

AMERICAN PETRO-HUNTER INC  
Form 10-Q  
August 19, 2008

**U.S. 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: June 30, 2008

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**  
(State of incorporation)

**98-0171619**  
(IRS Employer ID No.)

**225 Marine Drive, Suite 210, Blaine, Washington 98230**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: (360) 332-0905**

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 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting company  
(Do not check if smaller 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.

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

Class	Outstanding at August 19, 2008
Common stock, \$.001 par value	10,065,019

---

AMERICAN PETRO HUNTER, INC.  
FORM 10-Q

June 30, 2008

INDEX

	<b>PAGE</b>
<b>Part I. FINANCIAL INFORMATION</b>	
<b>Item 1. Financial Statements</b>	
Balance Sheets as of June 30, 2008 (Unaudited) and December 31, 2007	4
Statements of Operations for the three and six month periods ended June 30, 2008 and 2007 and for the period from January 24, 1996 (inception) to June 30, 2008 (Unaudited).	5
Statements of Cash Flows for the six month periods ended June 30, 2008 and 2007 and for the period from January 24, 1996 (inception) to June 30, 2008 (Unaudited).	6
Statement of Changes in Stockholders' Deficit for the period from January 24, 1996 (inception) to June 30, 2008 (Unaudited).	7
Notes to Financial Statements	8
<b>Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operation</b>	<b>17</b>
<b>Item 3. Qualitative and Quantitative Disclosures About Market Risk</b>	<b>20</b>
<b>Item 4. Controls and Procedures</b>	<b>20</b>
<b>Part II. OTHER INFORMATION</b>	<b>22</b>
<b>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</b>	<b>22</b>
<b>Item 6. Exhibits</b>	<b>22</b>
<b>Signature Page</b>	<b>23</b>
<b>Certifications</b>	
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32	

## **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,” “will,” “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 below under the heading “Risk Factors” and set forth in our Annual report on Form 10-KSB for the fiscal year ended December 31, 2007, filed on April 15, 2008.

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.  
(A Development Stage Company)**

Balance sheets

(Expressed in U.S. Dollars)

	<b>June 30, 2008</b> <b>(Unaudited)</b>	<b>December 31,</b> <b>2007</b> <b>(Audited)</b>
<b>Assets</b>		
Cash	\$ 2,173	\$ 6,207
Taxes recoverable	2,409	2,484
<b>Total Current Assets</b>	<b>\$ 4,582</b>	<b>\$ 8,691</b>
<b>Liabilities and Stockholders' Deficit</b>		
Accounts payable and accrued liabilities	\$ 223,940	\$ 222,691
Due to related parties	137,119	138,900
Loan guarantee	100,133	103,224
Note payable	25,000	25,000
<b>Total Current Liabilities</b>	<b>486,192</b>	<b>489,815</b>
Common stock 200,000,000 voting shares, par value \$0.001 authorized; 10,065,019 and 8,265,019 shares issued and outstanding, respectively	10,065	8,265
Common stock to be issued	15,000	60,000
Additional paid-in capital	3,124,328	3,036,128
Accumulated comprehensive loss	(76,532)	(89,260)
Deficit accumulated during the development stage	(3,554,471)	(3,496,257)
<b>Total Stockholders' Deficit</b>	<b>(481,610)</b>	<b>(481,124)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 4,582</b>	<b>\$ 8,691</b>

**American Petro-Hunter Inc.**  
**(A Development Stage Company)**

Statements of Operations  
(Expressed in U.S. Dollars)  
(Unaudited)

