AMERICAN PETRO – HUNTER, INC. (OTC BB:AAPH)

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Recent Price: $0.50
Target Price: $2.00
(12-month)

Main Headquarters

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SPECULATIVE BUY RATING

Production lift-off at the Poston Project

Company Overview

American Petro-Hunter Inc. (OTC BB: AAPH) is a goal-oriented exploration and production (E&P) Company dedicated to the acquisition, exploration and development of outstanding traditional energy sector opportunities across North America. Current energy portfolio interests include the Victory Gas (Randall) Project and Sacramento (Hetch) Gas Project both located in California and the Poston Oil Project, the Brinkman Oil Prospect and the Roony Oil Prospect all located in Kansas.

- American Petro-Hunter plans to **rapidly enhance its portfolio of energy projects** by means of **strategic acquisitions** in the petroleum sector across North America.
- In April 2009, a payment of $200,000 was made for the acquisition of a **25% working interest in** the **Sacramento Gas** project in the Central Valley of California.
- The Company believes that the project, if proven to be commercially viable, may represent a venture with an **in-situ value of greater than $50 million** in contained gas to its working interest. A **total of 4 wells** could ultimately be drilled on the existing leased acreage.
- American Petro-Hunter aims to benefit from what would be a very **short pay out period** for seismic, drilling and pipeline tie-in costs at the target well in its 2009 California Project.
- The Company plans to provide shareholder value through the **assembly of asset and property combinations** which will include **exploratory promise, ongoing production, in-place infrastructure, growth potential** and the ability to offer both **short term returns** as well as **significant value over the long term.**
- American Petro-Hunter's portfolio is believed to be high quality prospects. Its Californian interests holds potential to bring to commercially viable **2-3 MMcfd** natural gas production that could create a **positive cash flow position by end of Q3 2009.**
- American Petro-Hunter has **shipped a total of 770 barrels of oil** has been from the **#1 Lutters Well** at its **Poston Project** for the 11 days of production in June. With 2 to 3 additional wells probable in this 750-acre lease block could **produce in excess of 200 BOPD** of light oil when **fully developed.**
- The Company's present schedule lists **20 wells in total** (**15 oil** and **5 natural gas**) targeted for commercialization by the end of 2010. With calculated potential reserves net to its WI of **312,500 barrels of oil** and **11.69 BCF** gas, this signals that American Petro-Hunter may eventually potentially control **over 1MMBOE of energy reserves.**
- **We are encouraged by the early delivery of revenue producing American Petro-Hunter is aiming to become an intermediate level oil and gas company with production of 500 BOPD within the next 12 months. Medium term, the Company has an attainable target of becoming a 1000 BOPD producer and is actively on the "hunt" for domestic petroleum. When coupled with our medium term outlook for the backdrop for improving supply-demand dynamics to have a favorable impact on crude oil & natural gas prices for producers, and considering the Company's aggressive expansion campaign which entails six new wells planned in Kansas and California in H2 2009, we classify the shares in our SPECULATIVE BUY rating category. Our 12-month target price is pegged at $2.00 (10.5 PE multiple on our FY2010 EPS of 19c) based on our annual production, revenue estimates and reserve valuation, based on average commodity pricing of $75/bbl oil and $5/MMBtu Natgas during FY2009-FY2011. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 13-17).**

AMERICAN PETRO-HUNTER, INC.		
(all figures in Millions)		
52 Week Hi/Lo Range	0.59/0.02	
Fiscal Year End	31-Dec	
Shares Outstanding (30/07/2009)	23.75	
Float (approximately)		
Share price (30/07/2009)	0.47	
Market Capitalization	11.2	
Average Volume (3 months)('000)	155	
Insider Ownership		
Institutional Ownership		
Enterprise Value	11.16	
Total L-T Debt (12-31-08)	0.000	
Total Cash (12-31-08)	0.000	
	2009/12/31	2010/12/31
	FY2009 E	FY2010 E
Earnings Per Share (EPS)	0.04	0.19
Potential Adj Reserve Value/share (reserves less long-term liabilities and cash)	2.14	
$ millions	FY2009 E	FY2010 E
Total Net Revenue	0.867	7.853
Production Taxes		
Gross Profit/Loss		
Operating expenditures		
Operating Income	0.867	7.853
Other Expenses	0.365	0.800
Net Pre-Tax Profit/Loss	0.867	7.053
Tax Expense	0.000	2.398
Net Income	0.867	4.655

NA = Not applicable/Not Available.
A = Actual Reported figures E = Estimates

Potential HydroCarbon Reserves (PV10 Category)	
Potential Oil/NG Reserves * (MBOE)	1875.0
Realizeable Oil Price ($/Bbl)	75.0
Net Reserve $ Valuation (millions)	140.6
Present Value of potential reserves @ 10%*	53.5

Capital Structure (04-15-2009)	
Authorized Common Stock	75 000 000

See Appendix A-1 for Analyst Certification and Important Disclosures.

THE COMPANY

American Petro-Hunter (OTC BB: AAPH) is an early stage company engaged in the exploration, acquisition and development of resource projects, currently focused on natural gas as its primary endeavor. The Company is working rapidly towards announcements of negotiations with suitable vendors. American Petro-Hunter was founded on January 24, 1996. The company is duly incorporated in the State of Nevada, originally under the name Wolf Exploration, Inc**.**

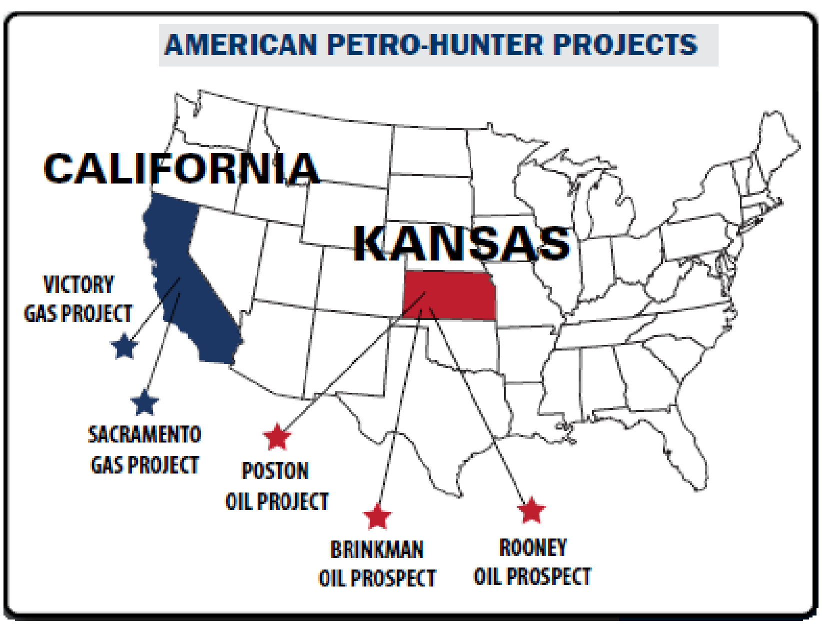
The mission of the company is to explore, develop and produce oil and gas reserves aimed at diminishing US national dependence on foreign oil. "America first" and "in our back yard" are the truisms American Petro-Hunter applies to each and every project it acquire. Its partnerships will be with other likeminded companies and individuals who also keenly desire to drill America out of these tough economic times by using American workers and technologies to target, and exploit the vast national wealth of untapped petroleum reserves of the United States.

The Company believes alternative sources of energy won't become a significant or practical solution for years to come and that the country must support increased domestic production in order to capitalize upon the US existing technical supremacy and the unearthing of significant and important new finds here on domestic soil. American Petro-Hunter therefore solidly supports "growth by the drill bit" as the only "home grown solution" to produce more American oil and gas that will stabilize gasoline and energy prices. The number of projects currently available for acquisition is extensive and **American Petro-Hunter** plans an aggressive campaign towards targeting production **from smaller, underutilized fields** via **farm-ins** and **outright purchases.**

In the short-term, American Petro-Hunter has a goal to acquire **quality exploration projects** in targeted jurisdictions **favorable for near-term production close to existing infrastructure**. American Petro-Hunter will aggressively search for existing production (Proved Developed Producing /PDP) from smaller, undervalued or underutilized properties that show high promise for probable undeveloped reserves (PUDs).

The Company is **cash flow positive in the 3rd quarter of 2009**. Intermediate-term goals are focused on production through drilling multiple oil and gas projects. Its portfolio of projects will include a mix of higher risk and higher reward targets as well as stable, low risk targets. **American Petro-Hunter plans on building the company into a 500-1000 BOPD producer in the next 1 to 3 years operating 20 wells in total by end 2010 (15 oil and 5 natgas wells).**

Long-term goals are to take the company through exploration, development to have **production output in excess of the 1000 BOPD level in the aim of creating an inviting target for merger or acquisition by one of the majors**. American Petro-Hunter will strive to book value in reserves such that the net asset value of the company would warrant a senior board listing allowing funding to acquire the larger, most prolific projects both on and off shore.



