Alternative Energy Partners, Inc.
Form 10-Q
December 20, 2012

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: **October 31, 2012**

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)

1365 N. Courtenay Parkway, Suite A

Merritt Island, FL 32953

(Address of principal executive offices)

321-452-9091

(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 December 17, 2012, there were 209,619,640 shares of our common stock outstanding.

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Alternative Energy Partners, Inc. and Subsidiaries

(A Development Stage Company)

October 31, 2012

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PART II. OTHER INFORMATION

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.

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Item 1. Financial Statements

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

(Unaudited)

	October 31, 2012 (Unaudited)	July 31, 2012 (Audited)
Assets		
Current Assets		
Cash	$ 480	$ 199
Deferred loan costs, net of accumulated amortization of $25,259 and $22,612	1,291	3,938
Total Current Assets	1,771	4,137
Other Assets		
Advances-related party	5,100	4,500
Related party receivable-HOTI	17,347	17,347
Goodwill	304,129	304,129
Total Other Assets	326,576	325,976
Total Assets	$ 328,347	$ 330,113
Liabilities & Stockholders' Equity		
Current Liabilities		
Accounts payable	375,449	310,068
Payroll liabilities	7,322	7,322
Loans payable	12,500	12,500
Notes payable-current, net of debt discount of $63,733 and $26,991	144,847	189,789
Accrued interest	17,581	14,259
Derivative liability	115,475	--
Total Current Liabilities	673,174	533,938
Long-term Liabilities		
Notes payable-long-term, net of debt discount of $5,639 and $10,450	21,861	17,050
Total Liabilities	695,035	550,988
Stockholder's Equity (Deficit)		
Common Stock, $0.001 par value, 250,000,000 shares authorized 209,619,640 and 176,752,289 shares issued and outstanding	209,619	176,752
Preferred stock, $0.001 par value, 5,000,000 shares authorized and outstanding	5,000	5,000
Additional paid in capital	6,705,510	6,722,691
Deficit accumulated during the development stage	(7,286,817)	(7,125,318)
Total Equity	(366,688)	(220,875)
Total Liabilities and Stockholders' Equity	$ 328,347	$ 330,113

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

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

(Unaudited)

	For the Three Months Ended October 31, 2012	For the Three Months Ended October 31, 2011	For the Period from April 28, 2008 (Inception) to October 31, 2012
Revenues	$ 1,477	$ -	$ 3,701
Cost of Sales	-	-	-
Gross Margin	1,477	-	3,701
General & Administrative			
Consulting fees-related parties	65,000	30,000	4,019,731
Impairment loss	-	-	2,174,000
Administrative fees	-	-	130,000
Marketing	-	45,000	129,155
Professional fees	-	-	125,846
Salaries and wages	-	-	57,414
Rent	-	-	9,000
Other general and administrative	3,625	8,252	129,949
Gain on extinguishment of liabilities	-	-	(715)
Total Expenses	68,625	83,252	6,774,380
Net loss before other income (expense)	(67,148)	(83,252)	(6,770,679)
Interest expense	(65,773)	(45,679)	(502,013)
Gain (loss) on derivatives	(28,578)	-	(14,125)
Net loss before income taxes	(161,499)	(128,931)	(7,286,817)
Income tax expense	-	-	-
Net Loss	$ (161,499)	$ (128,931)	$ (7,286,817)
Net loss per share - basic and diluted	$ (0.00)	$ (0.01)	

Weighted average number of shares outstanding during the period - basic and diluted	180,506,688	9,853,078

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

Alternative Energy Partners, Inc. and Subsidiaries
(A Development Stage Company)
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
For the period from April 28, 2008 (Inception) to October 31, 2012

	Common Stock $0.0001 Par Value		**Preferred Stock $0.0001 Par Value**		**Additional Paid In Capital**	**Deferred Equity**	**Deficit Accumulated During the Development Stage**	**T Stock E**
	Shares	**Amount**	**Shares**	**Amount**				
Balance - April 28, 2008	-	$ -	-	$ -	-	-	$ -	$
Proceeds from the issuance of common stock - founders - ($0.00004/share)	5,280,000	5,280	-	-	(3,080)	-	-	
Proceeds from the issuance of common stock ($1.04/share)	6,240	6	-	-	6,494	-	-	
Net loss for the period from April 28,2008 (inception) to July 31, 2008	-	-	-	-	-	-	(3,000)	
Balance - July 31, 2008	5,286,240	5,286	-	-	3,414	-	(3,000)	