	For the three month period ended June 30, 2008	For the three month period ended June 30, 2007	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the period from the date of inception on January 24, 1996 to June 30, 2008
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	-
<b>Expenses:</b>					
General and administrative	40,909	20,010	58,214	56,397	1,693,082
Executive compensation	-	4,500	-	10,500	399,488
Finders' fees	-	-	-	-	48,000
Rent	-	-	-	-	61,698
Research and development	-	-	-	-	566,875
Total expenses	40,909	24,510	58,214	66,897	2,769,143
<b>Loss before other expenses</b>	(40,909)	(24,510)	(58,214)	(66,897)	(2,769,143)
<b>Other expenses:</b>					
Write-off loans and advances	-	-	-	-	(327,451)
Loss from discontinued operations	-	-	-	-	(365,519)
Loss from loan guarantee	-	-	-	-	(84,858)
Write-down of investments	-	-	-	-	(7,500)
Total other expenses	-	-	-	-	(785,328)
<b>Net loss</b>	(40,909)	(24,510)	(58,214)	(66,897)	(3,554,471)
<b>Other comprehensive gain (loss)</b>					
Foreign currency translation gain (loss)	1,754	(23,561)	12,728	(23,218)	(76,532)
<b>Comprehensive loss</b>	\$ (39,155)	\$ (48,071)	\$ (45,486)	\$ (90,115)	\$ (3,631,003)
<b>Basic and diluted loss per common share</b>	\$ (0.005)	\$ (0.006)	\$ (0.005)	\$ (0.011)	
<b>Weighted average number of common shares used in per share calculations</b>	9,291,686	8,265,019	8,775,516	8,265,019	



**American Petro-Hunter Inc.**  
**(A Development Stage Company)**

Statements of Cash Flows  
(Expressed in U.S. Dollars)  
(Unaudited)

	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the period from the date of inception on January 24, 1996 to June 30, 2008
<b>Cash flows from operating activities</b>			
Net loss	\$ (58,214)	\$ (66,897)	\$ (3,188,952)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accrued interest on note payable	-	-	3,559
Stock purchase warrants issued	-	-	80,000
Loss from loan guarantee	-	-	84,858
Shares issued for services rendered	-	-	992,558
Stock purchase warrants issued for finders' fee	-	-	48,000
Write down of investment in AEI Trucolor	-	-	7,500
Changes in operating assets and liabilities			
Decrease (increase) in taxes recoverable	75	(4,061)	(2,409)
(Decrease) increase in accounts payable and accrued liabilities	(1,842)	51,213	1,867,493
(Decrease) increase in accounts payable to related parties	(1,781)	-	29,949
Net cash used in operating activities	(61,762)	(19,745)	(77,444)
<b>Cash flows from financing activities</b>			
Proceeds from sale of Stock	45,000	40,000	592,400
Proceeds from note payable	-	1,471	25,000
Share issue costs	-	-	(95,732)
Net cash provided by financing activities	45,000	41,471	521,668
<b>Cash flows from discontinued operations</b>			
	-	-	(365,519)
<b>Foreign currency translation effect on cash</b>	12,728	(23,218)	(76,532)
<b>Change in cash</b>	(4,034)	(1,492)	2,173
<b>Cash, Beginning of period</b>	6,207	20,783	-
<b>Cash, End of period</b>	\$ 2,173	\$ 19,291	\$ 2,173



**Supplemental Disclosures with Respect to Cash Flows** (Note 9)

6

---

**American Petro-Hunter Inc.****(A Development Stage Company)**

Statements of Changes in Stockholders' Deficit

(Expressed in U.S. Dollars)

(Unaudited)

	Common Stock		Additional		Common stock to develop		Deficit accumulated during the development stage	accumulated comprehensive loss	Stockholders' Equity (Deficit)
	Number of shares issued	Par Value	paid-in capital	Deferred compensation	be issued	be issued			
Share issue for cash, net of issue costs	10,497,300	\$ 10,497	\$ 296,833	\$ -	\$ -	\$ -	\$ -	\$ -	307,330
Net income	-	-	-	-	-	4,856	-	4,856	
<b>Balance at December 31, 1996</b>	10,497,300	10,497	296,833	-	-	4,856	-	312,186	
Share issued for cash, net of issue cost	187,416	187	46,850	-	-	-	-	47,037	
Net loss	-	-	-	-	-	(96,386)	-	(96,386)	
Unrealized foreign exchange gain	-	-	-	-	-	-	8,258	8,258	
<b>Balance at December 31, 1997</b>	10,684,716	10,684	343,683	-	-	(91,530)	8,258	271,095	
Stock reverse split 3:1	(7,123,094)	(7,123)	7,123	-	-	-	-	-	
Shares issued	7,773,026	7,773	1,980,833	-	-	-	-	1,988,606	
Unrealized foreign exchange loss	-	-	-	-	-	-	(8,258)	(8,258)	
Net loss	-	-	-	-	-	(1,798,830)	-	(1,798,830)	
<b>Balance at December 31, 1998</b>	11,334,648	11,334	2,331,639	-	-	(1,890,360)	-	452,613	
1998 issuance cancelled	(4,800,000)	(4,800)	(1,339,200)	-	-	-	-	(1,344,000)	
Share issue costs	500,000	500	85,000	-	-	-	-	85,500	
Net loss	-	-	-	-	-	(307,331)	-	(307,331)	
<b>Balance at December 31, 1999</b>	7,034,648	7,034	1,077,439	-	-	(2,197,691)	-	(1,113,218)	