American Petro-Hunter's first acquisition is a 25% working interest in an exceptional natural gas project called the Sacramento Gas Project, located west of Modesto in the Central Valley of California. **Potential Recoverable Reserves have been calculated to be 42 BCF** at a depth of 7,400 feet within sands that are indicated by 2D seismic to be in excess of 50 feet of gross pay.

American Petro-Hunter, Inc. is devoted to the careful identification and acquisition of high quality opportunities in the natural gas sector.

The Company plans to provide shareholder value through the assembly of asset and property combinations which will include exploratory promise, ongoing production, in-place infrastructure, growth potential and the ability to offer both short term returns as well as significant value over the long term.

American Petro-Hunter is currently pursuing exploration and development projects in California and has begun early stage talks in other regions as well. The first project is located near Sacramento in California's Central Valley, a region that contains most of California's current and historic gas production. **California currently produces only 15% of its total natural gas requirements and imports the remainder from surrounding states and as far afield as Canada.**

See Appendix A-1 for Analyst Certification and Important Disclosures.

In the Sacramento area alone, the largest user of locally produced natural gas is the electrical utilities and even with the recent economic slowdown in the State, electrical consumption remains extremely high. The State of California **itself is estimated to be the world's 8th largest economy and is a prolific consumer of natural gas.** As a result, natural gas pricing in California is consistently some of the highest in the country with PG&E Citygate prices currently in the $3.50 per Mcf range.

American Petro-Hunter completed the execution of a formal purchase and sale agreement towards the acquisition of the aforementioned gas play following its filing of documents. Following this deal, American Petro-Hunter acquired a working interest in these projects, which show a potential to contain up to a combined total of **40+ BCF gas.** American Petro-Hunter believes that the project, if proven to be commercially viable, may represent a venture with an **in-situ value of greater than $30 million in contained gas to its working interest.**

Company management sees the company as well positioned in terms of its regional operations and feels that all participants and stakeholders in the industry should be heartened by the new "green" agenda and "green energy" focus that the Obama Administration is implementing. American Petro-Hunter specifically believes that its California natural gas development project meets the criteria under discussion at the Federal level and should benefit and flourish within the framework of any future initiatives and programs.

The two-fold benefit and opportunity of natural gas is straight-forward and easy to understand. Domestic U.S. production of natural gas will assist in breaking the cycle of dependence on foreign oil and help provide clean energy that will reduce the carbon emissions of power plants across the country. American Petro-Hunter believes that its aggressive focus on natural gas exploration and development will ensure the Company has a role to play in the overall strategy of the domestic industry's growth as part of the new administration's energy policy for the nation.

American Petro-Hunter's common shares are listed for trading on the electronic over-the-counter bulletin board (OTCBB) market in the United States and trades under the ticker symbol AAPH.

OIL & GAS PROPERTIES

American Petro-Hunter has two California gas projects in the Central Valley of California. The Company is working with the operators towards planning the **first two gas wells for the 2009 development program**.

☐ Sacramento (Hetch) Gas Project – California

Location:	Central Valley California, Sacramento / Modesto Area.
Analog Fields:	Union Island (271 BCF) Vernalis (103 BCF) McMullin Ranch (63 BCF)
Land Holdings:	1,000+ Gross Acres
Interest:	25% Working Interest.
Target:	Target sands defined by 2D seismic.
Drilling Timeline:	1st well summer 2009. 3 Well Program Projected
Drainage Area:	650+ acres
Gross Pay Interval:	50 feet of sand pay at 7,400'
Potential Recoverable Reserves:	42 BCF

In early April 2009, American Petro-Hunter entered into a 25% working interest agreement in the **Sacramento Gas Project** in the Central Valley of California. The Company is now working with the operators towards finalizing the planning of the **first gas well for the 2009 development program** which is targeted for drilling to commence at the end of July. The Company paid $200,000 in full for the acquisition of this 25% working interest in this particular California gas project. American Petro-Hunter has advanced the aforementioned funds covering prospect fees, seismic costs and land lease acquisition costs to the vendor. American Petro-Hunter is now working with the **operators towards finalizing the planning of the first gas well for the 2009** development program.

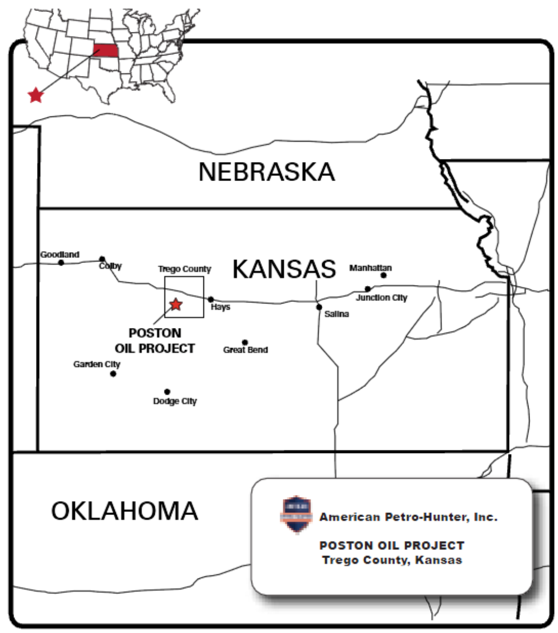
The project is located in a region of California that contains some of the most prolific gas reservoirs in the Sacramento Valley accounting for **over 400 BCF of gas production to date.** In proximity to the prospects are prolific gas fields such as **Union Island (271 BCF), McMullin Ranch (63 BCF) and Vernalis (103 BCF).** Wells in these fields exhibit long life and stable rates of production and decline.

The first gas well of four is planned to target seismic data that indicates 50 feet of pay zone thickness at an 8,000 foot depth. If the sands are 100% gas filled and the well is commercially viable, the first well has a **projected initial production rate of 5,000 Mcf/day.** Analog wells to the field produce at rates of **2,000 to 4,000 Mcf per day.**

On July 28th, PG&E-Citygate gas prices of $3.50, a 4,000 Mcf per day well would deliver cash flow exceeding $390,000 per month. American Petro-Hunter believes that the project, if proven to be commercially viable, may represent a venture with an in-situ value of greater than $50 million in contained gas to a majority working interest partner.

- **Poston Prospect – Trego County, Kansas (Oil Target – In Production)**

Location:	Trego County, Kansas
Analog Production:	Wells 1.5 miles away producing between 35 BOPD and 200 BOPD
Land Holdings:	750 gross acres under lease
Interest:	25% Working Interest, 20.4% NRI
Formation:	Mississippian Dolomite, Cherokee Sands
Depth of Test:	5,000 ft.
Depth of Target Interval:	4,800+/- ft.
Recoverable Reserves Estimate:	60,000 BOPW—240,000 Barrels potential fully developed
Gross Pay Interval:	7-10 ft.
Number of Offset Locations to Drill:	2-3 additional – 1st planned for late August '09
Projected Initial Production Rate:	40-100 BOPD
Production Facilities:	Tank Battery Required



The #1 Lutters Well oil well was **successfully drilled** on the Poston Prospect, Trego County Kansas during the month of May this year. The well encountered excellent quality 44 degree light oil in tests with 65% oil cut with 10% gas and mud with no water. A casing election was made and pipe set following well logging. The **#1 Lutters well** began production as a **commercially viable oil well** on June 18, 2009.

The well targeted oil in the Mississippi Dolomite and/or Cherokee sands. The location showed a significant 3D Seismic anomaly pinpointing the oil bearing zone. In addition, the 750 acre lease block has the potential for a multiwall program with 2 to 3 offset locations possible to fully exploit the acreage. The first of these offset wells is currently planned for late August of 2009. The well began pumping oil at an Initial Production Rate (I.P.R.) of 108 barrels per day (4.5 barrels per hour) at the well head. The well is now stabilizing and is **producing at rates between 70 to 75 BOPD** at 95% oil cut.

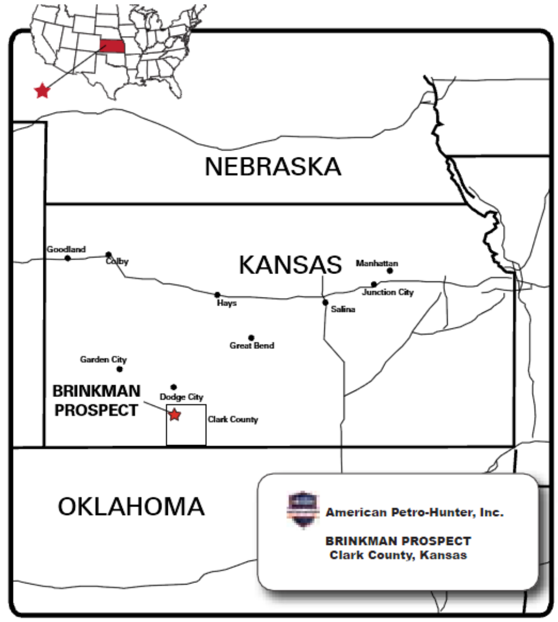
These current rates may increase over time as the operator evaluates performance for the next 30-60 days. Shipments of oil have begun and the Company expects its first revenue check shortly. Of note, the tank battery was positioned strategically in order to maximize future efforts as the new discovery becomes fully developed. Due to the expected increase of oil production over the original estimates, an additional storage tank may be installed at the site battery in order to allow for 600 barrels of oil storage capacity.