Stock issued for services ($0.06/share)	24,000	24	-	-	1,476	-	-
Proceeds from the issuance of common stock ($1.04/share)	5,520	6	-	-	5,744	-	-
Proceeds from the issuance of common stock ($2.08/share)	48,000	48	-	-	99,952	-	-
Net loss for the year ended July 31, 2009	-	-	-	-	-	-	(52,814)
Balance - July 31, 2009	5,363,760	5,364	-	-	110,586	-	(55,814)
Cancellation of common stock	(1,800,000)	(1,800)	-	-	1,800	-	-
Expenses paid by Shareholders	-	-	-	-	5,945	-	-
Proceeds from the issuance of common stock ($0.24/share)-Sunarias	400,000	400	-	-	97,100	-	-
Proceeds from the issuance of common stock ($0.001/share)-Shovan	1,500,000	1,500	-	-	375	-	-

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

Stock issued for services ($0.001/share)	104,656	105	-	-	26	-	-	
Net loss for the year ended July 31, 2010	-	-	-	-	-	-	(111,107)	(1
Balance - July 31, 2010	5,568,416	5,569	-	-	215,832	-	(166,921)	
	330,000	330	-	-	1,484,670	-	-	1,4

Stock issued for services ($4.5/share)								
Stock issued for services ($4.5/share)	222,220	222	-	-	999,778	(1,000,000)	-	
Common stock related to RLP Mechanical Contractors, Inc.	1,120,000	1,120	-	-	(1,120)	-	-	
Proceeds from the issuance of common stock ($3.50/share)-SkyNet Energy Inc.	600,000	600	-	-	2,099,400	-	-	2,
Stock issued for services ($1.17/share)	600,000	600	-	-	702,900	-	-	7
Stock issued for services ($0.63/share)	500,000	500	-	-	314,500		-	3
Issuance of notes payable with beneficial conversion feature	-	-	-	-	294,925	-	-	2
Common stock related to Xnergy, Inc.	2,000,000	2,000	-	-	(2,000)	-	-	
Common stock from conversion of notes ($0.12/share)	867,020	867	-	-	103,152	-	-	
Common stock from conversion of notes ($0.12/share)	446,429	447	-	-	9,554	-	-	
Common stock from conversion of notes ($0.0172/share)	581,395	581	-	-	9,419	-	-	
Consulting fees	-	-	-	-	-	1,000,000	-	1,
Net loss for the year ended July 31, 2011	-	-	-	-	-	-	(6,164,097)	(6,1
Balance - July 31, 2011	12,835,480	$ 12,836	-	$ -	$ 6,231,010	$ -	$ (6,331,018)	$ (

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

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Common stock from conversion of notes ($0.01048-$0.013/share)	123,727,089	123,727	-	-	94,371	-	
Issuance of stock for Clarrix acquisition	40,000,000	40,000	5,000,000	5,000	256,254	-	
Issuance of notes payable with beneficial conversion feature	-	-	-	-	141,245	-	
Common stock issued to HOTI to maintain proper ownership	189,720	189	-	-	(189)	-	
Net loss for the year ended July 31, 2012		-		-	-	-	(794,30
Balance - July 31, 2012	176,752,289	$176,752	5,000,000	$ 5,000	$ 6,722,691	$ -	$ (7,125,31
Common stock from conversion of notes ($0.00018-$0.00032/share)	32,867,351	32,867	-	-	(24,667)	-	
Issuance of notes payable with beneficial conversion feature	-	-	-	-	(3,117)	-	
Settlement of derivative liabilities on conversion of notes payable	-	-	-	-	10,603	-	
Net loss for the three months ended October 31, 2012		-		-	-	-	(161,49
Balance - October 31, 2012 (unaudited)	**209,619,640**	**$209,619**	**5,000,000**	**$ 5,000**	**$ 6,705,510**	**$ -**	**$ (7,286,81**

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

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

(Unaudited)

	For the Three Months Ended October 31, 2012		For the Three Months Ended October 31, 2011		For the Period from April 28, 2008 (Inception) to October 31, 2012	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net Loss	$	(161,499)	$	(128,931)	$	(7,286,817)
Adjustments to reconcile net loss to net cash						
Provided by (used in) operating activities:						
Amortization		65,099		50,445		523,394
Gain on extinguishment of debt		-		-		(715)
Impairment loss		-		-		2,174,000
Stock issued for services		-		-		3,505,131
Services paid by shareholder		-		-		5,945
(Gain) loss on derivatives		28,578		-		14,125
Increase in deferred loan costs		-		-		(26,550)
Increase in accounts payable		65,381		76,680		556,164

