

Minerco Resources, Inc.  
Form 10-Q  
June 19, 2013

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ To \_\_\_\_\_

Commission file number: 333-156059

Minerco Resources, Inc.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation  
or organization)

27-2636716  
(I.R.S. Employer Identification No.)

20 Trafalgar Sqaure, Suite 455  
Nashua, NH 03063  
(Address of principal executive offices)

(603) 732-6948  
(Registrant's telephone number, including area code)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has 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 registrant 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 registrant 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 (§232.405 of this chapter) during the preceding 12 months (of for such shorter period that the registrant was required to submit and post such files). Yes  No

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

|                         |                       |                           |                                  |
|-------------------------|-----------------------|---------------------------|----------------------------------|
| Large accelerated filer | <input type="radio"/> | Non-accelerated filer     | <input type="radio"/>            |
| Accelerated filer       | <input type="radio"/> | Smaller reporting company | <input checked="" type="radio"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of June 19, 2013 the registrant had 989,346,929 outstanding shares of its common stock.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited interim financial statements of Minerco Resources, Inc. follow. All currency references in this report are to U.S. dollars unless otherwise noted.

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Minerco Resources, Inc.  
(A Development Stage Company)  
Consolidated Balance Sheets  
(unaudited)

|  | April 30,<br>2013  | July 31,<br>2012   |
|--|--------------------|--------------------|
| <b>ASSETS</b>  |                    |                    |
| <b>Current Assets</b>  |                    |                    |
| Cash   | \$ 919             | \$ -               |
| <b>Total Current Assets</b>  | <b>919</b>         |                    |
| Product Development  | 25,500             | -                  |
| <b>Total Assets</b>  | <b>26,419</b>      | <b>-</b>           |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                    |                    |
| <b>Current Liabilities</b>   |                    |                    |
| Accounts payable and accrued liabilities   | \$ 124,237         | \$ 93,142          |
| Accounts Payable – Related Party   | 26,019             | -                  |
| Convertible Note Payable, net of discount of 51,333 and 572,423  | 201,222            | 163,686            |
| Derivative Liability   | 787,151            | 3,089,498          |
| Convertible Note Payable - Related Party   | 584,299            | 147,200            |
| <b>Total Liabilities</b>   | <b>1,722,928</b>   | <b>3,493,526</b>   |
| <b>Stockholders' Deficit</b>   |                    |                    |
| Common stock, \$0.001 par value, 2,500,000,000 shares authorized, 670,246,929 and 87,051,824 outstanding at April 30, 2013 and July 31, 2012, respectively | 670,205            | 87,052             |
| Preferred stock, \$0.001 par value, 25,000,000 shares authorized, 15,000,000 and 10,000,000 outstanding at April 30, 2013 and July 31, 2012, respectively  | 15,000             | 10,000             |
| Additional paid-in capital   | 4,209,941          | 3,681,262          |
| Deficit accumulated during the exploration stage   | (6,591,655)        | (7,271,840)        |
| <b>Total Stockholders' Deficit</b>   | <b>(1,696,509)</b> | <b>(3,493,526)</b> |

|   |    |        |    |   |
|---|----|--------|----|---|
| Total Liabilities and Stockholders' Deficit | \$ | 26,419 | \$ | - |
|---|----|--------|----|---|

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

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Minerco Resources, Inc.  
(A Development Stage Company)  
Consolidated Statements of Expenses  
(unaudited)

