

**Alaska Pacific Energy Corp.**  
**QUARTERLY REPORT**  
**For the Period Ended October 31, 2011**

**ITEM 1: EXACT NAME OF ISSUER AS SPECIFIED IN ITS CHARTER:**

Alaska Pacific Energy Corp.

**Address of Principal Executive Offices**

2005 Costa Del Mar Road, Carlsbad CA, 92009 Telephone: 604-274-1565

**The Jurisdiction(s) and Date of the Issuer's Incorporation or Organization**

State of Nevada, January 13, 2005

**ITEM 2: SHARES OUTSTANDING.**

The Issuer has 593,786,968 shares of common shares outstanding as of March 26, 2012.  
No other class of shares is authorized

**PAR OR STATED VALUE AND DESCRIPTION OF THE SECURITY.**

\$0.001 Par Value. Authorized Capital: 600,000,000 common shares (As of date of filing.)

**ITEM 3: INTERIM FINANCIAL STATEMENTS.**

Consolidated Financial Statements  
Consolidated Balance Sheets  
Consolidated Statements of Operations  
Consolidated Statements of Other Comprehensive Income (Loss)  
Consolidated Statements of Cash Flows  
Condensed Notes to the Consolidated Financial Statements

**Alaska Pacific Energy Corp.**

(A Development Stage Company)

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in US Dollars)

October 31, 2011

**C O N T E N T S**

Consolidated Balance Sheets  
Consolidated Statements of Operations  
Consolidated Statements of Stockholders' Equity  
Consolidated Statements of Cash Flows  
Notes to the Unaudited Consolidated Financial Statements

**Alaska Pacific Energy Corp.**  
(An Exploration Stage Company)  
Balance Sheets

	October 31, 2011	January 31, 2011
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 1,615
Prepaid Expenses	738	115,242
Other Receivables	8,628	8,037
<b>Total Current Assets</b>	<b>9,366</b>	<b>124,894</b>
Mining Claims (Note 8)	130,000	-
<b>TOTAL ASSETS</b>	<b>\$ 139,366</b>	<b>\$ 124,894</b>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	\$ 962	\$ -
Accounts Payable & Accrued Liabilities	90,947	104,700
Due to a Related Party (Note 7)	99,936	-
Accrued Interest	7,934	2,642
Notes Payable (Note 5)	83,000	82,200
<b>Total Current Liabilities</b>	<b>282,779</b>	<b>189,542</b>
<b>Total Liabilities</b>	<b>282,779</b>	<b>189,542</b>
Commitments	-	-
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, 300,000,000 Shares Authorized with Par Value 0.001, 269,175,857 and 24,175,857 Shares Issued and Outstanding, respectively (Note 6)	269,176	24,176
Additional Paid-in Capital	1,416,145	1,519,645
Deferred Stock Compensation	(166,666)	(291,666)
Share Issued Cost	(15,000)	(15,000)
Accumulated Other Comprehensive Loss	(2,386)	(1,659)
Deficit Accumulated during the Exploration Stage	(1,644,682)	(1,300,144)
<b>Total Stockholders' Equity</b>	<b>(143,413)</b>	<b>(64,648)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 139,366</b>	<b>\$ 124,894</b>

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

**Alaska Pacific Energy Corp.**

(An Exploration Stage Company)

Statements of Operations

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,		Cumulative Amounts From Beginning of Exploration Stage (January 13, 2005) to October 31, 2011
	2011	2010	2011	2010	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES					
General & Administration	3,421	30,624	30,109	107,837	1,134,653
Professional Fees	91,013	193,558	306,768	646,236	2,368
Investor relations	2,369	179,007	2,369	179,007	417,856
Stock Based Compensation	-	(570,310)	-	38,021	38,021
Write-off Mining Expenses	-	-	-	41,600	41,600
Total Operating Expenses	96,803	(167,121)	339,246	1,012,701	1,634,498
LOSS FROM OPERATIONS	(96,803)	167,121	(339,246)	(1,012,701)	(1,634,498)
OTHER INCOME (EXPENSE)					
Foreign Exchange Gain (Loss)	-	-	-	-	2,100
Interest expense	1,945	946	5,292	1,315	8,084
Total Other Income (Expense)	(1,945)	(946)	(5,292)	(1,315)	(10,184)
LOSS BEFORE INCOME TAXES	(98,748)	166,175	(344,538)	(1,014,016)	(1,644,682)
Provision for Income Taxes	-	-	-	-	-
NET LOSS	\$ (98,748)	\$ 166,175	\$ (344,538)	\$ (1,014,016)	\$ (1,644,682)
NET LOSS PER SHARE-BASIC & DILUTED	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ (0.05)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC & DILUTED	227,857,176	20,304,479	124,231,004	20,529,533	

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

(An Exploration Stage Company)						
Statements of Other Comprehensive Loss						
	For the Three Months Ended October 31,		For the Nine Months Ended October 31,		Cumulative Amounts From Beginning of Development Stage (December 4, 2008) to October 31, 2011	
	2011	2010	2011	2010	US\$	
NET LOSS	\$ (98,748)	\$ (166,175)	\$ (344,538)	\$ (1,014,016)	\$ (1,644,682)	
Currency translation adjustment	(920)	(1,659)	(2,386)	(1,659)	(2,386)	
OTHER COMPREHENSIVE LOSS	<u>\$ (99,668)</u>	<u>\$ (167,834)</u>	<u>\$ (346,924)</u>	<u>\$ (1,015,675)</u>	<u>\$ (1,647,068)</u>	
The accompanying notes are an integral part of these consolidated financial statements						

**Alaska Pacific Energy Corp.**

(An Exploration Stage Company)