N.C.R.A. (National Co-op Refinery Assoc.) of McPherson Kansas, the oil purchaser, is regularly shipping oil for sale from the Lutters lease. The Company will closely monitor the well production over the next quarter.

The well should stabilize over a short period of time which will allow for a more in-depth evaluation of future rates with a higher degree of precision. As oil production rates may ultimately differ from those calculated or anticipated; oil pumped to the tanks is therefore the most accurate assessment of any early stage producer.

Brinkman Prospect – Clark County, Kansas

Location:	Clark County, Kansas
Analog Production:	Wells 1/4 mile away cum. 49,000 BO and 1 BCF gas
Land Holdings:	1,760 gross acres under lease
Interest:	25% Working Interest, 20.4% NRI
Formation:	Marmaton Limestone, Morrow Sand
Depth of Test:	5,400 ft.
Depth of Target Interval:	5,200+/- ft.
Recoverable Reserves Estimate:	50,000 BOPW—200,000 Barrels potential fully developed
Gross Pay Interval:	40+ ft.
Number of Offset Locations to Drill:	2-3 additional
Projected Initial Production Rate:	40-60 BOPD
Production Facilities:	Tank Battery Required



American Petro-Hunter has acquired a 25% Working Interest in the Brinkman Prospect, located in Clark County Kansas. The project is located 20 miles south of Dodge City and encompasses 1,760 acres straddling the Clark-Meade County line. The project is located proximal to historic oil production primarily from Marmaton Limestone with secondary objectives in the Morrow Sand.

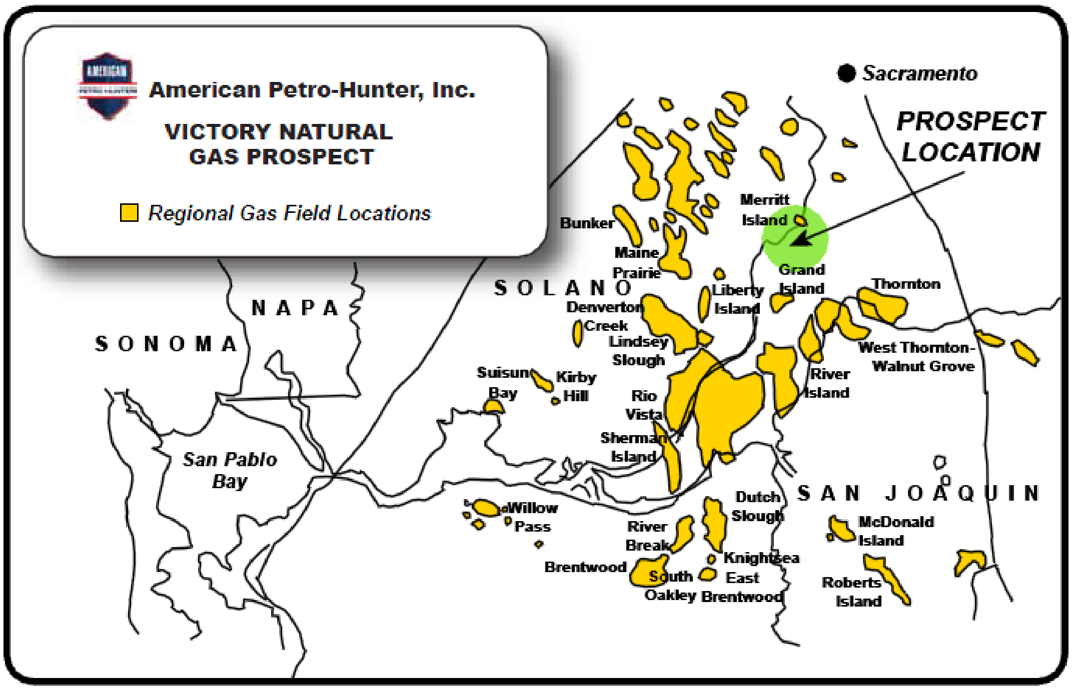
Of significance, over 49,000 barrels has been produced from a seismic anomaly to the northeast of the chosen drilling location as well as Langdon Sands that has produced cumulative gas production in excess of 1 BCF. The prospect will be drill testing a structure associated with the Marmaton delineated by 3D seismic targeting both light oil and natural gas. The 1,760 acre block contains a potential multi well program with the first location to be drilled named the #1 Lee 18AB well. The operator of the project S&W Oil & Gas, LLC of Wichita Kansas plans to spud the first test well on the lease in August and deliver production by 31 August.

Engineering estimates of the potential production from the indicated pay zone is between 40 and 100 barrels per day and associated natural gas from a successful well. Full development of the field could produce between **300-400 BOPD of light oil.** There is excellent transportation and support infrastructure in the area.

Victory (Randall) Gas Project – Sacramento County, California

Location:	Sacramento County, CA
Analog Fields	Merritt Island (5.6 BCF), Snodgrass Slough (4.6 BCF)
Land Holdings:	668 gross acres under lease
Working Interest (WI):	25%
Net Revenue Interest (NRI):	19.5%
Formation:	Upper Cretaceous, Winters
Depth of Test:	8,300 ft.
Depth of Target Interval:	7,900+/- ft.
Drilling Timeline:	July 2009 (proposed)
Recoverable Reserves:	8 BCF
Gross Pay Interval:	20 ft.
Drainage Area:	400+ acres
BTU Value:	930 BTU
Recovery Factor:	1,000 Mcf / Ac ft
Projected Initial Production Rate:	5,000 Mcf / day
Pipeline Access / Connection Point	¼ mile to meter station

American Petro-Hunter has executed a Purchase and Sale Agreement to acquire a **25% Working Interest in the Victory Gas Project** which is located approximately 20 miles south of the city of Sacramento and is within the "Eastside Stratigraphic Trend" along the southern edge of the Sacramento Valley. The project is within a region that contains some of the most prolific gas reservoirs in the Sacramento Valley, accounting for over **400 BCF of gas** produced to date along this trend. The prospect encompasses 668 gross acres under lease and based on interpretation, has the potential to contain **4.76 BCF gas.** Gas is indicated at depths of 7,900 feet over a pay thickness of 20+ feet. The planned exploratory well will test Winters Sands, which produce at analog fields such as Merritt Island with 5.6 BCF cumulative production and Snodgrass Slough with 4.6 BCF cumulative production.

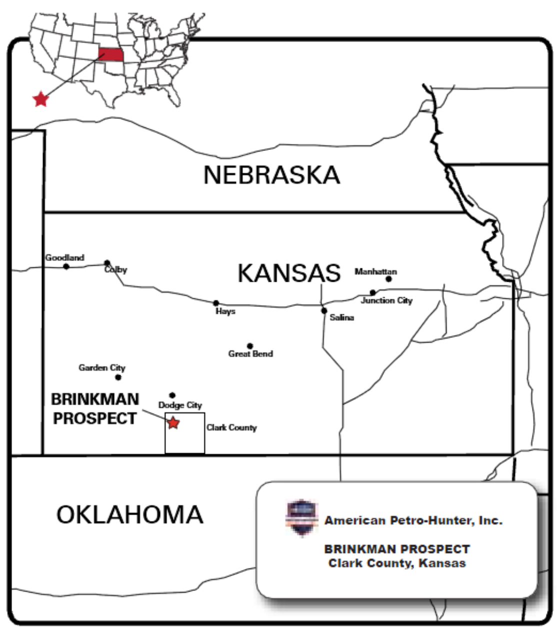


In the event of a commercially viable well, the estimates on **projected initial production rates would be 5,000 MCF per day.** The current plan is to spud a gas well in late August 2009 based on rig availability. The drainage and acreage of Victory will allow additional wells to fully exploit the reservoir. The Victory Gas Project is very close to an existing pipeline offering a convenient, low cost and rapid tie-in to enable gas sales. The California gas market continues to be one of the highest priced in the nation due to the high demand for natural gas that feed regional gas powered electrical generating plants.

- **Rooney Prospect – Ford County, Kansas**

Rooney Prospect
Ford County, Kansas

Location:	Ford County, Kansas
Analog Production:	Wells 2 miles away cum. 344,000 BO and 1 BCF gas- other wells 35-40,000 barrels
Land Holdings:	5120 gross acres under lease
Interest:	50% Working Interest, 40.75% NRI
Formation:	Morrow Sand
Depth of Test:	5,400 ft.
Depth of Target Interval:	5,200+/- ft.
Recoverable Reserves Estimate:	40,000 BOPW—800,000 Barrels potential
Gross Pay Interval:	40+ ft.
Number of Potential Locations to Drill:	20
Projected Initial Production Rate:	40-60 BOPD
Work Program:	3D Seismic Required



American Petro-Hunter has acquired a 50% Working Interest in the Rooney Project. The prospect is located in south-western Ford County Kansas, 20 miles due south of Dodge City off US Highway 283. The acreage block presently contains 8 sections totaling 5,120 acres in T-29-S, R-24 & 25W Ford County. Management considers this acreage to be a “core” land holding, one that future development can provide the basis for the requisite BOE production necessary to meet intermediate and long term goals. The Rooney Project is directly adjacent to the north edge of existing Morrow Sand oil and gas production. An analog well designated as 3-30-25W in the Morrow pool has cumulatively produced 344,448 Barrels of oil and 933,622 MCF gas. There are multiple wells within 2 miles of the Company’s acreage that have produced in the 35,000 to 40,000 barrel range from discrete sand channels.