Increase in accrued liabilities		-		-		7,322
Increase in accrued interest		3,322		1,445		28,478
Net Cash Provided by (Used in) Operating Activities		881		(361)		(499,523)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Advances to related parties		(600)		-		(5,100)
Net Cash Provided by (Used in) Investing Activities		(600)		-		(5,100)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from convertible notes payable		-		-		408,000
Proceeds (to) from related party		-		-		(17,347)
Proceeds from issuance of stock		-		-		114,450
Net Cash Provided by Financing Activities		-		-		505,103
Net Increase (decrease) in Cash		281		(361)		480
Cash and cash equivalents, beginning of period		199		337		-
Cash and cash equivalents, end of period	$	480	$	(24)	$	480
SUPPLEMENTARY CASH FLOW INFORMATION						
Cash paid during the year/period for:						
Income Taxes	$	-	$	-	$	-
Interest	$	-	$	-	$	-
SUPPLEMENTARY CASH FLOW INFORMATION						
Acquisition of SkyNet, Inc. for Stock	$	-	$	-	$	2,100,000
Acquisition of Sunarias Corporation for Stock	$	-	$	-	$	97,500
Acquisition of Shovan, Inc. for Stock	$	-	$	-	$	1,875
Acquisition of Clarrix, Inc. for Stock	$	-	$	-	$	301,254
Conversion of notes payable to stock	$	8,200	$	41,000	$	339.420
Conversion of accrued interest to stock	$	-	$	-	$	10,897
Accounts payable converted to notes payable	$	-	$	-	$	180,000
Reclassification of derivative liability to APIC	$	10,603	$	-	$	10,603
Debt discount on notes payable from derivative liability	$	97,500	$	-	$	97,500
Debt discount on notes payable	$	(3,117)	$	-	$	(3,117)

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

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation.

The unaudited interim financial statements should be read in conjunction with the Company's Annual Report on Form 10-K, which contains the audited financial statements and notes thereto, together with Management's Discussion and Analysis, for the period ended July 31, 2012. The interim results for the period ended October 31, 2012 are not necessarily indicative of results for the full fiscal year. Notes to the Consolidated Financial Statements, which would substantially duplicate disclosures contained in the audited financials for the fiscal year 2012 as reported in Form 10-K, have been omitted.

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 is 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 currently has 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, Inc., acquired during the fiscal year ended July 31, 2012.

Sunarias

Sunarias is a California corporation engaged in thermal and solar energy management. Sunarias marries absorption chilling and solar thermal technologies to provide commercial buildings with energy efficiency at a lower cost. Sunarias intends to assist commercial entities in hedging against extraordinary utility costs, and may be appropriate for use by schools, hospitals, or municipal buildings, among others.

Shovon, LLC

On July 7, 2010, the Company acquired Shovon, LLC a California Limited Liability Company, from Healthcare of Today, Inc., the Company’s former majority shareholder (“Healthcare”), in exchange for 1,500,000 (75,000,000 pre-split) shares of Company common stock.

SkyNet Energy

On August 19, 2010, the Company acquired SkyNet Energy Systems, Inc (“SkyNet”), a Florida Corporation, from Healthcare of Today, Inc., the Company’s former majority shareholder (“Healthcare”), in exchange for 600,000 (30,000,000 pre-split) shares of Company common stock.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

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

Elán

Elán Energy, Inc. a wholly-owned subsidiary of the Company was formed in September 2010 to manage the Company's commercial HVAC and related operations. It is actively engaged in the acquisition of commercial mechanical contractors and expects to complete several acquisitions in the next fiscal quarter of the Company.

Clarrix Energy, LLC.

Clarrix Energy, LLC provides consultative and brokerage services to businesses 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 10 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.

The company will be focusing on a creative online strategy to attract and manage clients. Management is developing a sales force in all areas where their supply agreements allow. Management plans to implement technology and state-of-the-art web and social networking strategies to maximize lead generation and minimize advertising costs.

Development Stage

The Company's financial statements are presented as those of a development stage enterprise. Activities during the development stage primarily include equity based financing and further implementation of the business plan. The Company has not generated any significant revenues since inception.

Principles of Consolidation

The accompanying consolidated financial statements include Alternative Energy Partners, Inc. and its wholly-owned subsidiaries described above. 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.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

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

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 three months or less to be cash equivalents. At October 31, 2012 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 October 31, 2012 and July 31, 2012, respectively, there were no balances that exceeded the federally insured limit.

Earnings per Share

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ('ASC") Topic 260, *"Earnings per Share,"* Basic earnings per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock options or warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock options or warrants), and convertible debt or convertible preferred stock, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive. The computation of basic and diluted loss per share for the period from April 28, 2008 (inception) to October 31, 2012, is equivalent since the Company has had continuing losses.

