Alternative Energy Partners, Inc.
Form 10-Q/A
March 26, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended: **January 31, 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)

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 March 26, 2013, there were 249,249,269 shares of our common stock outstanding.

0

Alternative Energy Partners, Inc. and Subsidiaries

(A Development Stage Company)

January 31, 2013

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q/A/A 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/A/A, 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/A, 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/A, 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/A 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/A incorporated into this Quarterly Report on Form 10-Q/A 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/A 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/A. 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/A 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/A to conform our statements to actual results or changed expectations.

In this Quarterly Report on Form 10-Q/A, 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)
Consolidated Balance Sheets

	January 31, 2013 (Unaudited)	July 31, 2012 (Audited)
Assets		
Current Assets		
Cash	$ 495	$ 199
Deferred loan costs, net of accumulated amortization of $25,812 and $22,612	-	3,938
Total Current Assets	495	4,137
Other Assets		
Advances-related party	-	4,500
Related party receivable-HOTI	-	17,347
Goodwill	-	304,129
Total Other Assets	-	325,976
Total Assets	$ 495	$ 330,113
Liabilities & Stockholders' (Deficit)		
Current Liabilities		
Accounts payable	156,881	310,068
Payroll liabilities	7,322	7,322
Loans payable	12,500	12,500
Notes payable, net of debt discount of $30,957 and $26,991	283,374	189,789
Derivative liability	115,475	-
Accrued interest	16,610	14,259
Total Current Liabilities	592,162	533,938
Long-term Liabilities		
Notes payable-long-term, net of debt discount of $0 and $10,450	176,301	17,050
Total Liabilities	768,463	550,988
Stockholder's (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	6,756,041	6,722,691
Deficit accumulated during the development stage	(7,738,628)	(7,125,319)
Total (Deficit)	(767,968)	(220,875)
Total Liabilities and Stockholders' (Deficit)	$ 495	$ 330,113

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

2

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

	For the Three Months Ended January 31, 2013	For the Three Months Ended January 31, 2012	For the Six Months Ended January 31, 2013	For the Six Months Ended January 31, 2012	For the Period from April 28, 2008 (Inception) to January 31, 2013
Revenues	$ 391	$ -	$ 2,268	$ -	$ 4,094
Cost of Sales	-	-	-	-	-
Gross Margin	391	-	2,268	-	4,094
General & Administrative					
Consulting fees-related parties	50,100	30,000	115,100	60,000	4,069,831
Impairment loss	335,549	-	335,549	-	2,509,549
Administrative fees	-	-	-	-	130,000
Marketing	-	19,155	-	64,155	129,155
Professional fees	11,950	14,500	11,950	14,500	137,796
Salaries and wages	-	-	-	-	57,414
Rent	-	-	-	-	9,000
Other general and administrative	376	6,186	5,601	14,438	130,323
Gain on extinguishment of liabilities	-	-	-	-	(715)
Total Expenses	397,975	69,841	466,600	153,093	7,172,353
Net loss before other income (expense)	(397,584)	(69,841)	(466,600)	(153,093)	(7,168,259)
Interest expense	(31,294)	(105,374)	(97,067)	(151,053)	(533,307)
Gain/loss on derivatives	(22,937)	-	(51,514)	-	(37,062)
Net loss before income taxes	(451,815)	(175,215)	(613,311)	(304,146)	(7,738,628)
Income tax expense	-	-	-	-	-
Net Loss	$ (451,815)	$ (175,215)	$ (613,311)	$ (304,146)	$ (7,738,628)
Net loss per share - basic and diluted	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)	
Weighted average number of shares outstanding during the period - basic and diluted	18,056,688	28,363,390	70,753,724	23,475,652	

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

3

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

	For the Six Months Ended January 31, 2013	For the Six Months Ended January 31, 2012	For the Period from April 28, 2008 (Inception) to January31, 2013
CASH FLOWS USED IN OPERATING ACTIVITIES:			
Net Loss	$ (613,311)	$ (304,146)	$ (7,738,628)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of discounts and loan fees	38,098	156,420	496,393
Gain on extinguishment of debt	-	-	(715)
Impairment of operating assets	325,975	-	2,499,975
Stock issued for services	-	-	3,505,131
Services paid by shareholder	-	-	5,945
(Loss) on derivatives	51,515	-	37,061
Increase in deferred loan costs	-	-	(26,550)
Increase (decrease) in accounts payable	195,661	143,145	686,444
Increase (decrease) in accrued liabilities	-	-	7,322
Increase in accrued interest	37,32	4,533	28,888
Net Cash Used in Operating Activities	1,672	(48)	(498,732)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances to related parties	-	-	(4,500)
Net Cash Provided by Investing Activities	-	-	(4,500)
CASH FLOWS FROM FINANCING ACTIVITIES:			

