Alternative Energy Partners, Inc.
Form 10-Q
March 24, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: **January 31, 2014**

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

For the transition period from: _______ to _______

Commission file number: 333-154894

ALTERNATIVE ENERGY PARTNERS, INC.

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

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

301 Yamato Road

Boca Raton, FL 33431

(Address of principal executive offices)

(561)-244-2532

(Issuer's telephone number)

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

Yes x No 0

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

Yes x No0

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

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

0
(Do not check if a smaller reporting company)

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

Yes [ ] No [x]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of March 19, 2014, there were 3,549,927,718 shares of our common stock outstanding.

Alternative Energy Partners, Inc.

(A Development Stage Company)

January 31, 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

	January 31, 2014 (Unaudited)	July 31, 2013 (Audited)
Assets		
Current Assets		
Cash	$ 89	$ -
Prepaid expenses	6,000	-
Total Assets	$ 6,089	$ -
Liabilities & Stockholders' Deficit		
Current Liabilities		
Bank overdraft	-	93
Accounts payable	58,235	67,615
Loans payable	12,500	12,500
Due to third party	6,200	-
Due to related party	5,200	-
Notes payable, net of debt discount of $94,085 and $83,686	81,052	91,036
Accrued interest	26,591	26,003
Derivative liability	1,577,388	2,643,904
Total Current Liabilities	1,767,166	2,841,151
Lon-term Liabilities		
Notes payable, long-term, net of debt discount of $40,974 and $97,494	121,280	312,159
Total Liabilities	1,888,446	3,153,310
Stockholder's Deficit		
Common Stock, $0.001 par value, 5,000,000,000 shares authorized 3,284,360,845 and 826,402,041 shares issued and outstanding	3,284,360	826,402
Preferred stock, $0.001 par value, 5,000,000 shares authorized, issued, and outstanding	5,000	5,000
Additional paid in capital	5,075,908	6,758,575
Deficit accumulated during the development stage	(10,247,626)	(10,743,287)
Total Deficit	(1,882,358)	(3,153,310)
Total Liabilities and Stockholders' Deficit	$ 6,089	$ -

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

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

	For the Three Months Ended January 31, 2014	For the Three Months Ended January 31, 2013	For the Six Months Ended January 31, 2014	For the Six Months Ended January 31, 2013	For the Period from April 28, 2008 (Inception) to January 31, 2014
Revenues	$ -	$ -	$ -	$ -	$ -
Cost of Sales	-	-	-	-	-
Gross Margin	-	-	-	-	-
General & Administrative					
Consulting fees-related parties	60,000	30,000	120,000	75,000	4,240,731
Impairment loss	-	335,549	-	335,549	2,589,549
Promotional and marketing	-	-	-	-	129,491
Professional fees	13,520	11,950	33,020	11,950	165,347
Salaries and wages	-	-	-	-	57,414
Other general and administrative	317	-	407	4,280	272,653
Total Expenses	73,837	377,499	153,427	426,779	7,455,185
Net loss before other income (expense)	(73,837)	(377,499)	(153,427)	(426,779)	(7,455,185)
Interest and finance expense	(48,523)	(31,294)	(127,331)	(97,067)	(829,555)
Derivative expense	(568,546)	-	(585,452)	-	(1,140,248)
Gain (loss) from discontinued operations	-	(20,085)	-	(39,153)	6,775
Change in fair value on derivatives	966,442	(22,937)	1,361,875	(51,514)	(829,413)
Net income (loss) before income taxes	275,536	(451,815)	495,665	(614,513)	(10,247,626)
Income tax expense	-	-	-	-	-
Net income (loss)	$ 275,536	$ (451,815)	$ 495,665	$ (614,513)	$ (10,247,626)
Net income (loss) per share - basic	$ 0.00	$ (0.03)	$ 0.00	$ (0.01)	

Weighted average number of shares outstanding during the period - basic	2,017,383,555	18,056,688	2,621,980,678	70,753,724
Net income (loss) per share - diluted	$ 0.00	$ (0.03)	$ 0.00	$ (0.01)
Weighted average number of shares outstanding during the period - diluted	2,237,198,893	18,056,688	2,841,796,016	70,753,724

