

AMERICAN PETRO-HUNTER INC
Form 10QSB
August 25, 2005

FORM 10-QSB

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended: June 30, 2005

Or

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.)

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Suite 205 - 16055 Fraser Highway

Surrey, British Columbia, Canada V3S 2W9

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (604) 507-2181

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

As of August 12, 2005 the Registrant had 6,525,620 shares of Common Stock outstanding.

Transitional Small Business Disclosure Format (check one); Yes No

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

1

Part I Financial Information

Item 1 Financial Statements.

AMERICAN PETRO-HUNTER INC.

(A company at the exploratory stage)

Balance Sheet

June 30,

December 31, 2004

2005**(Audited)****(Unaudited)****Assets**

Current

Cash	\$ 10,284	\$	495
Accounts receivable	157		503
	10,441		998
Intangible Assets (Net)	1		1
	\$ 10,442	\$	999

Liabilities

Current

Accounts payable and accrued liabilities (Note 2)	\$ 242,559	\$	235,230
Promissory note payable (Note 3)	25,726		—
Loan Guarantee	84,858		84,858
	353,143		320,088

Stockholders' Deficiency

Capital stock

Authorized: 200,000,000 common shares par
value \$0.001 Issued:

June 30, 2005 - 6,525,620 shares	6,526		6,526
December 31, 2004 - 6,525,620 shares			
Additional paid-in capital	2,950,898		2,950,898
Deferred Compensation (Note 4)	(2,746)		(3,226)
Deficit	(3,297,379)		(3,273,287)
	(342,701)		(319,089)
	\$ 10,442	\$	999

AMERICAN PETRO-HUNTER INC.**(A company at the exploratory stage)****Interim Statement of Loss and Deficit****For the Six and Three Months Ended June 30, 2005****(Unaudited)**

	3 Months Ended		6 Months Ended		Inception
	June 30,		June 30,		January 4, 1996 to
	2005	2004	2005	2004	June 30,
					2005
Product Sales					
\$	$\frac{3}{4}$	\$ —	\$ —	\$ —	\$ 590,081
Cost of Goods Sold	$\frac{3}{4}$	—	—	—	(302,963)
Gross Margin	$\frac{3}{4}$	—	—	—	287,118
Expenses					
Amortization	$\frac{3}{4}$	—	—	—	109,238
Administration	3,555	9,772	11,169	8,970	1,633,405
Executive compensation	5,860	5,778	11,972	11,249	427,900
Finders Fees	$\frac{3}{4}$	—	—	—	48,000
Interest on long-term debt	$\frac{3}{4}$	—	—	—	18,904
Rent	465	450	951	881	125,135
Research & development	$\frac{3}{4}$	—	—	—	566,875
	9,880	16,000	24,092	21,100	2,929,457
Loss from operations	(9,880)	(16,000)	(24,092)	(21,100)	(2,642,339)
Loss from loan guarantee	$\frac{3}{4}$	—	—	—	(84,858)

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Advances to Travelport Media	¾	—	—	—	(327,451)
Recovery of amortization of intangible	¾	—	—	—	50,400
Write down investment in AEI Trucolor					(4,062)
Loss from discontinued operations	¾	—	—	—	(14,350)
Loss on sale of subsidiary	¾	—	—	—	(273,099)
Loss for the period	(9,880)	(16,000)	(24,092)	(21,100)	(3,295,759)
Income taxes	¾	—	—	—	(1,620)
Net loss	(9,880)	(16,000)	(24,092)	(21,100)	(3,297,379)
Deficit, beginning of period	(3,287,499)	(3,134,556)	(3,273,287)	(3,129,456)	—
Deficit, end of period					
\$	(3,297,379)	\$ (3,150,556)	\$ (3,297,379)	\$ (3,150,556)	\$ (3,297,379)

AMERICAN PETRO-HUNTER INC.