It is these sand channels that the Company will be identifying through the completion of a 3D seismic shoot across the entire acreage. Permitting of the shoot has already begun and we anticipate commencing the survey shortly. Once processed and interpreted, it is the hope that multiple sand channels and many well locations will be identified. The first test well can be expected in late October of this year. If successful, a multi well program is envisaged immediately thereafter.

RESERVES

Definition of oil and gas reserves

Oil and Gas reserves are a primarily a measure of geological risk - the probability of oil and gas existing and being producible under current economic conditions using current technology. The three categories of reserves generally used are proven, probable, and possible reserves.

- **Proven reserves (1P or P90)** - defined as oil and gas "Reasonably certain" to be producible using current technology at current prices, with current commercial terms and government consent- also known in the industry as 1P. Some Industry specialists refer to this as P90 - i.e having a 90% certainty of being produced.

    - **Proved developed reserves** are proved reserves expected to be recovered, through wells and equipment in place and under operating methods being utilized at the time the estimates were made.

    - **Proved undeveloped reserves** are reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

- **Probable reserves (2P or P50)** - defined as oil and gas "Reasonably Probable" of being produced using current or likely technology at current prices, with current commercial terms and government consent - Some Industry specialists refer to this as P50 - i.e having a 50% certainty of being produced. - This is also known in the industry as 2P or Proven plus Probable.
- **Possible reserves (3P or P10)** - i.e "having a chance of being developed under favorable circumstances" - Some industry specialists refer to this as P10 - i.e having a 10% certainty of being produced. - This is also known in the industry as 3P or Proven plus Probable plus Possible.

Reserve booking

Oil and gas reserves are the main asset of an oil company - booking is the process by which they are added to the Balance sheet. This is done according to a set of rules developed by the Society of Petroleum Engineers (SPE). The Reserves of any company listed on the New York Stock Exchange (NYSE), which in practice means virtually every commercial company in the world, have to be stated to the U.S. Securities and Exchange Commission.

In many cases external geologists audit these reported reserves, although this is not a legal requirement. The U.S. Securities and Exchange Commission (SEC) rejects the probability concept and prohibits companies from mentioning probable and possible reserves in their filings.

Thus, official estimates of proven reserves will always be understated compared to what oil companies think actually exists. For practical purposes companies will use proven plus probable estimate (2P), and for long term planning they will be looking primarily at possible reserves. Other countries also have their national hydrocarbon reserves authorities - for example, the GKZ - State reserves commission of Russia is where companies operating in these countries have to report. Estimates of proved developed and proved undeveloped reserves are not yet available for American Petro-Hunter as of December 31, 2008.

Readers should note that reserve engineering is a **subjective process** of estimating underground accumulations of oil and gas. The accuracy of any reserve estimate is **a function of the quality of available data and of engineering and geological interpretation** and judgment. Estimates of different engineers often vary. Results of drilling, testing and production subsequent to the date of any estimate may justify revising the original estimate. Changes in oil and gas price levels can also affect the status of reserves.

INDUSTRY

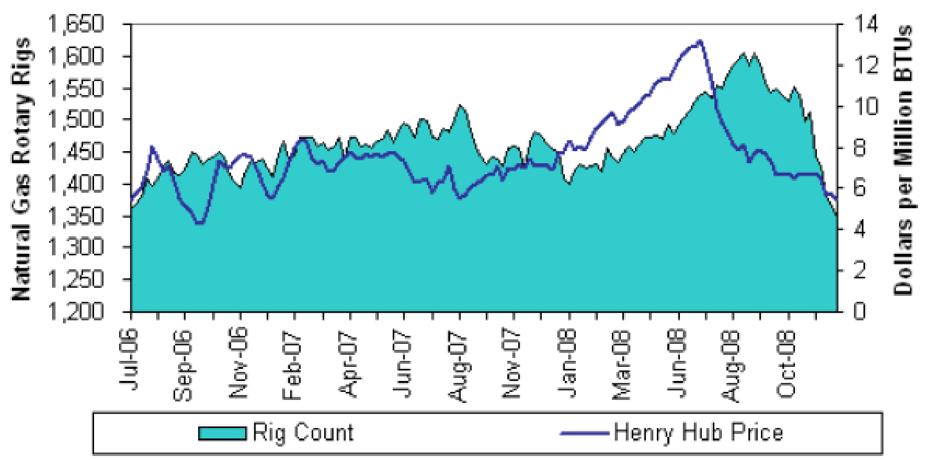
According to the US Energy Information Administration's 2006 estimate, fossil fuels such as oil and natural gas **comprised roughly 60% of the world's total energy consumption** in 2004, estimated at **15 TW (Terawatts = 1.5x 10^{13} W).** Population and consumption trends, together with changing energy policies advocating that **substantial increases in current levels of production will be required to meet the expected growth in demand in coming years.**

American Petro-Hunter is positioning itself to play a contributory role in helping to meet this demand in a time when US Natural Gas production is seen sliding in the years ahead.

U.S. production of natural gas, the most widely used furnace fuel in the world's largest economy, may tumble through 2012 as **low prices prompt producers to shut down drilling rigs from Louisiana to the Rocky Mountains**.

The **chart on the following page** shows the relationship between reductions in drilling by U.S. energy companies and output from gas wells. The graph on the right shows the number of rigs drilling for gas in the U.S., as tracked by Baker Hughes Inc. In 2001-02, the so-called rig count declined for nine months in a row. Gas production, shown in the chart on the left, declined for the next four years and didn't return to the 2001 level until 2007.

Figure 6: The Natural Gas Rig Count Dropped from Record Highs in Late Summer

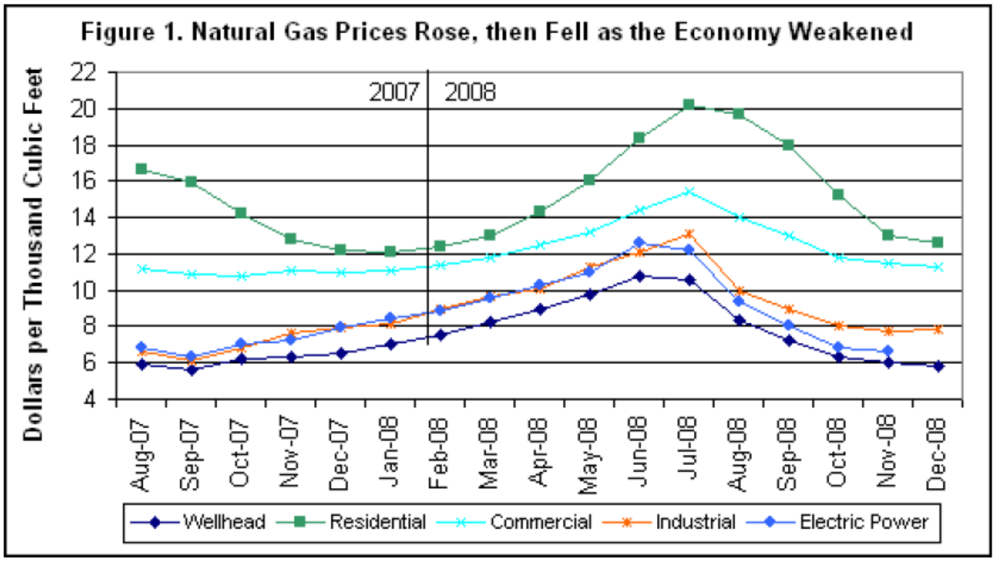


Energy companies probably will slash onshore U.S. gas drilling to 800 or 900 rigs this year from a peak of 1,606 in 2008 after prices for the fuel plunged 70 percent from their 2008 high, according to Keith Hutton, chief executive officer at Fort Worth, Texas-based producer XTO Energy Inc. As a result, **gas output probably will decline by 3-5 percent in 2009,** Hutton told investors on a company conference call on Feb 20, 2009. Idling rigs slows new discoveries and prevents companies from offsetting output declines that average 30 percent a year from established wells, Hutton said.

"If your underlying decline rate is 30 percent and you drop your rig count in half, it's hard as hell to catch back up," said Hutton. "If you start picking rig count up 10 or 15 percent a year and it takes you 3 or 4 years to get back to the old rig count, you're going to decline almost the entire time. We're set for falling gas production for quite awhile here."

American Petro-Hunter competes with numerous other oil and gas exploration companies. Many of these competitors have substantially greater resources than American Petro-Hunter does. Should a larger and better-financed company decide to directly compete with AAPH, and be successful in its competitive efforts, American Petro-Hunter's business could be adversely affected. London-based BP Plc is the largest producer of U.S. gas, followed by Oklahoma City-based Chesapeake Energy Corp. and ConocoPhillips of Houston, according to the Natural Gas Supply Association in Washington.