|   | Three Months<br>Ended<br>April 30,<br>2013 | Three<br>months<br>ended April<br>30, 2012 | Nine months<br>Ended April<br>30, 2013 | Nine<br>months<br>Ended April<br>30, 2012 | Period from<br>June 21,<br>2007<br>(Date of<br>Inception)<br>to April 30,<br>2013 |
|---|--|--|--|---|---|
| General and Administrative                    | \$ 138,787                                 | \$ 156,031                                 | 167,917                                | 595,738                                   | \$2,852,418   |
| Chiligatoro Operating Costs                   | -  | -  | -                                      | -   | 61,000  |
| Accretion of discount on convertible debt     | 6,674                                      | 22,264                                     | 577,090                                | 370,548                                   | 1,041,461   |
| Impairment of Intangibles                     | -  | -  | -                                      | -   | 715,500   |
| Total Operating Expenses                      | 145,461                                    | 178,295                                    | 745,007                                | 966,286                                   | 4,670,379   |
| Other Expenses:                               |  |  |  |   |   |
| Impairment of Note Receivable                 | -  | -  | -                                      | -   | 32,700  |
| Interest Expense                              | 12,355                                     | 2,355                                      | 31,664                                 | 8,034                                     | 45,657  |
| Loan Recovery                                 | -  | -  | -                                      | -   | (13,000 )   |
| Loss on Debt Conversion                       | -  | -  | -                                      | -   | 11,033  |
| Gain on Settlement of Debt                    | -  | -  | -                                      | -   | (14,935 )   |
| (Gain)/Loss on Derivative Liability           | 36,887                                     | 1,544,155                                  | (1,456,855 )                           | 2,067,473                                 | 1,859,822   |
| Total Other Expenses                          | 49,242                                     | 1,546,510                                  | (1,425,191 )                           | 2,075,507                                 | 1,921,277   |
| Net Income (Loss)                             | \$(194,703 )                               | \$(1,724,805 )                             | 680,184                                | (3,041,793 )                              | \$(6,591,656)   |
| Net Loss Per Common Share – Basic and Diluted | \$(0.00 )                                  | \$(0.07 )                                  | 0.00                                   | (0.13 )                                   |   |
| Weighted Average Common Shares Outstanding    | 428,324,586                                | 23,784,215                                 | 179,410,491                            | 22,677,491                                |   |

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

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Minerco Resources, Inc.  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(unaudited)

|  | Nine<br>months<br>Ended<br>April 30,<br>2013 | Nine<br>months<br>Ended<br>April 30,<br>2012 | Period from<br>June 21,<br>2007<br>(Date of<br>Inception)<br>To April 30,<br>2013 |
|--|--|--|---|
| <b>Cash Flows from Operating Activities</b>  |  |  |   |
| Net income (loss) for the period   | \$680,184                                    | \$(3,041,793)                                | \$(6,591,656)   |
| <b>Adjustments to reconcile net loss to net cash used in operating activities:</b> |  |  |   |
| (Gain)/Loss on settlement of debt  | -  | -  | (14,935 )   |
| (Gain)/Loss on derivative  | (1,456,855)                                  | 2,067,474                                    | 1,859,822   |
| Accretion of discount  | 577,090                                      | 370,548                                      | 1,041,461   |
| Share based compensation   | 13,125                                       | 211,081                                      | 1,523,999   |
| Impairment of Intangibles  | -  | -  | 715,500   |
| Impairment of notes receivable   | -  | -  | 32,700  |
| <b>Changes in operating assets and liabilities:</b>                                |  |  |   |
| Prepaid expense  | -  | 1,816  | -   |
| Accounts payable and accrued liabilities   | 86,205                                       | 71,322                                       | 224,928   |
| Accounts payable- related party  | 25,920                                       | 260,307                                      | 583,136   |
| <b>Net Cash Used in Operating Activities</b>                                       | <b>(74,331 )</b>                             | <b>(59,245 )</b>                             | <b>(625,045 )</b>   |
| <b>Cash Flows from Investing Activities</b>  |  |  |   |
| Product Development  | -  | -  | -   |
| Loan to third party  | -  | -  | (10,000 )   |
| <b>Net Cash Used in Investing Activities</b>                                       | <b>-</b>                                     | <b>-</b>                                     | <b>(10,000 )</b>  |
| <b>Cash Flows from Financing Activities</b>  |  |  |   |
| Capital contribution   | -  | -  | 1,182   |
| Proceeds from issuance of common stock   | -  | -  | 90,514  |
| Proceeds from loan   | 79,250                                       | 62,500                                       | 502,250   |
| Proceeds from related party debt   | -  | -  | 51,018  |
| Repayment of related party debt  | (4,000 )                                     | (3,405 )                                     | (9,000 )  |
| <b>Net Cash Provided by Financing Activities</b>                                   | <b>75,250</b>                                | <b>59,095</b>                                | <b>635,964</b>  |