(A company at the exploratory stage)

Interim Statement of Cash Flows**(Unaudited)**

	3 Months Ended		6 Months Ended		Inception
	June 30,		June 30		January 4, 1996
	2005	2004	2005	2004	to June 30,
					2005
Cash Provided by (Used for)					
Operating Activities					
Loss for period					
\$	(9,880)	\$ (16,000)	\$ (24,092)	\$ (21,100)	\$ (2,931,861)
Item not affecting cash					
Amortization	¾	¾	¾	¾	53,837
Write-down investment in AEI Trucolor	¾	¾	¾	¾	4,062
Recovery of amortization of intangible	¾	¾	¾	¾	(50,400)
Compensation stock purchase warrants issued	¾	¾	—	—	80,000
Stock purchase warrants issued for finders fees	¾	¾	—	—	48,000
Shares issued for services rendered	¾	10,090	480	(6,356)	80,054
Loss from loan guarantee	¾	¾	¾	¾	84,858
Changes in working capital					
Accounts receivable	144	(499)	3,456	(617)	(157)
Accounts payable	5,146	6,648	7,329	28,257	1,940,623
Discontinued operations	¾	¾	—	—	(365,519)
	(4,590)	239	(15,937)	184	(1,056,503)
Financing Activities					
Issuance of common shares for cash	¾	¾	—	¾	1,130,955
Loans from related parties	¾	¾	—	—	5,838
Share issue costs	¾	¾	—	—	(95,732)
Promissory notes payable	623	¾	25,726	—	25,726

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	623		³ / ₄		—		³ / ₄		1,066,787
Increase (Decrease) in Cash	(3,967)		239		9,789		184		10,284
Cash (Bank Indebtedness) beginning of period	14,251		9		495		64		—
Bank Indebtedness end of period									
\$	10,284	\$	248	\$	10,284	\$	248	\$	10,284

Supplemental Disclosure on non-cash financing and investing activities

During the six-month period ended June 30, 2005, the Company issued nil ((June 30, 2004 - 475,000) common shares for non-cash consideration of services rendered to the Company the amount of \$nil (June 30, 2004 - \$57,000)

AMERICAN PETRO-HUNTER INC.

(A Company at the exploratory stage)

Notes to the financial statements

For the six months ended June 30, 2005

1. BASIS OF PRESENTATION AND GOING CONCERN

The accompanying unaudited financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, include all adjustments (consisting of normal recurring accruals) necessary for fair presentation of financial position, results of operations and cash flows for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the SEC. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. The statements of operations for the six months ended June 30, 2005 are not necessarily indicative of the results to be expected for the full year. These unaudited financial statements should be read in conjunction with the audited financial statements and accompanying notes included in the Company's 2004 Annual Report on Form 10-KSB for the year ended December 31, 2004.

As of June 30, 2005, the Company has not reached a level of operations which would finance day-to day activities. These financial statements have been prepared on the assumption that the Company is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company incurred losses from operations of \$24,092 and \$21,100 for the six month periods ended June 30, 2005 and 2004 respectively. The Company had working capital deficiencies of \$342,702 as of June 30, 2005 and \$319,090 as of December 31, 2004. These conditions give rise to substantial doubt about the Company's ability to continue as a going concern.

2.

RELATED PARTY TRANSACTIONS

During the six-month period ended June 30, 2005:

(i)

The Company paid or accrued \$11,972 (2004 - \$11,249) for management fees to a director.

(ii)

A total of \$7,102 (2004 - \$6,672) was paid or accrued to a company owned by a director of the Company for accounting fees, office services and rent.

(iii)

Accounts payable includes \$48,879 (2004 - \$16,731) payable to a director and a company owned by a director for services, disbursements, and advances to the Company.

(iv)

The Company issued nil (2004 - 385,000) common shares at a value of nil (2004 - \$46,200) to two directors of the Company for services rendered.

3.