Share Based Payments

Generally, all forms of share-based payments, including stock option grants, restricted stock grants and stock appreciation rights, are measured at their fair value on the awards' grant date, and based on the estimated number of awards that are ultimately expected to vest. Share-based payment awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The expense resulting from share-based payments are recorded as a component of general and administrative expense.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

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

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and, if impaired, at fair value. They are amortized in accordance with the relevant income stream or by using the straight line method over their useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset but are typically: 1 to 12 years for customer contracts and relationships; 3 to 8 years for capitalized software; 3 to 10 years for patents, trademarks and licenses; and 3 to 8 years for capitalized development currently being amortized.

Intangible assets which are not yet being amortized are subject to annual impairment reviews.

Segment Information

During the three and nine months ended October 31, 2012 and 2011, the Company only operated in one segment; therefore, segment information has not been presented.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the net amounts assigned to assets acquired and liabilities assumed. The Company recorded goodwill in conjunction with its acquisitions of Shovon, LLC in July 2010, Skynet Energy Systems in October 2010, and Clarrix Energy, LLC in May 2012. As required, the Company will perform its goodwill impairment test at least annually or more frequently if there is an indication of impairment. The Company expects to perform its first goodwill impairment test in July 2013 for the Clarrix Energy, LLC acquisition.

In September 2011, the Financial Accounting Standards Board ("FASB") issued updated accounting guidance amending the method an entity uses to test its goodwill for impairment, Accounting Standards Update ("ASU") 2011-08, *Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment* . In accordance with ASU 2011-08, the Company will first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors include macroeconomic conditions, industry and market considerations, overall financial performance, cost factors, and entity-specific events such as changes in strategy, management, key personnel, or customers. If the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then it performs the two-step impairment test. Under ASU 2011-08, the Company has an option to bypass the qualitative assessment described above for any reporting unit in any period and proceed directly to performing the first step of the goodwill impairment test.

In the first step, the fair value of each reporting unit is compared to its carrying value. If the fair value of a reporting unit exceeds the carrying value of that unit, goodwill is not impaired and no further testing is required. If the carrying value of the reporting unit exceeds the fair value of that unit, then a second step must be performed to determine the implied fair value of the reporting entity's goodwill. The second step of the goodwill impairment analysis requires the allocation of the fair value of the reporting unit to all of the assets and liabilities of that reporting unit as if the reporting unit had been acquired in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded as a separate line item within income from operations. Significant estimates and judgments are involved in this assessment and include the use of valuation methods for determining the fair value of goodwill assigned to each of the reporting units and the applicable assumptions included in those valuation methods such as financial projections, discount rates, tax rates and other related assumptions.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

October 31, 2012

(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:

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.

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.

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.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

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

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.

Recent Accounting Pronouncements

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 $161,499 and net cash provided by operations of $881 for the three months ended October 31, 2012; and deficit accumulated during the development stage of $7,286,817 at October 31, 2012.

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

Note 4 Loans Payable to Affiliates

During the fiscal year end July 31, 2010, the Company recorded two separate loans payable to an affiliate, McDowell, LLC, totaling $12,500, and both remained payable as of October 31, 2012. The managing member of McDowell, L.L.C. is Jack Stapleton, who was also sole officer and director of the Company at the time the two promissory notes were executed. The loans are represented by two promissory notes signed by Mr. Stapleton, bear interest at 8% per annum with principal and interest and are due on demand by the holder of the notes. As of October 31, 2012, accrued interest payable was $2,675. On December 3, 2010, Mr. Stapleton, as Managing Member of McDowell, LLC, issued a written demand for payment of the notes and subsequently filed suit to collect on the two notes. A judgment has been entered in favor of McDowell, LLC.

Note 5 Lease Agreement

The Company currently occupies office space in Merritt Island, Florida sub-leased from a consultant which also provides financial, accounting, compliance and other support services to the Company on a three year consulting agreement. The rent payable under the consulting agreement is not separately stated and is included in the monthly consulting fee payable for the services agreed. The services include use of office equipment, software, servers, and office personnel of the consultant, as well as use of the consultant's offices as the mailing address for the Company.

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(A Development Stage Company)

Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

Note 6 Acquisitions

On May 30, 2012, the Company acquired from Elan Energy & Water, Inc., all the net assets of Clarrix Energy, LLC ("Clarrix"), a development stage entity, in exchange for 40,000,000 shares of common stock and 5,000,000 shares of Series A Convertible Preferred Stock. The transaction was valued at $301,254 which was the fair value of the shares at the time of acquisition. As the net assets received were minimal, the majority of the purchase price was allocated to goodwill. This acquisition was accounted for under the acquisition method of accounting. Accordingly, the Company conducted initial assessments of net assets acquired and recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values, while transaction and integration costs associated with the acquisitions were expensed as incurred. The initial accounting for the business combinations is not complete and adjustments to provisional amounts, or recognition of additional assets acquired or liabilities assumed, may occur as more detailed analyses are completed and additional information is obtained about the facts and circumstances that existed as of the acquisition date.