Statements of Cash Flows

	For the		Cumulative Amounts From Beginning of Exploration Stage (January 13, 2005) to October 31, 2011
	Nine Months Ended October 31,		
	2011	2010	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (344,538)	\$ (1,014,016)	\$ (1,644,682)
Adjustments to reconcile net loss to net cash used by operating activities:			
Stock based compensation	\$ -	\$ 38,021	38,021
Amortization of deferred compensation	125,000	25,000	233,334
Written-off mining claims	-	41,600	41,600
Mining claim option	130,000	-	130,000
Shares issued for mining claim option	(130,000)	-	(130,000)
Shares issued for services	-	250,000	251,000
Share issued for debt settlements	11,500	-	11,500
Depreciation and amortization	-	-	-
Changes in assets and liabilities:			
Prepaid expenses	113,912	(108,928)	(9,367)
Other receivables	-	(6,900)	-
Accounts payable and accrued liabilities	(13,751)	59,320	90,948
Due to a related party	99,936	(4,590)	99,936
Accrued interest	5,292	1,165	7,935
Net Cash Used by Operating Activities	(2,649)	(719,328)	(879,775)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash paid for mining claims	-	-	(16,600)
Net Cash Used by Investing Activities	-	-	(16,600)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Share issued cost paid by cash	-	(15,000)	(15,000)
Note payable	800	-	83,000
Proceeds from issuance of common stock	-	709,500	829,800
Proceeds from promissory note payable	-	64,200	17,000
Repayment promissory note	-	(17,000)	(17,000)
Net Cash Provided by Financing Activities	800	741,700	897,800
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(728)	(1,659)	(2,387)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,577)	20,712	(962)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,615	178	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ (962)	\$ 20,890	\$ (962)
<b>SUPPLEMENTAL DISCLOSURES</b>			
Cash Paid For:			
Interest	\$ 150	\$ -	\$ 150
Income taxes	\$ -	\$ -	\$ -
<b>NON CASH TRANSACTIONS FOR INVESTING AND FINANCING ACTIVITIES</b>			
Share issued for services	\$ 250,000	\$ -	\$ 250,100
Stocks issued for mining claim option	\$ 130,000	\$ -	\$ 155,000
Share issued for settlement of debts	\$ 11,500	\$ -	\$ 11,500
Stocks issued for intangible assets	\$ -	\$ 750,000	\$ -

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

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**1. NATURE ORGANIZATION OF OPERATIONS**

**Basis of Presentation**

The accompanying unaudited consolidated financial statements, expressed in US dollars, 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 audited financial information.

**Organization**

Alaska Pacific Energy Corp. (the "Company"), was incorporated under the laws of the State of Nevada on January 13, 2005 and is engaged in the acquisition, exploration and development of resource properties. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable. Further, the Company is considered a development stage Company as defined in accordance with accounting guidance, FASB ASC 915, "Development Stage Entities," and has not, thus far, commenced planned principal operations. On May 12, 2010, the Company incorporated its wholly owned subsidiary, Alaska Pacific Energy Canada Ltd. under the laws of Alberta, Canada.

The unaudited consolidated financial statements included the accounts of the Company and its wholly owned subsidiary and all inter-company transaction and balance have been eliminated.

**Going Concern**

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America applicable to a going concern which assumes that the Company realize its asset and discharge its liabilities in the normal course of business. The Company has no revenue source and is dependent on financing to sustain operations and pay for future commitments related to the mineral option, and might not have sufficient working capital for the next twelve months. As shown in the accompanying unaudited consolidated financial statements, the Company incurred a net loss of \$344,538 and \$1,014,016 during the nine months ended October 31, 2011 and 2010. The Company has historically incurred net losses which have resulted in an accumulated deficit of \$1,644,682 and \$1,300,144 at October 31, 2011 and January 31, 2011, respectively. In addition, the Company's current liabilities exceeded its current assets by \$9,366 at October 31, 2011 (January 31, 2011 - \$64,648). These factors create substantial doubt as to the ability of the Company to continue as a going concern. Realization values may be substantially different from the carrying values as shown in these financial statement should the Company be unable to continue as a going concern. Management is in the process of identifying sources for additional financing to fund the ongoing development of the Company's business. As of October 31, 2011, the Company had cash and cash equivalents of \$Nil, prepaid expenses of \$738 and other receivables of \$8,628, among the current assets. The accompanying financial statements do not include any adjustments related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

The Company will require additional funding during the next twelve months to finance the growth of its current operations and achieve its strategic objectives. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through 2011 and 2012. However management cannot grant any assurances that such financing will be secured. Information on the Company's working capital deficiency and deficit is:

	<b>October 31, 2011</b>		<b>January 31, 2011</b>	
Working capital deficiency	\$	(273,413)	\$	(64,648)
Deficit	\$	1,644,682	\$	1,300,144

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, and all highly liquid debt instruments purchased with a maturity of three months or less.

**Exploration and Development Costs**

Exploration costs are charged to operations as incurred.

When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Capitalized amounts may be written down if future undiscounted cash flows, including potential sales proceeds, related to mineral property are estimated to be less than the carrying value of the property. At October 31, 2011 and January 31, 2011, the Company had no exploration and development costs; however, the Company did capitalize mining option costs as disclosed in Resource Property below.

**Stock-Based Compensation**

In December 2004, FASB issued FASB ASC 718 (Prior authoritative literature: SFAS No. 123R, "Share Based Payment"). FASB ASC 718 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FASB ASC 718 focuses primarily on accounting for transaction cost relating to share-based payment transactions be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of FASB ASC 505-50 (Prior authoritative literature: EITF 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in conjunction with Selling, Goods, Services" and EITF 00-18, "Accounting recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees"). The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. Stock-based compensation related to non-employee is account for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable in accordance with FASB ASC 718.

The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under accounting pronouncements, consistent with that used for pro forma disclosures under previous guidance for

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Stock-Based Compensation (continued)**

Accounting for Stock-Based Compensation. The Company has elected the modified prospective transition method as permitted by accounting pronouncement and accordingly prior periods have not been restated to reflect the impact of accounting pronouncement. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of previous accounting pronouncement. As the Company incorporated on January 13, 2005 and did not grant any stock options, no pro forma information is provided. Resource property acquisition costs are capitalized until the viability of the mineral interest is determined. Capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

**Resource Properties**

Capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to the property are estimated to be less than the carrying value of the property. Management of the Company reviews the carrying value of each resource property interest periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the estimated future net cash flows. At January 31, 2011 and 2010, the Company wrote-off and capitalized \$41,600 of mining claim option costs, respectively.

