

ALTERNATIVE ENERGY PARTNERS, INC.

FORM 10-Q (Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: **April 30, 2014**

☐ 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

(State or other jurisdiction of incorporation or organization)

26-2862564

(I.R.S. Employer I.D.
Number)

**301 Yamato Road
Boca Raton, FL 33431**

(Address of principal executive offices)

(561)-244-2532

(Issuer's telephone number)

Indicate by check mark whether the Company (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

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 ☒ No ☐

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

☐

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☒

(Do not check if a smaller reporting company)

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

Yes [] No [x]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of June 17, 2014, there were 4,111,795,133 shares of our common stock outstanding.

Alternative Energy Partners, Inc.
(A Development Stage Company)
April 30, 2014

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FORWARD-LOOKING STATEMENTS

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

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

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

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

Item 1. Financial Statements

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

	April 30, 2014	July 31, 2013
	(Unaudited)	(Audited)
<u>Assets</u>		
Current Assets		
Cash	\$ 155,108	\$ -
Prepaid expenses	8,159	-
Total Assets	\$ 163,267	\$ -
<u>Liabilities & Stockholders' Deficit</u>		
Current Liabilities		
Bank overdraft	-	93
Accounts payable	64,224	67,615
Loans payable	12,500	12,500
Due to third party	1,000	-
Notes payable, net of debt discount of \$210,213 and \$83,686	186,880	91,036
Accrued interest	15,210	26,003
Derivative liability	391,483	2,643,904
Total Current Liabilities	671,297	2,841,151
Lon-term Liabilities		
Notes payable, long-term, net of debt discount of \$0 and \$97,494	65,200	312,159
Total Liabilities	736,497	3,153,310
Stockholder's Deficit		
Common Stock, \$0.001 par value, 5,000,000,000 shares authorized 3,561,697,072 and 826,402,041 shares issued and outstanding as of April 30, 2014 and July 31, 2013, respectively.	3,561,697	826,402
Preferred stock, \$0.001 par value, 5,000,000 shares authorized and outstanding as of April 30, 2014 and July 31, 2013, respectively.	5,000	5,000
Additional paid in capital	4,840,648	6,758,575
Deficit accumulated during the development stage	(8,980,575)	(10,743,287)
Total Deficit	(573,230)	(3,153,310)
Total Liabilities and Stockholders' Deficit	\$ 163,267	\$ -

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

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

	For the Three Months Ended		For the Nine Months Ended April		For the Period
	April 30,		30,		from April 28,
	2014	2013	2014	2013	2008 (Inception)
					to April 30, 2014
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -

Cost of Sales	-	-	-	-	-
Gross Margin	-	-	-	-	-
General & Administrative					
Consulting fees-related parties	74,500	30,000	194,500	103,679	4,315,231
Impairment loss	-	-	-	304,129	2,589,549
Promotional and marketing	-	-	-	-	129,491
Professional fees	12,120	2,500	55,140	14,450	187,467
Salaries and wages	-	-	-	-	57,414
Other general and administrative	14,850	9,194	6,261	52,698	278,507
Total Expenses	101,470	41,694	255,901	474,956	7,557,659
Net loss before other income (expense)	(101,470)	(41,694)	(255,901)	(474,956)	(7,557,659)
Interest and finance expense	(69,963)	(78,055)	(197,293)	(222,414)	(899,518)
Gain from debt settlement	15,000	21,980	15,000	21,980	15,000
Derivative expense	(462,178)	-	(1,047,630)	-	(1,602,427)
Gain (loss) from discontinued operations	-	(13,888)	-	(53,041)	6,776
Change in fair value on derivatives	1,886,666	60,952	3,248,541	64,415	1,057,253
Net income (loss) before income taxes	1,268,055	(50,705)	1,762,716	(664,016)	(8,980,575)
Income tax expense	-	-	-	-	-
Net income (loss)	\$ 1,268,055	\$ (50,705)	\$ 1,762,716	\$ (664,016)	\$ (8,980,575)
Net income (loss) per share - basic	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.01)	
Weighted average number of shares outstanding during the period - basic	2,499,236,224	264,101,797	3,495,426,011	70,753,724	
Net income (loss) per share - diluted	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.01)	
Weighted average number of shares outstanding during the period - diluted	2,681,996,225	264,101,797	3,678,186,012	70,753,724	