|   |           |           |             |
|---|-----------|-----------|-------------|
| Net change in cash  | 919       | (150 )    | 919         |
| Cash, Beginning of Period   | -         | 150       | -           |
| Cash, End of Period   | \$919     | \$-       | \$919       |
| Supplemental disclosures of cash flow information   |           |           |             |
| Cash paid for interest  | 1,300     | 82        | -           |
| Cash paid for income taxes  | -         | -         | -           |
| Non cash investing and financing activities:  |           |           |             |
| Debt discount   | \$56,000  | 307,022   | \$1,112,299 |
| Settlement of accounts payable in exchange of convertible note payable                      | \$56,000  | 45,000    | \$56,000    |
| Reclassification of AP to advances  | \$-       | -         | \$9,090     |
| Reclassification of AP to notes   | \$-       | -         | \$45,000    |
| Reclassification of salary accrual to notes   | \$-       | -         | \$588,299   |
| Shares issued upon conversion of notes payable and accrued interest                         | \$205,160 | 147,210   | \$381,370   |
| Derivative liability re-classed to equity upon conversion of notes payable to common shares | \$901,492 | 1,176,319 | \$2,165,527 |
| Conversion of preferred stock to common stock   | \$-       | 50,000    | \$50,000    |
| Conversion of common stock to preferred stock   | \$51,860  | -         | \$51,860    |
| Common stock issued for Chiligatoro rights  | \$-       | \$-       | \$715,500   |
| Product development costs   | \$25,500  | \$-       | \$25,500    |
| Cancellation of prior conversion for debt – return of shares                                | \$2,845   | \$-       | \$2,845     |

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

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Minerco Resources, Inc.  
(A Development Stage Company)  
Consolidated Notes to the Financial Statements  
(unaudited)

1. Basis of Presentation

The accompanying unaudited interim financial statements of Minerco Resources, Inc. (“Minerco” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (the “SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in Minerco’s Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Consolidated Notes to the Financial Statements which substantially duplicate the disclosure contained in the audited financial statements for fiscal 2012 as reported in Minerco’s Form 10-K have been omitted.

2. Going Concern

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the period ended April 30, 2013, the Company has an accumulated deficit and no revenue. The Company is in two lines of business, renewable energy solutions and the beverage business. The Company is in the business of developing, producing and providing clean, renewable energy solutions in Central America. The Company participates in and invests in development projects with other companies in clean, renewable energy projects. On October 16, 2012, we added an additional line of business, Level 5 Beverage Company, a progressive specialty beverage retailer. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company intends to fund operations through equity and debt financing arrangements, which may be insufficient to fund its capital expenditures, working capital and other cash requirements for the year ending July 31, 2013.

3. Fair Value of Financial Instruments

ASC 820, “Fair Value Measurements”, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.



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## 3. Fair Value of Financial Instruments (continued)

## Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

## Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts payable and accrued liabilities, and due to related party. Pursuant to ASC 820, the fair value of our cash equivalents is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The following table sets forth by level with the fair value hierarchy the Company's financial assets and liabilities measured at fair value on April 30, 2013.

|                                  | Level 1 | Level 2 | Level 3    | Total      |
|----------------------------------|---------|---------|------------|------------|
| Assets                           | -       | -       | -          | -          |
| Liabilities                      | -       | -       | -          | -          |
| Derivative Financial Instruments | \$ -    | \$ -    | \$ 787,151 | \$ 787,151 |

The following table sets forth by level with the fair value hierarchy the Company's financial assets and liabilities measured at fair value on July 31, 2012.

|                                  | Level 1 | Level 2 | Level 3      | Total        |
|----------------------------------|---------|---------|--------------|--------------|
| Assets                           | -       | -       | -            | -            |
| Liabilities                      | -       | -       | -            | -            |
| Derivative Financial Instruments | \$ -    | \$ -    | \$ 3,089,498 | \$ 3,089,498 |

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(unaudited)

4. Common Stock

On April 24, 2013, the Board of Directors voted to increase the authorized shares of common stock from 1,175,000,000 to 2,500,000,000 and on May 15, 2013 an amendment to the Corporation's certificate of incorporation was filed with the Secretary of State of the State of Nevada effectuating the increase in the authorized shares..

During the nine month period ending April 30, 2013, the Company issued 617,981,864 shares of common stock for the conversion of \$205,160 of debt principal and accrued interest. During this period, the Company also issued 20,000,000 shares in connection with \$13,125 of services received from various parties.

5. Preferred Stock

The preferred stock may be divided into and issued in series. The Board of Directors of the Company is authorized to divide the authorized shares of preferred stock into one or more series, each of which shall be so designated as to distinguish the shares thereof from the shares of all other series and classes.