Based on the robust demand for oil and natural gas in the United States, American Petro-Hunter is able to exploit its competitive advantages due to its **experienced management team**, **underdeveloped and unexploited oil assets** in the Continental US that could harbour many millions of barrels of oil equivalents, **access to modern cutting edge well technology, knowledgeable and capable engineers** and **extensive 3D seismic reprocessing information.**



We regard the relative impact of domestic E&P competition in the on-shore U.S. oil and gas industry to be minor and unlikely to have strong adverse effects on the company's operations at this point in its production and company life cycle, given its scale. The presence of larger players may actually be a benefit to the Company as it allows the American Petro-Hunter to better exploit/utilize the piping, transportation and drilling equipment and infrastructure.

American Petro-Hunter has targeted the natural gas sector in response to recent developments in the global economy. As the price of oil remains volatile, **natural gas prices have stayed relatively stable** and **future opportunities and outlook appears to have considerable upside potential.** A study of a chart showing NYMEX natural gas contract price fluctuations (weekly chart since 1989), reveals that right now natural gas is sitting very close to a **strong support level near $3.50/MMBtu from which a strong upside reversal is possible from both a technical and fundamental perspective, especially when looking out 12-24 months.** In addition the chart shows there has **not been any lengthy periods,** where natural gas **traded and remained below the $4 level since 2000.**

The Company believes that **natural gas could well prove to be the energy source of choice for the new U.S. administration's energy policies** as identified and supported by renowned energy developer T. Boone Pickens who states in his well-publicized "Pickens Plan" that natural gas is a cheap new replacement for foreign oil.

Natural gas is our country's second largest energy resource and a vital component of our energy supply. 98% of the natural gas used in the United States is from North America. But 70% of US oil is purchased from foreign nations. Natural gas is one of the **cleanest, safest and most useful forms of energy -- residentially, commercially and industrially.** The natural gas industry has existed in the United States for over 100 years and continues to grow. **Domestic natural gas reserves are twice that of petroleum.** And new discoveries of natural gas and ongoing development of renewable biogas are continually adding to existing reserves. While it is a cheap effective and versatile fuel, less than 1% of natural gas is currently used for transportation.

FINANCIALS

The Company filed a Form 10-K dated April 15, 2009 with audited financial information for the year ended December 31, 2008 with the SEC.

American Petro-Hunter's focus is currently in locating and assessing potential acquisition targets, including real property, oil and gas rights and oil and gas companies. The Company will focus primarily on oil and gas properties within the U.S. and Canada including exploration, secondary recovery and development projects. Each project will be evaluated by its management based on sound geology, acceptable risk levels and total capital requirements to develop. Its officers and directors expect to travel to different locations throughout North America to evaluate potential acquisitions.

Further, the Company's management will participate in a variety of different conferences throughout 2009 to increase exposure to potential opportunities. These financial statements have been prepared on a going concern basis. The Company has incurred losses since inception resulting in an **accumulated deficit of $3,628,194 since inception** and further losses are anticipated in the development of its business, raising substantial doubt about the Company's ability to continue as a going concern.

Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has plans to seek additional capital through a private placement and public offering of its common stock.

American Petro-Hunter has not yet realized any revenues from its planned operations. Mineral property acquisition and exploration costs are charged to operations as incurred. When it has been determined that a property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are capitalized. Such costs will be amortized using the units of production method over the estimated life of the probable reserve. The Results for the fiscal year ended December 31, 2008 compared to the fiscal year ended December 31, 2007 were as follows:

The net loss for the fiscal year ended December 31, 2008 was $123,823 with Administration expenses for the fiscal year end amounting to $121,423 compared to $92,554 in 2007. Executive compensation for the 2008 fiscal year end is $0 compared to $15,000 in 2007. This compares to a net loss of $ 107,554 during the year ended December 31, 2007 (an increase of $16,269) with Administration expenses for the fiscal year end amounted to $92,554 compared to $61,523 in 2006. Executive compensation for the 2007 fiscal year end is $15,000 compared to $10,000 in 2006. During both of these periods in 2007 and 2008, American Petro-Hunter did not generate any revenue.

Administrative expenses incurred during the year ended December 31, 2008 compared to the year ended December 31, 2007 increased primarily due to the increase in professional fees associated the increased scale and scope of American Petro-Hunter's business operations and with its reporting requirements as a public company under the Securities Exchange Act of 1934, as amended. G&A expense generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

American Petro-Hunter's net loss was $123,823 during the fiscal year ended December 31, 2008 as compared to a net loss of $107,554 during the fiscal year ended December 31, 2007. The weighted average number of shares outstanding was 9,327,295 for the fiscal years ended December 31, 2008 and 2007.

Noteworthy financial and per share statistics are listed in the table found on the front page of this report.

Liquidity and Capital Resources

As at 31 December 31, 2008, the Company's current assets were $2,139 and current liabilities were $455,940, which resulted in a working capital deficit of $453,801. Current assets were comprised of $136 in cash; and $2,003 in recoverable taxes. As at the December 31, 2008, current liabilities were comprised of $223,770 in accounts payable and $231,170 in payable notes and loan guarantees from related parties.

As at fiscal year ended December 31, 2007 total current assets were $8,691 comprised of cash and recoverable taxes. As at fiscal year ended December 31, 2007, total liabilities were $489,815 comprised of $222,691 in accounts payable and $267,124 in notes and loans due to related parties.

The decrease in liabilities during the year ended December 31, 2008 from fiscal year ended December 31, 2007 was primarily due to an adjustment in loan guarantees from related party. Stockholders' equity (deficit) increased from ($8,691) for fiscal year ended December 31, 2007 to ($2,139) for the year ended December 31, 2008. Management plans to raise additional funds through debt or equity offerings. Management has yet to decide what type of offering the Company will use or how much capital the Company will attempt to raise. There is no guarantee that the Company will be able to raise any capital through any type of offerings.

Since its inception in January, 1996 until December 31, 2007 the Company has issued 8,265,019 common shares with a value of $8,265. The Company also received during this period additional paid-in capital in the amount of $3,036,128 plus a share subscription received in advance in the amount of $60,000 for an accumulated deficit during the development stage of $3,496,257. This resulted in an accumulated comprehensive loss of $89,260 and a stockholders' deficit of ($481,124) for the period.

During the period between December 31, 2007 and December 31, 2008 the Company showed 1,200,000 common shares issued for subscription (received in 2007), with a value of $1,200 plus additional paid-in capital of $58,800. An additional 600,000 common shares were sold at $0.05 per share for a value $600 plus an additional $29,400 paid-in capital.

The balance as December 31, 2008 is 10,065,019 shares issued at a value of $10,065 plus additional paid-in capital of $3,124,328 plus $40,000 form subscriptions in 2008. The accumulated deficit during the development stage to-date is $3,620,080 with an accumulated comprehensive loss of $8,114 and a stockholders' deficit of $453,801.

If successful, AAPH can potentially achieve a gross production rate of **3-4 mmcfpd from the Californian 2009 Gas Project.** Already American Petro-Hunter has secured the necessary pipeline rights of way to achieve this program. Successes may also encourage the initiation of additional discretionary projects. The Company is moving ahead to obtain adequate financing so it can develop the Sacramento Valley property and to examine and acquire possible future high-value acquisitions. American Petro-Hunter cannot assure that the Company will be able to obtain such financing.

Without it, AAPH will have to cease operations. AAPH cannot assure that the Company will be able to obtain further funds it desires for continuing operations or, if available, that funds can be obtained on commercially reasonable terms. If American Petro-Hunter is not able to obtain additional financing on a timely basis, the Company would be forced to cease its operations.

RISK FACTORS /CONCERNS

The business model, and longer-term consistency of revenue and income potential, remain uncertain and is not fully proven. American Petro-Hunter is substantially dependent on the expertise of its management team and directors, the loss of which could materially adversely affect future anticipated results. The Company may not be able to generate sufficient funds from operations to continue its intended business model, it could harm results and force the Company to curtail or cease plans for expanding operations.

American Petro-Hunter has incurred losses since inception. As of December 31, 2008 it had an accumulated deficit of $3,620,080 and a net loss for the year of $123,823. At December 31, 2008, AAPH had limited financial resources. Its continuation is dependent upon its ability to raise additional capital, to exploit its mineral holdings, and to generate sufficient revenue from its planned operations to enable the Company to attain and maintain profitable operations.

If the Company is unsuccessful in raising the necessary financing from capital markets needed to pursue its strategy of acquiring and developing its California property through drilling with its 3D seismic reprocessing data and well technology provided under its partnerships, American Petro-Hunter may be forced to curtail operations and abandon or postpone some of its planned strategies, all of which will have a negative impact on the financial position of the Company.

