

AMERICAN PETRO-HUNTER INC  
Form 10-Q  
November 19, 2012

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**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: September 30, 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**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**90-0552874**  
(I.R.S. Employer  
Identification Number)

**250 N. Rock Rd., Suite 365 Wichita KS, 67206**  
(Address of principal executive offices) (Zip Code)

**(316) 201-1853**

(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

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company in Rule 12b-2 of the Exchange Act.

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

| <u>Class</u>                   | <u>Outstanding at November 2, 2012</u> |
|--------------------------------|--|
| Common stock, \$.001 par value | 47,470,406                             |

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**AMERICAN PETRO HUNTER INC.**  
**FORM 10-Q**  
**September 30, 2012**  
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## **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)<br>September 30,<br>2012 | December 31,<br>2011 |
|--|--------------------------------------|----------------------|
| <b>Assets</b>  |                                      |                      |
| Current assets:  |                                      |                      |
| Cash   | \$ 20,375                            | \$ 2,609             |
| Accounts receivable  | 30,889                               | 46,417               |
| Prepaid expenses   | 15,000                               | 79,464               |
| Total current assets   | 66,264                               | 128,490              |
| Investments in mineral properties, net of accumulated amortization of \$148,988 and \$135,987, respectively  | 1,885,337                            | 1,965,577            |
| Capitalized financing costs, net of amortization of \$2,478 and \$0, respectively  | 45,522                               | -                    |
| Total assets   | \$ 1,997,123                         | \$ 2,094,067         |
| <b>Liabilities and Stockholders' (Deficit)</b>   |                                      |                      |
| Current liabilities:   |                                      |                      |
| Accounts payable and other liabilities   | \$ 372,120                           | \$ 565,552           |
| Short term note from officer   | 39,200                               | -                    |
| Interest on note payable   | 15,649                               | -                    |
| Note payable and accrued interest  | -                                    | 202,484              |
| Convertible debenture, net of discount of \$0 and \$212,070  | -                                    | 2,164,205            |
| Accrued interest on convertible debenture  | 17,882                               | 456,638              |
| Royalty interest payable   | -                                    | 113,164              |
| Derivative liability   | 972,209                              | -                    |
| Loan guarantee   | -                                    | 94,860               |
| Total current liabilities  | 1,417,060                            | 3,596,903            |
| Long term liabilities:   |                                      |                      |
| Note payable, net of discount of \$149,160 and \$0   | 372,190                              | -                    |
| Convertible debenture  | 633,306                              | 633,306              |
| Total long term liabilities  | 1,005,496                            | 633,306              |
| Total liabilities  | 2,422,556                            | 4,230,209            |
| Stockholders' equity (deficit):  |                                      |                      |
| Common stock, \$0.001 par value, 200,000,000 shares authorized, 47,470,406 and 32,867,028 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively | 47,471                               | 32,867               |
| Common stock to be issued; 5,529,786 and 0 shares as of September 30, 2012 and December 31, 2011   | 5,529                                | -                    |
| Additional paid-in capital   | 13,368,039                           | 8,313,575            |
| Other comprehensive gain (loss) on derivative  | (834,136)                            | -                    |
| Accumulated comprehensive gain (loss)  | -                                    | (8,114)              |

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|  |              |              |
|--|--------------|--------------|
| Accumulated deficit                                  | (13,012,336) | (10,474,470) |
| Total stockholders' (deficit)                        | (425,433)    | (2,136,142)  |
| Total liabilities and stockholders' equity (deficit) | \$ 1,997,123 | \$ 2,094,067 |

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

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

|   | For the three months ended<br>September 30, |              | For the nine months ended<br>September 30, |                |
|---|---|--------------|--|----------------|
|   | 2012  | 2011         | 2012                                       | 2011           |
| Revenue   | \$ 78,671                                   | \$ 93,873    | \$ 266,348                                 | \$ 214,075     |
| <b>Cost of Goods Sold</b>   |   |              |  |                |
| Production and amortization   | 52,006                                      | 63,408       | 172,226                                    | 150,749        |
| Gross profit  | 26,665                                      | 30,465       | 94,122                                     | 63,326         |
| General and administrative  | 157,681                                     | 111,726      | 414,777                                    | 398,780        |
| Executive compensation  | 69,000                                      | 66,000       | 430,000                                    | 504,000        |
| Impairment expense  | -   | -            | 256,737                                    | -              |
| Total expenses  | 226,681                                     | 177,726      | 1,101,514                                  | 902,780        |
| Net loss before other income<br>(expense)                               | (200,016)                                   | (147,261)    | (1,007,392)                                | (839,454)      |
| Other income (expense):   |   |              |  |                |
| Gain (loss) on sale of mineral<br>properties                            | (33,530)                                    | -            | (33,530)                                   | -              |
| Gain on forgiveness of debt   | -   | -            | 322,731                                    | -              |
| Gain (loss) on derivative liability                                     | (138,073)                                   | -            | (138,073)                                  | -              |
| Amortization of debt discount   | (13,236)                                    | -            | (13,236)                                   | -              |
| Amortization of prepaid financing<br>costs                              | (2,477)                                     | -            | (2,477)                                    |                |
| Interest expense  | (1,205,185)                                 | (480,913)    | (1,665,889)                                | (1,264,273)    |
| Total other income (expense)  | (1,392,501)                                 | (480,913)    | (1,530,474)                                | (1,264,273)    |
| Net loss before income taxes  | (1,592,517)                                 | (628,174)    | (2,537,866)                                | (2,103,727)    |
| Provision for income taxes  | -   | -            | -  | -              |
| Net loss  | (1,592,517)                                 | (628,174)    | (2,537,866)                                | (2,103,727)    |
| Other comprehensive income<br>(expense)                                 | -   | -            | 8,114                                      | -              |
| Comprehensive loss  | \$ (1,592,517)                              | \$ (628,174) | \$ (2,529,752)                             | \$ (2,103,727) |
| Weighted average common shares<br>outstanding - basic and fully diluted | 47,470,406                                  | 28,303,418   | 42,307,840                                 | 27,298,606     |
| Net (loss) per share - basic and<br>fully diluted                       | \$ (0.034)                                  | \$ (0.022)   | \$ (0.060)                                 | \$ (0.077)     |