On October 22, 2012, the Company entered into an Acquisition Agreement with Élan Energy & Water, Inc., Inc., its 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. The Board of Directors of AEGY also approved a 1:100 reverse split of the common stock, by undertaking a reduction in capital under Florida law, pursuant to which the number of shares of common stock issued and outstanding will be reduced by a factor of 100 simultaneously with the reduction in the authorized shares of common stock from 250,000,000 to 2,500,000 shares. Under Florida law, a capital reduction does not require vote of or approval by the shareholders. The capital reduction will be effective as soon as the regulatory requirements have been met, including review of a Notification of Corporate Action by FINRA. The effective date is the later of 21 days from October 22, 2012 or the date approved by FINRA, which will announce the effective date.

SAC is a newly formed acquisition company which will acquire the mineral interests in 160 acres of land located near Safford, Arizona. The in-ground mineral on the site has been valued independently at approximately $650,000,000, based on assays for precious metals on the property. In addition to the stock in AEGY, valued at $5,000,000 using the closing market price of Registrant's common stock on October 22, 2012 of $0.0005 per share, AEGY also has agreed to provide the funding necessary to complete the extraction, transportation, refining and marketing of the precious metals on the site; to engage the previous owner of the site, from which Élan has agreed to acquire the mineral leases, to manage the operations and development of the site for one-third of the net profits from the minerals extracted and sold; and to pay Élan a running royalty of ten percent of the net profit from the minerals extracted and sold, after taking into account the amounts due on the operating consulting agreement. The Company expects the acquisition to be completed by January, 2013.

Note 7 Stockholders' Equity (Deficit)

On January 15, 2012, the Company amended its articles of incorporation to increase authorized common stock to 250,000,000 shares and to authorize 5,000,000 in preferred shares.

During the three months ended October 31, 2012, the Company converted $8,200 in notes into 32,867,351 shares of common stock. The Company recorded $10,603 of additional paid in capital associated with the settlement of derivative liabilities related to these notes.

As a result of these transactions, there were 209,619,640 common shares issued and outstanding and 5,000,000 preferred shares issued and outstanding at October 31, 2012.

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(Unaudited)

Note 8 Notes Payable

The following details the significant terms and balances of convertible notes payable, net of debt discounts:

	October 31, 2012 (unaudited)	July 31, 2012
Asher Enterprises:		
On February 7, 2012, the Company issued a promissory note in the amount of $32,500 to Asher Enterprises for additional working capital. The note is due November 9, 2012 and carries interest at 8 percent per annum, payable at maturity. The note is convertible into common stock of the Company after six months, at the election of the Holder, at 55 percent of the average of the three lowest closing bid prices of the common stock for the ten trading days prior to the date of the election to convert. The Company analyzed the conversion option for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the instrument should be classified as liabilities once the conversion option becomes effective after 180 days due to there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options. The Company converted $8,200 of this note in October 2012. As of October 31, 2012, a derivative liability associated with the note totaled $31,423. The carrying amount of the debt discount was $3,047 and $0, respectively.	21,253	32,500

On March 8, 2012, the Company issued a promissory note in the amount of $32,500 to an unrelated third party for additional working capital. The note is due December 12, 2012 and carries interest at 8 percent per annum, payable at maturity. The note is convertible into common stock of the Company after six months, at the election of the Holder, at 55 percent of the average of the three lowest closing bid prices of the common stock for the ten trading days prior to the date of the election to convert. The Company analyzed the conversion option for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the instrument should be classified as liabilities once the conversion option becomes effective after 180 days due to there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options. As of October 31, 2012, a derivative liability associated with the note totaled $42,026. The carrying amount of the debt discount was $13,515 and $0, respectively.	18,985	32,500

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Alternative Energy Partners, Inc.

