Alternative Energy Partners, Inc.
Form 10-Q
June 13, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended: **April 30, 2013**

o Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from: _______ to _______

Commission file number: 333-154894

ALTERNATIVE ENERGY PARTNERS, INC.

(Exact name of small business issuer as specified in its charter)

FLORIDA	**26-2862564**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. Number)

301 Yamato Road

Boca Raton, FL 33431

(Address of principal executive offices)

1365 N. Courtenay Parkway, Suite A

Merritt Island, FL 32953

(Former address, if changed since last filing)

(561)-244-2532

(Issuer's telephone number)

Indicate by check mark whether the Company (1) 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 Company was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days:

Yes x No 0

Indicate by check mark whether the Company has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Company was required to submit and post such files).

Yes x No0

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

Large accelerated filer	0	Accelerated filer	0
Non-accelerated filer		Smaller reporting company	x

0

(Do not check if a smaller reporting company)

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

Yes [ ] No [x]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of June 13, 2013, there were 523,137,304 shares of our common stock outstanding.

Alternative Energy Partners, Inc. and Subsidiaries

(A Development Stage Company)

April 30, 2013

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward looking statements that involve risks and uncertainties, principally in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation." All statements other than statements of historical fact contained in this Form 10-Q, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," or "will" or the negative of these terms or other comparable terminology. Although we do not make forward looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors" or elsewhere in this Quarterly Report on Form 10-Q, which may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short term and long term business operations, and financial needs. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q, and in particular, the risks discussed below and those discussed in other documents we file with the United States Securities and Exchange Commission that are incorporated into this Quarterly Report on Form 10-Q by reference. The following discussion should be read in conjunction with our annual report on Form 10-K and our quarterly reports on Form 10-Q incorporated into this Quarterly Report on Form 10-Q by reference, and the consolidated financial statements and notes thereto included in our annual and quarterly reports. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statement.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Quarterly Report on Form 10-Q. Before you invest in our common stock, you should be aware that the occurrence of the events described in the section entitled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our statements to actual results or changed expectations.

In this Quarterly Report on Form 10-Q, references to "we," "our," "us," "Alternative Energy Partners, Inc., "AEGY", "The Company" or the "Company" refer to Alternative Energy Partners, Inc., a Florida corporation.

Item 1. Financial Statements

Alternative Energy Partners, Inc. and Subsidiaries
(A Development Stage Company)
Condensed Consolidated Balance Sheets

	April 30, 2013 (Unaudited)	July 31, 2012
Assets		
Current Assets		
Cash	$ 1,443	$ 199
Deferred loan costs,	-	3,938
Deposits	5,000	-
Total Current Assets	6,443	4,137
Other Assets		
Advances-related party	-	4,500
Note receivable – related party	-	17,347
Goodwill	-	304,129
Total Other Assets	-	325,976
Total Assets	$ 6,443	$ 330,113
Liabilities & Stockholders' (Deficit)		
Current Liabilities		
Accounts payable	220,609	317,390
Accrued liabilities – related party	9,990	-
Accrued interest	24,306	14,259
Judgment payable	12,500	12,500
Convertible notes payable, net of discount of $35,194 and $37,440	106,481	206,839
Convertible notes payable, net of debt discount of $25,833 and $0, related party	167,780	-
Derivative liability	94,717	-
Total Current Liabilities	636,383	550,988
Long-term Liabilities		
Convertible note payable, net of discount of $140,383 and $0 – related party	24,164	-
Note payable	11,754	-
Total Liabilities	35,918	550,988
Stockholder's (Deficit)		
Series "A" preferred, $0.001 par value, 5,000,000 shares authorized 5,000,000 shares issued and outstanding as of April 30, 2013 and July 31, 2012, respectively	5,000	5,000
Common stock; $0.001 par value; 2,500,000,000 shares authorized; 244,957,602 and 176,752,289 shares issued and outstanding as of April 30, 2013 and July 31, 2012, respectively	244,956	176,752
Additional paid in capital	6,873,520	6,722,691

Deficit accumulated during the development stage	(7,789,334)	(7,125,319)
Total stockholders' (deficit)	(665,858)	(220,875)
Total Liabilities and Stockholders' (Deficit)	$ 6,443	$ 330,113

The accompanying footnotes are an integral part of these condensed consolidated financial statements

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Alternative Energy Partners, Inc. and Subsidiaries
(A Development Stage Company)
Condensed Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended April 30,		For the Nine Months Ended April 30,		April 28, 2008 (Inception) to April 30, 2013
	2013	**2012**	**2013**	**2012**	
Revenues	$ 1,112	$ -	$ 3,380	$ -	$ 5,604
General & Administrative					
Consulting fees-related parties	45,000	30,000	160,100	90,000	4,114,831
Impairment loss	-	-	304,129	-	2,478,129
Promotional and marketing	-	-	-	64,155	129,155
Professional fees	2,500	15,000	14,450	29,500	140,296
Salaries and wages	-	-	-	-	57,414
General and administrative	9,194	7,938	52,698	23,132	318,022
Total Operating Expenses	56,694	52,938	531,377	206,787	7,237,847
Net Operating Loss	(55,582)	(52,938)	(527,997)	(206,787)	(7,232,243)
Other Income (Expense)					
Interest and finance expense	(78,055)	(31,405)	(222,414)	(179,247)	(658,654)
Gain (loss) on debt settlement	21,980	-	21,980	-	22,695
Gain (loss) on settlement of derivatives	(18,800)	-	(41,318)	-	(26,865)