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



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

|   | For the nine months ended<br>September 30, |                |
|---|--|----------------|
|   | 2012                                       | 2011           |
| <b>Cash flows from operating activities</b>                                   |  |                |
| Net (loss)  | \$ (2,537,866)                             | \$ (2,103,727) |
| Adjustments to reconcile net (loss) to net cash used in operating activities: |  |                |
| Shares issued for compensation  | 189,000                                    | 357,000        |
| Amortization of discount  | 225,306                                    | 685,649        |
| Impairment expense  | 256,737                                    | -              |
| Amortization of mineral properties  | 86,218                                     | 79,172         |
| Amortization of prepaid financing costs                                       | 2,477                                      | -              |
| Recognized (gain) loss on fair value of derivative liability                  | 138,073                                    | -              |
| Stock and warrants issued for financing                                       | 1,107,886                                  | -              |
| Gain on forgiveness of debt   | (322,731)                                  | -              |
| Loss on sale of mineral properties  | 33,530                                     | -              |
| Changes in operating assets and liabilities:                                  |  |                |
| (Increase) decrease in accounts receivable                                    | 15,528                                     | (14,741)       |
| (Increase) decrease in prepaid expenses                                       | 29,100                                     | 5,470          |
| Increase (decrease) in accounts payable and accrued liabilities               | 204,222                                    | 118,804        |
| Increase (decrease) in accrued interest                                       | 175,980                                    | 461,625        |
| Net cash used by operating activities   | (396,540)                                  | (410,748)      |
| <b>Cash flows from investing activities</b>                                   |  |                |
| Proceeds from sale of mineral properties                                      | 110,500                                    | -              |
| Acquisition of mineral properties   | (406,744)                                  | (1,374,730)    |
| Net cash used by investing activities   | (296,244)                                  | (1,374,730)    |
| <b>Cash flows from financing activities</b>                                   |  |                |
| Short-term note from officer  | 39,200                                     | -              |
| Proceeds from note payable  | 473,350                                    | 321,000        |
| Proceeds from convertible debenture   | 198,000                                    | 1,501,688      |
| Net cash provided by financing activities                                     | 710,550                                    | 1,822,688      |
| Net increase (decrease) in cash   | 17,766                                     | 37,210         |
| Cash - beginning  | 2,609                                      | 3,225          |
| Cash - ending   | \$ 20,375                                  | \$ 40,435      |
| Supplemental disclosures:   |  |                |
| Interest paid   | \$ 107,517                                 | \$ 97,500      |
| Income taxes paid   | \$ -                                       | \$ -           |
| Non-cash transactions:  |  |                |
| Shares issued for compensation  | \$ 189,000                                 | \$ 357,000     |
| Accounts payable converted to stock   | \$ 239,469                                 | \$ -           |
| Note payable and accrued interest converted to stock                          | \$ 3,375,846                               | \$ -           |

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



**American Petro-Hunter Inc.**  
**Notes to Condensed Financial Statements**  
**September 30, 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.

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position of the Company as of September 30, 2012, and the results of its operations and cash flows for the three and nine months ended September 30, 2012 and 2011. Certain information and footnote disclosures required under accounting principles generally accepted in the United States of America ( U.S. GAAP ) have been condensed or omitted from the following condensed financial statements pursuant to the rules and regulations of the SEC. In the opinion of management, the accompanying consolidated financial statements include all adjustments, which are of a normal and recurring nature, necessary to present fairly our financial position and results of operations. Certain reclassifications have been made to prior periods to conform to current presentations.

It is suggested that the following consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2011. The Company does not believe there are any recently issued, but not yet effective, accounting standards that would have a significant impact on the Company's financial position or results of operations as of and for the three and nine months ended September 30, 2012.