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Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

Note 8 Notes Payable

	October 31, 2012 (unaudited)	July 31, 2012
On April 26, 2012, the Company issued a promissory note in the amount of $32,500 to an unrelated third party for additional working capital. The note is due January 30, 2013 and carries interest at 8 percent per annum, payable at maturity. The note is convertible into common stock of the Company after six months, at the election of the Holder, at 55 percent of the average of the three lowest closing bid prices of the common stock for the ten trading days prior to the date of the election to convert. The Company analyzed the conversion option for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the instrument should be classified as liabilities once the conversion option becomes effective after 180 days due to there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options. As of October 31, 2012, a derivative liability associated with the note totaled $42,026. The carrying amount of the debt discount was $29,873 and $0, respectively.	2,627	32,500

Crystal Falls Investments, LLC

On June 30, 2011, the Company issued a promissory note in the amount of $50,000 to an unrelated third party for additional working capital. The note is due December 31, 2012 and carries interest at 2 percent per annum, payable at maturity. The note is convertible into common stock of the Company at any time after issuance of the note, at the election of the Holder, at $0.013 per share. The carrying amount of the debt discount was $5,556 and $7,361, respectively.	44,444	42,639
On July 31, 2011, the Company issued six (6) promissory notes totaling $60,000 to an unrelated third party for additional working capital. The notes are due December 31, 2012 and carry interest at 2 percent per annum, payable at maturity. The note is convertible into common stock of the Company at any time after issuance of the note, at the election of the Holder, at $0.013 per share. The carrying amount of the debt discount was $1,426 and $3,280, respectively.	1,854	-

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Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

Note 8 Notes Payable

	October 31, 2012 (unaudited)	July 31, 2012
On February 21, 2012, the Company issued a promissory note in the amount of $27,500. The note is due February 21, 2015 and carries interest at 9 percent per annum, payable at maturity. The note is convertible into common stock of the Company at any time after issuance of the note, at the election of the Holder, at $0.0015 (or 80% of the closing price on the date of the debenture which was $0.0019). The carrying amount of the debt discount was $5,639 and $10,450, respectively.	21,861	17,050
On May 1, 2012, the Company converted accounts payable into a promissory note totaling $40,000. The note is due April 30, 2013 and carries interest at 8 percent per annum, payable at maturity. The note is convertible into common stock of the Company at any time after issuance of the note, at the election of the Holder, at $0.001 per share. The carrying amount of the debt discount was $9,958 and $14,944, respectively. The Company converted $4,000 of this note in July 2012.	26,042	21,056
Lin-Han Century Corp. On December 1, 2011, the Company converted accounts payable into a promissory note totaling $30,000. The note is due December 1, 2012 and carries interest at 5 percent per annum, payable at maturity. The note is convertible into common stock of the Company at any time after issuance of the note, at the election of the Holder, at $0.006 per share. The carrying amount of the debt discount was $358 and $1,405, respectively.	29,642	28,594
Total notes payable	$ 166,708	$ 206,839
Less: current portion	(144,847)	(189,789)
Long-term notes payable	$ 21,861	$ 17,050

<u>Note 9 Derivative Liabilities</u>

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 October 31, 2012, the Company recognized new derivative liabilities of $126,851 as a result of convertible debt instruments having embedded conversion options. The fair value of these derivative liabilities exceeded the principal balance of the related notes payable by $29,351, and was recorded as a loss on derivatives for the three months ended October 31, 2012.

Alternative Energy Partners, Inc.

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Notes to Consolidated Financial Statements

October 31, 2012

(Unaudited)

Note 9 Derivative Liabilities (continued)

As a result of conversion of notes payable described in Note 8, the Company reclassified $10,603 of derivative liabilities to equity and the change in fair value of derivatives was $773.

As of October 31, 2012, the fair value of the Company's derivative liabilities was $115,475 and $773 was recognized as a gain on derivatives due to change in fair value of the liability during the three months ended October 31, 2012.

The following table summarizes the derivative liabilities included in the consolidated balance sheet:

		Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Derivative Liabilities:		
Balance at July 31, 2012	$	—
ASC 815-15 additions		126,851
Change in fair value		(773)
ASC 815-15 deletions		(10,603)
Balance at October 31, 2012	$	115,475

The following table summarizes the derivative gain or loss recorded as a result of the derivative liabilities above:

		Included in Other Income (Expense) on Consolidated Statement of Operations
Gain/(Loss) on Derivative Liability:		
Change in fair value of derivatives	$	773
Derivative expense		(29,351)
Balance for three months ended October 31, 2012	$	(28,578)

The fair values of derivative instruments were estimated using the Binomial pricing model based on the following weighted-average assumptions:

Convertible Debt Instruments

Risk-free rate	0.21% - 0.25%
Expected volatility	100% - 400%
Expected life	9 months

Note 10 Subsequent Events

None.

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, we continued our business development activities with the acquisition of Clarrix Energy, LLC.

Current Business of the Company

We are a holding company engaged through our subsidiaries 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.

Initially, our largest target market will be the commercial energy market. In order to reach that market, we will market to industries with an interest in lowering their energy costs or increasing energy efficiency; these industries include healthcare and hospitality. In order to attract commercial markets, we must begin by establishing and proving that our energy systems are efficient and offer lower cost to use than traditional utilities or systems. For any alternative energy product, we intend to prove market viability prior to engaging in distribution.