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

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

	(Unaudited)		
	For the Nine Months Ended April 30, 2014	For the Nine Months Ended April 30, 2013	For the Period from April 28, 2008 (Inception) to April 30, 2014
OPERATING ACTIVITIES:			
Net Income (loss)	\$ 1,762,716	\$ (664,016)	\$ (8,980,575)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discounts and financing fees	136,383	71,760	864,599
Impairment of long-lived assets	-	304,129	2,589,549
Gain on discontinued operations	-	-	(85,209)
Shares issued for services	-	-	3,505,131
Gain on settlement of liabilities	(15,000)	(21,981)	(15,715)
Change in fair value on derivatives	(3,248,541)	(64,415)	(502,456)
Derivative expense	1,047,630	159,132	1,047,630

Non-cash expenses-related party	-	-	5,945
Deposits	-	(5,000)	5,000
Other current assets	8,159	2,221	(16,069)
Increase in accrued liabilities			
Accounts payable and accrued expenses	143,278	184,476	832,149
Accrued interest	32,076	16,688	68,976
Net Cash Used in Operating Activities	(133,299)	(17,006)	(681,045)
INVESTING ACTIVITIES:			
Advances to related party	-	-	(4,500)
Net Cash Used in Investing Activities	-	-	(4,500)
FINANCING ACTIVITIES:			
Proceeds from convertible notes payable	287,500	18,250	747,050
Proceeds (to) from related party	-	-	(21,847)
Proceeds from third party	1,000	-	1,000
Proceeds from issuance of stock	-	-	114,450
Bank overdraft	(93)	-	-
Net Cash Provided by Financing Activities	288,407	18,250	840,653
Net Increase in Cash	155,108	1,244	155,108
Cash, beginning of period	-	199	-
Cash, end of period	\$ 155,108	\$ 1,443	\$ 155,108
SUPPLEMENTARY CASH FLOW INFORMATION			
Cash paid during the year/period for:			
Income Taxes	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -
SUPPLEMENTARY CASH FLOW INFORMATION			
Stocks issued in connection with acquisitions	\$ -	\$ -	\$ 2,199,375
Conversion of notes payable to stock	\$ 412,028	\$ 34,567	\$ 688,727
Conversion of accrued interest to stock	\$ 14,712	\$ -	\$ 18,731
Accounts payable converted to notes payable	\$ 120,000	\$ 30,000	\$ 657,897

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

Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
April 30, 2014
(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Alternative Energy Partners, Inc. (the “ Company ”) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles accepted in the United States for complete financial statements. The unaudited Condensed Financial Statements for the interim period ended April 30, 2014 include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim period. This includes all normal and recurring adjustments, but does not include all of the information and footnotes required by generally accepted accounting principles (“ GAAP ”) for complete financial statements. Financial results for the Company can be seasonal in nature. Operating results for the three and nine months ended April 30, 2014 are not necessarily indicative of the results that may be expected for the year ended July 31, 2014. 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, 2013 filed with the Commission on November 13, 2013.

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.

Through April 30, 2013, we were a holding company engaged through our subsidiary, Clarrix Energy, LLC, in the business of energy production and management. In May 2013, we closed Clarrix Energy, LLC and recognized a loss from our initial investment in the Company in 2012, reported as a loss from discontinued operations on the financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31 2013.

In May, 2013, we acquired the PharmaJanes TM marketing operation and related intellectual property from iEquity Corp. and changed our business model to focus purely in the medical marijuana marketing space. We will be changing our name to PharmaJanes, Inc during the current fiscal year. PharmaJanes TM has developed a web and phone application that allows individuals to place orders for medical marijuana through a website and smart phone application anywhere such a transaction is legal in the United States. The purpose of PharmaJanes TM is to give patients a simple ordering platform, while allowing local collectives to service the orders in compliance with state and local laws and ordinances. PharmaJanes TM will act solely as an expeditor and processor of the orders, and the fulfillment function will be done entirely within the particular state of residence of the purchaser, by licensed collectives or other licensed medical marijuana providers in that state.