The Company has been in the exploration stage since its formation on January 13, 2005 and has not yet realized any revenues from its planned operations. Mineral property acquisition and exploration costs are charged to operations as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

In the event that facts and circumstances indicate that the costs of long-lived assets, other than mining properties, may be impaired, and evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. Impairment of mining properties is evaluated subject to the full cost ceiling as described under mining Properties.

**Foreign Currency Translation**

The Company's subsidiary functional currency is Canadian dollars. Transactions in other currencies are recorded in Canadian dollars at the rates of exchange prevailing when the transactions occur. Monetary assets and liabilities denominated in other currencies are translated into Canadian dollars at rates of exchange in effect at the balance sheet dates. Exchange gains and losses are recorded in the statements of operations.

At the period end, the subsidiary's assets and liabilities are translated into the U.S. dollars at exchange rates at the balance sheet date, equity accounts are translated at historical exchange rate and revenues and expenses are translated by using the average exchange rates. Accumulated translation adjustments are reported as a separate component of other comprehensive income (loss) in the consolidated statements of stockholders' equity (deficiency).

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Income Taxes**

The Company has adopted SC740, "Income Taxes", which requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequence of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

**Net Income (Loss) per Common Share**

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share is calculated using the treasury stock method and reflects the potential dilution of securities by including stock options, special warrants, and contingently issuable shares, if any, in the weighted average number of common shares outstanding for a year, if dilutive. In a loss year, potential dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the loss year.

**Fair Value Measurements and Financial Instruments**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The Company's financial instruments include cash and cash equivalents, other receivables, accounts payable and accrued liabilities, due to related party, promissory note payable and accrued interest. Fair values were assumed to approximate carrying values for these financial instruments due to their short-term nature. Management is of the opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments.

**Recent Accounting Pronouncements**

In February 2010, the FASB issued ASC No. 2010-09, "Amendments to Certain Recognition and Disclosure Requirements", which eliminates the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. ASC No. 2010-09 is effective for its fiscal quarter beginning after 15 December 2010. The adoption of ASC No. 2010-09 is not expected to have a material impact on the Company's financial statements.

In April 2010, the FASB issued ASU 2010-13, "Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades," or ASU 2010-13. This ASU provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Recent Accounting Pronouncements** (continued)

qualifies as equity. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect the adoption of ASU 2010-13 to have a significant impact on its financial statements.

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, "Milestone Method of Revenue Recognition." FASB ASU No. 2010-17 "Revenue Recognition – Milestone Method (Topic 605)" provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 – 17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. The Company does not expect this ASU will have a material impact on its financial position or results of operations.

Other accounting pronouncements that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

**3. MINING CLAIMS**

**Whitton Township and Gayhurst Township in Province of Quebec Mining Claims – Canada**

The Company entered into an option agreement dated June 26, 2008 to acquire a 100% interest in three groups of mineral claims with 21, 28 and 12 claims, respectively, in Whitton Township and Gayhurst Township, Province of Quebec, Canada. Pursuant to the agreement, the Company paid \$16,600 and issued 250,000 common shares at \$0.10 per share on July 15th 2008 for the first payment. The second cash payment in amount of \$16,600 and 250,000 common shares issuance was to be executed on or before July 15, 2009. The Company signed an extension for the second payment to July 15, 2010 pursuant to the agreement to purchase the claims.

During the year ended January 31, 2011, the Company did not make the second option payment and the related mining claims had also lapsed and expired. The Company wrote off the related capitalized cost of \$41,660.

**4. TRANSACTIONS WITH ENGINEERING TECHNOLOGY, INC. ("ENTEC")**

On March 18, 2010, the Company and ENTEC entered into a Technology License Agreement ("License Agreement") whereas ENTEC granted the Company and its affiliates a non-exclusive, non-transferrable, non-sub-licensable, royalty-free, fully paid-up license to use the technology, documentation and associated intellectual property within the territory for any oil sands recovery activities in which the Company or its affiliates with a term of 25 years for a consideration of 15 million common shares of the Company. Upon the signing of the above noted License Agreement, the Company approved and issued 15 million common shares.

Prior to the closing of the above License Agreement, on June 1, 2010, the Company and the shareholders of ENTEC entered into a Share Purchase and Sales Agreement ("Purchase Agreement") to acquire 100% ownership of ENTEC for a consideration of \$10 million with \$3 million payable as by the equity of the Company (a total of 12 million common shares) and \$7 million cash.

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**4. TRANSACTIONS WITH ENGINEERING TECHNOLOGY, INC. (“ENTEC”) (continued)**

In substance, the above noted License Agreement and Purchase Agreement together are considered as business acquisition as the Company is acquiring ENTEC for a total consideration of 27 million common shares of APEC and \$7 million cash. The issuance of 15 million common shares that had been distributed to the shareholders of ENTEC had been considered as a part of the purchase price. The Company accounted the issuance of 15 million common shares as deferred charges which was to be applied as part of purchase price upon the closing of the Purchase Agreement.

The Company re-negotiated with the shareholders of ENTEC and amended and restated the above noted Purchase Agreement for the following purchase prices:

- \$7,000,000 cash; and
- An aggregate of \$8,100,000 (the “Convertible Debenture Amount”) under convertible debenture issued by the Company to and in favor of the shareholders of ENTEC which was to be convertible into the common shares of the Company for not less than 27 million common shares of the Company; and
- The termination of the above noted License Agreement and return and cancel the above issued 15 million common shares of the Company.

The amended and restated Purchase Agreement was terminated and expired due to not closing on October 31, 2010.

As at October 31, 2011, the Company wrote off the deferred charges related to the issuance of 15 million common shares in the shareholders’ equity to reflect the substance of the above noted transactions.