1. ENERGY MANAGEMENT

Complementing AEGY's focus on energy production is its second sector, energy management. Through controllers, our energy management systems will allow consumers to customize their energy use, as well as reduce their costs significantly. The AEGY family of companies will be involved in traditional and innovative concepts in energy management and will assist each customer with energy efficiency advances. This will support our customers in realizing many energy efficiency rebates and incentives available through local utilities.

2. SECURITY AND MONITORING

In order to optimize performance, AEGY, where applicable, will provide security for its energy systems. AEGY may acquire or otherwise contract with security companies to provide security and monitoring services where appropriate. The incorporation of security cameras on installations would protect the systems from damage and theft while providing a monitoring hub for the system's performance. Providing security and monitoring services would also allow for the dispatch of HVAC technicians should a system's performance decline for any reason.

3. GASIFICATION

We have identified two gasification technologies to date and continue to explore opportunities in this area. Gasification includes multiple technologies that convert solids to gas that can be either burned or consumed to generate energy. The gasification technologies AEGY is exploring create byproducts which are useful in the Sunarias energy production systems. Specifically, gasification converts trash to an energy that is consumed to produce electricity generation with a heat byproduct. That heat byproduct is then captured and consumed in absorption chilling, the process used by Sunarias.

4. FUEL CELL ENERGY PRODUCTION

Alternative Energy Partners' fourth sector is fuel cell energy production. Currently, fuel cell energy production is considered a future technology that will be feasible within a five year window. The fuel cell energy market is currently experiencing high market demand that it is unable, through its two major manufacturers, to satisfy. This indicates a limit of manufacturing capacity that Alternative Energy Partners will exploit. Fuel Cells can be placed wherever electricity is consumed, within some limitations. This point of use feature reduces demand on the grid. A major consumer market for fuel cells is hospitals, larger schools and colleges, manufacturing facilities and even small communities.

Our model of energy provision is different; for example, with regard to solar thermal energy, we have the ability to front the costs of system installation and maintenance. In addition to promoting lower operating costs than those of traditional utilities, Sunarias(TM) systems may allow businesses to conveniently meet individual corporate missions or governmental energy reduction mandates such as CA AB32. Regardless of whether they are formally required to do so, many local governments, companies, and individuals are now taking actions to reduce their greenhouse gas emissions or to lock in lower energy costs in a long term agreement with a company like ours while improving their public image through thoughtful use of energy.

While reduction of greenhouse gas emissions is a newer interest for the United States, there is strong market as well as government and societal support for alternative energy production in Europe. The European Union has mandated that 20% of energy come from renewable resources by 2020. Accordingly, AEGY has planned to focus a sales partnership/initiative in Europe, to further engage in this thriving market and grow its presence there.

Plan of Operation

We are in the business of providing commercial buildings with advanced solar thermal energy production, allowing businesses to use alternative energy sources. Initially we market advanced solar thermal energy production, support, monitoring and related services to commercial businesses in the southern United States.

SHOVON, LLC

Whether one is an individual consumer or operating a large facility, using Shovon hardware will allow optimized, controlled energy consumption, resulting in reduced ongoing costs. Shovon products offer the ultimate convenience of being able to access facilities and view relevant events or statuses (down to the appliance level) online. This remote monitoring can be enabled from anywhere in the world by using a PC or cell phone.

Our Product

Shovon's advanced control systems are appropriate for use with the Sunarias product. At present, Shovon's design engineers are working on improvements to the Sunarias controller to allow better access through web based monitoring, maintenance by remote systems management, predictive maintenance items without site visit costs and, a key component of the Sunarias model, measurement of energy consumed for billing purposes.

Shovon has a very large potential market in energy management and automation. This is in addition to its use in the Sunarias' product line and would be useful in commercial buildings for additional services like managing lighting, occupancy responses for air conditioning, security, process controls and event scheduling. In keeping with AEGY's vertical integration model, Sunarias will use the modified Shovon controller to measure the actual performance and consumed offset energy. The monthly billing to the customers will include the energy used, the offset costs which the utility would have charged, and the comparison from the previous period and year.

CLARRIX ENERGY, LLC

The company will be focusing 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 5i percent of the resulting common shares outstanding at the time of the election to convert.

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 10 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.

Competitive Advantages

While reduction of greenhouse gas emissions is a newer interest for the United States, there is strong market as well as government and societal support for alternative energy production in Europe. The European Union has mandated that 20% of energy come from renewable resources by 2020. Accordingly, AEGY has planned to focus a sales partnership/initiative in Europe, to further engage in this thriving market and grow its presence there.