Gain (loss) on change in fair value	79,752	-	105,733	-	105,733
Total Other Income (Expense)	4,877	(31,405)	(136,019)	(179,247)	(557,091)
Net loss before income taxes	(50,705)	(84,343)	(664,016)	(386,034)	(7,789,334)
Income tax expense	-	-	-	-	-
Net Loss	$ (50,705)	$ (84,343)	$ (664,016)	$ (386,034)	$ (7,789,334)
Net loss per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	
Weighted average number of shares outstanding during the period - basic and diluted	264,101,797	54,521,527	221,459,193	80,603,239	

The accompanying footnotes are an integral part of these condensed consolidated financial statements

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Alternative Energy Partners, Inc. and Subsidiaries
(A Development Stage Company)
Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended April 30, 2013	For the Nine Months Ended April 30, 2012	April 28, 2008 (Inception) to April 30, 2013
CASH FLOWS USED IN OPERATING ACTIVITIES:			
Net Loss	$(664,016)	$(386,034)	$ (7,789,334)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discounts and financing fees	71,760	184,725	530,055

Impairment of long-lived assets	304,129	-	2,478,129
Shares issued for services	-	-	3,505,131
(Gain) on settlement of liabilities	(21,981)	-	(22,696)
(Gain) loss on change in fair value of derivatives	(105,733)	-	(105,733)
(Gain) loss on settlement of derivatives	41,318	-	26,865
Non-cash expenses – related party	-	-	5,945
(Increase) decrease in operating assets			
Deposits	(5,000)	-	-
Other current assets	2,221	-	-
Increase (decrease) in accrued liabilities			
Accounts payable and accrued expenses	174,486	116,346	707,677
Accrued liabilities – related party	9,990	-	9,990
Accrued interest	16,688	7,126	41,844
Derivative liability	159,132	-	94,717
Net Cash Used in Operating Activities	(17,006)	(77,837)	(517,410)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances to related parties	-	(15,000)	(34,721)
Payments received on notes receivable – related	-	-	12,874
Net Cash Provided by Investing Activities	-	(15,000)	(21,847)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from convertible notes payable	18,250	92,500	426,250
Proceeds from issuance of stock	-	-	114,450
Net Cash Provided by Financing Activities	18,250	92,500	540,700
Net Increase (decrease) in Cash	1,244	(337)	1,443
Cash and cash equivalents, beginning of period	199	337	-
Cash and cash equivalents, end of period	$ 1,443	$ -	$ 1,443
SUPPLEMENTARY CASH FLOW INFORMATION			
Cash paid during the year/period for:			
Income Taxes	$ -	$ -	$ -
Interest	$ -	$ -	$ -
SUPPLEMENTARY CASH FLOW INFORMATION			
Stock issued in connection with acquisitions	$ -	$ -	$ 2,500,629
Conversion of notes payable to stock	$ 34,567	$ 196,542	$ 365,787
Conversion of accrued interest to stock	$ -	$ -	$ 10,897
Accounts payable converted to notes payable	$ 274,547	$ 30,000	$ 454,547

The accompanying footnotes are an integral part of these condensed consolidated financial statements

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Alternative Energy Partners, Inc. (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles accepted in the United States for complete financial statements. The unaudited Condensed Financial Statements for the interim period ended April 30, 2013 include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim period. This includes all normal and recurring adjustments, but does not include all of the information and footnotes required by generally accepted accounting principles (“GAAP”) for complete financial statements. Financial results for the Company can be seasonal in nature. Operating results for the three and nine months ended April 30, 2013 are not necessarily indicative of the results that may be expected for the year ended July 31, 2013. For further information, refer to the Financial Statements and footnotes thereto included in the Company’s Form 10-K for the year ended July 31, 2012 filed with the Commission on December 6, 2012.

The Company has adopted a July 31 year end.

The Company is in the development stage in accordance with Accounting Standards Codification (“ASC”) Topic No. 915.

Note 2 Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Alternative Energy Partners, Inc. (the “Company”) was incorporated in the State of Florida on April 28, 2008.

The Company has been involved in the alternative energy sector. The Company has acquired and is seeking to acquire additional emerging growth companies to meet growing demands worldwide in the alternative energy sector. The Company has had five subsidiaries, Sunarias Corporation ("Sunarias") acquired during the fiscal year ended July 31, 2010; SkyNet Energy Systems, Inc., Shovon, LLC, acquired during the fiscal year ended July 31, 2011; Élan Energy Corp. ("Élan"), incorporated as a wholly-owned subsidiary on September 13, 2010; and Clarrix Energy, LLC., acquired during the fiscal year ended July 31, 2012. During the quarter ended April 30, 2013, the Company determined that all of the subsidiaries should be closed except for Clarrix Energy, LLC.

During the quarter ended January 31, 2013, the Company announced the acquisition of Safford Acquisition 1 Corp., which was to be formed solely for the purpose of acquiring certain mineral rights to 160 acres of land in Safford, Arizona under an acquisition agreement dated October 22, 2012 with Élan Energy & Water, Inc., a former control shareholder of the Company. Subsequently, the Company has rescinded its acquisition agreement due to issues arising during due diligence. In connection with and as contemplated by the agreement, the Company agreed to a 100:1 reverse stock split and an amendment to its articles of incorporation for the purpose of increasing the authorized capital of the Company. As a result of the rescission, the Company has abandoned the reverse split and has amended its Articles of Incorporation to increase the authorized common shares to 2,500,000,000.

The Company previously entered into an agreement to acquire ownership of the operating assets of StarPoint USA, Inc. ("StarPoint"), a U.S. based, vehicle distribution company with a proven track record and that is not exclusive to any specific vehicle brand, which allows it to distribute a number of different automobile and truck brands and models in the U.S. market. That acquisition did not close and, due to the change in the business model and direction of the Company announced in May, 2013, the Board determined not to pursue the acquisition. (See Note 10)

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

Principles of Consolidation

The accompanying consolidated financial statements include Alternative Energy Partners, Inc. and its wholly-owned subsidiary Clarrix Energy, LLC, All intercompany balances and transactions have been eliminated in consolidation.