**5. NOTE PAYABLE**

On January 9, 2010, the Company received \$10,000 from Ms. Sally Alston (“the lender”) pursuant to a promissory note payable. The note bears interest at 6% per annum, and is due on demand. On January 31, 2010, the Company entered into an additional promissory note with Ms. Sally Alston in an amount of \$2,000 bearing interest of 6% per annum and is due on demand. On February 1, 2010, the Company received \$2,000 from Ms. Sally Alston pursuant to this promissory. On June 11, 2010, the Company paid back \$2,000 of principal plus \$150 accrual interests on demand to this lender. On February 25, 2010, the Company entered into another additional convertible promissory note with Ms. Sally Alston and received in the amount of \$5,000 bearing interest of 10% per annum. The promissory note and interest are due and will be paid on demand. Under the agreement when demand for payment is presented to the Company, providing 10 clear days notice in written are give to the Company, the lender has the option to convert this loan outstanding at a deemed price of \$0.15 into Company’s common stock. On April 27, 2010, the Company paid back \$15,000 of principal on demand to this lender. As of October 31, 2011, the Company repaid back the principal in full and accrued total interest of \$254 (January 31, 2010 - \$254) and outstanding.

On February 22, 2010, the Company entered into a convertible promissory note with Mike Moustakis in amount of \$4,200 bearing interest of 6% per annum. The promissory note and interest are due and will be paid on demand. Under the agreement when demand for payment is presented to the Company, providing 15 clear days notice in written are given to the Company, the lender has the option to convert this loan outstanding at a deemed price of \$0.15 into Company’s common stock. The Company received \$4,200 (CAD\$4,340) from the lender pursuant to the promissory note. On April 22, 2011, the Company received additional \$800 from lender pursuant to the promissory note. As of October 31, 2011, the Company had \$5,000 principal and accrued interest of \$445 (January 31, 2011 - \$231).

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**5. NOTE PAYABLE (continued)**

The Company did not incur beneficial conversion charges for the above noted convertible promissory notes because the conversion price is great than the fair value of the Company's equity at the date of the convertible promissory note was issued.

On August 2, 2010, the Company entered into a convertible debenture with Asher Enterprises, Inc. in amount of \$53,000 bearing interest of 8% per annum due 9 months after issuance. The promissory note is convertible into the shares of common stock of the Company during the term of the promissory note at the variable conversion price, which equals to 58% multiplied by the market price. Market price means the average of the lowest three trading price for the common stock during the ten trading day period ending one trading day prior to the date of conversion notice. On August 16, the Company received the principal debenture of \$53,000. As of October 31, 2011, the interest accrued on this debenture was \$5,123 (January 31, 2011 - \$1,952) and the debenture and accrued interest due \$58,123 (January 31, 2011 - \$54,952) were convertible into 3,340,393 (January 31, 2011 - \$789,534) shares of the Company's common stock.

On December 2, 2010, the Company entered into a convertible debenture with Asher Enterprises, Inc. in amount of \$25,000 bearing interest of 8% per annum due 9 months after issuance. The promissory note is convertible into the shares of common stock of the Company during the term of the promissory note at the variable conversion price, which equals to 58% multiplied by the market price. Market price means the average of the lowest three trading price for the common stock during the ten trading day period ending one trading day prior to the date of conversion notice. On December 12, the Company received the principal debenture of \$25,000. As of October 31, 2011, the interest accrued on this debenture was \$1,764 (January 31, 2011 - \$268) and the debenture and accrued interest due \$26,764 were convertible into 1,538,183 (January 31, 2011 - 363,053) shares of the Company's common stock.

**6. CAPITAL STOCK**

**Authorized**

The total authorized is 300,000,000 common shares with a par value of \$0.001 per common stock. On January 13, 2010, holders of a majority of the shares of common stock acted by written consent in lieu of a special meeting of shareholders to adopt and approve an amendment to the Certificate of Incorporation to increase the number of authorized common stock from 50,000,000 to 300,000,000 with a par value of \$0.001 per common share.

**Issued and Outstanding**

In May 2006 the Company issued 2,000,000 shares of the common stock for cash at \$0.001 per share.

In September 2007 the Company issued 10,000,000 shares of the common stock for cash at \$0.001 per share.

In October 2007 the Company issued 1,000,000 shares of the common stock for services, valued at \$0.001 per share or \$1,000.

In October 2007 the Company issued 3,000,000 shares of the common stock for cash at \$0.001 per share.

In February and March 2008 the Company issued 1,053,000 shares of the common stock for cash at \$0.10 per share.

In July 2008 the Company issued 250,000 shares of the common stock for a mining claim option, valued at \$0.10 per share or \$25,000. The Company is a private entity and is currently going public. Due to this reason, they do not have stock trading history with which to value the share issuance for the mining claim option. However, the Company issued some common shares for cash at a price of \$0.10 per share during 2008 and has used this same value for the share issuance for the mining claim option.

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**6. CAPITAL STOCK (continued)**

On November 1, 2009, the Company issued 2,000,000 shares of the common stock upon the signing of the business advisory consulting valued at \$0.10 per share or \$200,000.

On December 1, 2009, the Company issued additional 1,000,000 shares of the common stock for service, valued at \$0.10 per share or \$100,000, upon the business advisory consulting agreement made on November 1, 2009.

On February 6, 2010, the Company issued 1,000,000 shares of common stock of the Company valued at \$0.10 per share or \$100,000, pursuant to a business advisory consulting agreement dated November 1, 2009.

On February 6, 2010, the Company issued 1,000,000 shares of common stock of the Company valued at \$0.10 per share or \$100,000, pursuant to a business advisory consulting agreement dated November 1, 2009.

On February 26, 2010, Nanita Holding Ltd., George Skrivanos, and Anastasios Koutsoumbos authorized to affect the share cancellation of 2,000,000, 1,000,000 and 1,000,000 common stocks of the Company, respectively which were originally issued in 2007.

On March 11, 2010, the board of directors of the Company approved the issuance of 1,000,000 shares of common stock of the Company to a director and officer of the Company for services provided to the Company. The shares were issued in accordance with Regulation S of the Securities Act of 1933 and valued at \$0.10 per share or \$100,000.