PharmaJanes TM currently has over multiple marketing contracts in place for this service and will be the exclusive point-of sale for the collectives under contract. Since the acquisition, we have established our new web site and ordering platform at www.pharmajanes.com, which currently is available only in California for California residents. The acquisition of the PharmaJanes intellectual property and business was closed on May 31, 2013 in exchange for our promissory note payable to iEquity Corp. in the amount of \$50,000, due in nine years at 8 percent interest and convertible after nine months at the election of the Holder at 50 percent of the closing market price of our common stock at the date of closing, May 31, 2013, or a conversion price of \$0.00105. We also acquired the Simple Prepay TM merchant payment solution from iEquity Corp in May 2013. The Simple Prepay TM system was developed to offer dispensaries, collectives, and delivery services for medical cannabis, a convenient payment solution.

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Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
April 30, 2014
(Unaudited)

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

Medical marijuana patients are able to upload funds onto their Simple Prepay TM account via a smart phone application or via a website, allowing them to purchase their medical cannabis needs with privacy and simplicity. Our website at www.simpleprepay.com is in the development stages and is expected to go live shortly. The

acquisition of the Simple PrepayTM intellectual property and business was closed on May 31, 2013 in exchange for our promissory note payable to iEquity Corp. in the amount of \$30,000, due in nine years at 8 percent interest and convertible after nine months at the election of the Holder at 50 percent of the closing market price of our common stock at the date of closing, May 31, 2013, or a conversion price of \$0.00105.

We also signed an agreement with SK3 Group, Inc. to become the exclusive on-line and smart phone ordering and marketing platform for collectives managed through the SK3 Group system. Members of the collectives managed by SK3 Group will be able to order their medical cannabis needs through PharmaJanesTM. We agreed to issue a total of 100 million shares of our common stock to SKTO for this exclusive agreement, valued at \$30,000 based on the closing market price for the stock on the date of the Agreement, and also undertook to register the planned distribution of the shares by SKTO to its shareholders. The shares are to be issued when the registration statement becomes effective. We have not yet filed the agreed to registration statement due to cost factors and the need to complete the fiscal year end audit, and have subsequently agreed to merge with SK3 Group, Inc. The unissued shares will be accounted for in the merger.

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

Principles of Consolidation

The accompanying condensed consolidated financial statements include Alternative Energy Partners, Inc. and its former wholly-owned subsidiary Clarrix Energy, LLC, for the periods ended prior to May, 2013, and for the Company only for the nine months ended April 30, 2014. All intercompany balances and transactions have been eliminated in consolidation.

Risks and Uncertainties

The Company operates in an industry that is subject to rapid technological change and which is heavily regulated by both state and federal regulators. 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 condensed consolidated 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 2013 and 2012 included a 100% valuation allowance for deferred tax assets arising from net operating losses incurred since inception.

Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
April 30, 2014
(Unaudited)

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

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

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At April 30, 2014 and July 31, 2013, respectively, the Company had no cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At April 30, 2014 and July 31, 2013, respectively, there were no balances that exceeded the federally insured limit.

Earnings per Share

The Company reports earnings (loss) per share in accordance with ASC Topic 260-10, "Earnings per Share." Basic earnings (loss) per share are computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share have not been presented since the effect of the assumed conversion of warrants and debt to purchase common shares would have an anti-dilutive effect. Potential common shares as of April 30, 2014 that have been excluded from the computation of diluted net loss per share amounted to 182,760,001 shares which include \$266,017 of debt and accrued interest convertible into shares of the Company's common stock.

Share Based Payments

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

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

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

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Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
April 30, 2014
(Unaudited)

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

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

Long-Lived Assets

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

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.

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Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
April 30, 2014
(Unaudited)

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

- 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.

The carrying value of cash, accounts payables, due to related party, notes payable, and convertible notes approximates their fair values due to their short-term maturities.

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 features.

Convertible Debentures

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

Recent Accounting Pronouncements

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 condensed consolidated financial statements, the Company has a net income of \$1,762,716 for the nine months ended April 30, 2014 due mainly to a gain on derivatives of \$3,248,541 and an accumulated deficit during the development stage of \$8,980,575 at April 30, 2014. The Company had a loss from operations for the nine months ended April 30, 2014 of \$255,901.

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Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
April 30, 2014
(Unaudited)

Note 3 Going Concern (continued)

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 2, the Company has been involved in numerous acquisitions with the intent of achieving a level of profitability

Management believes the current cash on hand at April 30, 2014 is sufficient to maintain current operations for at least one year.