The results of operations for the three and nine months ended September 30, 2012 and 2011 are not necessarily indicative of the results of the entire fiscal year or for any other period.

**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.



### **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 nine months ended September 30, 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 September 30, 2012 and December 31, 2011 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**

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 nine months ended September 30, 2012, the Company invested a total of \$417,785 in four mineral properties. In addition, management reviewed the carrying amount of investments as of the balance sheet date and recognized an impairment expense in the amount of \$256,767. As of September 30, 2012 and December 31, 2011, the estimated fair value of mineral properties totaled \$1,885,337 and \$1,965,557, net of accumulated amortization of \$148,988 and \$135,987, respectively. Capitalized costs of proved properties are amortized using the straight-line method over the estimated useful life of each well. Unproved properties are excluded from amortization. Amortization expense for the nine months ended September 30, 2012 and 2011 was \$86,218 and \$79,172, respectively.

A summary of investments follows:

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

On May 4, 2009, the Company entered into an Agreement 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 agreement, the Company paid \$64,500 in exchange for a 25% working interest in the 81.5% net revenue interest in the Poston Prospect. Subsequent to acquiring the working interest, the Company paid \$150,791 in capitalized development costs necessary for completion of the initial well and the drilling and completion of a second well in the Poston Prospect. In 2011, the Company recognized an impairment of the investment in the amount of \$93,879. During the nine months ended September 30, 2012, the Company sold its

interest in the Poston Prospect for cash in the amount of \$69,500, resulting in a capital loss of \$33,350.

**Oklahoma prospects**

During 2010 and 2011, the Company acquired various working interest percentages ranging from 25% to 50%, from Bay Petroleum for mineral properties located in Oklahoma in exchange for cash totaling \$2,072,330. During the year ended December 31, 2011, one well was determined to be a dry hole and its full \$80,000 carrying value was impaired. During the nine months ended September 30, 2012, the Company acquired additional working interests in the Oklahoma prospects for cash in the amount of \$417,785. As of September 30, 2012 and 2011, amortization expense was \$86,218 and \$62,309, respectively, relating to these wells.



## 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 following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of:

|                                     | Level 1     | Level 2               | Level 3             | Total                 |
|-------------------------------------|-------------|-----------------------|---------------------|-----------------------|
| <b>September 30, 2012</b>           |             |                       |                     |                       |
| Investments in mineral properties   | \$ -        | \$ -                  | \$ 1,885,337        | \$ 1,885,337          |
| Notes and convertible notes payable | -           | (1,005,496)           | -                   | (1,005,496)           |
| Derivative liability                | -           | (972,209)             | -                   | (972,209)             |
| <b>Totals</b>                       | <b>\$ -</b> | <b>\$ (1,977,705)</b> | <b>\$ 1,885,337</b> | <b>\$ (92,368)</b>    |
| <b>December 31, 2011</b>            |             |                       |                     |                       |
| Investments in mineral properties   | \$ -        | \$ -                  | \$ 1,965,577        | \$ 1,965,577          |
| Notes and convertible notes payable | -           | (2,999,995)           | -                   | (2,999,995)           |
| Loan guarantee                      | -           | -                     | (94,860)            | (94,860)              |
| <b>Totals</b>                       | <b>\$ -</b> | <b>\$ (2,999,995)</b> | <b>\$ 1,870,717</b> | <b>\$ (1,129,278)</b> |

## 6. Debt and Debt Guarantee

### Notes Payable

On October 18, 2006, the Company issued a promissory note in the amount of \$25,000. The note bears interest at a rate of 12% per annum, is unsecured and matured on May 18, 2007. On March 26, 2012, the holder of the note elected to convert the entire principal balance together with accrued interest of \$21,819 into 187,277 shares of the Company's common stock at a conversion rate of \$0.25 per share. As of September 30, 2012 and 2011, the Company recorded interest expense of \$1,244 and \$3,744, respectively.

In August 2011, the Company issued a promissory note in the amount of \$71,000. The note bears interest at a rate of 24% per annum, is unsecured and due on demand. On April 30, 2012, the holder of the note elected to convert the entire principal balance together with accrued interest of \$12,140 into 332,561 shares of the Company's common stock at a conversion rate of \$0.25 per share. As of September 30, 2012 and 2011, the

Company recorded interest expense of \$6,211 and \$1,541, respectively.

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In December, 2011, the Company issued a promissory note in the amount of \$79,980 to Centennial Petroleum Partners LLC ( CPP ). The note bears interest at a rate of 6% per annum, is unsecured and due on demand. On April 30, 2012, the holder of the note elected to convert the entire principal balance together with accrued interest of \$2,688 into 330,671 shares of the Company's common stock at a conversion rate of \$0.25 per share. As of September 30, 2012 and 2011, the Company recorded interest expense of \$2,688 and \$0, respectively.