Proceeds from convertible notes payable		18,250		-		426,250
Payments on convertible notes payable		(19,626)		-		(19,626)
Proceeds (to) from related party	-			-		(17,347)
Proceeds from issuance of stock		-		-		114,450
Net Cash Provided by Financing Activities		(1,376)		-		503,727
Net Increase (decrease) in Cash		296		(48)		495
Cash and cash equivalents, beginning of period		199		337		-
Cash and cash equivalents, end of period	$	495	$	289	$	495
SUPPLEMENTARY CASH FLOW INFORMATION						
Cash paid during the year/period for:						
Income Taxes	$	-	$	-	$	-
Interest	$	-	$	1,690	$	-
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	$	159,870	$	331,220
Conversion of accrued interest to stock	$	-	$	-	$	10,897
Accounts payable converted to notes payable	$	348,848	$	30,000	$	452,047

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

January 31, 2013

(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited Condensed Financial Statements of General Aircraft, 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 November 30, 2012 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 six months ended January 31, 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 January 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 January 31, 2013, the Company determined that all of the subsidiaries should be closed except for Clarrix Energy, LLC.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

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

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 is expected to become effective 20 days after the mailing of an Information Statement to all shareholders of record on March 7, 2013, which mailing is 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. has not been correctly formed, and the fact that the acquisition shares have not yet been issued, the Company has concluded that it would be more accurate to treat the acquisition as still pending until the reverse merger has become effective and the share consideration is ready to be issued for the acquisition. The Company also has determined that it will acquire the mineral rights directly from the seller, and then will form a wholly-owned subsidiary to hold the mineral rights and to undertake the development of the lease interest. Accordingly, the transaction is not included in the financial statements which are a part of this report

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 formed on January 23, 2012 by a management team composed of a diverse group of highly skilled executives with a broad base of skills medicine, finance, web development, and retail, with the assistance of Élan

Energy & Water, Inc., On January 25, 2012, Élan and Clarrix entered into a agreement with the Company to transfer ownership of Clarrix to the Company, as a result of which Élan would become controlling shareholder of the Company. That acquisition closed in May 2012, and Élan became the control shareholder of the Company, but has since been dissolved. Clarrix commenced operations in May, 2012 with funds provided by the Company after the closing. Clarrix' 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.

Clarrix 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.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

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

The Company has also entered into agreements to acquire mineral lease rights to 160 acres in Arizona, which will be developed as a gold and other metals operation after closing; ownership of a deposit of already mined black sand located in New Mexico, which has been independently valued at an estimated $540 million on site; and ownership of the 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 brands / models in the U.S. market. See, Other Information.

Principles of Consolidation

The accompanying consolidated financial statements include Alternative Energy Partners, Inc. and its wholly-owned subsidiary Clarrix Energy, LLC, 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.

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 January 31, 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 January 31, 2013 and July 31, 2012, respectively, there were no balances that exceeded the federally insured limit.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

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

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 January 31, 2013, is equivalent since the Company has had continuing losses.

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 ASC 718 and 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.

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.

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.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

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

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

Segment Information

During the six and nine months ended January 31, 2013 and 2012, 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 has performed its goodwill impairment test at least annually or more frequently if there is an indication of impairment. As a result, the Company has determined that the good will associated with the acquisitions of Shovon and SkyNet Energy is impaired, as the Company has not had the working capital needed to develop the companies and has decided to close both companies. In addition, although Clarrix Energy continues to operate and generate revenues, the lack of working capital has prevented Clarrix from expanding. Consequently, the Company has determined to right off the goodwill associated with the acquisition of Clarrix, a total of $304,129 during the quarter ended January 31, 2013.

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

January 31, 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:

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. 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 Consolidated Financial Statements

January 31, 2013

(Unaudited)

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 $613,311 for the six months ended January 31, 2013; and deficit accumulated during the development stage of $7,738,628 at January 31, 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

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 January 31, 2013. 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 January 31, 2013, 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 – Related Party

The Company currently occupies office space in Merritt Island, Florida sub-leased from a consultant, Novation Services, Inc., which also provides financial, accounting, compliance and other support services to the Company under a 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. Novation Services, Inc. is a wholly-owned subsidiary of Novation Holdings, Inc., the majority shareholder of the Company.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

Note 6 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 has 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 have 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 500 million, but the process is not expected to be completed until approximately the end of April, 2013. Accordingly, the Company has not included the acquisition in its financial statements, and will not do so until the transaction is fully closed and the share consideration is issued. The Company is currently negotiating a restructuring of the transaction so that it will instead acquire the mineral interest directly from the original owner, as an asset, and will then form an operating subsidiary to develop the mineral rights.