Note 4 Notes Payable

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

	<u>April 30, 2014</u>	<u>July 31, 2013</u>
Convertible promissory note for \$27,140 dated May 9, 2013, bearing interest at a rate of 8% per annum, maturing February 13, 2014 convertible at a 55% discount to the average of the nine lowest ten-day trading prices at date of conversion. The note was fully converted at April 30, 2014.	-	27,140
Judgment payable for \$12,500 dated July 2010, bearing interest at a rate of 8% per annum	12,500	12,500
Convertible promissory note for \$63,896 dated March 15, 2013, bearing interest at a rate of 8% per annum, maturing February 13, 2014 convertible at a 55% discount to the average of the nine lowest ten-day trading prices at date of conversion. The note has been fully converted at April 30, 2014.	-	63,896
Convertible promissory note for \$25,000 dated September 3, 2013, bearing interest at a rate of 8% per annum, maturing June 5, 2014 convertible at a 55% discount to the average of the nine lowest ten-day trading prices at date of conversion. This note has been fully converted at April 30, 2014.	-	-
Convertible promissory note dated for \$25,000 September 13, 2013, bearing interest at a rate of 8% per annum, maturing March 31, 2014 convertible at a 50% discount to the average of the two lowest volume weighted average prices. The note was fully converted at April 30, 2014.	-	-
Convertible promissory note dated for \$25,000 September 13, 2013, bearing interest at a rate of 8% per annum, maturing March 31, 2014 convertible at a 50% discount to the average of the two lowest volume weighted average prices. The note was fully converted at April 30, 2014.	-	-
Convertible promissory note for \$41,137 dated November 7, 2013, bearing interest at a rate of 8% per annum, maturing November 6, 2014 convertible at a fixed price of \$0.00015 per share. This note has been fully converted at April 30, 2014.	-	-

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Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
April 30, 2014
(Unaudited)

Note 4 Notes Payable (continued)

	<u>April 30, 2014</u>	<u>July 31, 2013</u>
Convertible promissory note dated for \$120,000 November 1, 2013, bearing interest at a rate of 8% per annum, maturing December 31, 2014 convertible at a 50% discount to the average lowest price for five trading days prior to conversion. On March 3, 2014, this note was sold to Tangiers for principal of \$120,000 plus interest of \$2,393.	-	-
Convertible promissory note for \$122,393 dated March 3, 2014, bearing interest at a rate of 8% per annum, maturing December 31, 2014 convertible at any time at the lesser of \$0.0025 or 50% discount to the average lowest price for five trading days prior to conversion. The carrying amount of the debt discount was \$96,966 and \$0 respectively.	25,427	-
Convertible promissory note For \$67,00 dated February 18, 2014, bearing interest at a rate of 8% per annum, maturing February 18, 2015 convertible at any time at the lesser of \$0.002 or 54% discount to the average two lowest volume weighted average prices for the ten days prior to conversion. The carrying amount of the debt discount was \$53,784 and \$0 respectively.	13,216	-
Convertible promissory note for \$67,000 dated February 18, 2014, bearing interest at a rate of 8% per annum, maturing February 18, 2015 convertible at any time at the lesser of \$0.002 or 54% discount to the average two lowest volume weighted average prices for the ten days prior to conversion. The		

carrying amount of the debt discount was \$53,784 and \$0 respectively.	13,216	-
Convertible promissory note for \$5,700 dated October 31, 2013, bearing interest at a rate of 8% per annum, maturing November 14, 2014 convertible after 180 days at a 55% discount to the average of the three lowest ten-day trading prices at date of conversion. The carrying amount of the debt discount was \$5,679 and \$0 respectively.	21	-
Convertible promissory note for \$ 47,500 dated February 12, 2014, bearing interest at a rate of 8% per annum, maturing November 14, 2014 convertible after 180 days at a 55% discount to the average of the three lowest ten-day trading prices at date of conversion.	47,500	-
Convertible promissory note for \$27,500 dated March 20, 2014, bearing interest at a rate of 8% per annum, maturing December 31, 2014 convertible after 180 days at a 55% discount to the average of the three lowest ten-day trading prices at date of conversion.	27,500	-
Convertible promissory note for \$60,000 dated April 4, 2014, bearing interest at a rate of 8% per annum, maturing April 4, 2015 convertible after 180 days at a 50% discount to the lowest closing bid price for the fifteen days prior to conversion.	60,000	-
Total short term notes payable	199,380	103,536

Alternative Energy Partners, Inc.
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Note 4 Notes Payable (continued)

Long-term notes payable

Note payable for \$11,755 bearing interest at a rate of 5% per annum and maturing December 31, 2014. The carrying amount of the debt discount was \$0 and \$7,699, respectively. This note has been fully converted at April 30, 2014.