On March 18, 2010, pursuant to the License Agreement, the Company issued 15,000,000 restricted common shares of the Company to ENTEC at a deemed price of \$0.05 per share or \$750,000. On October 31, 2010, the Company canceled the 15,000,000 shares due to terminated of the Agreement.

On April 1, 2010, the Company issued 25,000 shares of common stock of the Company for cash valued at \$0.15 per share or \$3,750.

On April 16, 2010, the Company issued 1,333,333 shares of common stock of the Company for cash valued at \$0.15 per share or \$200,000.

On May 14, 2010, the Company issued 35,000 shares of common stock of the Company for cash valued at \$0.15 per share or \$5,250.

On May 17, 2010, the Company issued 20,000 shares of common stock of the Company for cash valued at \$0.15 per share or \$3,000.

On June 30, 2010, the Company issued 2,000,000 shares of common stock of the Company for cash valued at \$0.15 per share or \$300,000.

On October, 2010, the Company issued 1,316,667 shares of common stock of the Company for cash valued at \$0.15 per share or \$197,500.

On October 2010, the Company issued 142,857 shares of common stock of the Company for services provided valued at \$0.35 per share or \$50,000.

On June 26, 2011, the Company issued 100,000,000 common shares of the Company for mining claim options valued at \$0.001 per common share or \$100,000.

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**6. CAPITAL STOCK (continued)**

In July 2011, the Company issued 45,000,000 common stocks of the Company valued at \$0.0001 per common stock or \$4,500 for the settlement of the debts. In September, the Company issued 70,000,000 shares of the common stocks of the Company valued at \$0.0001 per common stock or \$7,000 for additional debts settlement.

**Deferred Stock Compensation**

On November 1, 2009, the Company entered into a business advisory consulting agreement with James Andrews. The Company agreed to issue the consultant a total of 5,000,000 restricted common shares of the Company vesting as follows: 2,000,000 restricted Common Shares upon the signing of this agreement, 1,000,000 restricted Common Shares on December 1, 2009, 1,000,000 restricted Common Shares on January 1, 2010, and rest of 1,000,000 restricted Common Shares on February 6, 2010 for his services over 3 years, commencing on November 1, 2009. The Company used the straight-line amortization method to amortize the entire 5 million shares over the three-year service period. As of January 31, 2011 and October 31, 2011, the Company issued the 5,000,000 common stock and recorded deferred stock compensation of \$500,000.

On July 27, 2010, the Company signed an Investor Relations/Media Consulting Agreement with Longview Communications Corp (“Consultant”) for the services effective from July 27, 2010 through August 27, 2010. The Company agreed to pay \$50,000 for consultants work in the form of cash, and 142,857 restricted shares (rule 144) of its common stock, as total and complete consideration for the services to be provided by the consultant to the Company. Payment in full shall be due no later than July 27, 2010. The Company paid \$50,000 in cash and committed to issue 142,857 common shares of the Company. As at January 31, 2011, the Company credited additional paid-in capital and debited deferred stock based compensation of \$50,000 and \$50,000, respectively, for the above noted 142,857 common shares committed to be issued. As of October 31, 2011, the Company issued 142,857 commons share and amortized \$50,000.

**Stock options**

On May 1, 2010, the Company granted a total of 3,200,000 stock options to the consultants of the Company at the exercise price of \$0.25 per share. The options will be vested immediately and will expire on April 30, 2012. On December 2010, the Company canceled 3,000,000 stock options to the consultants of the Company.

On December 1, 2010 Stewart LaRocque was re-issued a new Option Agreement in the amount of 300,000 common shares at a price of \$0.30 per share. The expiry date is November 20, 2013.

The Company estimates the fair value of each stock option at a grant date by using the Black-Scholes option pricing model pursuant to FASB ASC718, “Share Based Payment” and the following assumptions: expected term of 2 years, a risk free interest rate of 0.97%, a dividend yield of 0% and volatility of 117%. Under the provisions of SFAS ASC718 stock based compensation expenses of \$0 and \$608,331 was recorded for the period ended October 31, 2011 and 2010, respectively.

The following table summarizes the changes in options issued and outstanding:

	Number of Options	Weighted Average Exercise Price
Opening as of January 1, 2010	-	\$ -
Granted	3,200,000	\$ 0.25
Canceled	(2,700,000)	0.25
Outstanding as of January 31, 2010	500,000	\$ 0.25
Granted 300,000	300,000	\$ 0.30
Outstanding as of January 31, 2011 and October 31,2011	800,000	\$ 0.27

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

**6. CAPITAL STOCK (continued)**

**Basic and Diluted Net Loss Per Share**

The Company computes net loss per share in accordance with the accounting pronouncement, Earnings per Share. This accounting pronouncement requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerators) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all potentially dilutive common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all potentially dilutive shares if their effect is anti-dilutive. The Company had no common stock equivalents outstanding at October 31, 2011 and 2010.

Basic & Diluted Earning Per Share Computation	Nine Months Ended October 31, 2011	Nine Months Ended October 31, 2010
(Loss) available to common stockholders	\$ (344,538)	\$ (1,014,016)
Weighted-average share used to compute:	124,231,004	20,529,533
Basic & Diluted Loss per common share	\$ (0.00)	\$ (0.05)

**7. RELATED PARTY TRANSACTIONS**

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measure at the exchange amount.

During the nine months ended October 31, 2011 and 2010, the Company was charged \$135,000 and \$105,000 consulting fees by the President and CEO of the Company and \$10,466 and \$95,938 consulting fees by companies controlled by directors of the subsidiary of the Company, respectively.

Included in prepaid expenses and deposits is amounts of \$Nil (January 31, 2011 - \$107,977) advanced to the President and CEO of the Company for operating expenses.

Amount of \$99,936 (January 31, 2011 - \$Nil) was due to the President, CEO and a director of the subsidiary of the Company for management fees and operation expenses, respectively.

Also see Note 12.