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

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

	For the Six Months Ended January 31, 2014	For the Six Months Ended January 31, 2013	For the Period from April 28, 2008 (Inception) to January 31, 2014
OPERATING ACTIVITIES:			

Net Income (loss)	$	495,665	$	(614,513)	$	(10,247,626)
Adjustments to reconcile net loss to net cash used in operating activities:						
Amortization of debt discounts and financing fees		681,213		39,902		1,409,433
Impairment of long-lived assets		-		325,975		2,589,549
Gain on discontinued operations		-		-		(85,209)
Shares issued for services		-		-		3,505,131
Gain on settlement of liabilities		-		-		(715)
Change in fair value of derivatives		(1,361,875)		51,515		1,384,210
Non-cash expenses-related party		-		-		5,945
Deposits		-		-		5,000
Other current assets		6,000		-		(18,228)
Increase in accrued liabilities						
Accounts payable and accrued expenses		115,788		195,661		804,655
Accrued interest		33,491		3,732		70,391
Net Cash Provided by (Used in) Operating Activities		(29,718)		2,272		(577,464)
INVESTING ACTIVITIES:						
Advances to related party		-		(600)		(4,500)
Net Cash Used in Investing Activities		-		(600)		(4,500)
FINANCING ACTIVITIES:						
Proceeds from convertible notes payable		18,500		(1,376)		478,050
Proceeds (to) from related party		5,200		-		(16,647)
Proceeds from third party		6,200		-		6,200
Proceeds from issuance of stock		-		-		114,450
Bank overdraft		(93)		-		-
Net Cash Provided by (Used in) Financing Activities		29,807		(1,376)		582,053
Net Increase in Cash		89		296		89
Cash, beginning of period		-		199		-
Cash, end of period	$	89	$	495	$	89
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	$	356,891	$	8,200	$	633,590
Conversion of accrued interest to stock	$	4,746	$	-	$	8,765
Accounts payable converted to notes payable	$	120,000	$	-	$	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

January 31, 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 January 31, 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 six months ended January 31, 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™ marketing operation and related intellectual property from iEquity Corp. and changed ours 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™ is currently developing a web and phone application that allows individuals to place orders for medical marijuana through a website and smart phone application anywhere such a transaction is legal in the United States. The purpose of PharmaJanes™ is to give patients a simple ordering platform, while allowing local collectives to service the orders in compliance with state and local laws and ordinances. PharmaJanes™ will act solely as an expediter and processor of the orders, and the fulfillment function will be done entirely within the particular state of residence of the purchaser, by licensed collectives or other licensed medical marijuana providers in that state.

PharmaJanes™ currently has over $5M in annual marketing contracts in place for this service and will be the exclusive point-of sale for the collectives under contract. · 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 six years at 8 percent interest and convertible after six 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™ merchant payment solution from iEquity Corp in May 2013. The Simple Prepay™ system was developed to offer dispensaries, collectives, and delivery services for medical cannabis, a convenient payment solution.

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

January 31, 2014

(Unaudited)

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

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. Our website at www.simpleprepay.com is in the development stages and is expected to go live shortly. The acquisition of the Simple Prepay™ 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 six years at 8 percent interest and convertible after six 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 have 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 soon be able to order their medical cannabis needs through PharmaJanes™ We issued 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. We have not yet filed the agreed to registration statement due to cost factors and the need to complete the fiscal year end audit, but expect to file the registration statement as soon as this Annual Report has been completed and filed.

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. 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 six months ended January 31, 2014. All intercompany balances and transactions have been eliminated in consolidation.

Risks and Uncertainties

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

Use of Estimates

The preparation of 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.

<u>Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)</u>

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 January 31, 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 January 31, 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 January 31, 2014 that have been excluded from the computation of diluted net loss per share amounted to 219,815,338 shares which include $239,755 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.

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. As of January 31, 2013, the Company determined that the carry amount of its goodwill exceeded it future value and recorded impairment in the amount of $325,915 at that time.

Fair Value of Financial Instruments

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

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

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

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

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

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

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

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 financial statements, the Company has a net income of $495,665 for the six months ended January 31, 2014 due mainly to a gain on derivatives of $1,361,875; and an accumulated deficit during the development stage of $10,247,626 at January 31, 2014.