On February 20, 2013, the Company issued 5,000,000 shares of its Class A Convertible Preferred stock to its Chairman of the Board in exchange for 51,860,003 share of his common stock.

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## 6. Related Parties

On July 23, 2012, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and its former Chief Executive Officer and former Chief Financial Officer for \$320,301 and \$267,998, respectively. The convertible notes carry a 5% rate of interest and are convertible into common stock at a variable conversion price of 50% of the market price which shall be calculated as the lowest day during the preceding 5 days before conversion. The Convertible Promissory Notes are due on January 23, 2012. The Convertible Promissory Notes due to the former Chief Financial Officer for \$267,998 has been assigned to former Chief Executive officer as of July 31, 2012 and the note to the former Chief Executive Officer was reduced by \$4,000 to \$316,301 as of April 30, 2013 due to payments made.

On November 1, 2012, the Company paid \$2,000 to a family member of the Chairman of the Board of Directors for professional services provided.

On December 11, 2012, the Company paid \$2,000 to a family member of the Chairman of the Board of Directors for professional services provided.

## 7. Convertible Note Payable

As of April 30, 2013, the Company was indebted to unrelated third parties for \$201,222 for monies loaned to the Company.

During the nine months ended April 30, 2013, the Company issued several notes payable totaling \$97,250 and converted \$56,000 of accrued liabilities into a formal note payable.

During the nine month period ending April 30, 2013, the note holders converted \$198,550 of total principal and \$6,610 of accrued interest into 617,981,864 shares of common stock.

A summary of changes in Convertible Promissory Notes payable for the period ended April 30, 2013 is as follows:

|   |            |
|---|------------|
| Beginning balance   | \$ 310,886 |
| Gross proceeds from the notes payable                           | 97,250     |
| Conversion of accrued liabilities into notes payable            | 56,000     |
| Add: amortization of discount                                   | 577,090    |
| Less: debt repayment  | (4,000 )   |
| Less: debt discount   | (56,000 )  |
| Less: debt converted to common stock                            | (198,550 ) |
| Add: cancellation of prior conversion for debt-return of shares | 2,845      |
| Total notes payable   | \$ 785,521 |

## 8. Derivative Liabilities

Due to their being no explicit limit to the number of shares to be delivered upon settlement of the conversion options embedded in the Convertible Promissory Notes, the options are classified as derivative liabilities and recorded at fair value.

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Minerco Resources, Inc.  
(A Development Stage Company)  
Consolidated Notes to the Financial Statements  
(unaudited)

## Derivative Liability:

The fair values of the three instruments were determined to be \$787,151 as of April 30, 2013 using a Black-Scholes option-pricing model. Upon the issuance dates of the Convertible Promissory Notes, \$907,299 was recorded as debt discount and \$1,130,857 was recorded as day one loss on derivative liability. During the nine and three months ended April 30, 2013, the Company recorded a net gain on mark-to-market of the conversion options of \$1,456,855, respectively.

The following table summarizes the derivative liabilities included in the consolidated balance sheet at April 30, 2013:

|   |             |
|---|-------------|
| Balance at July 31, 2012                    | \$3,089,498 |
| Debt discount                               | \$56,000    |
| Day one loss on fair value                  | 71,892      |
| April 30, 2013 gain on change in fair value | (1,528,747) |
| Write off due to conversion                 | (901,492 )  |
| Balance at April 30, 2013                   | \$787,151   |

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of the note of \$127,892, of which \$56,000 is recorded as discount on the notes and the remaining \$71,892 is expensed as a derivative loss. The initial fair value of the derivative liability was determined using the Black Scholes option pricing model with a quoted market price of \$0.0008, a conversion price of \$0.0004, expected volatility of 94.96% to 368.46%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.03% to 0.11%. The discount on the convertible loan is accreted over the term of the convertible loan. During the nine and three months ended April 30, 2013, the Company recorded accretion of \$577,090 and \$22,264 respectively.

The net gain recorded on the above derivative liabilities for the nine months ended April 30, 2013 was \$1,456,855.