Risks and Uncertainties

The Company intends to operate in an industry that is subject to rapid technological change. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks associated with a development stage company, including the potential risk of business failure.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A significant estimate in 2012 and 2011 included a 100% valuation allowance for deferred tax assets arising from net operating losses incurred since inception.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ materially from estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of six months or less to be cash equivalents. At April 30, 2013 and July 31, 2012, respectively, the Company had no cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At April 30, 2013 and July 31, 2012, respectively, there were no balances that exceeded the federally insured limit.

Earnings per Share

The Company reports earnings (loss) per share in accordance with ASC Topic 260-10, ″Earnings per Share.″ Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of warrants and debt to purchase common shares would have an anti-dilutive effect. Potential common shares as of April 30, 2013 that have been excluded from the computation of diluted net loss per share amounted to 1,531,959,556 shares which include $521,076 of debt and accrued interest convertible into shares of the Company’s common stock.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

Share Based Payments

The Company accounts for stock-based payments to employees in accordance with ASC 718, "Stock Compensation" ("ASC 718"). Stock-based payments to employees include grants of stock, grants of stock options and issuance of warrants that are recognized in the consolidated statement of operations based on their fair values at the date of grant.

The Company accounts for stock-based payments to non-employees in accordance with Topic 505-50, "Equity-Based Payments to Non-Employees." Stock-based payments to non-employees include grants of stock, grants of stock options and issuances of warrants that are recognized in the consolidated statement of operations based on the value of the vested portion of the award over the requisite service period as measured at its then-current fair value as of each financial reporting date.

The Company calculates the fair value of option grants and warrant issuances utilizing the Black-Scholes pricing model. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. ASC 718 requires forfeitures to be estimated at the time stock options are granted and warrants are issued to employees and non-employees, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock option or warrant. The Company estimates forfeiture rates for all unvested awards when calculating the expense for the period. In estimating the forfeiture rate, the Company monitors both stock option and warrant exercises as well as employee termination patterns.

These standards define a fair-value-based method of accounting for stock-based compensation. In accordance with ASC 718 and 505, the cost of stock-based compensation is measured at the grant date based on the value of the award and is recognized over the vesting period. The value of the stock-based award is determined using the Binomial or Black-Scholes option-pricing models, whereby compensation cost is the excess of the fair value of the award as determined by the pricing model at the grant date or other measurement date over the amount that must be paid to acquire the stock. The resulting amount is charged to expense on the straight-line basis over the period in which the

Company expects to receive the benefit, which is generally the vesting period.

The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight-line basis over the requisite service period of the award.

Long-Lived Assets

The Company accounts for its long-lived assets in accordance with Accounting Standards Codification ("ASC") Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. As of April 30, 2012, the Company determined that the carry amount of its goodwill exceeded it future value and recorded impairment in the amount of $304,129.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

All financial instruments, including derivatives, are to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired.

The carrying amounts of the Company's other short-term financial instruments, including accounts payable and accrued liabilities, approximate fair value due to the relatively short period to maturity for these instruments. The Company does not utilize financial derivatives or other contracts to manage commodity price risks. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The fair value of the Company's financial assets and liabilities reflects the Company's estimate of amounts that it would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from sources independent from the Company) and to minimize the use of unobservable inputs (the Company's

assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

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Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

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Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies.

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Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Derivatives

The Company evaluates embedded conversion features within convertible debt under ASC 815 "*Derivatives and Hedging*" to determine whether the embedded conversion feature should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. The Company uses a binomial pricing model to estimate the fair value of convertible debt conversion features at the end of each applicable reporting period. Changes in the fair value of these derivatives during each reporting period are included in the consolidated statement of operation. Inputs into the Binomial pricing model require estimates, including such items as estimated volatility of the Company's stock, risk-free interest rate and the estimated life of the financial instruments being fair valued. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "*Debt with Conversion and Other Options*" for consideration of any beneficial conversion feature.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

Convertible Debentures

If the conversion features of conventional convertible debt provides for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and the Company amortizes the discount to interest expense or equity (if the debt is due to a related party), over the life of the debt using the effective interest method.

Recent Accounting Pronouncements

In August 2012, the FASB issued ASU 2012-03, "Technical Amendments and Corrections to SEC Sections" ("ASU 2012-03"), which provides amendments to certain paragraphs pursuant to SEC Staff Accounting Bulletin No. 114, technical amendments to SEC Release No. 33-9250 and corrections related to FASB ASU 2010-22. ASU 2012-03 is effective for the Company for annual and interim periods ending October 31, 2012.

In January 2013, the FASB issued ASU 2013-01, " Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"), the amendments clarify that the scope of Update 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The Company has adopted the amendments for its fiscal year beginning after January 1, 2013, and interim periods within those annual periods. The Company does not believe the adoption of ASU 2013-01 will have a material impact on its consolidated financial statements.

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. Where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company's financials properly reflect the change.

Note 3 Going Concern

As reflected in the accompanying financial statements, the Company has a net loss of $664,016 for the nine months ended April 30, 2013; and an accumulated deficit during the development stage of $7,789,334 at April 30, 2013.

These factors, among others, raise doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

In response to these problems, management has taken the following actions:

- The Company is seeking third party debt and/or equity financing;
- The Company is cutting operating costs, and
- As described in Note 6, the Company has been involved in numerous acquisitions with the intent of achieving a level of profitability

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 4 Related Party Transactions

Financing transactions:

During fiscal year ended July 31, 2010, the Company issued two promissory notes to a related party, McDowell, LLC, managed by a former officer and director of the Company, totaling $12,500. Each note bears interest at a rate of 8% per annum and due on demand. On December 3, 2010, the Company received written demand for payment of the notes and upon failure to fulfill the demand, subsequently filed suit for collection of all amounts owed resulting in a judgment being entered in favor of the holder. As of April 30, 2013 and July 31, 2012, the principal balance together with accrued interest totaled $15,675 and $14,661, respectively.