- 4,056

Note payable for \$70,500 bearing interest at a rate of 5% per annum and maturing December 31, 2014 convertible at a 50% discount to the average closing prices for the 5 trading days prior to the date of conversion. The carrying amount of the debt discount was \$0 and \$55,850, respectively. This note has been fully converted at April 30, 2014.

- 14,650

Convertible promissory note for \$42,850 dated May 1, 2013, bearing interest at a rate of 6% per annum, maturing May 1, 2014 convertible at a 50% discount to the average closing prices for the 5 trading days prior to the date of conversion. The carrying amount of the debt discount was \$27,916 and \$33,945, respectively. This note was fully converted at April 30, 2014.

- 8,905

Convertible promissory note dated for \$41,137 May 5, 2013, bearing interest at a rate of 8% per annum, maturing May 5, 2014 convertible at a fixed price of \$0.00015. This note has been fully converted at April 30, 2014.

- 41,137

Convertible promissory note dated for \$41,137 May 5, 2013, bearing interest at a rate of 8% per annum, maturing May 5, 2014 convertible at a fixed price of \$0.00015. This note was fully converted at April 30, 2014.

- 41,137

Convertible promissory note dated for \$41,137 May 5, 2013, bearing interest at a rate of 8% per annum, maturing May 5, 2014 convertible at a fixed price of \$0.00015. This note was transferred to another lender at April 30, 2014

- 41,137

Convertible promissory note dated for \$41,137 May 5, 2013, bearing interest at a rate of 8% per annum, maturing May 5, 2014 convertible at a fixed price of \$0.00015. This note has been fully converted at April 30, 2014.

- 41,137

Convertible promissory note for \$50,000 dated May 1, 2013, bearing interest at a rate of 6% per annum, maturing May 1, 2014 convertible at a 55% discount to the average of the nine lowest ten-day trading prices at date of conversion. This note was transferred to another lender at April 30, 2014

- 40,000

3-year note to acquire Pharmajanes (See note 2 for terms of the note)

35,200 50,000

3-year note to acquire Smartpay (See note 2 for terms of the note)

30,000 30,000

Total long-term notes payable

\$ 65,200 \$ 312,159

Total notes payable

\$ 264,580 \$ 415,695

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Alternative Energy Partners, Inc.
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(Unaudited)

Note 5 Derivative Liabilities

The Company has various convertible instruments outstanding more fully described in Note 4. Due to an amendment effective in January, 2014, increasing the authorized number of common shares to 5.0 billion, the Company has determined that it will have sufficient authorized common shares at a given date to settle any other of its share-settleable instruments.

As a result of conversion of notes payable described in Note 4, the Company reclassified \$588,604 of derivative liabilities to equity, new liabilities totaled \$1,584,724 and the change in fair value of derivatives was \$3,248,541.

As of April 30, 2014, the fair value of the Company ' s derivative liabilities was \$391,483 and \$2,200,910 was

recognized as a gain on derivatives due to change in fair value of the liability during the year ended April 30, 2014.

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, 2013	\$ 2,643,904
Additions	1,584,724
Change in fair value	(3,248,541)
Deletions	(588,604)
Balance at April 30, 2014	<u>\$ 391,483</u>

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	\$ 3,248,541
Gain on discount	-
Derivative expense	(1,047,630)
Balance for nine months ended April 30, 2014	<u>\$ 2,200,911</u>

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

	Convertible Debt Instruments
Risk-free rate	0.15% - 0.19%
Expected volatility	151% - 560%
Expected life	0.30-2 years

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Note 6 Stockholders' Equity (Deficit)

During the quarter ended April 30, 2014, the Company issued a total of 277,336,227 shares in conversion of \$137,392 in convertible debt.