In 2011, CPP was assigned the 6% royalty interest originally granted to Maxum Overseas Fund. The royalty interest was valued at \$113,164 utilizing the present value of estimated future payments due over the remaining life of the wells. The liability was recorded with corresponding prepaid financing costs to be amortized over the remaining term of the debt. The Company has paid a total of \$4,418 of the royalty liability and amortized \$77,800 of the prepaid financing costs. As of September 30, 2012, in connection with the Royalty Termination Agreement discussed below, the Company has recorded a gain of \$77,800 on the forgiveness of future royalty payments of \$108,746 net of the unamortized financing costs of \$30,946.

On July 3, 2012 in connection with the Purchase Agreement between the Company and American Petro-Hunter Inc. CPP agreed to enter into a Royalty Termination Agreement, resulting in the elimination of their 6% royalty interest in exchange for anti-dilution protection with respect to the shares issued in the conversion of their note payable at a conversion rate of \$0.25. The anti-dilution protection provides that in the event the Company issues warrants to a third party with an exercise price less than the conversion rate of \$0.25, the Company will issue additional shares for the previous conversions equal to the difference between the number of shares calculated utilizing the exercise price of the warrants less the number of shares previously issued. The Company estimated the number of shares that could be issued pursuant to the agreements on July 3, 2012 to be 2,385,311 and recorded a derivative liability and corresponding comprehensive income (loss) in the amount of \$333,943 representing the fair value of the potential anti-dilution shares on that date.

During the period ended September 30, 2012, the Company authorized the issuance of 2,385,311 shares as a result of the anti-dilution provision and recorded a financing expense in the amount of \$333,943, the fair value of the shares on the date of grant. As of September 30, 2012, there were no estimated shares that potentially remain due as a result; the Company recorded a decrease in derivative liability of \$333,943 and a corresponding change in comprehensive gain (loss).

#### **Notes Payable - Related Party**

During the period ended September 30, 2012, the Company issued a promissory note in the amount of \$39,200 for cash advances received from an officer of the Company. The note is non-interest bearing, unsecured and due on demand. As of September 30, 2012, no payments have been made to the officer.

#### **Convertible Debentures - 2009**

In August and September of 2009, the issued two Secured Convertible Promissory Notes in the amount of \$500,000 each to an investor for total proceeds of \$1,000,000. The notes bear interest at a rate of 18% per annum, are secured by the assets of the Company, and matured on August 13 and September 15, 2010, respectively. In accordance with the agreement, the Company is required to make monthly interest payments until the principal balances are paid in full. Additionally, the Company issued warrants to purchase up to 2,857,142 shares of the Company's common stock at an exercise price of \$0.50. The warrants in 2011 and were unexercised. In March 2010, the holder elected to convert \$350,000 of the notes into 1,000,000 shares of the Company's common stock at a conversion rate of \$0.35 per share. In December 2010 and August 2011, the debentures were subsequently amended whereby extending the original maturity date to August 13 and September 15, 2012 and reducing the conversion rate from the lower of \$0.35 or a 25% discount to the five day average trading price to the lower of \$0.25 or a 25% discount to the five day average.

On July 3, 2012, in connection with the Purchase Agreement between the Company and ASYM Energy Opportunities, LLC, the Company entered into a third amendment whereby the holder agreed to terminate his security interest in the assets of the Company, reduce the interest rate from 18% to 10% per annum upon receipt of the initial financing

tranche of \$1,000,000 and to revise the repayment terms, whereby the entire unpaid principle together with accrued interest will be payable in two equal installments upon successful financing obtained by the Company, but in no event later than December 31, 2014.

As of September 30, 2012 and December 31, 2011, the principal balance of the notes was \$633,306 and \$633,306, respectively

### **Convertible Debentures - 2010**

In 2010, the company entered into a Convertible Line of Credit Agreement with Maxum Overseas Fund ( Maxum ) in the amount of \$1,500,000 and received an initial advance in the amount of \$1,462,774. The line of credit bears interest at a rate of 24% per annum, is convertible at \$0.90, is secured by certain assets of the Company and was due in full on May 17, 2011. Additionally, the agreement required the payment of a finders fee in the amount of \$158,185 which was recorded as an accrued liability.

In November of 2010, the Company amended the line of credit agreement to reduce the conversion price to \$0.25 per share. In May and July of 2011, the Company entered into a third and fourth amendment to the line of credit whereby increasing the limit on the line of credit to \$2,000,000 in exchange for a 3% royalty interest in production revenue generated by the Company and received additional proceeds of \$1,700,918. In August 2011, the agreement was further amended to extend the maturity date to November 17, 2012 and increase the line to \$3,000,000 in exchange for an additional 3% royalty interest. The royalty interest was subsequently assigned by Maxum to Centennial Petroleum Partners, LLC ( CPP ).

In connection with the line of credit agreement, the Company recognized a discount to the debt as a result of the beneficial conversion for each tranche. The fair value of the conversion features totaled \$515,271 and \$472,377, respectively and is amortized to interest expense utilizing the interest method of accretion over the term of the debt. As of September 30, 2012, the entire discount has been amortized.