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

Note 4 Notes Payable

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

	January 31, 2014	July 31, 2013
Convertible promissory note 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 six lowest ten-day trading prices at date of conversion. The note was fully converted at January 31, 2014.	-	27,140
Judgment payable dated July 2010, bearing interest at a rate of 8% per annum	12,500	12,500
Convertible promissory note 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 six lowest ten-day trading prices at date of conversion. The note has been fully converted at January 31, 2014.	-	63,896
Convertible promissory note 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 six lowest ten-day trading prices at date of conversion.	37,500	-
Convertible promissory note dated 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 January 31, 2014.	-	-
Convertible promissory note dated 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 January 31, 2014.	-	-
Convertible promissory note 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. $23,500 of the note was converted at January 31, 2014.	17,637	-

Note 4 Notes Payable (continued)

		January 31, 2014		July 31, 2013
Convertible promissory note dated 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. The carrying amount of the debt discount was $94,085 at January 31, 2014.		25,915		-
Total short term notes payable		93,552		103,536
Long-term notes payable				
Note payable bearing interest at a rate of 5% per annum and maturing December 31, 2014. The carrying amount of the debt discount was $4,964 and $7,699, respectively.		6,791		4,056
Note payable 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 $36,011 and $55,850, respectively.		34,489		14,650
Convertible promissory note 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 January 31, 2014.		-		8,905
Convertible promissory note dated 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 January 31, 2014.		-		41,137
Convertible promissory note dated 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 January 31, 2014.		-		41,137
Convertible promissory note dated 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 January 31, 2014		-		41,137
Convertible promissory note dated 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 January 31, 2014.		-		41,137
Convertible promissory note 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 six lowest ten-day trading prices at date of conversion. This note was transferred to another lender at January 31, 2014		-		40,000
3-year note to acquire Pharmajanes		50,000		50,000
3-year note to acquire Smartpay		30,000		30,000
Total long-term notes payable	$	121,280	$	312,159
Total notes payable	**$**	**214,832**	**$**	**415,695**

Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

January 31, 2014

(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 $684,887 of derivative liabilities to equity, new liabilities totaled $822,951 and the change in fair value of derivatives was $1,204,580.

As of July 31, 2013, the fair value of the Company's derivative liabilities was $2,643,904 and $2,205,740 was recognized as a gain on derivatives due to change in fair value of the liability during the year ended July 31, 2013.

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

		Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Derivative Liabilities:		
Balance at July 31, 2013	$	2,643,904
Additions		822,951
Change in fair value		(1,204,580)
Deletions		(684,887)
Balance at January 31, 2014	$	1,577,388

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	$	1,204,580
Gain on discount		157,295
Derivative expense		(585,452)
Balance for six months ended January 31, 2014	$	776,423

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

	Convertible Debt Instruments
Risk-free rate	0.17% - 0.19%
Expected volatility	151% - 700%
Expected life	0.30-1year

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Alternative Energy Partners, Inc.

(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements

January 31, 2014

(Unaudited)

Note 6 Stockholders' Equity (Deficit)

In August 2013, the Company converted $59,925 of notes into 267,842,856 shares of Common Stock.

In September 2013, the Company converted $149,320 of notes into 507,600,535 shares of Common Stock.

In September 2013, the Company reinstated $50,000 of notes and collected 867,020 shares of Common Stock.

In October 2013, the Company converted $116,729 of notes into 563,875,571 shares of Common Stock.

In November 2013, the Company converted $31,078 of notes into 172,905,086 shares of Common Stock.

In December 2013, the Company converted $53,578 of notes into 397,905,286 shares of Common Stock.

In January 2014, the Company converted $109,983 of notes into 548,696,490 shares of Common Stock.

As a result of these transactions, there were 3,284,360,845 common shares issued and outstanding and 5,000,000 preferred shares issued and outstanding at January 31, 2014.

Note 7 Subsequent Events

Subsequent to the quarter ending January 31, 2014, the Company converted notes payable principal of $115,359 into 269,060,401 common shares. As of March 17 2014, there were 3,553,421,246 shares of our common stock outstanding, held by 142 shareholders of record.