PROMISSORY NOTES PAYABLE

The Company entered into a promissory note financing of \$50,000 at an interest rate of 10% per annum. The holders of the promissory notes at their option are entitled at any time commencing one year after the closing date until maturity, to convert any or all of the principal amounts of the notes (including interest) into common stock of the Company at \$0.05 per share. In addition, the holders of the promissory notes will receive 1,000,000 share purchase warrants to purchase common stock of the Company until February 25, 2008 at \$0.15 per share. To date the Company has received \$25,000 of this financing.

4.

DEFERRED COMPENSATION

On March 5, 2004, the Company issued 465,000 shares of the Company's common stock, valued at \$0.12 per share, being the fair value at the time of issuance, totalling \$57,000 to the Company's directors and attorney for services provided. As of June 30, 2005, total fees and expenses charged to these shares was \$54,254 (June 30, 2004 - \$40,554). The balance of \$2,746 (June 30, 2004 - \$6,356) represents retainers paid for future services.

5.

COMPARATIVE FIGURES

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

Item 2 - Management Discussion and Analysis

(a) Liquidity

The Company is experiencing illiquidity and has been dependent upon shareholders and directors to provide funds to maintain its activities. At June 30, 2005, the balance of funds loaned by the shareholders amounted to \$33,004, which is included in accounts payable. In addition, two directors advanced \$15,152 to the Company, of which \$3,796 was repaid during the six-month period of 2005, leaving a balance owing to directors of \$11,356 which is included in accounts payable. There are no specific terms of repayment.

(b) Capital Resources

The Company had a working capital deficiency of \$342,702 at June 30, 2005. As noted above, the Company is receiving funding from shareholders and directors.

(c) Results of Operations

For the six-month period ended June 30, 2005, the Company incurred a net loss of \$24,092.

Administration expenses for the six-month period amounted to \$24,092 compared to \$21,100 in the same period of 2004. The higher loss in the 2005 period was principally due to a gain of \$366 on foreign exchange in the 2005 six month period, compared to a gain of \$2,800 in the 2004 period, due to fluctuations in exchange rates for expenses denominated in Canadian dollars.

The loss and administration expenses for the three months ended June 30, 2005 was \$9,880 compared to \$16,000 in the same three months of 2004. The 2004 year-end audited financial statements and 10KSB were completed and filed in late April, 2004, so that accounting, legal and other expenses related thereto were primarily recorded in the second quarter of 2004.

(d) Stock Options

During the 2005 six-month period, 3,000 stock options to purchase shares of the Company were cancelled. The Company currently has 800,000 stock options outstanding priced at \$0.15 with an expiry date of October 31, 2006.

Item 3 - Controls and Procedures

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based upon this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Part II - Other Information

Item 1 - Legal Proceedings: None

Item 2 - Changes in Securities: None.

Item 3. - Default Upon Senior Securities: There are no defaults to report.

Item 4. - Submission of Matters to a Vote of Security Holders: None

Item 5. - Other Information. None

Item 6: Exhibits and Reports on Form 8-K:

Rule 13a-14a/15d-14a Certification of Chief Executive Officer

31.2

Rule 13a-14a/15d-14a Certification of Chief Financial Officer

31.3

Section 1350 Certification of Chief Executive Officer

31.4

Section 1350 Certification of Chief Financial Officer

7

SIGNATURES

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

AMERICAN PETRO-HUNTER INC.

Dated: August 24, 2005

/s/ "Patrick A. McGowan"

Patrick A. McGowan, President

/s/ "Peter G. Rook-Green"

Peter G. Rook-Green, Chief Financial Officer

8

Exhibit 31.1

Pursuant to the requirements of Rule 13a-14 of the Securities Exchange Act of 1934, as amended, provides the following certification.

I, Patrick A. McGowan, President, CEO and Director of American Petro-Hunter, Inc. ("Company"), certify that:

1.

I have reviewed this quarterly report on Form 10-QSB of American Petro-Hunter, Inc.;

2.

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3.

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;