Employees

Hong-Shin Pan 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, Gary Reed, resigned for personal reasons in

September 2011. 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

We are pursuing acquisitions of other alternative energy products in the areas of solar and biodiesel, fuel cell technology and renewable water technologies, as well as acquisitions of other commercial operations, either energy related or otherwise.

On October 22, 2012, the Company entered into an Acquisition Agreement with Élan Energy & Water, Inc., Inc., its 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. The Board of Directors of AEGY also approved a 1:100 reverse split of the common stock, subsequently modified to 1:150 shares, by undertaking a reduction in capital under Florida law, pursuant to which the number of shares of common stock issued and outstanding will be reduced by a factor of 150 simultaneously with the reduction in the authorized shares of common stock from 250,000,000 to 1,666,667 shares. Under Florida law, a capital reduction does not require vote of or approval by the shareholders. The capital reduction will be effective as soon as the regulatory requirements have been met, including review of a Notification of Corporate Action by FINRA. The effective date is the later of 21 days from the date of filing the capital reduction or the date approved by FINRA, which will announce the effective date.

SAC is a newly formed acquisition company which will acquire the mineral interests in 160 acres of land located near Safford, Arizona. The in-ground mineral on the site has been valued independently at approximately $650,000,000, based on assays for precious metals on the property. AEGY also has agreed to provide the funding necessary to complete the extraction, transportation, refining and marketing of the precious metals on the site; to engage the previous owner of the site, from which Élan has agreed to acquire the mineral leases, to manage the operations and development of the site for one-third of the net profits from the minerals extracted and sold; and to pay Élan a running royalty of ten percent of the net profit from the minerals extracted and sold, after taking into account the amounts due on the operating consulting agreement. The Company expects the acquisition to be closed in January, 2013.

Results of Operations for the Three Months Ended October 31, 2012 and 2011.

For the three months ended October 31, 2012 and 2011, the Company had revenues of $1,477 and $0 respectfully. Since inception, the Company has earned $3,701 in revenues and has incurred cumulative net losses of $7,286,817. For the three months ended October 31, 2012 and 2011, the Company had net losses of $161,499 and $128,931, respectively. Our activities have been attributed primarily to start up and business development.

For the three months ended October 31, 2012 and 2011, we incurred operating expenses of $68,625 and $83,252, respectively. The decreases relate primarily to efforts to decrease operating costs resulting in decreases in marketing and other general and administrative expenses. offset by increases in consulting fees.

Liquidity and Capital Resources

As shown in the accompanying financial statements, for the three months ended October 31, 2012 and 2011 and since April 28, 2008 (date of inception) through October 31, 2012, the Company has had net losses of $161,499, $128,931 and $7,286,817, respectively. As of October 31 2012, 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.

On November 1, 2011, we signed an equity line of credit terms sheet with Apollo Capital Investments, LLC under which Apollo has agreed to provide $10 million in funding over a 36 month period in monthly installments of not less than $20,000 or more than $350,000 in exchange for common stock of the Company at a discount of 15 percent from the 5 day average market price for the common stock. The first installment draw is dependent on the Company filing and causing to be made effective a registration statement for the underlying common shares. In addition, Apollo has agreed to provide a bridge loan of $1,000,000 to the Company on a one year convertible note, converting at $0.02 per share, within 45 days after the term sheet has been incorporated in a definitive final agreement. The definitive agreement has not yet been executed due to the continued low price of our common stock on the market.

We do not expect to proceed with the equity line of credit or the bridge loan until we have completed several planned acquisitions and generated cash flow from operations, to minimize the potential dilution in our common stock.

We have incurred significant net losses and negative cash flows from operations since our inception. As of October 31, 2012, we had an accumulated deficit of $7,286,817 and a working capital deficit of $671,403.

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 has 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. As of October 31, 2012, a total of $20,000 has been accrued for the quarter under this agreement.

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 three 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.

The Company also has entered into a consulting agreement with CFOs to Go, Inc., a financial and legal consulting firm, to provide financial, accounting, legal, 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 provides contract principal accounting officer and corporate counsel services to the Company under its agreement and also provides telephone, office address, access to software and servers owned by CFOs to Go, and related office support. We maintain our corporate offices at the Florida offices of CFOs to Go under this arrangement. As of October 31, 2012, a total of $144,547 has been accrued as consulting fees under this agreement.

Recent Accounting Pronouncements

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. There were no recently issued accounting pronouncements during the quarter impacting the company’s business.

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 October 31, 2012.

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 October 31, 2012, we issued 32,867,351 common shares resulting from conversions of outstanding notes resulting in total shares outstanding at October 31, 2012 of 209,619,640 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.

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: December 20, 2012

/s/ Hong-Shin Pan

Hong-Shin Pan

Chairman