As a result of these transactions, there were 3,561,697,072 common shares issued and outstanding and 5,000,000 preferred shares issued and outstanding at April 30, 2014.

Note 7 Subsequent Events

On June 12, 2014, the Company was notified by the SEC that a trading suspension had been imposed on its common stock, as well as the common stock of SK3 Group, Inc., for a period commencing June 6, 2014 and ending on June 19, 2014. Prior to the letter notice from the SEC advising of the trade suspension, the Company had had no contact from the SEC and had no knowledge of the trading suspension being imposed. No reasons have been given for the suspension by the SEC other than a statement in the Commission's Order imposing the suspension that full and adequate public information regarding the Company might not be available. The Company has no knowledge of what information is believed not to be available and is current on its public disclosure obligations. The Company has contacted the Commission to inquire what concerns have been expressed but, to date, has not received a response from the Commission. The Company is aware that many other publicly traded and reporting companies in the medical marijuana market space have received similar trading suspension, which have expired at the end of the suspension period with no further contact from the SEC, no requests of any kind from the SEC regarding the issues causing the suspension, and no explanation of the basis for the suspension.

On June 22, 2014, the Company signed a letter of intent with a Canadian reporting issuer under which the Company will be acquired by a newly formed subsidiary of the Canadian company, which will become a reporting issuer and then will apply for trading of its common stock on a Canadian exchange. A subsequent listing application also will be filed for the Frankfort exchange. The specific terms and structure of the transaction have not been finally determined and will be contained in a definitive agreement to be prepared and filed shortly.

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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," "likely," "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, 2013 and to date, we continued our business development activities with the acquisition of Clarrix Energy, LLC, an energy management company, but decided to close its operations in May, 2013 in order to concentrate our efforts and limited funds on PharmaJanes TM and Simple PrePay TM , acquired in May, 2013.

Current Business of the Company

We are a holding company engaged in the business of providing support and management to entities operating in the medical marijuana space, currently only in California. In May, 2013, the Company agreed to acquire the PharmaJanes TM marketing operation from iEquity Corp. and changed its business model to focus on the medical marijuana marketing space.

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

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

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

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

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

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

In early March, 2014, we announced an agreement in principal to merge with SK3 Group, Inc. (OTC Pink: SKTO) Final terms of the merger are still being worked out and a merger agreement was signed on April 3, 2014. The basic terms of the agreed merger call for SKTO and AEGY to merge into a newly formed holding company, already formed in Colorado, which will integrate the separate operations of both companies. Shareholders of each constituent party to the merger will receive shares of the new holding company, which will succeed to the SEC reporting obligation of AEGY and which will apply for a new trading symbol, a new CUSIP number, and continued electronic trading status with the Depository Trust Company. The final exchange rate for the common shares of AEGY and SKTO will be based on the volume weighted average market value of each company on the record date, which has not yet been determined.

The previously announced dividend of the 100 million shares of AEGY to be issued to SKTO will be accounted for in the merger by treating those shares as held proportionately by the SKTO shareholders as of the record date. Closing of the proposed merger will require the new holding company to register the shares to be issued in the merger to the shareholders of both AEGY and SKTO, and SKTO has retained an independent accounting firm to conduct an audit of its books as the first required step in the registration process. The audit is expected to be completed in July, 2014 after which the registration statement will be filed for review by the SEC.

As a result of the merger, the Boards of Directors of the two companies will be restructured and combined into a new Board of Directors in the surviving holding company.

Employees

Mario Barrera currently is our Chairman, President and CEO and sole officer. He is not an employee of the company and is not paid as an employee. Currently, we have no paid employees, full or part-time, and rely on paid consultants to provide necessary services.

Results of Operations for Three and Nine Months Ended April 30, 2014 and 2013.

For the three months ended April 30, 2014 and 2013, the Company had no revenues. For the three months ended April 30, 2014 and 2013, we incurred operating expenses of \$101,470 and \$41,694, respectively, and we had net income (losses) of \$1,268,055 and (\$50,705), respectively. Our activities have been attributed primarily to business development.

For the nine months ended April 30, 2014 and 2013, the Company had no revenues. For the nine months ended April 30, 2014 and 2013, we incurred operating expenses of \$255,901 and \$474,956, respectively, and we had net income (losses) of \$1,762,716 and (\$664,016), respectively. Since inception, has incurred cumulative net losses of \$8,980,576. Our activities have been attributed primarily to business development.

