

Alaska Pacific Energy Corp
Form 10-Q
September 28, 2009

ALASKA PACIFIC ENERGY CORP.
FORM 10-Q
July 31, 2009

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SIGNATURES

Alaska Pacific Energy Corp

(An Exploration Stage Company)

Unaudited Financial Statements (Expressed in US dollars) July 31, 2009

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Alaska Pacific Energy Corp.

(An Exploration Stage Company)

Notes to Financial Statements

July 31, 2009

1. NATURE ORGANIZATION OF OPERATIONS

Organization

Alaska Pacific Energy Corp. (the Company), was incorporated under the laws of the State of Nevada on January 13, 2005 and is engaged in the acquisition, exploration and development of resource properties. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable. As at July 31, 2009 the Company is considered a development stage Company and, accordingly, the financial statements are prepared following the guidelines of SFAS No. 7, Accounting and Reporting by Development Stage Enterprises as issued by the Financial Accounting Standards Board.

Going Concern

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America applicable to a going concern which assume that the Company realize its asset and discharge its liabilities in the normal course of business. The Company has no revenue source and is dependent on financing to sustain operations and pay for future commitments related to the mineral option, and might not have sufficient working capital for the next twelve months. These factors create substantial doubt as to the ability of the Company to continue as a going concern. Realization values may be substantially different from the carrying values as shown in these financial statement should the Company be unable to continue as a going concern. Management is in the process of identifying sources for additional financing to fund the ongoing development of the Company's business. The accompanying financial statements do not include any adjustments related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

Interim Financial Statements

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at July 31, 2009 and 2008 and for the periods then ended have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these interim financial statements be read in conjunction with the financial statements and notes thereto included in the Company's January 31, 2009 audited financial statements. The results of operations for the periods ended July 31, 2009 and 2008 are not necessarily indicative of the operating results for the full year.

Alaska Pacific Energy Corp.

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Notes to Financial Statements

July 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*. SFAS No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS No.

165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. The disclosure is intended to alert all users of financial statements that an entity has not evaluated subsequent events after the date in the set of financial statements being presented. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009, or the Company's fiscal quarter beginning July 1, 2009. The Company does not believe that the implementation of SFAS No. 165 will have a material impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets— an Amendment to FASB Statement No. 140*. SFAS No. 166 is a revision to SFAS No. 140,

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and will require more information about transfers of financial assets, including securitization transactions, and where companies have continuing exposure to the risks related to transferred financial assets. SFAS No. 166 eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures.

SFAS No. 166 is effective at the start of a company's first fiscal year beginning after November 15, 2009, or the Company's fiscal year beginning January 1, 2010. The Company is currently unable to determine what impact the future application of SFAS No. 166 may have on its consolidated financial statements.

In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 167

Amendments to FASB Interpretation No. (46R). SFAS 167 is a revision of FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, and changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that is most significantly impacts the entity's economic performance. SFAS No. 167 is effective at the start of a company's first fiscal year beginning after November 15, 2009, or the Company's fiscal year beginning January 1, 2010. The Company is currently unable to determine what impact the future application of SFAS No. 167 may have on its consolidated financial statements.

Alaska Pacific Energy Corp.

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Notes to Financial Statements

July 31, 2009

3. MINING CLAIM OPTION

Whitton Township and Gayhurst Township in Province of Quebec mining claims Canada

The Company entered into an option agreement dated June 26, 2008 to acquire a 100% interest in three groups of mineral claims with 21, 28 and 12 claims, respectively, in Whitton Township and Gayhurst Township, Province of Quebec, Canada. Pursuant to the agreement, the Company paid \$16,600 and issued 250,000 common shares at \$0.10 per share on July 15th 2008 for the first payment. The second cash payment in amount of \$16,600 and 250,000 common shares issuance shall be executed on or before July 15, 2009. The Company signed an extension for the second payment to February 27, 2010 pursuant to the agreement to purchase claim. The last cash payment in amount of \$16,600 and 250,000 common shares issuance shall be executed on or before 2010. The option will be considered exercised once all payments in cash and stock have been made, and ownership of the claims will transfer to the Company.

4. LOSS PER SHARE

Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with SFAS No. 128, *Earnings per Share*. SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerators) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all potentially dilutive common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all potentially dilutive shares if their effect is anti-dilutive. The Company had no common stock equivalents outstanding at July 31, 2009 and 2008.

Alaska Pacific Energy Corp.

(An Exploration Stage Company)

Notes to Financial Statements

July 31, 2009

5. RELATED PARTY TRANSACTIONS

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

The Company accrued administration fees of \$347 and \$0 to James R. King, an officer of the Company at July 31, 2009 and January 31, 2009, respectively. The amounts due to related parties are non-interest bearing and have no specific terms of repayment.

6. COMMITMENTS

Sub-Lease Office Agreement

On May 30, 2009, the Company signed an agreement to sub-lease office space effectively from June 1, 2009 to July 5, 2010. The Company agreed to make monthly rental payment in the amount of CAD\$750.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in Item 2 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

Plan of Operation

We were incorporated in the State of Nevada on January 13, 2005. Alaska Pacific Energy Corp., (the Company or APEC) is a start-up, development stage company engaged in the search for commercially viable minerals, specifically, molybdenum. On June 26, 2008 the Company entered into an option agreement to acquire a 100% interest in three groups of mineral claims, with 21, 28 and 12 claims, respectively, in Whitton Township and Gayhurst Township, Province of Quebec, Canada., Pursuant to the agreement, the Company paid \$16,600 and issued 250,000 common shares at \$0.10 per share on July 15th 2008 for the first payment .The Company is obligated to make two additional cash payments of \$16,600 on or before, February 27, 2010 and July 15, 2010, respectively, The Company will also issue 250,000 common shares on or before February 27, 2010 and issue 250,000 common shares on or before July 15, 2010 as payment in full for the claims.