In December 2011, the holder elected to convert \$1,090,902 of the balance owed into 4,363,611 shares of the Company's common stock at a conversion rate of \$0.25 per share. In the first quarter of 2012, the Company was advanced an additional \$198,000 against the line of credit and In March and April of 2012; the holder elected to convert the entire unpaid principle balance and accrued interest in the amount of \$3,163,217 into 12,652,869 shares of the Company's common stock at a conversion rate of \$0.25. Additionally, in 2012, Maxum agreed to forgive the finders fee and the Company recorded debt forgiveness of \$158,185.

As of September 30, 2012 and December 31, 2012, the Company recorded amortization expense related to the beneficial conversion feature in the amount of \$212,070 and \$646,760, respectively.

On July 3, 2012 in connection with the Purchase Agreement between the Company and ASYM Energy Opportunities, LLC, the investor group agreed to enter into a Lien Termination Agreement, resulting in the termination of their security interest in certain assets of the Company in exchange for anti-dilution protection with respect to the shares issued in the conversion of the line of credit at a conversion rate of \$0.25 The anti-dilution protection provides that in the event the Company issues warrants to a third party with an exercise price less than the conversion rate of \$0.25, the Company will issue additional shares for the previous conversions equal to the difference between the number of shares calculated utilizing the exercise price of the warrants less the number of shares previously issued. The Company estimated the number of shares that could be issued pursuant to the agreements on July 3, 2012 to be 2,576,975 and recorded a derivative liability and corresponding comprehensive income (loss) in the amount of \$360,776 representing the fair value of the shares on that date.

During the three months ended September 30, 2012, the Company authorized the issuance of 2,576,975 shares as a result of the anti-dilution provision and recorded a financing expense in the amount of \$360,776, the fair value of the shares on the date of grant. As of September 30, 2012, the estimated number of shares that potentially remain due totaled 2,971,957 and were fair valued at the balance sheet date at \$505,233. The Company recorded an increase in derivative liability of \$144,456, a change in comprehensive gain (loss) of \$60,193 and recognized a loss on the change in fair value of \$84,263.



**Note Payable 2012**

On July 3, 2012, the Company entered into a Purchase Agreement with ASYM Energy Opportunities LLC (ASYM), pursuant to which ASYM agreed to provide up to \$10,000,000 in debt financing to be advanced in approximately ten tranches of \$1,000,000 each, with \$300,000 of the initial tranche to be paid upon closing and the remaining \$700,000 to be funded upon the satisfaction of certain conditions, including completion of due diligence by ASYM, satisfaction by the Company of certain financial tests, and the availability of funds of ASYM. Each tranche will be evidenced by a senior secured promissory note which bears interest at a rate of 15% per annum, with all tranches maturing on June 30, 2015 at an amount equal to 110% of the principle amount funded. Additionally, each note is subject to early repayment in the event the Company does not meet certain financial covenants. In accordance with the agreement, the Company has issued a First Lien Security Agreement, Mortgage, Deed of Trust, Assignment of Production, Fixture Filing and Financing Statement to ASYM as collateral to the financing. In connection with each tranche of funding, the Company is required to issue a warrant to purchase shares of the Company's common stock equal to 83% the tranche amount, divided by the warrant exercise price. Additionally, the Company has entered into a Deposit Account Control Agreement with ASYM to perfect ASYM's security interest in certain bank accounts maintained by the Company. The Company is required to pay an administrative fee of \$100,000 payable upon receipt of the second tranche of \$1,000,000.

Further, pursuant to the Purchase Agreement, the Company entered into a perpetual Management Services Agreement with ASYM Management LLC ("ASYM Management") for managerial, financial, strategic and operational consulting services. The agreement expires only upon the sale, liquidation or dissolution of the Company or termination by ASYM Management. Pursuant to the terms of the agreement, the Company has agreed to pay a monthly management fee of \$12,000 plus two percent of the unfunded balance of the Purchase Agreement. ASYM Management will receive a management fee equal to \$12,000 per month, plus 2% of the Purchase Agreement's balance not previously funded. In addition, ASYM Management will be entitled to receive a warrant equal to 17% of the tranche amount divided by the exercise price of the warrant.

The aforementioned warrants have a variable exercise price computed based on the lesser of (i) \$0.20, (ii) eighty five percent (85%) of the volume weighted average price per share of the Company's common stock for the fifteen days preceding the issuance of any tranche, or (iii) the trailing ninety (90) net average daily oil production multiplied by \$40,000, the product of which is reduced by the Company's total liabilities, but not less than \$500,000, and then divided by the Company's fully diluted number of common shares outstanding. Each warrant will have a term of five years from the date of issuance and will be limited to an amount where the underlying shares of common stock issuable upon exercise does not cause ASYM collectively, to exceed a 4.99% ownership interest in the Company. Upon exercise of any warrant, the warrant shares are subject to demand registration rights utilizing best efforts.