On December 31, 2012, the Company issued a convertible promissory note representing accrued liabilities in the amount of $164,547 to a former consultant to the Company for services rendered. The Company's former controlling shareholder, Novation Holdings, Inc. ("Novation") subsequently acquired the note as part of an unrelated transaction. The convertible note bears interest at a rate of 5% per annum, matures on December 31, 2014 and is convertible at a rate of $0.0005 per share. Subsequent to April 30, 2013, Novation transferred the note to an unrelated third party. As of April 30, 2013 and July 31, 2012, the principal balance together with accrued interest totaled $166,978 and $0, respectively.

Consulting agreements:

In August, 2010, the Company entered into a consulting agreement with CFOs to Go, Inc., an unrelated party, for financial, accounting, compliance and other support services at a monthly fee of $10,000. Additionally, pursuant to the terms of the agreement, the Company was afforded use of office equipment, software, servers, and office personnel of the consultant, as well as use of the consultant's offices as its mailing address. That agreement was terminated by the parties effective December 31, 2012. On January 1, 2013, the Company entered into a Consulting Agreement with Novation Services, Inc., for financial, accounting, compliance and other support services. Additionally, pursuant to the terms of the agreement, the Company was afforded use of office equipment, software, servers, and office personnel of the consultant, as well as use of the consultant's offices as its mailing address. Novation Services, Inc. is a wholly-owned subsidiary of Novation, the Company's former majority shareholder through May 5, 2013, when Novation sold its voting interest to iEquity Corp. and the Company relocated its principal offices to Boca Raton, Florida. The Company recorded consulting expenses totaling $10,000 per month, or a total of $90,000 in each of the nine month periods ended April 30, 2013 and 2012, respectively, in connection with these two consulting agreements.

Note 5 Notes Payable

Notes payable and convertible notes payable consisted of the following as of:

		April 30, 2013	July 31, 2012
Asher Enterprises, Inc. [1]			
	Convertible promissory note dated February 7, 2012, bearing interest at a rate of 8% per annum, maturing May 9, 2013, convertible at a 55% discount to the average of the three lowest ten-day trading prices at date of conversion.	$ 16,800	$ 32,500
	Convertible promissory note dated March 8, 2012, bearing interest at a rate of 8% per annum, maturing September 12, 2013 convertible at a 55% discount to the average of the three lowest ten-day trading prices at date of conversion.	48,750	32,500
	Convertible promissory note dated April 26, 2012, bearing interest at a rate of 8% per annum, maturing October 26, 2013 convertible at a 55% discount to the average of the three lowest ten-day trading prices at date of conversion.	48,750	32,500
	Convertible promissory note dated November 14, 2012, bearing interest at a rate of 8% per annum, maturing August 14, 2013 convertible at a 55% discount to the average of the three lowest ten-day trading prices at date of conversion.	27,375	-
Principal balance due Asher Enterprises, Inc.		**141,675**	**97,500**

Note 5 Notes Payable (continued)

		April 30, 2013		July 31, 2012
Less: Discount related to beneficial conversion features		(35,194)		-
Total balance due net of discounts	**$**	**106,480**	**$**	**97,500**
Notes payable and other liabilities, related and other parties:(2)				
Indian River Financial Services, LLC(3)				
Convertible promissory note dated January 22, 2013, bearing interest at a rate of 8% per annum, maturing January 31, 2014 and convertible at a rate of $0.0005 per share.	$	161,250	$	-
CF Consulting, LLC				
Convertible promissory note dated December 10, 2012, bearing interest at a rate of 8% per annum, maturing December 31, 2013 and convertible at a rate of $0.0005 per share.		32,363		-
Novation Holdings, Inc. – related party(4)				
Convertible promissory note dated December 31, 2012, bearing interest at a rate of 5% per annum, maturing December 31, 2014 and convertible at a rate of $0.0005 per share.		164,547		-
McDowell, LLC – former related party				
Judgment payable dated July 2010, bearing interest at a rate of 8% per annum and currently in default		12,500		12,500
Principal balance due to related and other parties:		**370,660**		**12,500**
Less: Discount related to beneficial conversion features		(166,216)		-
Total balance due net of discounts	**$**	**204,444**	**$**	**12,500**
Other notes payable		-		113,500
Lin-Han Century Corp.				
Note payable bearing interest at a rate of 5% per annum and maturing December 31, 2014		11,754		30,000
Principal balance due on notes payable		**-**		**143,500**
Less: Discount related to beneficial conversion features		-		34,161
Total balance due net of discounts	**$**	**11,754**	**$**	**109,339**
Total balance due net of discounts on convertible debt		**322,679**		**219,339**

Less long term debt		(35,918)		-
Total short term debt	**$**	**286,761**	**$**	**219,339**

(1)

During the nine months ended April 30, 2013, Asher Enterprises Inc. converted a total of $21,400 of principal into 81,871,980 shares of common stock. Although the first Asher Enterprises note matured May 9, 2013 and is now in default, Asher continues to convert the principal and accrued interest

(2)

During the nine months ended April 30, 2013, related and other parties converted a total of $13,167 of principal into 26,333,333 shares of common stock.

(3)

In May 2013, the note was sold to an unrelated party

(4)

In May 2013, Novation sold its controlling interest in the Company and is no longer an affiliate or related party. Novation also transferred the note to an unrelated party as consideration for an acquisition, and no longer has any interest in the note.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 6 Derivative Liabilities

The Company has various convertible instruments outstanding more fully described in Note 8. Because the number of shares to be issued upon settlement cannot be determined under these instruments, the Company cannot determine whether it will have sufficient authorized shares at a given date to settle any other of its share-settleable instruments. As a result, under ASC 815-15 "*Derivatives and Hedging*", all other share-settleable instruments must be classified as liabilities.