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

Share issued	4,435,570	-	1,083,791	-	-	-	-	1,083,791
Finders' fees	-	-	48,000	-	-	-	-	48,000
Share purchase warrants	-	-	80,000	-	-	-	-	80,000
Net loss	-	-	-	-	-	(547,097)	-	(547,097)
<b>Balance at December 31, 2000</b>	11,470,218	7,034	2,289,230	-	-	(2,744,788)	-	(448,524)
Stock reverse split 10:1	(10,323,196)	(5,887)	5,887	-	-	-	-	-
Share issued	4,253,617	4,254	552,106	-	-	-	-	556,360
Net loss	-	-	-	-	-	(297,352)	-	(297,352)
<b>Balance at December 31, 2001</b>	5,400,639	5,401	2,847,223	-	-	(3,042,140)	-	(189,516)
Share issued	220,000	220	21,780	-	-	-	-	22,000
Net loss	-	-	-	-	-	(29,664)	-	(29,664)
<b>Balance at December 31, 2002</b>	5,620,639	5,621	2,869,003	-	-	(3,071,804)	-	(197,180)
Share issued	430,000	430	25,370	-	-	-	-	25,800
Other comprehensive loss	-	-	-	-	-	17,920	(17,920)	-
Net loss	-	-	-	-	-	(57,652)	-	(57,652)
<b>Balance at December 31, 2003</b>	6,050,639	6,051	2,894,373	-	-	(3,111,536)	(17,920)	(229,032)
Share issued for services rendered	475,000	475	56,525	(3,226)	-	-	-	53,774
Other comprehensive loss	-	-	-	-	-	-	(9,773)	(9,773)
Net loss	-	-	-	-	-	(134,058)	-	(134,058)
<b>Balance at December 31, 2004</b>	6,525,639	6,526	2,950,898	(3,226)	-	(3,245,594)	(27,693)	(319,089)
Shares issued for services rendered	-	-	-	3,226	-	-	-	3,226
Share issued for cash	1,739,380	1,739	85,230	-	-	-	-	86,969
Other comprehensive loss	-	-	-	-	-	-	(6,156)	(6,156)

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

loss									
Net loss	-	-	-	-	-	(70,711)	-	(70,711)	
<b>Balance at December 31, 2005</b>	8,265,019	8,265	3,036,128	-	-	(3,316,305)	(33,849)	(305,761)	
Other comprehensive loss	-	-	-	-	-	-	(6,380)	(6,380)	
Net loss	-	-	-	-	-	(72,398)	-	(72,398)	
<b>Balance at December 31, 2006</b>	8,265,019	8,265	3,036,128	-	-	(3,388,703)	(40,229)	(384,539)	
Other comprehensive loss	-	-	-	-	-	-	(49,031)	(49,031)	
Share subscription received in advance	-	-	-	-	60,000	-	-	60,000	
Net loss	-	-	-	-	-	(107,554)	-	(107,554)	
<b>Balance at December 31, 2007</b>	8,265,019	8,265	3,036,128	-	60,000	(3,496,257)	(89,260)	(481,124)	
Share issued for subscription received in 2007	1,200,000	1,200	58,800	-	(60,000)	-	-	-	
Common stock sold at \$0.05 per share	600,000	600	29,400	-	-	-	-	30,000	
Share subscription received in 2008	-	-	-	-	15,000	-	-	15,000	
Other comprehensive loss	-	-	-	-	-	-	12,728	12,728	
Net loss	-	-	-	-	-	(58,214)	-	(58,214)	
<b>Balance at June 30, 2008 (unaudited)</b>	10,065,019	\$ 10,065	\$ 3,124,328	\$ -	\$ 15,000	\$ (3,554,471)	\$ (76,532)	\$ (481,610)	

**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**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, changed its name to Travelport Systems Inc., and on August 17, 2001, changed its name to American Petro-Hunter Inc. The Company’s business offices are located in Blaine, Washington, USA.