**8. COMMITMENTS**

On May 12, 2010, the Company entered into a consulting agreement with Emerald Isle Services Ltd. (“Consultant”), an Alberta Company owned by a senior officer of the Company (director of the Company’s subsidiary) for service providing for a period of three years. The Company agreed to pay CAD\$25,000 per month. However, The Consultant agreed to receive CAD\$10,000 per month from March 2010 through August 31, 2010. As of October 31, 2011, the Company paid CAD\$50,000 and Company terminated the agreement.

On May 12, 2010, the Company entered in a consultant agreement with JCL Henery Inc. (“Consultant”), an Alberta Company owned by a senior officer (director of the Company’s subsidiary) for services providing for a period of three years. The Company agreed to pay CAD\$10,000 per month from March 2010. As of October 31, 2011, the Company paid CAD\$50,000 and terminated the agreement.

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**8. COMMITMENTS (continued)**

On May 12, 2010, the Company entered into a consulting agreement with James Andrews for his service for a period of three years. The Company agreed to pay CAD\$5,000 per month commencing from March 1. As of October 31, 2011, the Company paid CAD\$20,000 and terminated the agreement.

On July 27, 2010, the Company signed an Investor Relations/Media Consulting Agreement with Longview Communications Corp (“Consultant”) for the services effective from July 27, 2010 through August 27, 2010. The Company agreed to pay \$50,000 for consultants work in the form of cash, and 142,857 restricted shares (rule 144) of its common stock, as total and complete consideration for the services to be provided by the consultant to the Company. Payment in full shall be due no later than July 27, 2010. As of October 31, 2011, the Company paid \$50,000 in cash and committed to issue 142,857 common shares.

On August 4, 2010, the Company entered into an E-Trax Subscription Agreement with AlphaTrade.com (“APTD”) a Nevada corporation. APTD agrees to provide the Company, in specified order form with access to the APTD Services. The data, text, graphics and images contained in the APTD Services, and any portion thereof, shall be referred to, individually and collectively, as the “APTD Content”. The agreement will take effect on the contract start date of August 4, 2010 until the contract termination set in the agreement. As of October 31, 2011, the Company paid \$12,000.

In August 2010, the Company entered into a consulting agreement with Information Solutions Group (“ISG”) for the management consulting services, business advisory services, shareholder information services and public relations services. The Company agreed to pay \$30,000 before August 13, 2010 for a start date of August 16, 2010 and coverage through October 29, 2010. As of October 31, 2011, the Company paid \$30,000 in full.

On August 13, 2010, the Company made a consulting agreement with Tritos Inc. (“Consultant”) for management consulting services, business advisory services, shareholder information services and public relations services. The Company agreed to pay \$15,000 in exchange for the first round of services ranging from August 18, 2010 through September 30, 2010. Either party may terminate this agreement at the end of any month during the term of this agreement. As of October 31, 2011, the Company paid \$15,000.

On August 12, 2010, the Company entered into an office lease agreement with 120 Eglinton East Business Centre Inc. (“120”) for a period of nine months beginning from August 19, 2010 at a monthly basic rental charge of \$1,750 plus telecom package of \$420 monthly charge. Total of \$2,170 payable in advance will be due on the 19th day of each month during the term. At the end of this agreement, the Company may renew this tenancy on a month-to-month basis. This renewal can be terminated by giving a minimum of 60 days prior written notice to terminate, and such termination to be effective on the 19th day of the next month after such 60-day period. On October 31, 2011, the Company terminated the lease agreement.

On August 25, 2010, the Company entered into an agreement with G.M. Astor & Associates. The Company agreed to pay \$1 million in cash and issue 500,000 restricted common shares of the Company upon successful completion of the raising of \$18,000,000 for the Company.

On September 17, 2010, the Company entered a consulting service agreement with Internet Capital Inc. (“Consultant”), a Canadian Corporation for the investor relations services provided for a period of thirty days commencing from the date of signing the agreement. The Company agreed to pay \$15,000 CAD (US\$14,979). As of October 31, 2011, the Company paid in full.

On October 1, 2010, the Company entered into a consulting agreement with Stock to Watch Inc. (“Consultant”) and the Client identified on the signature page to this agreement (“Client”). The consultant agreed to perform its consulting duties hereto as an independent contractor set in the agreement. The Company agreed to pay \$2,600 for one week of

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**8. COMMITMENTS** (continued)

service starting October 4, 2010. As of July 30, 2010, the Company paid \$2,600 and paid an additional \$4,600 by verbally agreement.

On December 1 2010, the Company entered into a consulting services agreement with Bambamarca Mining (“Consultant”) for certain management consulting services, business advisory services, shareholder information services and public relations services provided as required by the Company, effective from the signing date of the agreement for a two year period. The Company agreed to pay the Consultant 5,000,000 restricted common shares of the Company and a fee of \$5,000 CDN everfy month for a period of 7 months. Payment of \$2,500 shall be made on the first and 15th of every month. The Company paid \$5,000 in cash. Subsequent to the quarter ended October 31, 2011, the Company canceled the agreement on November 2, 2011 effective from January 1, 2011.

On January 12, 2011 Alaska Pacific Energy Corp. (the “Company”) (OTCBB:ASKEE), announced that it had signed an Option Agreement between the Company and Sundance Gold Ltd., (“SUN”) to acquire an 80% legal and beneficial interest in certain primary mining and prospecting licenses (the “Property”) located in the Handeni area of the Republic of Tanzania.

Pursuant to the Option Agreement with SUN, the Option may be exercised, at the sole discretion of the Company, to acquire an undivided 100% of SUN’s 80% legal and beneficial interest in the Property, free and clear of all encumbrances for the full price and consideration of payment to SUN of the sum of \$3,150,000 (the “Payment”), the expenditure by the Company of a total of \$3,500,000 in exploration work on the Property (the “Work”) and the issuance to SUN of 30,000,000 common shares of \$0.001 par value in the capital stock of the Company as constituted as of January 11th, 2011 (the “Shares”). Upon the completion of the Payments, the payment of the Shares and the completion of the Work, the Company may exercise the Option by delivering to SUN written notice of the Company's intention to exercise the Option.