The Company has also entered into an agreement to a deposit of already mined black sand located in New Mexico, which has been independently valued at an estimated $540 million on site, based on an existing geological survey report. The deposit is in excess of 55,000 tons of materials which are crushed and milled to approximately 200 mesh in size, washed and ready for refining. AEGY intends to transport the deposit for refining and sale. The acquisition is expected to close during the quarter ended April 30, 2013.

The Company also has entered into an agreement to acquire ownership of the assets of StarPoint USA, Inc., 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 brands / models in the U.S. market. As part of its ongoing business, StarPoint has been the exclusive distributor of Daewoo vehicles and Genuine Daewoo Parts to the U.S. market since 1998. Today, StarPoint continues to provide both Warranty Administration and Genuine Daewoo Parts to approximately 80,000 remaining Daewoo owners in the US.

StarPoint has positioned itself to capitalize on the growing need for less dependence on foreign oil through environmentally friendly "green" vehicle alternatives for the U.S. market. In June of 2012, the Company secured an exclusive vehicle distribution agreement with a U.S. based alternative fuel vehicle manufacturer for the entire U.S. market, including Puerto Rico, that will involve the distribution of CNG Bi-Fuel and all electric vehicles. The company is currently in discussions with several other vehicle manufacturers regarding the distribution of their alternative fuel models, as well, which will further broaden the scope of our AFV portfolio.

Note 7 Stockholders' Equity (Deficit)

During the six months ended January 31, 2013, the Company converted $8,200 in notes into 32,867,351 shares of common stock.

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 January 31, 2013.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

Note 8 Notes Payable

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

	January 31, 2013	July 31, 2012
Short term liabilities:		

Asher Enterprises, Inc.

On February 9, 2012, the Company issued a promissory note in the amount of $32,500 to Asher Enterprises for additional working capital. The note was due November 9, 2012, but has been extended, 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 six 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 became 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. There have been 4 conversions on this note, totaling $8,200, through October, 2012, leaving a balance due of $24,300. As of January 31, 2013, a derivative liability associated with the note totaled $42,026. The carrying amount of the debt discount was $2,031 and $0, respectively.

22,269	32,500

On March 8, 2012, the Company issued a promissory note in the amount of $32,500 to Asher Enterprises for additional working capital. The note was due December 12, 2012, but has been extended, 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 six 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 became 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 January 31, 2013, a derivative liability associated with the note totaled $42,026. The carrying amount of the debt discount was $9,010 and $0, respectively.

23,490	32,500

13

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

Note 8 Notes Payable (continued)

	January 31, 2013	July 31, 2012
On April 26, 2012, the Company issued a promissory note in the amount of $32,500 to Asher Enterprises for additional working capital. The note is due January 30, 2013 and carries interest at 8 percent per annum, payable at maturity, but has been extended. 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 six 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 became 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 January 31, 2013, a derivative liability associated with the note totaled $42,026. The carrying amount of the debt discount was $19,915 and $0, respectively.	12,585	32,500
On November 14, 2012, the Company issued a promissory note in the amount of $18,250 to Asher Enterprises for additional working capital. The note is due August 14, 2013 and carries interest at 8 percent per annum, payable at maturity, but has been extended. 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 six 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 became 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 January 31, 2013, no derivative liability associated with the note has been calculated.

	18,250	--

Indian River Financial Services, LLC:

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 a 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 notes to CF Consulting, LLC, in the amount of $39,030 in principal, and to Indian River Financial Services, LLC, 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.

	167,750	--

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

Note 8 Notes Payable (continued)

	January 31, 2013	July 31, 2012
CF Consulting, LLC		
In connection with the Assignment and Modification Agreement dated December 10, 2012, CF Consulting, LLC was issued a modified note in the principal amount of $30,030, in replacement of two of the convertible notes previously issued to Crystal Falls Investments, LLC. No debt discount was recorded on the replacement note.		
	39,030	--
Total short-term notes payable, net of debt discounts	$ 283,374	$ 206,839
Long-term notes:		