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.

These financial statements have been prepared in accordance with the United States generally accepted accounting principles 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 is at development stage and has no revenue, has accumulated deficit and comprehensive losses during the development period of \$3,631,003 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 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.

**Basis of Presentation**

The unaudited interim financial statements have been prepared in accordance with United States generally accepted accounting principles.

The unaudited interim financial statements do not include all information and footnote disclosures required under United States generally accepted accounting principles. In management’s opinion, all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair presentation of the financial position, results of operations, changes in stockholders’ deficit and cash flows as of June 30, 2008, and for all periods presented, have been included. Readers of these financial statements should note that interim results for the periods presented are not necessarily indicative of the results that can be expected for the fiscal year as a whole.

**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**2. Significant Accounting Policies (Cont')**

**Basis of Presentation (Cont')**

These condensed financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such regulations. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 2007.

**Foreign currency translation**

The Company's functional currency is the Canadian dollar and its reporting currency is the U.S. dollar. Assets and liabilities denominated in foreign currencies are translated to U.S. dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52 "*Foreign Currency Translation*" using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at rates approximating exchange rates in effect at the time of the transactions. Certain translation adjustments are reported as a separate component of stockholders' deficit, whereas gains or losses resulting from foreign currency transactions are included in the results of operations.

**Income taxes**

The Company adopted the SFAS No. 109, "*Accounting for Income Taxes*". Pursuant to SFAS No. 109, deferred income tax assets and liabilities are computed for differences between the financial statement carrying amounts and the respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the periods in which those differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Potential benefits of net operating losses have not been recognized in the financial statements because the Company cannot be assured that it will utilize the net operating losses carry-forwards in future years.

Effective January 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation (FIN) No. 48, "*Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*". FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, "*Accounting for Income Taxes*". The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax position and tax benefits, which may require periodic adjustments and which may not accurately anticipate outcomes.



**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**2. Significant Accounting Policies (Cont')**

**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.

**Stock-based compensation**

Effective December 1, 2006, the Company adopted the provisions of SFAS No. 123R, "Share-Based Payment," ("SFAS 123R"), which establishes standards for the accounting for transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

The Company has not granted stock options in exchange for services during the three months ended June 30, 2008 and 2007.

**Net Loss per share**

The Company computes net income (loss) per share in accordance with SFAS No. 128, "*Earnings per share*" which requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method. Common stock equivalents were not included in the calculation of diluted loss per share as their effect would be anti-dilutive.



**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**2. Significant Accounting Policies (Cont')**

**Financial instruments**

The Company's financial instruments consist of cash, taxes recoverable, accounts payable and accrued liabilities, due to related parties, note 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.

The Company operates outside of the United States of America and is exposed to foreign currency risk due to the fluctuation between the currency in which the Company operates in and the U.S. dollars.

**Reclassifications**

Certain comparative figures have been reclassified to conform to the current period's presentation.

**3. Recent Accounting Pronouncements**

The following Recent Accounting Pronouncements are disclosed as they may be applicable to the Company's operations and could have an impact on the Company's financial statements:

In February 2007, the FASB issued SFAS No. 159, "*Establishing the Fair Value Option for Financial Assets and Liabilities* (SFAS No. 159)". SFAS No. 159 was to permit all entities to choose to elect, at specified election dates, to measure eligible financial instruments at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an equity that has also elected to apply the provisions of SFAS No. 157, "Fair Value Measurements". An entity is prohibited from retrospectively applying SFAS No. 159, unless it chooses early adoption. SFAS No. 159 also applies to eligible items existing at November 15, 2007 (or early adoption date). The Company is evaluating the impact of the adoption of SFAS No. 159 could have on the Company's financial statements.