On July 3, 2012, the Company estimated the number of shares underlying warrants that could be issued pursuant to the Purchase Agreement, while not exceeding an ownership interest of 4.99%, to be 2,576,975 and recorded a derivative liability and corresponding comprehensive income (loss) in the amount of \$354,049 representing the fair value of the of the warrants on that date. The warrants were valued utilizing the Black-Sholes Model and the following terms: i) five-year life ii) exercise price of \$0.031 iii) volatility of 181% iv) risk free rate of 0.64% and v) share price on the date of grant of \$0.14.

On July 6, 2012, the Company received \$300,000 of the initial tranche and in accordance with the Purchase Agreement the Company granted two warrants to purchase a total of 2,576,975 shares of the Company's common stock, 2,138,889 to ASYM and 438,086 to ASYM Management, at an exercise price of \$0.031 and recorded a financing expense in the amount of \$354,049, the fair value of the warrants on the date of grant. On September 27, 2012, the Company received additional proceeds of \$180,000 due under the first tranche. As consideration for the limitation of funding the entire remaining \$700,000 per the Purchase Agreement, ASYM agreed to a \$0.35 exercise price for the warrant due them in connection with the September 27<sup>th</sup> funding. As a result, the Company granted two warrants to purchase a total of 376,209 shares of the Company's common stock at a weighted average exercise price of

\$0.2946 and recorded a financing expense in the amount of \$59,117, the fair value of the warrants on the date of grant.

As of September 30, 2012, the estimated number of warrants that potentially remain due totaled 2,971,957 and were fair valued at the balance sheet date at \$466,975. The Company recorded an increase in derivative liability of \$112,927, a change in comprehensive gain (loss) of \$59,117 and recognized a loss on the change in fair value of \$53,810.



## 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 estimated amount of the claim, \$94,860 along with a comprehensive loss on foreign currency of \$8,114, since in the opinion of legal counsel it is more likely than not that CWB would prevail in this action. As of September 30, 2012, the Company has determined the loan guarantee is no longer valid due to its age and the statute of limitations. As a result, the Company recognized a gain on debt in the amount of \$86,746.

### Interest expense

Interest expense related to all of the above items for the nine months ended September 30, 2012 and 2011, was \$1,668,366 and \$1,264,273, respectively.

## 7. Stockholders Equity Transactions

### Common Stock

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.

During the nine months ended September 30, 2012, the Company authorized the issuance of 767,500 shares of common stock for the conversion of \$239,469 of accounts payable balances. As of the balance sheet date 567,500 shares were unissued.

During the nine months ended September 30, 2012, the Company authorized the issuance of 12,652,869 shares of common stock for the conversion of \$3,163,218 in convertible debt and accrued interest.

During the nine months ended September 30, 2012, the Company authorized the issuance of 850,509 shares of common stock for the conversion of \$212,628 in notes payable and accrued interest.

During the nine months ended September 30, 2012, the Company authorized the issuance of 4,962,286 shares of common stock valued at \$694,719 in connection with the anti-dilution provisions provided to Maxum and CPP.

As of September 30, 2012 there are 47,470,406 shares of common stock issued and outstanding and 5,529,786 shares of common stock owed but not issued.

### Warrants

During the nine months ended September 30, 2012, the Company issued 2,953,184 warrants in connection with the ASYM Purchase Agreement. The warrants are exercisable for a term of five years and at a strike price between \$0.031 and \$0.35 per share.

As of September 30, 2012, there are 3,153,184 warrants outstanding at a weighted average exercise price of \$0.08512. The warrants begin to expire on November 7, 2013 through September 26, 2017.

## 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. The Company's operations for the year ended December 31, 2011 and the nine months ended September 30, 2012 resulted in losses. Accordingly, no provisions for current income taxes have been reflected in the accompanying statements of operations.

The Company has total losses of approximately \$13,000,000, 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 provisions for deferred income taxes have been reflected in the accompanying statements of operations.

#### **9. Related Party Transactions**

During the nine months ended September 30, 2012, the Company granted 900,000 shares of common stock to directors and officers in lieu of executive compensation.

During the nine months ended September 30, 2012, the Company reimbursed an officer \$1,800 per month for a residential lease in Wichita, Kansas. The Company also reimbursed the officer approximately \$12,667 in connection with meals and groceries during the nine months ended September 30, 2012.

During the nine months ended September 30, 2012, an officer/director loaned the company \$39,200 for the purchase of mineral properties.

#### **10. Subsequent Events**

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

## **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 Payne and Lincoln Counties in Oklahoma. As of November 2, 2012, we have six producing wells in Oklahoma and expect a seventh well, NOS-222, to begin commercial production following completion of production testing. We also have ownership of 1,740 net acres and rights for the exploration and production of oil and gas on an aggregate of approximately 6,230 gross acres in that state. This includes our core assets with rights to explore on 2,000 gross acres in Oklahoma in the North Oklahoma Mississippi Project and in 5,000 gross acres in south-central Oklahoma (the South Oklahoma Project).