Payment. The Payment shall be made to SUN as follows:

- (a) \$75,000 upon the execution of this Agreement;
- (b) \$75,000 as soon as possible after all regulatory filings have been completed and in any case no later than March 1, 2011
- (c) A further payment of \$250,000 on or before 6 months after March 31, 2011;
- (d) A further payment of \$500,000 on or before 12 months after March 31, 2011;
- (e) A further payment of \$750,000 on or before 24 after March 31, 2011;
- (f) A further payment of \$1,500,000 on or before 36 months after March 31, 2011;

Work. The Work on the Property shall be carried out and paid for, to a minimum value, as follows:

- (a) a work program of \$500,000 on or before the first anniversary of this agreement;
- (b) a further \$1,000,000 on or before the second anniversary of this agreement for development expenses
- (c) a further \$2,000,000 on or before the third anniversary of this agreement for development expenses.

Any excess in the amount of Work required to be incurred by the end of a particular period may be carried forward

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**8. COMMITMENTS** (continued)

and credited towards future cumulative aggregate Work requirements.

Shares. The Shares shall be issued to SUN as follows:

- (a) 10,000,000 Shares on or before January 31st 2011;
- (b) A further 20,000,000 Shares on or before February 14th 2011.

Should the Option Agreement not be exercised by either Party, all 30,000,000 common shares that have been granted to SUN shall be returned to the Company within 7 days, for cancellation. On January 25, 2011, the Company issued 30,000,000 common shares of the Company at \$0.001 or valued \$30,000.

Alaska Pacific Energy Corp. has evaluated subsequent events for the period October 31, 2011 through the date the financial statements were issued, and concluded there were no other events or transactions occurring during this period that required recognition or disclosure in its financial statements.

On June 22, 2011, Alaska Pacific Energy Corp. ("ASKE") executed an Assignment Agreement with Kouzelne Mesto Ltd., ("KzM") whereby Alaska Pacific Energy Corp will acquire ownership of an 80% legal and beneficial interest in certain primary mining and prospecting licenses located in the Lillooet Mining Division in the Province of British Columbia, Canada (the "Property"). The original Owner BCT Mining Corp. has granted KzM the sole and exclusive option (the "Option") which may be exercised at the sole discretion of KzM to acquire an undivided 100% of the Owner's 80% legal and beneficial interest in and to the Property (the "Interest") free and clear of all encumbrances for the full price and consideration of payment to the Owner, the sum of \$1,150,000 (the "Payment"), the expenditure by the KzM or it's Assignee, ASKE, of a total of \$1,500,000 in exploration work on the Property (the "Work") and the transfer by KzM of 75,000,000 common shares of \$0.001 par value in the capital stock of ASKE as constituted as of June 22nd, 2011 (the "Shares"), out of a total of 100,000,000 shares granted to KzM, by ASKE, as set out in sections 1.2, 1.3, 1.4 and 1.5 respectively. Upon the completion of the Payments, the payment of the Shares and the completion of the Work, KzM or its assignee, ASKE may exercise the Option by delivering to the Owner written notice of the ASKE's intention to exercise the Option. On June 26, 2011, the Company issued 100,000,000 common shares of the Company valued at \$0.001 per common share or \$100,000.

**9. SUBSEQUENT EVENTS**

In December, the Company issued 20,000,000 shares of the common stocks of the Company for additional debts valued at \$0.0001 per share or \$2,000 and the 20,000,000 shares were canceled on February 16, 2011.

On December 20, 2011, the Company issued 15,000,000 commons share of the Company for cash valued at @0.00233 per common stock or \$35,000.

On January 11, 2012, the Company issued 11,111,111 commons shares of the Company for cash valued at \$0.0006975 per common stock or \$7,750

On February 3, 3012, the Company issued 25,000,000 common shares of the Company for cash valued at \$0.001 per common stock or at \$30,000.

**Alaska Pacific Energy Corp.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**October 31, 2011**

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**9. SUBSEQUENT EVENTS** (Continued)

On February 29, 2012, the Company issued 31,000,000 common shares of the Company for cash valued at \$0.000403 per common stock or at \$12,500. As of the filing date of this report, the Company has not received the funds.

Alaska Pacific Energy Corp. has evaluated subsequent events for the period October 31, 2011 through the date the unaudited consolidated financial statements were issued, and concluded there were no other events or transactions occurring during this period that required recognition or disclosure in its financial statements.

**NOTE:** The change in Authorized Share Capital dated January 13, 2010 was accomplished through the adoption, by Alaska Pacific Energy Corp., majority shareholders, of a resolution which authorized Alaska Pacific Energy Corp., to complete the change in authorized capital. The Company filed an Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934 (Schedule 14C) which gave notice that a total 6 of shareholders of holding 94% of the existing issued and outstanding shares voted in favor of the action.

Additionally, we executed a change in Authorized Share Capital, from 300,000,000 common shares with a par value of \$0.001 to 600,000,000 common shares with a par value of \$0.001 dated October 4, 2011. This change in Authorized Share Capital was accomplished through the adoption, by Alaska Pacific Energy Corp., majority shareholders, of a resolution which authorized Alaska Pacific Energy Corp., to complete the change in authorized capital. A total of seven shareholders of representing 86.6% or 181,178,216 common shares approved and authorized the amendment to the Articles of Incorporation.

#### **ITEM 4. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

Our business activities to date have not provided any cash flow. During the next twelve months we anticipate incurring costs and expenses related to our planned business. We are currently in need of additional equity financing to fund our planned business. Based on our history as a developmental stage company, it is difficult to predict our future results of operations. Our planned business may not be materialized or our operations may never generate significant revenues or any revenues whatsoever, and we may never achieve profitable operations.

We incurred total operating expenses in the amount of \$1,644,682 for the period from our inception on January 13, 2005 to October 31, 2011.

##### **Plan of Operations**

The Company will continue to manage its operations and cash resources in a manner consistent with its expectation that it will be able to satisfy cash requirements through fiscal 2012.

On May 12, 2010, the Company incorporated its subsidiary company, Alaska Pacific Energy Canada Ltd. under the laws of Alberta, Canada to engage in developing oil and gas energy business in Canada.