**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**3. Recent Accounting Pronouncements (Cont')**

In September 2006, FASB issued SFAS No. 157, "*Fair Value Measures*". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which for the Company would be the fiscal year beginning January 1, 2008. However, in February 2008, the FASB issued Staff Position 157-2, which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within its scope, this Staff Position defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of adopting SFAS No. 157 and does not expect that it will have a significant effect on its financial position or results of operations.

**4. Related Party Transactions**

Amounts due to related parties are payable to a director of the Company, a former director of the Company, a company owned by a director of the Company, and a company owned by a former director and officer of the Company. All amounts due to related parties are non-interest bearing, unsecured and payable on demand.

During the six month period ended June 30, 2008, the Company accrued and or paid management fees of \$Nil (June 30, 2007 - \$6,000) to a former director.

During the six month period ended June 30, 2008, the Company paid a total of \$19,524 (June 30, 2007 - \$6,406) in consulting fees to two companies controlled by a former director and to a director.

In December 2007, the Company entered into a Management and Governance Consultant Agreement (the "Agreement") with Sound Energy Advisors, LLC, an affiliated entity, whereby it was agreed that the consultant provide the Company with management and consulting services for a monthly fee of \$2,500 plus expenses. The agreement was effective on December 1, 2007 and expires on November 30, 2009 and is subject to termination upon 30-day prior written notice by either party. During the six month period ended June 30, 2008, the Company incurred \$16,158 in management and consulting expenses in connection with this agreement.

During the six month period ended June 30, 2008, the Company carried out a number of transactions with related parties in the normal course of business.

**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**5. Note Payable**

On October 18, 2006, the Company entered into a promissory note agreement with VCF Capital Corp. ("VCF") whereby VCF loaned the Company \$25,000. The loan bears interest at 12% per annum, is collateralized by a general security arrangement over all of the Company's assets and was payable in full on May 18, 2007.

This note payable was in default at June 30, 2008. During the six month ended June 30, 2008 and 2007, the Company accrued \$1,471 and \$1,471 of interest expense which is included in general and administrative expenses.

**6. 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.

During the six month period ended June 30, 2008, the Company recorded a foreign exchange loss of \$3,090 (June 30, 2007 – \$Nil) related to this guarantee.

Upon receipt of the claim, 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.

**7. Stockholders' Deficit**

Common Stock Issued

During the year ended December 31, 2007, the Company received full payment towards subscription to purchase 1,200,000 units at a price of \$0.05 per unit. During the period ended June 30, 2008, the Company issued these 1,200,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one two-year share purchase warrant exercisable into common shares of the Company at a price of \$0.15 per warrant.

In April 2008 the Company sold 600,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one two-year share purchase warrant exercisable into common shares of the Company at a price at \$0.15 per warrant.

As of June 30, 2008 all of the related share purchase warrants remain outstanding.

Common Stock to be Issued

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

In April 2008 the Company received full payment towards a subscription to purchase 300,000 units at a price of \$0.05 per unit for a total of \$15,000 which has been recorded as common stock to be issued in the accompanying balance sheets as of June 30, 2008.

13

---

**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**8. Income Taxes**

The Company's operations for the six months ended June 30, 2008 and 2007 resulted in losses, thus no income taxes have been reflected in the accompanying statements of operations.

As of June 30, 2008 and December 31, 2007 the Company had the following deferred tax asset:

	June 30, 2008	December 31, 2007
Deferred asset related to net operating loss carry-forwards	\$ 1,208,000	\$ 1,186,000
Less: Valuation allowance	(1,208,000)	(1,186,000)
Deferred tax asset recognized	\$ -	\$ -

As at June 30, 2008, the Company has net operating loss carry-forwards of approximately \$3,631,000 (December 31, 2007 - \$3,586,000) which may be used to reduce future income taxes payable and which expire between 2026 to 2027. 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 available to offset future taxable income may be limited.

A valuation allowance has been recorded to reduce the net benefit recorded in the financial statements related to this deferred asset. The valuation allowance is deemed necessary as a result of the uncertainty associated with the ultimate realization of these deferred tax assets. The Company has concluded that it is more likely than not that it will not realize any deferred tax assets.