We have no property other than the option to acquire the claims. There is no assurance that a commercially viable mineral deposit exists on our claims or can be shown to exist until sufficient and appropriate exploration is done and a comprehensive evaluation of such work concludes economic and legal feasibility. The Company will proceed only if minerals are found and their extraction be deemed economically feasible.

The Company will continue to manage its operations and cash resources in a manner consistent with its expectation that it will be able to satisfy cash requirements through fiscal 2009. The main operating costs for the Company include:

1. Scheduled and Contracted Payment of \$16,600 to the Optionor to fulfill the second year terms of our Mining Claims Option Agreement, to be paid as of February 27, 2010.
2. Required work program on 17 Claims with an expenditure of \$21,500 to be undertaken prior to February 27, 2010 and expenditure of \$56,250 prior to July 15, 2010.

Our plan of operation for the twelve months following the date of this Form 10-Q filing is to commence an exploration program prior to February 27, 2010 on 17 of the optioned mining claims. The program will consist of grid emplacement, concentrated geological mapping and sampling and geophysical surveys. We estimate that the cost of this initial program will be approximately \$21,500.

There are no significant capital equipment purchases expected during the next 12 months, over and above planned requirements as currently comprised within the Company's business plan. The

Company currently plans to hire up to three, part time or as needed employees to manage a short term work program on the claims. Costs for these employees are covered in the required work program costs of \$21,500. Additional and future expenditure on the claims will be subject, to the Company's cash resources and operational requirements at the relevant time. We continue to seek a Joint Venture partner to assist is to explore and develop our claims.

The Company will consider an additional equity offering within the next 12 months. In this case, the use of proceeds would center on the acceleration of work on the claims and meeting our general operating costs.

Results of Operations

We have not earned any revenues from the time of our incorporation on January 13, 2005 to July 31, 2009. We do not anticipate earning revenues unless we enter into commercial production on the optioned claims, which is doubtful. We have not commenced the exploration stage of our business and can provide no assurance that we will discover economic mineralization on any of the claims, or if such minerals are discovered, that we will enter into commercial production.

The Company recognized a net loss of \$38,541 and \$9,796 for the six months ended July 31, 2009 and 2008, respectively. From inception through July 31, 2009, the Company recognized a net loss of \$75,170.

Expenses for the six months ended July 31, 2009 and 2008 were comprised of costs associated with general and administration fees of \$20,299 and \$196, respectively, and professional service fees of \$18,242 and \$9,600, respectively.

Capital Resources and Liquidity

As of July 31, 2009 and January 31, 2009, we had \$33,206 and \$63,531, respectively in cash.

We received funds of \$0 and \$ 105,300 for the second quarters ended July 31, 2009 and 2008, respectively through issuance of common stock. Our operating expenses increased for the 2009 second quarter compared to the six months period ended July 31, 2008. The increase was primarily due to professional fees related to legal, audit and consulting service fees and general administration expenses related to rental, office expenses and stock transfer agent fees in the 2009 second quarter. As a result of the increase, we recorded a larger net loss for the 2009 second quarter compared to the 2008 second quarter. Therefore we have limited capital resources and will have to rely upon the issuance of common stock to fund expenses including legal and auditing fees, exploration expenses, required payments for our claims and office expenses. Cash and cash equivalents from inception to date have been sufficient to cover expenses involved in starting our business. We will require additional funds to continue to implement our business plan during the next twelve months

We currently do not have enough cash to satisfy our minimum cash requirements for the next twelve months. The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of the mineral properties and other assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses from inception to July 31, 2009. The Company has not realized economic production from its mineral properties as of July 31, 2009. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management continues to actively seek additional sources of capital to fund current and future operations. There is no assurance that the Company will be successful in continuing to raise additional capital, establishing probable or proven reserves, or determining if the mineral properties can be mined economically. These financial statements do not include any adjustments that might result from the outcome of these uncertainties. If we are unable to raise a sufficient amount of capital to continue to implement our business plan, we will seek a joint venture partner.

Recent Accounting Pronouncements

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States (GAAP). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is subject to certain market risks, including changes in interest rates and currency exchange rates. The Company does not undertake any specific actions to limit those exposures.

Item 4. Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (Exchange Act), the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer (CEO) and Chief Accounting Officer (CAO) (the Company's principal financial and accounting officer), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CAO concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO and CAO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Controls over Financial Reporting

Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of consolidated financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. There has been no change in the Company's internal control over financial reporting during the quarter ended July 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Company's CEO and CAO, does not expect that the Company's disclosure controls and procedures or the Company's internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of July 31, 2009.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this quarterly report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Currently we are not aware of any litigation pending or threatened by or against the Company.

Item 1A. Risk Factors.

Not required because we are a smaller reporting Company.

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

No sales of Equity Securities have been conducted and no shares of the Company's stock have been issued during the quarter ended July 31, 2009.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None

Item 6. Exhibits and Reports of Form 8-K.

(a) Exhibits

31.1 Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002

32.1 Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002

(b) Reports of Form 8-K

None.