The oil production and exploration industry is inherently subject to changing conditions that can affect levels of production and production costs for varying lengths of time and can result in decreases in profitability. There is a direct risk due to exposure to commodity prices related to input prices such as that of bentonite (volcanic ash used in drilling), rig and drilling equipment rates and exploration, availability of rigs, maintenance and recovery costs associated with secondary and tertiary oil recovery; most of which are not within control of the company. In addition, adverse weather conditions, equipment replacement or repair costs, floods, variations in thickness of the drilling layer other geological conditions can be expected in the future to have, a significant impact on operating results. Prolonged disruption of production at any well would result in a decrease in revenues and profitability, which could be material.

The marketability of its gas production will depend in part upon the availability, proximity and capacity of pipelines, surface and processing facilities. Federal and state regulation of oil/gas production and transportation, general economic conditions, changes in supply and changes in demand all could adversely affect the Company's ability to produce and market natural gas. If market factors were to change dramatically, the financial impact could be substantial because AAPH would incur expenses without receiving revenues from the sale of production.

The availability of markets is beyond the control of American Petro-Hunter. Also, the Company's ability to develop future revenues will depend on whether it can successfully implement its planned project development program. American Petro-Hunter's planned projects may not result in significant reserves or in the production levels the Company anticipates. All revenues are subject to the prevailing worldwide price for crude oil/natgas spot prices. Prices received for oil and gas production have been and remain volatile and unpredictable.

If energy prices decline significantly, even if only for a short period of time, American Petro-Hunter's revenues and cashflows would be materially adversely affected. The Company has not disclosed official proven and probable reserve information in its SEC filings. These figures usually represent estimates prepared by internal engineers and examined by independent petroleum consultants. Readers should note that the estimation of reserves is not an exact science even when they are published.

Estimates of economically recoverable oil and natural gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, any of which may cause these estimates to vary considerably from actual results. Readers should also note that the extent of reported reserves under current SEC convention is minimal when considered in context of the current market capitalization of AAPH. There is a risk that anticipated reserves could berevised downwards or found not to exist, if deemed necessary by a particular petroleum engineering firm, at a future date depending on new drilling results obtained.

Other factors affecting the production of gas that could result in decreases in profitability of American Petro-Hunter, include problems arising at production sites due to company delaying and deferring maintenance due to technological failures/reasons; changes in laws or regulations, including permitting requirements; litigation; work stoppages or other labor difficulties; any labor shortages; changes in the worldwide oil market and/or general economic conditions.

Financial performance relies substantially on American Petro-Hunter's ability to exploit natgas/oil reserves at competitive costs. Replacement reserves may not be available when required or, if available, may not be capable of being drilled at costs comparable to those characteristics of the depleting oil field or recovery projects may not yield the same results as the well that once produced oil or gas. The Company may in the future acquire reserves from third parties and may not be able to accurately assess the geological characteristics of any reserves being acquired, which may adversely affect its profitability and financial condition.

American Petro-Hunter is reliant on infrastructure of other industry participants in order to facilitate its activities. In most instances, American Petro-Hunter depends on the work and expertise of other consultants to develop, provide financing, and operate its properties and projects. The prospects of American Petro-Hunter will be highly dependent upon the ability of such other parties that are more often than not local companies and contractors. As indicated by the nature of the partners, with which American Petro-Hunter is participating in current projects, management believes the risk in relying on such partners and co-participants is reasonable.

The U.S. oil and gas and power generation industries are subject to substantial regulation (FERC and NEPA) with respect to the discharge of materials into the environment, pollution, siting of operations or other factors relating to the protection of the environment. The exploration, development and production of oil and gas are regulated by various governmental agencies with respect to the storage and transportation of the hydrocarbons, the use of facilities for processing, recovering and treating the hydrocarbons and the cleanup of drilling sites.

Many of these activities require governmental approvals before they can be undertaken. The costs associated with compliance with the applicable laws and regulations have increased the costs associated with the planning, designing, drilling, installing, operating and plugging or abandoning of wells. To the extent that AAPH owns an interest in a well it may be responsible for costs of environmental regulation compliance even after the plugging or abandonment of that well.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the government of the United States; however, it is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or its effects upon the Company's future operations. Such laws and regulations may, however, substantially increase the costs of exploring for, developing or producing natural gas and oil and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted.

American Petro-Hunter's operations will be subject to those risks generally associated with the oil and gas and power generation industries. Such risks include exploration, development and production risks, title risks, and weather risks, shortages or delay in delivery of equipment and the stability of operators and contractor companies. Trading in the shares will continue to be subject to major fluctuations for the foreseeable future.

The stock is thinly traded at prices below $1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of AAPH shares that would result in demand outstripping supply and result in an upward squeeze in the price given the low liquidity and daily trading volume.

We caution that historical volume activity on AAPH has been modest, and we are unable to predict the direction of trading volumes over the coming months with any certainty. Major dilution of common stock can occur if company issues large blocks of common stock or convertible debt is converted or warrants are exercised into common stock that can negatively impact on the value of its shares. NASD and SEC Regulations covering rules on Penny Stocks apply for AAPH, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above-mentioned and other risk factors are contained in the company's **SEC filings in Form(s) 10-KSB or 10-QSB and readers are encouraged to consult these documents.**

MANAGEMENT TEAM & BOARD OF DIRECTORS

The management team of American Petro-Hunter has been selected based on experience, successful endeavors, and technical ability. The composition of this team brings the ability to make things happen in the oil and gas industry, and enhance the value of the company assets. Enhancement of company assets is the key to today's small oil and gas profitability. Rising prices are no longer the sole factor to profitability planning.

It is enhancement of the base asset value. Included in the management team is technical expertise, which includes management of oil and gas properties, reservoir engineering, production engineering, and experience managing field personnel.

The presence of these executives will be a critical factor in the Company's success in balancing the complex risks that play a role in many of the existing and proposed projects of American Petro-Hunter, as well as and financial backing and forging new alliances.

Robert B. McIntosh– President & C.E.O

Mr. McIntosh became Chief Operating Officer and a Director on the Board of the Company in March 2009. Mr. McIntosh has been a businessman and consulting geologist for the past 25 years. He is experienced both as a resource exploration geoscientist alongside noteworthy strengths in all facets of corporate development. Since 1983 his career has taken him across the Americas and abroad where he has been instrumental in the design, implementation, execution and management of programs in the oil, gas, precious and base metals segments of the resource sector.

His skills encompass virtually every aspect of oil & gas exploration, well completion and production techniques alongside a diverse experience in project acquisition, negotiations, contracts, and project divestitures within the petroleum industry. He has developed significant expertise and industry contacts in his various roles across the publicly traded market sector as well as with private junior E&P companies.

Mr. McIntosh has successfully assisted his clients and stakeholders in the U.S.A. and Canada on projects that ultimately became producing properties where he has contributed in full field exploitation programs with additional traditional and secondary forms of drilling and completions, along with ongoing well site supervision aimed at fully optimizing the overall asset.

John J. Lennon – Secretary, Treasurer

Mr. Lennon became President, Chairman and Chief Financial Officer in February 2009. From May 30, 2008, Mr. Lennon has served as Treasurer and VP of Finance of Brite-Strike Tactical Illumination Products, Inc., President of LED Power Group, Inc. from December 2008, President of Chamberlain Capital Partners from 2004, Director of American Durahomes from 2006 and Treasurer/Director/VP of Finance of US Starcom from 2005-2007.

Chamberlain Capital Partners assists companies in the area of maximizing shareholder value through increased sales, cost reduction and refined business strategy. Mr. Lennon has also assisted companies in obtaining debt financing, private placements or other methods of funding.

He is responsible for corporate reporting, press releases, and funding related initiatives for American Durahomes, a private corporation, and previously for US Starcom, a public entity. On December 31, 2007, Mr. Lennon was appointed Chief Executive Officer, President, Chief Financial Officer, Secretary, Treasurer and director of Explortex Energy Inc., a publicly reporting company, which is a natural resource exploration company engaged in the participation in drilling of oil and gas in the United States.

From 1987 to 2004, Mr. Lennon served as Senior Vice President of Janney Montgomery Scott, Osterville, MA, Smith Barney and Prudential Bache Securities, managing financial assets for high net worth individuals. Mr. Lennon currently serves on the Board of Directors of Brite-Strike Tactical Illumination Products, Inc. and LED Power Group, Inc.

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that American Petro-Hunter Inc. is an interesting speculative play among micro-cap companies offering exposure to the investor on a promising, junior natgas exploration and Production Company with a promising property in California. American Petro-Hunter, is devoted to the careful identification and acquisition of high quality opportunities in the natural gas sector.

The company plans to provide shareholder value through the assembly of asset and property combinations which will include exploratory promise, ongoing production, in-place infrastructure, growth.

The two-fold benefit and opportunity of natural gas is straightforward and easy to understand. Domestic U.S. production of natural gas will assist in breaking the cycle of dependence on foreign oil and help provide clean energy that will reduce the carbon emissions of power plants across the country.

American Petro-Hunter believes that its aggressive focus on natural gas exploration and development will ensure the Company has a role to play in the overall strategy of the domestic industry's growth as part of the new administration's energy policy for the nation. American Petro-Hunter is dedicated to the acquisition, exploration and development of outstanding natural gas opportunities across North America.