Embedded Derivative Liabilities in Convertible Notes

During the quarter ended April 30, 2013, the Company recognized new derivative liabilities of $90,143 as a result of convertible debt instruments having embedded conversion options.

As a result of conversion of notes payable described in Note 8, the Company recognized a loss of $18,800 on the settlement of derivatives liabilities and a gain on the change in fair value of $79,818.

As of April 30, 2013 and July 31, 2012, the fair value of the Company's derivative liabilities totaled $94,717 and $0.

Note 7 Acquisitions

On October 22, 2012, the Company entered into an Acquisition Agreement with its former majority shareholder, to acquire Safford Acquisition I, Corp., an Arizona corporation ("SAC"), in exchange for 100,000,000 shares of post-reverse split common stock. Although the transaction nominally closed in December 2012 and was announced at that time, the Company subsequently learned that Safford Acquisition 1 Corp. was not successfully formed, and in any event the share consideration for the acquisition has not yet been issued, pending the completion of the reverse split and the increase in the number of authorized common shares. The Board of Directors and majority shareholder approved a 1:100 reverse split of the common stock of the Company and an amendment to its Articles of Incorporation to increase the number of authorized shares of common stock to 600 million.

Due to confusion over the status of the transaction, the recently discovered fact that Safford Acquisition 1 Corp. had not been correctly formed, and the fact that the acquisition shares have not yet been issued, and the reverse split of the common stock has been delayed indefinitely by the Financial Industry Regulatory Association (FINRA) until a chill on the electronic trading of the shares imposed by the Depository Trust Company (DTC) has been lifted, the Board of Directors has concluded that the acquisition should not be completed.

The Company also entered into an agreement to acquire ownership of the operating assets of StarPoint USA, Inc. ("StarPoint"), a U.S. based vehicle distribution company that has a proven track record and that is not exclusive to any specific vehicle brand, which allows it to distribute a number of different automobile and truck brands and models in the U.S. market. That acquisition did not close and, due to the change in the business model and direction of the

Company announced in May, 2013, the Board determined not to pursue the acquisition.

Note 8 Stockholders' Equity (Deficit)

During the three months ended April 30, 2013, the Company converted $34,567 in notes into 108,205,313 shares of common stock.

In April 2013, Élan Energy and Water retired 40,000,000 common shares and will be reissued these shares when the next amendment is completed.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

April 30, 2013

(Unaudited)

Note 9 Subsequent Events

In May, 2013, the Company agreed to acquire the PharmaJanes™ marketing operation from iEquity Corp. and will be changing its business model to focus purely in the medical marijuana marketing space. AEGY will be changing its name to PharmaJanes, Inc and will no longer move forward with the previously announced 1:100 reverse split.

PharmaJanes™ is currently developing a web and phone application that allows individuals to place orders for medical marijuana through a website and smart phone application anywhere such a transaction is legal in the United States. The purpose of PharmaJanes™ is to give patients a simple ordering platform, while allowing local collectives to service the orders in compliance with state and local laws and ordinances. PharmaJanes™ will act solely as an expediter and processor of the orders, and the fulfillment function will be done entirely within the particular state of residence of the purchaser, by licensed collectives or other licensed medical marijuana providers in that state

PharmaJanes™ currently has over $5M in annual marketing contracts in place for this service and will be the exclusive point-of sale for the collectives under contract. The Company also has signed an agreement with SK3 Group, Inc. to become the exclusive on-line and smart phone ordering platform for Collectives managed through the SK3 Group system. Members of the Collectives managed by SK3 Group will soon be able to order their medical cannabis needs through PharmaJanes™.

The Company has signed a definitive agreement in May 2013 to acquire the Simple Prepay™ merchant payment solution from iEquity Corp. The Simple Prepay™ system was developed to offer dispensaries, collectives, and delivery services of medical cannabis a convenient payment solution. Medical marijuana patients will be able to upload funds onto their Simple Prepay™ account via a smart phone application or via a website, allowing them to purchase their medical cannabis needs with privacy and simplicity.

Combined with the PharmaJanes™ on-line and smart phone ordering platform, medical marijuana patients will be able to order, process and pay for their authorized needs, in a simple, safe and secure ordering and payment interface. Local licensed collectives or other licensed medical marijuana providers in the home state of the end user, will then fulfill the orders provided through this new system, in full compliance with state and local laws and ordinances. The Company itself will act solely as a background ordering and payment service, and will not be cultivating, shipping, delivering, or otherwise handling the medical mariju8ana, all of which will be handled directly by collectives or other providers licensed and authorized in the state in which the delivery is both authorized and completed

PharmaJanes™ will act solely as an expediter and processor of the authorized orders, and Simple Prepay™ will provide the secure payment platform, while the actual fulfillment function will be done entirely within the particular state of residence of the purchaser, by a locally licensed and regulated independent medical marijuana provider.

In accordance with ASC 855, management evaluated all activity of the Company through the date of filing, (the issue date of the financial statements) and concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

Subsequent to the quarter ending April 30, 2013, the Company converted notes payable principal of $72,285 into 278,179,702 common shares. As of June 14, 2013, there were 523,137,304 shares of our common stock outstanding.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion includes certain forward-looking statements within the meaning of the safe harbor protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that include words such as "believe," "expect," "should," "intend," "may," "anticipate," "l "contingent," "could," "may," or other future-oriented statements, are forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding our business plans, strategies and objectives, and, in particular, statements referring to our expectations regarding our ability to continue as a going concern, generate increased market awareness of, and demand for, our current products, realize profitability and positive cash flow, and timely obtain required financing. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from anticipated results. The forward-looking statements are based on our current expectations and what we believe are reasonable assumptions given our knowledge of the markets; however, our actual performance, results and achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Factors within and beyond our control that could cause or contribute to such differences include, among others, our critical capital raising efforts in an uncertain and volatile economical environment, our ability to maintain relationship with strategic companies, our cash preservation and cost containment efforts, our ability to retain key management personnel, our relative inexperience with advertising, our competition and the potential impact of technological advancements thereon, the impact of changing economic, political, and geo-political environments on our business, as well as those factors discussed elsewhere in this Form 10-Q and in "Item 1 - Our Business," "Item 7 - Management's Discussion and Analysis," and elsewhere in our most recent Form 10-K, filed with the United States Securities and Exchange Commission.