Liquidity and Capital Resources and Going Concern

As shown in the accompanying financial statements, for the nine months ended April 30, 2014 and 2013 and since April 28, 2008 (date of inception) through April 30, 2014, the Company has had net income (losses) of \$1,762,716 (\$664,016) and (\$8,980,575), respectively. As of April 30, 2014, the Company had not emerged from the development stage. In view of these matters, the Company's ability to continue as a going concern is dependent upon the Company's ability to begin operations and to achieve a level of profitability. Since inception, the Company has financed its activities principally from the sale of public equity securities. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources.

We have incurred significant net losses and negative cash flows from operations since our inception. As of April 30, 2014, we had an accumulated deficit of \$8,980,575 and a working capital deficit of \$508,031

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. Our independent registered public accounting firm included a paragraph regarding going concern in its report on our audited financial statements for the year end July 31, 2013.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies, Convertible Notes Payable, Derivative Liabilities, and Assumptions

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

We have entered into a consulting agreement effective December 31, 2012 with Novation Consulting Services, Inc., which remains in effect.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

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

The evaluation of our disclosure controls by our chief executive officer, who is also our acting chief financial officer, included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Quarterly Report. Our management, including our chief executive officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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

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

Changes in Internal Control Over Financial Reporting

The Company has not made any changes in its internal control over financial reporting during the quarter ended April 30, 2014.

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

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defendants and we have no knowledge of any other threatened or pending litigation against us or any of our officers or directors.

On June 12, 2014, the Company was notified by the SEC that a trading suspension had been imposed on its common stock, as well as the common stock of SK3 Group, Inc., for a period commencing June 6, 2014 and ending on June 19, 2014. Prior to the letter notice from the SEC advising of the trade suspension, the Company had had no contact from the SEC and had no knowledge of the trading suspension being imposed. The Commission's Order imposing the suspension stated among other things that full and adequate public information regarding the Company might not be available. The Company is current on its public disclosure obligations. The Company is aware that many other publicly traded and reporting companies in the medical marijuana market space have received similar trading suspension, which have expired at the end of the suspension period. The Company is committed to cooperating with the SEC to assist in any inquiry into this subject.

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

During the nine months ended April 30, 2014, we issued 2,735,295,032 common shares resulting from conversions of outstanding notes resulting in total common shares outstanding at April 30, 2014 of 3,561,697,072 shares.

Item 3. Defaults Upon Senior Securities

There were no defaults on any debt or senior securities outstanding during th quarter ended April 30, 2014.

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

There were no matters submitted to a vote of our shareholders during the quarter ended April 30, 2014.

Item 5. Other Information.

Item 6. Exhibits

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

SIGNATURES

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

Alternative Energy Partners, Inc.

Date: June 23, 2014

/s/ Mario Barrera

Mario Barrera
President

CERTIFICATION PURSUANT TO SECTION 302
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mario Barrera, Chief Executive Officer of Alternative Energy Partners, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alternative Energy Partners, Inc.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mario Barrera
Mario Barrera, President
Chief Executive Officer

June 23, 2014

CERTIFICATION PURSUANT TO SECTION 302
CERTIFICATION OF CONSULTING PRINCIPAL ACCOUNTING OFFICER

I, John Burke, Consulting Principal Accounting Officer of Alternative Energy Partners, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alternative Energy Partners, Inc.;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John F. Burke

John F. Burke

Consulting Principal Accounting Officer

June 23, 2014

CERTIFICATION PURSUANT TO SECTION 906
CERTIFICATION OF CHIEF EXECUTIVE AND CONSULTING PRINCIPAL
ACCOUNTING OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the period ended April 30, 2014 (the “ Report ”) of Alternative Energy Partners, Inc., (the “ Registrant ”), as filed with the Securities and Exchange Commission on the date hereof, we, Mario Barrera, the Chief Executive Officer of the Registrant, and John Burke, the Consulting Principal Accounting Officer, hereby certify, to the best of their knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

June 23, 2014

/s/ Mario Barrera

Mario Barrera

Chief Executive Officer

/s/ John F. Burke

John F. Burke

Consulting Principal Accounting Officer