In Feb 2009, the Company paid $200,000 for the acquisition of a 25% working interest in a California gas project located in the Central Valley of California. American Petro-Hunter is now working with the operators towards finalizing the planning of the first gas well for the 2009 development program. Plans are set to drill the first well in June. Another 3 wells are earmarked for development in 2010.

American Petro-Hunter aims to benefit from what would be a very short pay out period for seismic, drilling and pipeline tie-in costs at the two wells targeted in its 2009 California Project. If proven to be commercially viable, this may represent a venture with an in-situ value of greater than $50 million in contained gas as a majority working interest partner.

The company plans to provide shareholder value through the assembly of asset and property combinations which will include exploratory promise, ongoing production, in-place infrastructure, growth potential and the ability to offer both short term returns as well as significant value over the long term. American Petro-Hunter's portfolio is aimed at high quality prospects. Its Californian interests holds potential to bring to commercially viable 2,000-3,000 Mcfd natural gas production that could create a positive cash flow position by end of Q3 2009.

The estimated costs of all drilling and completing the first well in its 2009 development project is approximately $1.2 million all in. Pipeline and tie-in infrastructure costs are estimated at $500,000, resulting in a total project cost of $1.7 million in the current financial year.

With PG&E Citygate pricing near $3.25 and given the Company's 25% NRI to the 100% WI, we expect that 20% of all revenues to its 25% WI and an ROI of less than 1 year which is promising to investors. American Petro-Hunter wants to enhance its portfolio of energy projects focussing on natural gas production by identifying and acquiring similar opportunities elsewhere across North America.

American Petro-Hunter has been formed at a time when the larger E&P companies are by necessity becoming more cost and income efficient which has resulted in the subsequent divestiture of many production and exploration assets.

The main focus for American Petro-Hunter will be the participation in oil and gas fields with significant upside potential (which may no longer fit the portfolios of larger energy companies). Part of this strategy is to establish an early production base, with upside, enabling expansion through cash flow creating the long-term success of the company. American Petro-Hunter employs a rigorous risk management and valuation processes. This technical and commercial risking process is designed to characterize new opportunities leading to portfolio selection and optimisation.

American Petro-Hunter believes that its portfolio aims are appropriate to its financial resources. As global energy consumption continues to rise, and as natural gas prices are trading back at more attractive levels — with meaningful medium term upside potential — present conditions provide a backdrop for American Petro-Hunter to pursue its identified opportunities while also allowing investors an opportunity to invest at a time when pricing is attractive.

American Petro-Hunter is constantly in the process of investigating the purchase of acreage plays along the lines of recent industry activity in unconventional natural gas exploitation. American Petro-Hunter's approach has enabled Management to achieve a high success rate with drilling programs and we believe that management has demonstrated its intention to attain profitability by recent cost savings decisions. During its FY2010 fiscal year, the Company's proved reserves are expected to expand.

Subject to obtaining financing, management plans to spend approximately $3 million in capital expenditures in the next 24 months.

The Company's present schedule lists 20 wells in total (15 oil and 5 natural gas) that can be commercialized by the end of 2010. With calculated potential reserves net to its WI of 312,500 barrels of oil and 11.69 BCF gas, this signals that American Petro-Hunter may eventually potentially control over 1MMBOE of energy reserves.

These expenditures will be directed toward developing existing proved and probable reserves on the Californian acreage, drilling and tie-in wells and connecting at least 3 wells to pipelines, and evaluating new project areas. This capital budget will strive to convert probable and possible reserves into proved reserves.

American Petro-Hunter plans a capital expenditure program for the next year that should create value by drilling at least 1 wells to produce and process natural gas upon successful implementation.

If successful, AAPH can potentially achieve a gross production rate of 3-4 mmcfpd from the 2009 drilling project. American Petro-Hunter is already securing the necessary rights of way to achieve this program. Successes may also encourage the initiation of additional discretionary projects.

Accordingly, the Company is moving ahead to obtain adequate financing so it can develop the Sacramento Valley/Hetch project into a nucleus for future growth.

Regardless of the Company's conservative strategy, the operating and financial risks involved in investing in young oil E&P companies are typically high and should be considered by investors. In this case the operational risks associated with exploration and production include, risks associated with weather conditions, technical breakdowns, future reserve depletion, rising production, pipeline transportation, drilling and the various exploration costs and many others that can result in actual results differing from expectations that precede drilling or recovery and eventual commercial well production.

There can be no assurance that the production rates and past financial/production results achieved similar locations will be sustained with the same quality and flow rates in future that meet or exceed the company's present expectations.

Furthermore our recommendation assumes that the Company can bring several more wells to full production and in the coming 12-24 months that will allow AAPH to ramp its revenues by FY2011 to a level where it will exceed its cost base and lead to net after tax profit in FY2011. Most input and transportation costs are relatively fixed and cannot be influenced or determined by management. Drilling costs have increased substantially faster than the general inflation rate during the last 3 years; continued increases may be expected and if greater than anticipated could have an adverse impact on payback periods and other measures of economic return.

Readers should understand that there can be no assurance that the company will be able to fast-track its intended goal towards building its portfolio and raising production levels at its various properties through its natgas drilling and workover approach, its 3D seismic and modern well technological and geological methods to exploit reserves present in the reservoirs, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

The future spot price of Crude oil and Natural gas (both traded on NYMEX) is one of the biggest uncertainties and does and will play a material role in the financial performance of AAPH in the short, medium and long term. We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares.

Also, in our view investors willing to commit capital to AAPH should do so with absolute minimum 3 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind additional production to follow from its current and future targeted projects and the impact of new 'booked' reserves from its current and future fields, to be unlocked and reflected in the stock price once a comprehensive reserve assessment has been performed from drilling results.

Short term we expect AAPH stock to remain volatile on the back of movements in crude oil and natural gas pricing. Management plans to drill the first well in June. By Q4 both should be online and flowing natural gas that will deliver revenue if successful. The Company intends to repeat the program in 2010 (FY2011) so by Q4 2010 the production is targeted to be between 8,000 and 16,000 mcf per day from 4 wells, if successful. The costs of the drilling in 2010 are budgeted to be the same: $2.1 million, but pipeline costs would be minimal as all infrastructures would be in place.

Once these plans are carried out, the expected value American Petro-Hunter's reserves from these properties (present value discounted at 10% or PV10) may exceed $60 million by our independent calculations. Under the assumption that the Company can grow organically and raise and utilize the funding its needs to establish new interests in potentially lucrative projects and/or raise its working interests in known participating ventures it can rapidly enhance value of its assets. The Company's business model is scalable and able to accommodate larger capital inputs with correspondingly larger returns in dollar terms.

One of the core reasons, which is pivotal to our bullish argument for upside in AAPH, follows from our interpretation of the quality of the portfolio assembled thus far, our expectation for rapid production growth and our confidence in the experience and proven track record of its management team.

American Petro-Hunter has not yet commenced generating oil and gas revenues, however it is on track to implement its drilling strategy which can lead to bring new production online by Q4 2009. Our modelling suggests that the Company is positioned to turn cash flow positive in late FY2010, if present scheduled drilling results deliver the desired outcome, that enables American Petro-Hunter to convert a large percentage of exploration, workover, recompletion work of AAPH into commercial wells in additional projects that need to be yet acquired.

By FY2011 if successful, discretionary cash flow could then show substantial improvement; assuming that management continues its record of lining up successful drilling prospects and at the same time secure sufficient funding in needs to continue operations. Our FY2010 our revenue forecast is for $4.68 million, based on production volumes of 4 MMcf (million cubic feet) natural gas per day at net realizable price of between 3-4/MMBtu.

Our FY2011 revenue forecast is for $10-14 million based on up to 12 MMcf natural gas per day at between 4-5/MMBtu. Our typical practice in coverage of emerging oil and gas exploration companies involve an assessment of the company's published or expected reserves and computing an adjusted reserve valuation per share that is used to give us an indication of under or overvaluation of the shares.

This is similar to an NAV approach. In the case of American Petro-Hunter the extent of published reserves to-date has been minimal and is of little practical use and is not reflective (in our view) of the potential value that can be assigned to this Company.

We have additionally given consideration to the Company's track record since its inception and to the capabilities of the management team. Also if AAPH can replicate the present drilling program in each future year this would put the Company on a steady upward trend of reserves and cash flow, leading to higher NAV/Reserve based valuations, and the growth rate would accelerate as more capital is attracted to the Company.

If we allow for dilution as a result of issuing stock for around $6 million in needed capital to finance its expansion for its drilling program and assume this stock is issued at around 40c per share it implies a future fully diluted share count of 25 million.

Should American Petro-Hunter be successful in developing its 25% interest in the project, the expected value American Petro-Hunter's reserves from these properties (present value discounted at 10% or PV10) may exceed $50 million. If we proceed to calculate an adjusted reserve value per share we arrive at $2.11 per share. Given that the current proved reserve figure is not officially known or published we feel it would perhaps be premature to rely on this methodology to set a target price at this stage.