Readers are urged to carefully review and consider the various disclosures made by us in this report and those detailed from time to time in our reports and filings with the United States Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that are likely to affect our business.

Our Business

Alternative Energy Partners, Inc. (the "Company" or "AEGY") was organized under the laws of the State of Florida on April 28, 2008. We formed our company for the purpose of establishing renewable fuel sources initially within the State of Florida. Ethanol was our initial intended product and we intend to establish other alternative energy products and services including, but not limited to, solar-thermal energy production, energy management controls, and more. Our intended original products, while not technically difficult to produce, must meet all regulatory requirements prior to being marketed. Moreover, there are a multitude of competitive products already in the market place. Due to the competitive nature of the market and our continuing capital requirements, we expanded our initial plan to include solar and thermal projects, with the acquisition of Sunarias Corporation on May 18, 2010 and Shovon, LLC on July 9, 2010. During the year ended July 31, 2012 and to date, we continued our business development activities with the acquisition of Clarrix Energy, LLC. Due to limited working capital, we have been unable to implement the planned activities or Shovon and Sunarias, and have decided to close those operations in order to concentrate our efforts and limited funds on Clarrix and the new acquisitions we have planned.

Current Business of the Company

We are a holding company engaged through our subsidiary, Clarrix Energy, LLC, in the business of energy production and management. Our business model of vertical integration recognizes that customers have unique energy needs, and by offering an array of energy services we believe we can best provide customized, efficient energy solutions that will appeal to our markets. We believe our intended products and services could represent an important alternative for customers looking to lower their overhead costs or improve public image through efficient energy usage.

In May, 2013, the Company agreed to acquire the PharmaJanes™ marketing operation from iEquity Corp. and will be changing its business model to focus purely in the medical marijuana marketing space. AEGY will be changing its name to PharmaJanes, Inc and will no longer move forward with the previously announced 1:100 reverse split.

PharmaJanes™ is currently developing a web and phone application that allows individuals to place orders for medical marijuana through a website and smart phone application anywhere such a transaction is legal in the United

States. The purpose of PharmaJanes™ is to give patients a simple ordering platform, while allowing local collectives to service the orders in compliance with state and local laws and ordinances. PharmaJanes™ will act solely as an expediter and processor of the orders, and the fulfillment function will be done entirely within the particular state of residence of the purchaser, by licensed collectives or other licensed medical marijuana providers in that state

PharmaJanes™ currently has over $5M in annual marketing contracts in place for this service and will be the exclusive point-of sale for the collectives under contract. The Company also has signed an agreement with SK3 Group, Inc. to become the exclusive on-line and smart phone ordering platform for Collectives managed through the SK3 Group system. Members of the Collectives managed by SK3 Group will soon be able to order their medical cannabis needs through PharmaJanes™.

The Company has signed a definitive agreement in May 2013 to acquire the Simple Prepay™ merchant payment solution from iEquity Corp. The Simple Prepay™ system was developed to offer dispensaries, collectives, and delivery services of medical cannabis a convenient payment solution. Medical marijuana patients will be able to upload funds onto their Simple Prepay™ account via a smart phone application or via a website, allowing them to purchase their medical cannabis needs with privacy and simplicity.

Combined with the PharmaJanes™ on-line and smart phone ordering platform, medical marijuana patients will be able to order, process and pay for their authorized needs, in a simple, safe and secure ordering and payment interface. Local licensed collectives or other licensed medical marijuana providers in the home state of the end user, will then fulfill the orders provided through this new system, in full compliance with state and local laws and ordinances. The Company itself will act solely as a background ordering and payment service, and will not be cultivating, shipping, delivering, or otherwise handling the medical mariju8ana, all of which will be handled directly by collectives or other providers licensed and authorized in the state in which the delivery is both authorized and completed

PharmaJanes™ will act solely as an expediter and processor of the authorized orders, and Simple Prepay™ will provide the secure payment platform, while the actual fulfillment function will be done entirely within the particular

CLARRIX ENERGY, LLC

The company focuses on a creative online strategy to attract and manage clients. Management is developing a sales force in all areas their supply agreements allow. Management plans to technology and state-of-the-art web and social networking strategies to maximize lead generation and minimize advertising costs. The Company acquired Clarrix Energy, LLC from its sole member, Élan Energy & Water, Inc., for a total of forty million (40,000,000) common shares and 5,000,000 Series A Convertible Preferred Shares of the Company. The acquisition closed on May 30, 2012. The Series A Convertible Preferred Stock is a voting stock which votes on a par with the common shares except that the Series A Preferred always has a vote equal to 51 percent of the total votes eligible to vote on any matter, and is convertible at the election of the holder into 51% of the resulting common shares outstanding at the time of the election to convert. Élan Energy subsequently conveyed the preferred stock to its shareholders and liquidated.

Clarrix Energy, LLC provides consultative and brokerage services to business of all sizes. The objective of these services is to decrease utility costs in as many ways as possible for every client. The company currently has agreements with energy suppliers in several states, and is in pursuit of additional supply partners. Clarrix Energy was founded in 2011 by a management team composed of a diverse group of highly skilled executives with broad base of skills medicine, finance, web development, and retail. The company's initial source of revenue is from commissions generated by saving businesses from 1 to 25% on their utility bills. Management will be diligently searching for products and services for clients, including solar, surge protection, lighting and more.