**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**8. Income Taxes (Cont')**

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 34% (2007 – 34%) to net loss for the year. The sources and tax effect of the differences are as follows:

	For the Six Month Period Ended June 30, 2008	For the Six Month Period Ended June 30, 2007
Computed tax benefit at statutory rates	\$ 20,000	\$ 23,000
Less: Valuation allowance	(20,000)	(23,000)
Income tax provision	\$ -	\$ -

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48") was issued to clarify the requirements of SFAS No. 109, *Accounting for Income Taxes*, relating to the recognition of income tax benefits. FIN 48 provides a two-step approach to recognizing and measuring tax benefits when the benefits' realization is uncertain. The first step is to determine whether the benefit is to be recognized; the second step is to determine the amount to be recognized;

· Income tax benefits should be recognized when, based on the technical merits of a tax position, the company believes that if a dispute arose with the taxing authority and were taken to a court of last resort, it is more likely than not (i.e., a probability of a greater than 50 percent) that the position would be sustained as filed; and

· If a position is determined to be more likely than not of being sustained, the reporting company should recognize the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority.

We adopted FIN 48 on January 1, 2007 and it has had no impact on the financial statements.

**AMERICAN PETRO-HUNTER INC.**  
**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**9. Supplemental Disclosure with Respect to Cash Flows**

	For the six month period ended June 30, 2008	For the six month period ended June 30, 2007	For the period from the date of inception on January 24, 1996 to June 30, 2008
Shares issued in settlement of debt	-	1,509,667	1,509,667
Shares issued for services rendered	-	992,558	992,558
Shares issued for investment	-	7,500	7,500

## **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 were formed on January 24, 1996 pursuant to the laws of the State of Nevada under the name Wolf Exploration, Inc. with a business plan to acquire properties for precious metal exploration in the western United States. However, after considering several properties, we determined the properties identified were not suitable to fully implement an exploration and development project in the United States. In August 1996, we changed our management team and developed a new business plan to sell chemical products to the oil and gas industry. In 1998, we sold that business and developed a new business plan for the manufacturing and marketing of a dental color analyzer. Our plans to manufacture and sell the analyzer were delayed pending completion of research and development and by an action brought against us by AEI Trucolor. After settling that action, in August 2001, we changed our name to "American Petro-Hunter Inc." and our focus to the exploration and eventual exploitation of oil and gas.

The accompanying financial statements have been prepared assuming that we will continue as a going concern. Having no sources of income, substantial doubt is raised about our ability to continue as a going concern.

Our plan of operations for the remainder of the fiscal year is to seek out potential oil and gas opportunities. As of the date of this report, our management has evaluated several potential opportunities but deemed them unsuitable. Furthermore, as of the date of this report, there has been no decision to pursue any opportunity nor has any agreement been reached on even principal terms. We intend to continue to investigate the acquisition and development of natural resource projects.

### **Results of Operations**

#### **Comparison of Three and Six month periods ended June 30, 2008 and June 30, 2007**

For the three and six month periods ended June 30, 2008 and June 30, 2007, the Company incurred a comprehensive loss of \$39,155 and \$45,486, for 2008, and \$48,071 and \$90,115, for 2007, respectively. The improvement was largely attributed to more favorable foreign exchange rates.

General and administration expenses for the three and six month periods amounted to \$40,909 and \$58,214 compared to \$20,010 and \$56,397 in the same period of 2007. The increase in administrative expenses was primarily due to accounting and legal expenses. Executive compensation for the three and six month periods is \$Nil and \$Nil compared to \$4,500 and \$10,500, respectively, in the same period of 2007.

We had a foreign currency gain of \$1,754 and \$12,728 during the three and six month period ended June 30, 2008, respectively, compared to a loss of \$23,561 and \$23,218 in the same period of 2007. This was a result of more favorable exchange rates in 2008.

#### **Period from inception, January 24, 1996 to June 30, 2008**



We had a working capital deficiency of \$481,610 at June 30, 2008.

As a development stage company, we currently have limited operations, principally directed at potential acquisition targets and revenue-generating opportunities.