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. The Company operates from its offices at 250 N Rock Rd., Suite 365 Wichita, KS.

### Credit Facility

On July 9, 2012, we announced that the Company entered into a three-year credit facility with ASYM Energy Partners LLC and its affiliates (ASYM), a private investment firm focused on the energy industry. The credit facility, in the amount of \$10 million, is secured by all of the Company's assets. Proceeds from the loan will be utilized to fund the development drilling of oil properties located in central Oklahoma as well as acquisitions, repayment of certain accounts payable, and working capital. As of November 12, 2012, \$480,000 of the first \$1,000,000 tranche of financing under the credit facility had been funded by ASYM.

As part of the transaction, ASYM will advise the Company in the areas of operational, technical, engineering and financial matters. The Company is now in the process of utilizing the credit facility to initially fund the development of the Company's North and South Oklahoma oil focused horizontal drilling program, primarily targeting the Mississippi Lime and the Woodford Shale. The credit facility should allow the Company to participate for its full working interest participation and accelerate production, as well as allow the Company to consider project acquisitions that would include existing production and leases.

### Producing Properties

*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 four to six barrels per day level, with water in the 100 barrel range or approximately 8% oil cut. The location and lease is currently being assessed as a prime location for a Woodford Shale horizontal well, as the No. 1 well has been producing oil from the Woodford Shale since the well s completion in 2010.

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 two to three 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.

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. On June 30, 2012, the well had cumulatively produced 8,356 barrels of oil and 25,763 mcf of gas. As of October 31<sup>st</sup>, the well has cumulatively produced 9,702 barrels of oil and 32,444 Mcf gas. During the quarter, the well produced 1,018 barrels at a daily average of 12.2 barrels per day and 5,050 Mcf gas for 22.2 BOE.

On July 18, 2011, we announced drilling plans for a total of 11 horizontal wells at the North Oklahoma Project. As of November 2012, there are nine locations left to drill on the acreage. We previously announced a drilling schedule, which includes direct offsets, that involves drilling one horizontal well approximately every 90 days. Based on the performance of the NOM1H horizontal well, and our available Woodford Shale horizontal well locations, we are currently evaluating our drilling schedule and plan to prioritize Woodford Shale locations. 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. The next well planned is a direct offset to the NOM-1H and is expected to cost \$270,000 for our working interest share of the drilling and completion costs. The well is a Woodford Shale horizontal well and the Company expects to announce drilling timing when received from the operator.

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 drastically declined, and as of October 31<sup>st</sup>, 2012 had produced a cumulative total of 1483 barrels of oil and 5,837 Mcf of gas. For the quarter, the well produced 146 barrels at an average of 1.6 barrels per day. The well is not profitable at its current rates of production and the Company and partners are now assessing its future.

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. As of October 31, 2012, the well had cumulatively produced 7,855 barrels of oil and 27,163 Mcf of gas. During the quarter, the well produced 1,729 barrels of oil at an average daily rate of 24 barrels per day and 8,543 Mf gas for 43.6 BOE.

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.

On October 1, 2012 we announced the commencement of drilling of the NOS-222 oil and gas well in Payne County, OK. The well is an offset to the NOS122. On October 15, 2012 we announced that the completion program was underway and the Company believed that the well would add 20 barrels per day net to our working interest. The well has been completed and production testing will be commencing shortly.

*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 and Woodford Shale 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 contains a 2,500 foot lateral penetration. On May 2, 2012, we announced the well had reached a total depth of 2,500 feet and following a frack, on July 10, 2012, the well began commercial production. As of October 31, 2012, the well had cumulatively produced 3,802 barrels of oil and 11,912 Mcf of gas at an average of 35.5 barrels per day or 54 BOE. 3,042 barrels were produced during the quarter at an average of 36 barrels per day and 55 BOE.

The South Oklahoma Project covers Mississippi lime and Woodford Shale 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.

*Poston Oil Project* - On May 4, 2009, we entered into a binding Letter of Intent with S&W Oil & Gas, LLC 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. In 2009 and 2010, the #1 Lutters Well and #3 Lutters Well, respectively, began commercial production. Recent oil production on the #1 Lutters Well was two barrels per day and on the #3 Lutters Well was one barrel per day. 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, and on September 30, 2012, our remaining working interest was sold for \$4,500.

### 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 and South Oklahoma Project 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 September 30, 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 nine month periods ended September 30, 2012 and September 30, 2011**

For the nine month periods ended September 30, 2012 and September 30, 2011, we incurred a comprehensive loss of \$2,529,752 and \$2,103,727, respectively. The decrease was largely attributed to the financing costs of the new agreement.

General and administration expenses for the nine month period ended September 30, 2012 amounted to \$414,777 compared to \$398,780 in the same period of 2011. Executive compensation for the nine month period ended September 30, 2012 was \$430,000 compared to \$504,000, in the same period of 2011.