The deregulation of energy by the federal government has created multiple opportunities in the energy sector. Multiple states allow businesses and consumers to select the supplier of their commodity (gas or electricity). This, of course, is intended to give business the opportunity to save on their utility costs.

Employees

Mario Barrera currently is our Chairman, President and CEO and sole officer. He is not an employee of the company and is not paid as an employee. Our former sole officer and director, Michael Gelmon, resigned in May, 2013 when Novation Holdings, Inc. conveyed its control position to unrelated third parties. He was also not an employee of the Company and was not paid as an employee. Currently, we have no paid employees, full or part-time, and rely on paid consultants to provide necessary services.

Acquisitions

During the quarter ended January 31, 2013, the Company announced the acquisition of Safford Acquisition 1 Corp. , which was to be formed solely for the purpose of acquiring certain mineral rights to 160 acres of land in Safford, Arizona under an acquisition agreement dated October 22, 2012 with Élan Energy & Water, Inc., a former control shareholder of the Company. Under the terms of the acquisition agreement, Élan Energy was to form Safford Acquisition, acquire the mineral rights in question in Safford Acquisition 1, and then transfer the ownership of Safford Acquisition 1 to the Company, in exchange for shares of common stock of the Company, to be issued following a reverse split of the common stock and an amendment to the articles of incorporation to increase the number of authorized shares of common stock.

On March 7, 2013, the Board of Directors of the Company and its control shareholder approved the 1:100 reverse split of the common stock and the amendment to increase the shares authorized to 500 million shares. That action was expected to become effective 20 days after the mailing of an Information Statement to all shareholders of record

on March 7, 2013, which mailing was anticipated to occur on or about March 19, 2013. Due to confusion over the status of the transaction, the recently discovered fact that Safford Acquisition 1 Corp. had not been correctly formed, and the fact that the acquisition shares have not yet been issued, the Company and the reverse split of the common stock has been delayed indefinitely by the Financial Industry Regulatory Association (FINRA) until a chill on the electronic trading of the shares imposed by the Depository Trust Company (DTC) has been lifted, the Board of Directors has concluded that the acquisition should not be completed.

The Company also entered into an agreement to acquire ownership of the operating assets of StarPoint USA, Inc. (“StarPoint”), a U.S. based vehicle distribution company that has a proven track record and that is not exclusive to any specific vehicle brand, which allows it to distribute a number of different automobile and truck brands and models in the U.S. market. That acquisition did not close and, due to the change in the business model and direction of the Company announced in May, 2013, the Board determined not to pursue the acquisition. Note 10

As noted above, we are changing our business plan and will be acting as a service provider for authorized users of medical marijuana products.

Results of Operations for the Three Months Ended April 30, 2013 and 2012.

For the three months ended April 30, 2013 and 2012, the Company had revenues of $1,112 and $0 respectfully. Since inception, the Company has earned $5,604 in revenues and has incurred cumulative net losses of $7,789,334. For the three months ended April 30, 2013 and 2012, we incurred operating expenses of $56,694 and $52,938, respectively, and we had net losses of $50,705 and $84,343, respectively. Our activities have been attributed primarily to start up and business development.

Results of Operations for the Nine Months Ended April 30, 2013 and 2012.

For the nine months ended April 30, 2013 and 2012, the Company had revenues of $3,380 and $0 respectfully. Since inception, the Company has earned $5,604 in revenues and has incurred cumulative net losses of $7,789,334. For the nine months ended April 30, 2013 and 2012, the Company had net losses of $664,016 and $386,034, respectively. Our activities have been attributed primarily to start up and business development.

For the nine months ended April 30, 2013 and 2012, we incurred operating expenses of $531,337 and $206,787, respectively. The increases relate primarily to consulting fees and an impairment loss due to the write-off of goodwill.

Liquidity and Capital Resources

As shown in the accompanying financial statements, for the nine months ended April 30, 2013 and 2012 and since April 28, 2008 (date of inception) through April 30, 2013, the Company has had net losses of $664,016, $386,034 and $7,789,334, respectively. As of April 30, 2013, the Company had not emerged from the development stage. In

view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to begin operations and to achieve a level of profitability. Since inception, the Company has financed its activities principally from the sale of public equity securities. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources.

We have incurred significant net losses and negative cash flows from operations since our inception. As of April 30, 2013, we had an accumulated deficit of $7,789,334 and a working capital deficit of $629,940.

We anticipate that cash used in product development and operations, especially in the marketing, production and sale of our products, will increase significantly in the future.

If we are unable to secure additional financing to cover our operating losses until breakeven operations can be achieved, there is no assurance that we will be able to continue as a going concern.

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We believe that the following critical policies affect our more significant judgments and estimates used in preparation of our financial statements.

The Company has incurred deferred offering costs in connection with raising additional capital through the sale of its common stock. These costs are capitalized and charged against additional paid-in capital when common stock is issued. If there is no issuance of common stock, the costs incurred are charged to operations.

Research and development costs are charged to operations when incurred and are included in operating expenses.

Contractual Obligations

The Company has had consulting agreements with companies for various advisement services. Crystal Falls Investments, LLC provided acquisition and related services under an agreement calling for payment of $10,000 per month for a 24 month period ended September 30, 2012. Prior to December 10, 2012, the Company had issued a total of six convertible promissory notes totaling $206,780 in principal amount, to Crystal Falls Investments, LLC, in return for conversion of accounts payable for services rendered by Crystal Falls under the consulting agreement, and for cash investments in the Company. By an Assignment and Modification Agreement dated December 10, 2012, Crystal Falls assigned all of the remaining notes to CF Consulting, LLC, an unrelated party, in the amount of $39,030 in principal, and to Indian River Financial Services, LLC, also an unrelated party, in the principal amount of $167,750, in payment of unrelated debts owed to them by Crystal Falls. As part of the assignment, the parties agreed to modify the conversion terms to a fixed conversion rate of $0.005 per share, the market price at the time of the re-statement of the notes. Accordingly, no debt discount has been calculated for these notes. In addition, the maturity date was extended to December 31, 2013.