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. In order to execute on our business strategy, we will require additional working capital, commensurate with the operational needs of the opportunities we may pursue. Such working capital will most likely be obtained through equity financings until such time as acquired operations are integrated and producing revenue in excess of operating expenses. 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.

## **Liquidity and Capital Resources**

As of June 30, 2008, we had cash of \$2,173, and working capital deficiency of \$481,610. During the three month period ended June 30, 2008, we funded our operations from the proceeds of private sales of equity and/or convertible notes. We are currently seeking further financing and we believe that will provide sufficient working capital to fund our operations for at least the next 6 months. Changes in our operating plans, increased expenses, acquisitions, or other events, may cause us to seek additional equity or debt financing in the future.

For the six month period ended June 30, 2008, we used net cash of \$61,762 in operations. Net cash from operating activities reflected an increase in accounts payable of \$1,249.

We raised \$30,000 during the six month period ended June 30, 2008 from the issuance of common stock and warrants.

Our current cash requirements are minimal. We expect to continue to use cash to fund operations for at least the remaining of our fiscal year ended December 31, 2008, as we look to increase our operations.

## **Off-Balance Sheet Transactions**

There are no off balance sheet items.

## **Factors That May Affect Our Business, Future Operating Results and Financial Condition**

The risks described below are the ones we believe are the most important for you to consider, these risks are not the only ones that we face. If events anticipated by any of the following risks actually occur, our business, operating results or financial condition could suffer and the trading price of our common stock could decline.

## **Risks Relating to Our Business**

**We have a history of losses which may continue, which may negatively impact our ability to achieve our business objectives.**

We have incurred net losses and other comprehensive losses of \$3,631,003 for the period from January 24, 1996 (inception) to June 30, 2008. We cannot be assured that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

**If we are unable to obtain additional funding our business operations will be harmed and if we do obtain additional financing our then existing shareholders may suffer substantial dilution .**

We will require additional funds to initiate our oil and gas exploration activities, and to take advantage of any available business opportunities. Historically, we have financed our expenditures primarily with proceeds from the sale of debt and equity securities, and bridge loans from our officers and stockholders. In order to meet our obligations or acquire an operating business, we will have to raise additional funds. Obtaining additional financing will be subject to market conditions, industry trends, investor sentiment and investor acceptance of our business plan and management. These factors may make the timing, amount, terms and conditions of additional financing unattractive or unavailable to us. If we are not successful in achieving financing in the amount necessary to further our operations, implementation of our business plan may fail or be delayed.

**Our independent auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.**

In their report dated April 3, 2008, our independent auditors stated that our financial statements for the fiscal year ended December 31, 2007 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of recurring losses from operations. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

**We have a limited operating history and if we are not successful in growing our business, then we may have to scale back or even cease our ongoing business operations .**

We have yet to generate positive earnings from our current business strategy and there can be no assurance that we will ever operate profitably. Our company has a limited operating history in the business of oil and gas exploration and must be considered in the development stage. Our success is significantly dependent on a successful acquisition of an existing business. Our operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the development stage and potential investors should be aware of the difficulties normally encountered by enterprises in the development stage. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

**Our compliance with the Sarbanes-Oxley Act and SEC rules concerning internal controls may be time-consuming, difficult and costly for us.**

It may be time consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance staff in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act, we may not be able to obtain the independent accountant certifications that the Sarbanes-Oxley Act requires publicly-traded companies to obtain, and this would impact our ability to comply with SEC regulations governing public companies.

### **Risks Related to our Oil and Gas Exploration**

**If we are unable to successfully recruit qualified managerial and field personnel having experience in oil and gas exploration, we may not be able to execute on our business plan.**

In order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified managerial and field personnel having experience in the oil and gas exploration business. Competition for qualified individuals is intense. There can be no assurance that we will be able to find, attract and retain existing employees or that we will be able to find, attract and retain qualified personnel on acceptable terms.

**Even if we are able to discover and produce oil, the potential profitability of oil and gas ventures depends upon factors beyond the control of our company.**

The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls or any combination of these and other factors, and respond to changes in domestic, international, political, social and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect our future financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital.

