in connection with the development and operation of the Prospect for drilling.

On June 1, 2010, we announced that the No. 1 well had been put into production. The current daily rates are at the eight barrels per day level, with water in the 100 barrel range or approximately 8% oil cut.

On January 4, 2011, we announced plans to drill the NOS227 Well as a direct offset to the NOJ26 Well. On March 15, 2011, we announced that the well had reached a total depth of 3,820 feet and was to be completed as an oil well. After testing and a large, multi-stage surge frack, the well did not respond favorably as we believe we fracked into a fault containing considerable water. The future of the well is being analyzed and plans to attempt additional work are being discussed.

On June 29, 2011, we announced that NOS122, a re-entry project where the well bore and casing was opened and cleaned, had begun commercial production. Inaugural loads of oil began shipping in July and current production at the NOS122 is six barrels per day. As a frack is required to maximize the oil production, engineering has deemed it to be risky to do so in a 30 year old well bore. It has been decided to drill an 80 acre offset with a new well bore and undertake the frack test in the new well. This well is planned for the second quarter of 2012. The well has been designated NOS222. We estimate that our expenses associated with drilling and completing NOS222 will be approximately \$290,000. The well has been scheduled to drill in June 2012.

On March 25, 2011, we announced that we had acquired a varied working interest in an additional 2,000 acres located in Payne County in northern Oklahoma, near the Company's Yale Prospect. The project has been named "North Oklahoma Mississippi Lime Project". On May 16, 2011, we announced that drilling operations had commenced at the Company's first horizontal well, NOM1H. The Company owns a 25% Working Interest in the lease. On June 29, 2011, we announced that NOM1H had begun commercial production and currently produces between 15-20 barrels per day and 100 MCF gas.

On July 18, 2011, we announced drilling plans for a total of 11 horizontal wells at the North Oklahoma Project. As of May 2012, there are nine locations left to drill on the acreage. The current drilling schedule, which includes direct offsets, involves drilling one horizontal well approximately every 90 days. Our experience has shown that the time to drill, complete, implement large frack, recover the fluids and begin oil sales involves a minimum of 90 days. We expect to drill a minimum of two additional horizontal wells on the North Oklahoma leases in July and September, 2012. The next well will be a direct offset to the NOM-1H and is expected to cost \$320,000 for our working interest share of the drilling and completion costs.

On July 27, 2011 we announced the NOW2H, an 80 acre offset to NOM1H. On September 6, 2011, we announced the spud of the NOW2H well. Following a successful drilling of 800 feet of horizontal lateral, excellent oil and gas shows warranted the well to be completed. Two productive zones are present in the well. On November 7, 2011, the well commenced commercial oil and gas production. On March 26, 2012, we announced that after undergoing a second frack and the installation of a submersible pump, the well was producing at a daily rate of 30 barrels per day. Since that time the well has declined to 10-15 barrels of oil per day and 200 MCF of gas per day.

On January 9, 2012, we announced plans to drill a third horizontal well at the North Oklahoma Project, NOM3H, on the same section of land as our two previously completed producing wells, NOM1H and NOW2H. On February 6, 2012, we announced that we had drilled a total of 1,988 feet in the horizontal well segment penetrating into the 100 plus foot thick Mississippi pay zone. The well underwent a frack and the installation of a submersible pump. The NOM3H began commercial oil and gas production on March 7, 2012, with initial production rates over 200 barrels per day and 400 MCF gas. The well is currently being evaluated to determine the final stable rate after the frack load is fully pumped. The newly designed and implemented completion method appears to have been successful and all further wells will undergo a similar procedure. In 2012, we have plans to develop three additional wells on the North Oklahoma Project.



In April 2012, we sold our interest in the NOJ26 well on the North Oklahoma Project, yielding net proceeds of \$41,000, which was used as partial funding for the SOM-1H horizontal well on our South Oklahoma Project.

### Exploration and Prospects

*South Oklahoma Project* - On July 20, 2011, we announced the acquisition of a forty percent (40%) working interest in the South Oklahoma Project on 3,000 acres of land in south-central Oklahoma. Our engineers have identified five key areas which, if developed on 160 acre spacing, could allow future development of 18 additional locations for horizontal Mississippi lime oil and gas wells.

On April 2, 2012 we announced the spud of the first well on the South Oklahoma Project, designated SOM-1H. The well has a planned 2,500 foot lateral and following the frack, is expected to begin commercial production by May 2012. On May 2 2012 we announced the well had reached a total depth of 2,500 feet and that it would be completed as an oil well having excellent oil and gas shows.

The South Oklahoma Project covers Mississippi lime targets which, through sub-surface geological mapping and engineering, show targets analogous to the recently discovered oil and gas reservoir now being exploited at the North Oklahoma Project, which would offer considerable drilling opportunities. We have plans to develop three additional wells on the South Oklahoma Project during 2012.

*Colby Prospect* - In 2009, we entered into a binding Letter of Intent with S&W to participate in the drilling for oil in the Colby Prospect located in Thomas County, Kansas. The 500 acre block has a well-defined 3D seismic anomaly that includes seven potential zones to be tested. If a successful commercial well is established, S&W will assign 25% of the working interest and 81.5% net revenue interest in the Prospect to us. In 2009 we drilled an initial well at the Colby Prospect which successfully encountered oil and gas in the target horizons, but did not encounter adequate reservoirs in order to complete the well as a commercial producer. No work is planned on the lease in 2012.