The Company entered into a consulting agreement with Lin-Han Equity Corp. to provide services and assistance in locating, identifying and assisting with due diligence in strategic acquisitions, as well as for the introduction of potential investor sources. The consulting agreement was executed on May 1, 2011 and called for a fixed monthly fee of $15,000 commencing May 1, 2011 for a period of one year. A total of $45,000 was charged as expenses related to this agreement for the six months ended October 31, 2011, and a total of $45,000 in fees owed was included in accounts payable. Lin-Han Equity Corp. is not a shareholder or affiliate of the Company. On December 1, 2011, a total of $30,000 in accrued payable amounts under this agreement was converted into a convertible promissory note due in two years. The consulting agreement was terminated by mutual agreement in December 2011. On November 1, 2012, the Company consolidated the existing $30,000 promissory note payable to Lin-Han Century Corp. with several other obligations, and reissued a new note for $11,754 including interest accrued on the old note of $1,381, with no beneficial conversion features. The new note is due December 31, 2014.

We also entered into a consulting agreement effective August 1, 2010 with CFOs to Go, Inc., a financial and legal consulting firm, to provide financial, accounting, legal, and administrative, HR, supply chain management, corporate governance, SEC compliance and similar services to the Company for a monthly fee of $10,000. CFOs to Go also provided contract principal accounting officer and corporate counsel services to the Company under its agreement and also provided telephone, office address, access to software and servers owned by CFOs to Go, and related office support. We maintained our corporate offices at the Florida offices of CFOs to Go under this arrangement. As of December 10, 2012, a total of $164,547 had accrued as consulting fees under this agreement. By agreement dated December 31, 2012, Novation Holdings, Inc., the former controlling parent of the Company, acquired a portion of the administration, financial and legal consulting business formerly operated by CFOs to Go, Inc., so that Novation could thereafter manage and control its own administrative, financial and legal consulting business, and provide similar services to other companies. As part of that agreement, to which the Company was not a party, Novation acquired certain outstanding receivables of CFOs owed by certain of its clients, including the Company, which owed CFOs to Go a total of $164,547. The payable amount was then converted to a promissory note in the same principal amount dated December 31, 2012, payable at 5 percent interest at maturity on December 31, 2104 and convertible at $0.0005 per share, the market price at the time. The previous consulting agreement with CFOs to Go, Inc. also was cancelled effective December 31, 2012 and replaced by a consulting agreement with Novation Services, Inc., which remains in effect.

In May 2013, Novation Holdings, Inc. sold its controlling interest in the Company to iEquity Corp., an unrelated party, and we re-located out offices to Boca Raton, Florida. The consulting agreement with Novation Services, Inc. remains in effect.

Recent Accounting Pronouncements

In August 2012, the FASB issued ASU 2012-03, "Technical Amendments and Corrections to SEC Sections" ("ASU 2012-03"), which provides amendments to certain paragraphs pursuant to SEC Staff Accounting Bulletin No. 114, technical amendments to SEC Release No. 33-9250 and corrections related to FASB ASU 2010-22. ASU 2012-03 is effective for the Company for annual and interim periods ending October 31, 2012.

In January 2013, the FASB issued ASU 2013-01, " Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"), the amendments clarify that the scope of Update 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The Company has adopted the amendments for its fiscal year beginning after January 1, 2013, and interim periods within those annual periods. The Company does not believe the adoption of ASU 2013-01 will have a material impact on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls also are designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our chief executive officer, who is also our acting chief financial officer, included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Quarterly Report. Our management, including our chief executive officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control

system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on his review and evaluation as of the end of the period covered by this Form 10-Q, and subject to the inherent limitations all as described above, our chief executive officer, who is also our acting chief financial officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) contain material weaknesses and are not effective.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The material weaknesses we have identified are the direct result of a lack of adequate staffing in our accounting department. Currently, our chief executive officer and an outsourced controller have sole responsibility for receipts and disbursements. We do not employ any other parties to prepare the periodic financial statements and public filings. Reliance on these limited resources impairs our ability to provide for a proper segregation of duties and the ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures. As we grow, and as resources permit, we project that we will hire such additional competent financial personnel to assist in the segregation of duties with respect to financial reporting, and Sarbanes-Oxley Section 404 compliance.

Changes in Internal Control Over Financial Reporting

The Company has not made any changes in its internal control over financial reporting during the quarter ended April 30, 2013.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor any of our officers or directors are involved in any other litigation either as plaintiffs or defendants and we have no knowledge of any other threatened or pending litigation against us or any of our officers or directors.

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

During the three months ended April 30, 2013, we issued 108,205,313 common shares resulting from conversions of outstanding notes resulting in total shares outstanding at April 30, 2013 of 244,957,602 shares.

Item 3. Defaults Upon Senior Securities

There were no defaults on any debt or senior securities outstanding.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of our shareholders during the quarter ended April 30, 2013.

Item 5. Other Information.

Item 6. Exhibits

Exhibit No.	**Description of Exhibit**
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of principal accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification of Chief Executive Officer pursuant to Section 906
32.2	Certification of principal accounting officer pursuant to Section 906

SIGNATURES

In accordance with the requirements of the Exchange Act, the Company caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Alternative Energy Partners, Inc.

Date: June 13, 2013

/s/ Mario Barrera

Mario Barrera

President

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