By agreement dated December 31, 2012, Novation Holdings, Inc., the 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 all of the outstanding receivables of CFOs owed by certain of its clients, including the Company, which owed CFOs to Go a total of $164,546.50. The payable amount was then converted to a promissory note in the same principal amount dated January 15, 2013, payable at 5 percent interest at maturity on December 31, 2104 and convertible at $0.005 per share, the market price at the time. No debt discount was calculated on the issuance of the note. The previous consulting agreement with CFOs to Go, Inc. also was cancelled effective December 31, 2012.	164,547	--
On November 1, 2012, the Company consolidated an 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.	11,754	30,000
Total long-term notes outstanding	176,301	30,000
Total notes outstanding, net of debt discounts	$ 459,675	$ 236,839

Note 9 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.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

January 31, 2013

(Unaudited)

Note 9 Derivative Liabilities (continued)

Embedded Derivative Liabilities in Convertible Notes

During the quarter ended January 31, 2013, 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 six months ended January 31, 2013.

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 January 31, 2013, the fair value of the Company's derivative liabilities was $115,475 and $22,937 was recognized as a loss on derivatives due to change in fair value of the liability during the six months ended January 31, 2013.

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 January 31, 2013	$	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	$	(22,937)
Derivative expense		(28,578)

Balance for six months ended January 31, 2013	$	(51,515)

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

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.

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,” “ “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. 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.

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. In order to attract commercial markets, we must begin by establishing and proving that our energy systems and services are efficient and offer lower cost to use than traditional utilities or systems.

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.

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

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 Dec ember 2012 and was announced at that time, the Comp[an y has 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 have 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 500 million, but the process is not expected to be completed until approximately the end of April, 2013. Accordingly, the Company has not included the acquisition in its financial statements, and will not do so until the transaction is fully closed and the share consideration is issued. The Company is currently negotiating a restructuring of the transaction so that it will instead acquire the mineral interest directly from the original owner, as an asset, and will then form an operating subsidiary to develop the mineral rights.

The Company has also entered into an agreement to acquire a deposit of already mined black sand located in New Mexico, which has been independently valued at an estimated $540 million on site, based on an existing geological survey report. The deposit is in excess of 55,000 tons of materials which are crushed and milled to approximately 200 mesh in size, washed and ready for refining. AEGY intends to transport the deposit for refining and sale. The acquisition is expected to close during the quarter ended April 30, 2013.

The Company also has entered into an agreement to acquire ownership of the assets of StarPoint USA, Inc., 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 brands / models in the U.S. market. As part of its ongoing business, StarPoint has been the exclusive distributor of Daewoo vehicles and Genuine Daewoo Parts to the U.S. market since 1998. Today, StarPoint continues to provide both Warranty Administration and Genuine Daewoo Parts to approximately 80,000 remaining Daewoo owners in the US.

StarPoint has positioned itself to capitalize on the growing need for less dependence on foreign oil through environmentally friendly “green” vehicle alternatives for the U.S. market. In June of 2012, the Company secured an exclusive vehicle distribution agreement with a U.S. based alternative fuel vehicle manufacturer for the entire U.S. market, including Puerto Rico, that will involve the distribution of CNG Bi-Fuel and all electric vehicles. The company is currently in discussions with several other vehicle manufacturers regarding the distribution of their alternative fuel models, as well, which will further broaden the scope of our AFV portfolio.

Results of Operations for the Six Months Ended January 31, 2013 and 2011.

For the six months ended January 31, 2013 and 2012, the Company had revenues of $1,870 and $0 respectfully. Since inception, the Company has earned $4,094 in revenues and has incurred cumulative net losses of $7,738,628. For the six months ended January 31, 2013 and 2012, the Company had net losses of $613,311 and $304,146, respectively. Our activities have been attributed primarily to start up and business development.

For the six months ended January 31, 2013 and 2012, we incurred operating expenses of $466,600 and $153,093, 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 six months ended January 31, 2013 and 2012 and since April 28, 2008 (date of inception) through January 31, 2013, the Company has had net losses of $451,814, $613,311 and $7,738,628, respectively. As of January 31, 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 January 31, 2013, we had an accumulated deficit of $7,738,628 and a working capital deficit of $591,667.

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 a 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 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 $11,755 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, 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 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 all of the 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 January 15, 2013, payable at 5 percent interest at maturity on December 31, 2104 and convertible at $0.005 per share, the market price at the time. No debt discount was calculated on the issuance of the note. The previous consulting agreement with CFOs to Go, Inc. also was cancelled effective December 31, 2012.

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 January 31, 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 six months ended January 31, 2013, we issued 32,867,351 common shares resulting from conversions of outstanding notes resulting in total shares outstanding at January 31, 2013 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 during the quarter ended January 31, 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: March 26 2013

/s/ Michael Gelmon

Michael Gelmon

Chairman