*Archer Project* - In 2009 we also entered into two Participation Agreements with Archer Exploration, Inc. (“Archer”) to participate in the drilling for natural gas on prospects located in Stanislaus County and Sacramento County in California. We have engaged in seismic evaluations to determine if a test well is viable on this prospect. We continue to evaluate the properties and believe they have the potential to support producing wells. A seismic line may be undertaken in the summer of 2012 which is required to ensure the closure of the gas reservoir. If such work is not conducted this year the leases will revert back to the land owner.

### Customers

Our crude oil production is sold to N.C.R.A. in MacPherson Kansas and Sunoco in Oklahoma which are the buyers which then send oil to refineries. We receive Kansas common pricing and Oklahoma spot prices for our oil.

We have begun commercial sales of natural gas at our Yale Prospect through our connection to nearby pipeline infrastructure. We sell natural gas through such pipeline to DCP Midstream, LP of Tulsa, Oklahoma and receive a premium to the NYMEX spot natural gas prices due to the higher BTU content of the gas produced.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with United States generally accepted accounting principles (“U.S. GAAP”) requires management of our Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with U.S. GAAP. We believe certain critical accounting policies affect our more significant judgments and estimates used in the preparation of the financial statements. A description of our critical accounting policies is set forth in our Annual Report on Form 10-K for the year ended December 31, 2011. As of, and for the three months ended March 31, 2012, there have been no material changes or updates to our critical accounting policies.

## **Results of Operations**

The following discussion of the financial condition, results of operations, cash flows, and changes in our financial position should be read in conjunction with our audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The financial statements mentioned above have been prepared in conformity with U.S. GAAP and are stated in United States dollars.

### **Comparison of three month periods ended March 31, 2012 and March 31, 2011**

For the three month periods ended March 31, 2012 and March 31, 2011, we incurred a comprehensive loss of \$896,187 and \$560,061, respectively. The increase was largely attributed to an increase in our impairment expense from \$0 to \$256,737.

General and administration expenses for the three month period ended March 31, 2012 amounted to \$105,791 compared to \$102,652 in the same period of 2011. Executive compensation for the three month period ended March 31, 2012 was \$285,000 compared to \$66,000, in the same period of 2011.

We had a gain on forgiveness of debt of \$86,746 during the three month period ended March 31, 2012 as compared to no such gain or loss during the three month period ended March 31, 2011.

### **Liquidity and Capital Resources**

As of March 31, 2012, we had cash of \$7,311 and working capital deficiency of \$1,790,586. During the three month period ended March 31, 2012, we funded our operations from revenue received and proceeds of private sales of equity and convertible notes and the exercise of warrants. Our current cash requirements are significant due to planned exploration and development of current projects. We anticipate drilling eight additional wells in Kansas and Oklahoma in the next twelve months which will cost approximately \$2,200,000 and which will include six horizontal wells in Oklahoma. Accordingly, we expect to continue to primarily use debt and equity financing to fund operations for the next twelve months, as we look to expand our asset base and fund exploration and development of our properties. Changes in our operating plans, increased expenses, acquisitions, or other events may cause us to seek even greater equity or debt financing in the future.

For the three month period ended March 31, 2012, we used net cash of \$90,148 in operations. Net cash used in operating activities decreased from \$129,413 in the three month period ended March 31, 2011.

During the three month period ended March 31, 2012, we raised \$188,250 from the sale of convertible debentures. We are currently reliant on short term financing arrangements to meet our short-term and long-term obligations.

Subsequent to the three month period ended March 31, 2012, a total of \$597,203 of outstanding principal and interest due on our outstanding convertible debt was converted into an aggregate of 2,388,812 shares of our common stock.

Our management believes that we will be able to generate sufficient revenue or raise sufficient amounts of working capital through debt or equity offerings, as may be required to meet our short-term and long-term obligations. However, there are no assurances that we will be able to raise the required working capital on terms favorable, or that such working capital will be available on any terms when needed.

### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

### **Item 4. Controls and Procedures.**

Our management with the participation and under the supervision of our Principal Executive Officer and Principal Financial Officer reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Rule 13a-15(e) or 15d-15(e)) of the Exchange Act Rule 13a-15 as of the end of the period covered by this report. Based upon their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures are effective and sufficient to ensure that we record, process, summarize, and report information required to be disclosed in the reports we filed under the Exchange Act within the time periods specified in the Securities and Exchange Commission's rules and regulations, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting that occurred during the quarterly period ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

None.

**Item 1A. Risk Factors.**

None.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information.**

None.

21

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Name</b>
3.1(1)	Amended and Restated Articles of Incorporation
3.2(1)	Bylaws
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)
31.2	Rule 13a-14(d)/15d-14(d) Certification (Principal Financial Officer)
32	Section 1350 Certifications
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

Footnotes to Exhibits Index

(1) Incorporated by reference to Form 10-SB12G dated June 19, 1997.

\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN PETRO-HUNTER INC.

Date: May 17, 2012 By: /s/ Robert B McIntosh  
Robert B, McIntosh, President and Chief Executive Officer

(Principal Executive Officer)

Date: May 17, 2012 By: /s/ John J. Lennon  
John J. Lennon, Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)