During the period ended October 31, 2010, the Company's mining option was forfeited as the Company failed to fulfill the second option payment and the underlying mining claims have been lapsed and expired. The capitalized cost of mining claims \$41,600 was written off during the period ended October 31, 2010.

The Company amended and restated Purchase and Sales Agreement to acquire 100% ownership of Engineering Technology, Inc. which was terminated and expired due to not closing on October 31, 2010 pursuant to the agreement.

##### **Results of Operations**

We have not earned and recorded any revenues from the time of our incorporation on January 13, 2005 to October 31, 2011. We do not anticipate earning revenues unless we succeed with our planned business operations. In terms of our mineral properties, during the period ended October 31, 2010, our mining option was forfeited and currently we have no mineral claims. We are in the process of completing the amended Share Purchase and Sales Agreement to acquire 100% ownership of Engineering Technology, Inc. and can provide no assurance that we will successfully raise the financing and complete the acquisition.

The Company recognized a net loss of \$344,538 and \$1,014,016 for the periods ended October 31, 2011 and 2010, respectively. From inception through October 31, 2010, the Company recognized a net loss of \$1,644,682.

Our operating expenses decreased \$669,478 from \$1,014,016 for the nine-month period in 2010 to \$344,538 for the nine-month period in 2011. This represented a decrease in General and Administrative expenses of \$77,728 from \$107,837 to \$30,109, a decrease of professional fees in the amount of \$339,468 from \$646,236 to \$306,768 primarily related to reduced management and consulting fees, a decrease in Investor Relations fees in the amount of \$172,563 from \$179,007 to \$2,369 a decrease of stock based compensation in the amount of \$38,012 as no stock based compensation was paid out in the nine months period ended October 31, 2011 and a decrease in write-off of mining expenses of \$41,600.

### **Capital Resources and Liquidity**

Working capital, which was current assets less current liabilities, was a deficit of \$273,433 at October 31, 2010 compared to a working capital deficit of \$20,589 at January 31, 2010. Current assets at October 31, 2011 included cash and cash equivalents of nil, prepaid expenses of \$738 and other receivables of \$8,628.

As at October 31, 2011, we had total assets of \$139,366, comprising of prepaid expense of \$738, other receivables of \$8,628 and mining claims of \$130,000. There is an increase of \$2,181 in total assets as at October 31, 2011. The increase was primarily attributable to an increase in mining claims.

As at October 31, 2011, our total liabilities increased to \$282,779 from \$124,328 as at January 31, 2010. This increase primarily resulted from the increase of an amount of 99,936 due to a related party, accounts payable and accrued liabilities and notes payable.

The Company's cash flows used by operating activities are \$2,649 and \$719,329 for the nine month periods ended October 31, 2011 and 2010, respectively. The Company's cash flow provided by financing activities decreased from \$741,700 for the period ended October 31, 2010 to \$800 to the period ended October 31, 2011 was due to a reduction in shares issued for cash and proceeds from promissory notes payable.

As of October 31, 2011 and January 31, 2011, we had 1,615 and \$178, respectively in cash. We received funds of \$800 and \$741,700 for the third quarter ended October 31, 2011 and 2010, respectively through proceeds from share issue for cash and proceeds from promissory notes. Our operating expenses decreased for the 2011 third quarter compared to the same quarter ended October 31, 2010. The decrease was primarily due to professional fees related to a decrease in legal, audit and consulting service fees and general administration expenses related to rental, office expenses and stock based compensation in the 2011 third quarter. As a result of the decrease, we recorded a smaller net loss for the 2011 third quarter compared to the 2010 third quarter. However, we have limited capital resources and will have to rely upon the issuance of common stock to fund our planned operations. Cash and cash equivalents from inception to date have been sufficient to cover expenses involved in starting our business. We will require additional funds to continue to implement our business plan during the next twelve months.

The decrease in the Company's cash flow provided by financing activities from \$741,700 to \$800 for the period ended October 31, 2011 compared with the same period ended October 31, 2010 was due to the decrease in proceeds from share issue for cash, proceeds from promissory note payable.

We currently do not have enough cash to satisfy our minimum cash requirements and planned business operations for the next twelve months. The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses from inception to October 31, 2011. The Company had no mining claims as of October 31, 2010. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management continues to actively seek additional sources of capital to fund current and future operations. There is no assurance that the Company will be successful in continuing to raise additional capital and realizing its planned operation. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

**ITEM 5: LEGAL PROCEEDINGS:**

We are not now or have ever been a party to any legal proceedings nor are we aware of any legal proceedings pending or threatened against us or our assets.

**ITEM 6: DEFAULTS UPON SENIOR SECURITIES.**

There have been no defaults upon senior securities.

**ITEM 7: OTHER INFORMATION.**

None

**ITEM 8: EXHIBITS**

The following exhibits are filed with this Quarterly Report on Form 10-Q unless filed previously as noted below.

- 3.1 Certificate of Incorporation filed with State of Nevada, January 13, 2005. Filed previously as part of the Company's original Form 10 registration statement on March 31, 2009
  - 3.2 Company Bylaws. Filed previously as part of the Company's original Form 10 registration statement on March 31, 2009
  - 3.3 Certificate of Amendment to Articles of Incorporation increasing the Company's authorized capital dated January 13, 2010. Filed previously as part of the Company's Schedule 14C filed on February 10, 2010.
  - 3.4 Certificate of Amendment to Articles of Incorporation increasing the Company's authorized capital dated October 4, 2011. Filed previously as part of the Company's Annual Report dated November 9, 2011.
- 10.12 Consulting Agreement between Alaska Pacific Energy Corp. and Polosway dated March 8, 2012.

**ITEM 9: ISSUER'S CERTIFICATIONS.**

Certifications by the Chief Executive Officer and Chief Financial Officer of the issuer

I, James R. King, certify that:

1. I have reviewed this quarterly disclosure statement of Alaska Pacific Energy Corp.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

By:  /s/ James R. King  
James R. King,  
Chief Executive Officer, Chief Financial Officer  
President, Director

Date: March 26, 2012