**Competition in the oil and gas industry is highly competitive and there is no assurance that we will be successful in acquiring the leases.**

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies which have substantially greater technical, financial and operational resources and staffs. Accordingly, there is a high degree of competition for desirable oil and gas leases, suitable properties for drilling operations and necessary drilling equipment, as well as for access to funds. We cannot predict if the necessary funds can be raised or that any projected work will be completed.

**The marketability of natural resources will be affected by numerous factors beyond our control which may result in us not receiving an adequate return on invested capital to be profitable or viable.**

The marketability of natural resources which may be acquired or discovered by us will be affected by numerous factors beyond our control. These factors include market fluctuations in oil and gas pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of oil and gas and environmental protection regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

**Oil and gas operations are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our company.**

Oil and gas operations are subject to country-specific federal, state, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and gas operations are also subject to country-specific federal, state, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that such permits will be received. Environmental standards imposed by federal, state, provincial, or local authorities may be changed and any such changes may have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages. To date, we have not been required to spend any material amount on compliance with environmental regulations. However, we may be required to do so in the future and this may affect our ability to expand or maintain our operations.

**Exploration and production activities are subject to certain environmental regulations which may prevent or delay the commencement or continuation of our operations.**

In general, our future exploration and production activities are subject to certain country-specific federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuation of a given operation. Compliance with these laws and regulations has not had a material effect on our operations or financial condition to date. Specifically, we will be subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of U.S. state authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Generally, environmental requirements do not appear to affect us any differently or to any greater or lesser extent than other companies in the industry. We believe that our operations comply, in all material respects, with all applicable environmental regulations.

**Our common stock may be subject to the penny stock rules which may make it more difficult to sell our common stock .**

The Securities and Exchange Commission has adopted regulations which generally define a “penny stock” to be any equity security that has a market price, as defined, less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities may be covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors such as, institutions with assets in excess of \$5,000,000 or an individual with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with his or her spouse. For transactions covered by this rule, the broker-dealers must make a special suitability determination for the purchase and receive the purchaser’s written agreement of the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell our securities and also affect the ability of our stockholders to sell their shares in the secondary market.

**Our management and stockholders may lose control of the Company as a result of a merger or acquisition.**

We may consider an acquisition in which we would issue as consideration for the business opportunity to be acquired an amount of our authorized but unissued common stock that would, upon issuance, represent the great majority of the voting power and equity of the Company. As a result, the acquiring company's stockholders and management would control the Company, and our current management may be replaced by persons unknown at this time. Such a merger would result in a greatly reduced percentage of ownership of the Company by its current stockholders.

**We have historically not paid dividends and do not intend to pay dividends.**

We have historically not paid dividends to our stockholders and management does not anticipate paying any cash dividends on our common stock to our stockholders for the foreseeable future. We intend to retain future earnings, if any, for use in the operation and expansion of our business.

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

None.

**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.

There were no changes in our internal controls over financial reporting that occurred during the three months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within any company have been detected.



## PART II. OTHER INFORMATION

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

In April 2008, the Company completed an equity raise of 600,000 units at \$0.05 per unit for total proceeds of \$30,000 to foreign accredited investors. Each unit is comprised of one share of the Company's common stock and warrant to purchase one share of the Company's common stock at a price per share of \$0.15 for a period of 3 years from the date of issuance. We offered and sold the units in reliance on Section 506 of Regulation D and/or Regulation S of the Securities Act, and comparable exemptions for sales to "accredited" investors under state securities laws.

### **Item 6. Exhibits.**

#### INDEX TO EXHIBITS

<b>Exhibit Number</b>	<b>Name</b>
3.1(1)	Amended and Restated Articles of Incorporation
31.1	Rule 13(a) — 14(a)/15(d) — 14(a) Certification (Principal Executive Officer)
31.2	Rule 13(a) — 14(a)/15(d) — 14(a) Certification (Principal Financial Officer)
32	Section 1350 Certifications

#### **Footnotes to Exhibits Index**

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

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN PETRO-HUNTER INC.  
(Registrant)

Date: August 19, 2008

By: /s/ G. Leigh Lyons  
G. Leigh Lyons, President and Chairman of the Board (Principal Executive Officer)

Date: August 19, 2008

By: /s/ G. Leigh Lyons  
G. Leigh Lyons, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)