Instead we base our valuation on what we believe to be the company's intermediate revenue and production power rather than published reserves. We have assumed that the Company can continue to add additional wells and that annual revenue from production can get close to or surpass $7-10 million in FY2011, which appears realistic and attainable in the medium term given its assets and drilling aspirations. This represents a striking increase of the expected FY2010 revenue estimate for American Petro-Hunter which could be conceivably attained if the Company is successful in executing its plans as outlined in this report.

Proceeding to calculate a Present Value over a period of 20 years at a discount rate of 10% we arrive at a conservative net present value for this production of $50 million easily. This yields a value per share of $2.00 per share based on 25 million shares outstanding after stripping out long-term debt and its cash balance and using $3 net realizable natural gas pricing.

Furthermore if we take a FY2010 EPS estimate of $0.19 and apply a 10.5x price/earnings multiple that is close to par with the sectors average biggest and most prominent competitors we arrive at a share price valuation using this multiple of close to $2. Under the assumption that our stated FY2010 revenue and earnings estimates are achievable and that its operational activities is well-managed and successfully executed and expecting AAPH to lift production and revenues substantially in the coming 12-24 months, as more progress is made to boost output levels at present producing sites and for its drilling programs to bear fruit, while US and worldwide demand for crude oil and natural gas re-asserts itself – we are of the opinion that AAPH stock has meaningful upside potential on these multiple factors.

Given these calculations and our bottom up analysis and financial estimates, which are quantitative measures, and also factors that are qualitative in nature, we set a 12-month target price for the security of $2.00. Despite the fact that American Petro-Hunter's stock has been lacklustre in recent weeks, we believe there is still ample scope for the stock to rise from present levels. As the Company manages its growth, focus will be on controlling and managing lease operating expenses, general and administrative costs, and finding and development costs.

In addition, expansion efforts will be geared toward pursuing opportunities that fit well within existing operations, or in areas where the Company is establishing new operations, or where Management believes that a base of existing production will produce an adequate foundation for economies of scale necessary to grow its E&P business within North American geography. All factors weighed, we anticipate a stake in AAPH still has compelling upside potential in the coming 12-24 months if all or most of our stated assumptions hold.

American Petro-Hunter is creating rapid growth and momentum. Moving quickly on a variety of fronts, the company has acquired a significant working interest in a highly prospective project in California and is evaluating significant additional opportunities elsewhere. Drilling readiness and spud programs are on track for a project with sizeable potential reserves. Armed with excellent management expertise, key co-participant agreements, solid reputation in the industry, in a market favourable to increased gas production to satisfy growing demand, the ability to move quickly, and an intelligent strategy for expanding its net acreage portfolio at a fast rate, American Petro-Hunter is poised to become a distinguished positive junior exploration and production company in record time.

See Appendix A-1 for Analyst Certification and Important Disclosures.

American Petro-Hunter appears poised for further growth and is indicating extraordinary shareholder value under our assumptions based on expected future revenue streams; its costs outlook and based on the fact that the Company has leverage to increase its working interest participation in already productive wells.

We believe that the Company is positioned with assets and ability to execute and connect wells quickly in order to produce sellable gas that will be to the benefit of its shareholders.

Our target price of $2.00 implies a market cap of $50 million over a 12-month time horizon assuming 25 million shares outstanding. Under the cited assumptions we initiate coverage on AAPH with a SPECULATIVE BUY rating.

Risk to our recommendation include amongst other: failure of intended drilling and workover/recompletion projects to come on-stream as projected, unforeseen production difficulties in the near or medium term from flooding or other factors, inability to obtain permitting and logistic or regulatory problems to conduct its strategy and implement its plans by the scheduled date at a given prospect, slowdown in production or failure to operate wells at estimated flow rates an unexpected decline in energy prices that will lead to a contraction in forward PE multiple and revenue assumptions and diminish the reserve valuation, a steep rise in drilling and production costs or unanticipated problems obtaining production equipment or drill rigs etc., new fees and/or any adverse regulatory changes in the markets it conducts operations.

New competition in its regional market by other larger oil producers, tax expense accounting changes, any inability to obtain necessary financing from capital markets when needed, inability to close its earmarked acquisitions to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

We would caution that given the size of the company (micro-cap) and risks involved, overall we advise positions be limited below 5% of the client's total portfolio size.

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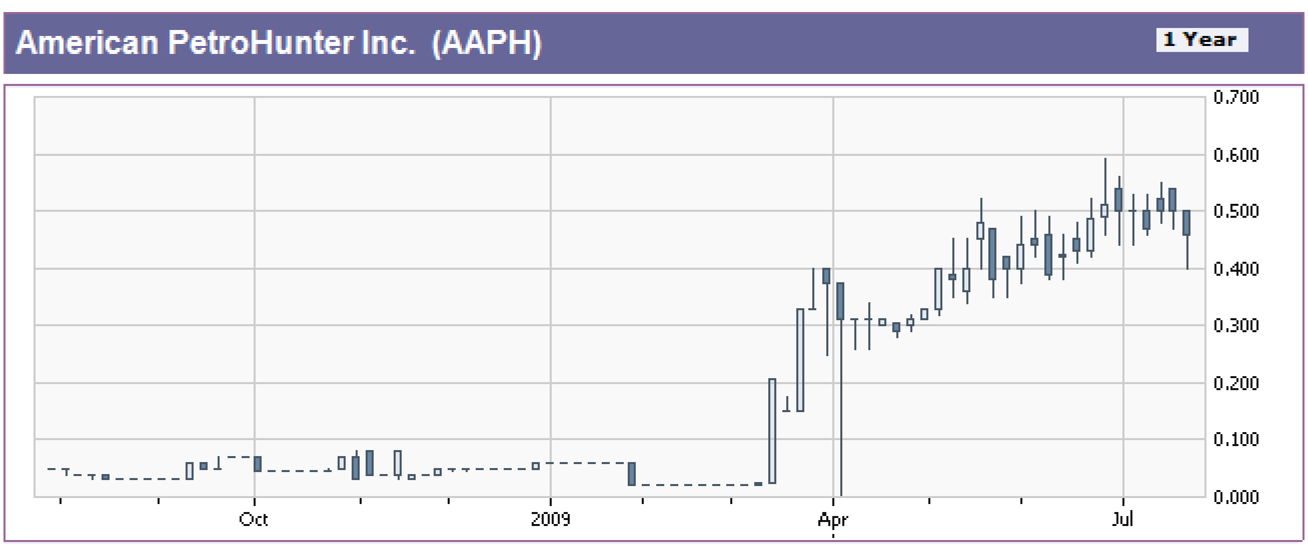
Our rating system, for stocks we rate, is divided into four main classifications: **Buy**, Positive, **Neutral**, and **Sell/Avoid**. Our Buy rating is divided into sub classifications by our analysts to reflect the degree to which the analyst believes the shares are undervalued in relation to the market and its peers, and the degree of financial risk represented by an investment in the shares. These Buy sub classifications include: **SPECULATIVE BUY** and **SPECULATIVE STRONG BUY**. The analyst will comment in the company reports on any of the perceived risk factors underlying the assigned rating.

Classification	Sub Classification	Description
BUY RATINGS	**Speculative Strong Buy** **Speculative Buy**	*The current price of the company reflects a substantial discount from the market and from the valuation accorded its peers. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price. Speculative means the company does have significant financial or other risks, while the **Strong Buy** category means **at least 100% gain indicated over 12 months** between current and analyst target price. **Speculative Buy means at least a 50% appreciation** indicated over 12 months between current and analysts' target price.*
POSITIVE	**Speculative Positive**	*The current price reflects a discount from the market, and from its peers. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Speculative means the company does have significant financial or other risks. **Speculative Positive means 0% up to 50% appreciation indicated over 12 months** between current and analysts' target price.*
NEUTRAL	**Neutral Rating**	*The analyst is **unable to assign a speculative buy/positive rating** due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment. Finally, there may be actions or financings the company must accomplish before being considered for raising the investment rating or **alternatively the stock has little or no recent financial disclosure or delinquent in SEC filings.***
SELL/AVOID	**Avoid**	*The analyst believes that the risks of investment in the company are too severe, and an investment in the company has a substantial probability for loss of all invested capital.*
	Sell	*We believe that the Company may be fairly valued or overvalued based on its current price, and that an investment in the company should produce below market returns.*

The table below contains a summary of ratings awarded by **Tri-State Capital** to covered companies in its universe during the past 18 months:

RATINGS Universe Distribution		SPECULATIVE NEUTRAL	SPECULATIVE POSITIVE	SPECULATIVE BUY	SPECULATIVE STRONG BUY
Percentage:	100%	13%	36%	29%	22%
TOTAL COMPANIES	72	9	26	21	16



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ANALYST CERTIFICATIONS APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in share of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Bridge IR Group Inc received $8,000 in compensation for work on the subject company from a third party.

The firm of the analyst does not actively seek to do investment banking business with the company covered in this research report. This independent analysis and judgement relies on material supplied by the subject company and other sources, such as SEC filings believed to be reliable. The analyst that prepared this report cannot guarantee the information contained herein for accuracy or completeness. Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in the future.

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