For the nine month period ended September 30, 2012, we used net cash of \$396,540 in operations. Net cash used in operating activities decreased from \$410,748 in the nine month period ended September 30, 2011.

### **Comparison of three month periods ended September 30, 2012 and September 30, 2011**

For the three month periods ended September 30, 2012 and September 30, 2011, we incurred a comprehensive loss of \$1,592,517 and \$628,174, respectively. The decrease was largely attributed to financing costs relating to the new agreement with ASYM.

General and administration expenses for the three month period ended September 30, 2012 amounted to \$157,681 compared to \$111,726 in the same period of 2011. Executive compensation for the three month period ended September 30, 2012 was \$69,000 compared to \$66,000, in the same period of 2011.

### **Liquidity and Capital Resources**

As of September 30, 2012, we had cash of \$20,375 and working capital deficiency of \$1,350,796. During the three month period ended September 30, 2012, we funded our operations from revenue received, and proceeds of private sales of equity and notes. During the nine month period ended September 30, 2012, we raised \$198,000 from the issuance of convertible debentures, \$39,200 from a short-term note from one of our officers, \$473,350 proceeds from a purchase agreement, and \$110,500 from the sale of mineral properties.

On June 18, 2012, we agreed to exchange an aggregate of approximately \$233,000 in outstanding indebtedness owed by the Company to certain individuals, for an aggregate of 537,500 shares of our common stock, such exchange to be effective upon the closing of the first \$1,000,000 tranche of debt financing from ASYM Energy Opportunities LLC ( ASYM ).

On July 3, 2012, we entered into a Purchase Agreement with ASYM, pursuant to which ASYM agreed to provide up to \$10,000,000 in debt financing to the Company (the Purchase Agreement ), the first \$1,000,000 tranche of which was funded with respect to \$300,000 on July 6, 2012. As of November 2, 2012, \$480,000 of the first \$1,000,000 tranche of financing under the credit facility had been funded by ASYM. The remaining \$520,000 of the initial \$1,000,000 tranche is to be funded only upon the satisfaction of certain conditions, including completion of due diligence by ASYM, satisfaction by the Company of certain financial tests, and the availability of funds of ASYM. Additionally, subject to such conditions and certain others, the Company shall be entitled to draw the remaining \$9,000,000 in financing in tranches of \$1,000,000. In connection with the financing, ASYM will receive a \$100,000 one-time administrative fee, due upon the closing of the second \$1,000,000 in financing.

Our current cash requirements are significant due to planned exploration and development of current projects. We anticipate drilling four additional wells in Oklahoma in the next twelve months which will cost approximately \$2,940,000. 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.

We expect to continue to primarily use debt and equity financing to fund our operations for the next twelve months. We must rely upon the Purchase Agreement with ASYM to provide such financing for our drilling and general working capital needs over the next twelve months. There are no assurances that we will be successful in obtaining debt or equity financing from ASYM or that we will obtain terms that are favorable to us if we are able to secure such financing. Our current and anticipated revenue from operations is insufficient to support our business plan or continuing operations over the next twelve months. If ASYM does not provide the funding expected under the Purchase Agreement and if we are unable to secure alternative debt or equity financing, we may be unable to continue, develop or expand our operations. Any additional equity financing we are able to secure would also result in additional dilution to our existing shareholders.

**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 September 30, 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.**

Departure of Director and Officer

On November 5, 2012, Mr. Andrew Lee, resigned from the Board of Directors of the Company and as Chief Operating Officer of the Company.

**Item 6. Exhibits.**

**Exhibit Name  
Number**

|           |   |
|-----------|---|
| 3.1(1)    | Articles of Incorporation, and all amendments thereto   |
| 3.2(2)    | Bylaws  |
| 10.1(3)   | Notes Amendment   |
| 10.2(3)   | Lien Termination  |
| 10.3(3)   | Royalty Termination   |
| 10.4(3)   | Purchase Agreement  |
| 10.5(3)   | Form of Warrant   |
| 10.6(3)   | Form of Senior Secured Promissory Note  |
| 10.7(3)   | First Lien Security Agreement   |
| 10.8(3)   | Management Services Agreement   |
| 10.9(3)   | Mortgage  |
| 10.10(4)  | Accounts Payable Agreement  |
| <u>31</u> | <u>Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer and Principal Financial Officer)</u> |
| <u>32</u> | <u>Section 1350 Certifications</u>  |
| 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 the Quarterly Report on Form 10-Q/A, filed August 30, 2012.

- (2) Incorporated by reference to Form 10-SB12G dated June 19, 1997.
- (3) Incorporated by reference to the Current Report on Form 8-K, filed July 9, 2012.
- (4) Incorporated by reference to the Quarterly Report on Form 10-Q, filed August 14, 2012.

\* 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: November 19, 2012 By:

*/s/ Robert B McIntosh*

Robert B, McIntosh, President, Chief Executive  
Officer and  
Chief Financial Officer  
(Principal Executive Officer, Principal Financial  
Officer and  
Principal Accounting Officer)

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