On February 18, 2014, the Company borrowed $67,000 each from two unrelated parties and issued two promissory notes dated that date in the principal amount of $67,000 each, due February 18, 2015, with interest at 8 percent. The Company received net proceeds of $65,000 from each lender after payment of related fees and charges. Each note is convertible into common shares at the election of the holder at the lesser of $0.002 per share or at a rate equal to 54 percent of the two lowest volume weighted average for the stock for the ten trading days prior to the conversion.

In February, 2014, the Company borrowed a total of $47,500 from an unrelated third party, receiving net proceeds of $45,000 after the payment of legal fees of the lender. The Company issued its convertible promissory note in the principal amount of $47,500 due November 14, 2014 at 8 percent interest due at maturity. The note is convertible after 180 days from the date of issue at the election of the holder into common stock at a conversion rate equal to 45 percent of the lowest 3 day trading price for the common stock for the 10 trading days prior to the conversion.

In March, 2014, the Company announced the agreement in principal to merge with SK3 Group, Inc. (SKTO Pink). A Merger Agreement is being prepared and is expected to be signed in early April, following which a registration statement will be filed for the common shares to be issued in the merger.

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

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

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

Our Business

Alternative Energy Partners, Inc. (the "Company" or "AEGY") was organized under the laws of the State of Florida on April 28, 2008. We formed our company for the purpose of establishing renewable fuel sources initially within the State of Florida. Ethanol was our initial intended product and we intend to establish other alternative energy products and services including, but not limited to, solar-thermal energy production, energy management controls, and more. Our intended original products, while not technically difficult to produce, must meet all regulatory requirements prior to being marketed. Moreover, there are a multitude of competitive products already in the market place. Due to the competitive nature of the market and our continuing capital requirements, we expanded our initial plan to include solar and thermal projects, with the acquisition of Sunarias Corporation on May 18, 2010 and Shovon, LLC on July 9, 2010. During the year ended July 31, 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™ and Simple PrePay™, 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™ marketing operation from iEquity Corp. and changed its business model to focus on the medical marijuana marketing space.

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

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

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

The Company 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 expediter and processor of the authorized orders, and Simple Prepay™ will provide the secure payment platform, while the actual fulfillment function will be done entirely within the particular 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 is expected to be signed by early April, 2014, but the basic terms of the agreed merger call for SKTO and AEGY to merge into a newly formed holding company 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 30 million shares of AEGY held by 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 take approximately thirty days from start to finish, after which the registration statement will be filed for review by the SEC.

The merger agreement also is expected to be completed and signed by early April, 2014 at which time more details of the terms and the timing of the merger can be disclosed. 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.

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Results of Operations for Three and Six Months Ended January 31, 2014 and 2013.

For the three months ended January 31, 2014 and 2013, the Company had no revenues. For the three months ended January 31, 2014 and 2013, we incurred operating expenses of $73,837 and $397,975, respectively, and we had net income (losses) of $275,536 and ($451,815), respectively. Our activities have been attributed primarily to business development.

For the six months ended January 31, 2014 and 2013, the Company had no revenues. For the six months ended January 31, 2014 and 2013, we incurred operating expenses of $153,427 and $468,200, respectively, and we had net income (losses) of $495,665 and ($614,513), respectively. Since inception, has incurred cumulative net losses of $10,247,626. 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 six months ended January 31, 2014 and 2013 and since April 28, 2008 (date of inception) through January 31, 2014, the Company has had net income (losses) of $495,665 ($614,513) and ($10,247,626), respectively. As of January 31, 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 January 31, 2014, we had an accumulated deficit of $10,247,626 and a working capital deficit of $1,761,077.

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 an "Emphasis at a matter" 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 January 31, 2014.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

During the six months ended January 31, 2014, we issued 1,339,318,962 common shares resulting from conversions of outstanding notes resulting in total common shares outstanding at January 31, 2014 of 2,164,853,983 shares.

Item 3. Defaults Upon Senior Securities

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

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

There were no matters submitted to a vote of our shareholders during the quarter ended January 31, 2014.

Item 5. Other Information.

Item 6. Exhibits

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

SIGNATURES

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

Alternative Energy Partners, Inc.

Date: March 24, 2014

/s/ Mario Barrera

Mario Barrera

President

/s/ John F. Burke

John F. Burke

Consulting Principal Accounting Officer