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Minerco Resources, Inc.  
(A Development Stage Company)  
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(unaudited)

9. Commitments

Employment Agreements

On January 11, 2011, the Company entered into an exclusive employment agreement with V. Scott Vanis to serve as our Chief Executive Officer, President and Chairman of the Board of Directors. The agreement is for a term of five years beginning January 11, 2011 and ending January 10, 2016. An extension to the term must be agreed upon in writing and executed by us and Mr. Vanis no later than 5 p.m. Eastern Standard Time on January 10, 2016. Mr. Vanis is paid a salary of \$180,000 per annum as of January 10, 2011. If revenues exceed \$10 million, then Mr. Vanis' salary will be increased to \$360,000 per annum. If revenues exceed \$20 million, then Mr. Vanis' salary will be increased to \$540,000 per annum. Mr. Vanis was issued 10,000,000 shares of Class A Preferred Stock, upon the effective date of the agreement. If Mr. Vanis voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Vanis voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twelve months and before 24 months of the date of the agreement, 6,000,000 shares granted to him will be returned. If Mr. Vanis voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, 4,000,000 shares granted to him will be returned. If Mr. Vanis voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy after thirty nine months and before 48 months of the date of the agreement, 2,000,000 shares granted to him will be returned. If there is a sale of all or substantially all of the assets or a merger in which our company is not the surviving entity, Mr. Vanis will be entitled to receive an additional amount of shares of common stock in our company which would equal 10% of the final value of the transaction. Further, Mr. Vanis will be entitled to such additional bonus, if any, as may be granted by the Board (with Mr. Vanis abstaining from any vote thereon) or compensation or similar committee thereof in the Board's (or such committee's) sole discretion based upon Mr. Vanis' performance of his services under the agreement.

On July 23, 2012, the Company amended an exclusive employment agreement with V. Scott Vanis to serve as our Chief Executive Officer, President and Chairman of the Board of Directors. Mr. Vanis will be paid no salary in exchange for having 10 million Class A Convertible Preferred share vest immediately.

Mr. Vanis resigned as our Chief Executive Officer on September 21, 2012 .

On December 16, 2010, the Company entered into an exclusive employment agreement with Sam J Messina III to serve as our Chief Financial Officer, Secretary and Treasurer. The agreement is for a term of five years beginning December 16, 2010 and ending December 15, 2015. An extension to the term must be agreed upon in writing and executed by us and Mr. Messina no later than 5 p.m. Eastern Standard Time on December 15, 2015. Mr. Messina is paid a salary of \$120,000 per annum as of December 27, 2010. If revenues exceed \$10 million, then Mr. Messina's salary will be increased to \$240,000 per annum. If revenues exceed \$20 million, then Mr. Messina's salary will be increased to \$360,000 per annum. Mr. Messina was issued 30,000,000 shares of common stock, upon the effective date of the agreement. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy after twelve months and before 24

months of the date of the agreement, 24,000,000 shares granted to him will be returned. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, 18,000,000 shares granted to him will be returned. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy after thirty nine months and before 48 months of the date of the agreement, 12,000,000 shares granted to him will be returned. If there is a sale of all or substantially all of the assets or a merger in which our company is not the surviving entity, Mr. Messina will be entitled to receive an additional amount of shares of common stock in our company which would equal 5% of the final value of the transaction. Further, Mr. Messina will be entitled to such additional bonus, if any, as may be granted by the Board (with Mr. Messina abstaining from any vote thereon) or compensation or similar committee thereof in the Board's (or such committee's) sole discretion based upon Mr. Messina's performance of his services under the agreement.

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Consolidated Notes to the Financial Statements  
(unaudited)

On August 28, 2011, the Company amended an exclusive employment agreement with Sam J Messina III to serve as our Chief Financial Officer, Secretary and Treasurer. Mr. Messina is paid a salary of \$150,000 per annum as of August 28, 2011. If revenues exceed \$10 million, then Mr. Messina's salary will be increased to \$300,000 per annum. If revenues exceed \$20 million, then Mr. Messina's salary will be increased to \$450,000 per annum. Mr. Messina was issued 466,667 shares of common stock and 5,000,000 share of Class A Convertible Preferred Stock, upon the effective date of the agreement.

On July 23, 2012, the Company amended an exclusive employment agreement with Sam J Messina III to serve as our Chief Financial Officer, Secretary and Treasurer. Mr. Messina will be paid no salary in exchange for having 466,667 shares of common stock and 5 million shares of Class A Convertible Preferred stock vest immediately.

Mr. Messina resigned as our Chief Financial Officer on September 21, 2012.

On February 1, 2013, we entered into an exclusive employment agreement with John Powers to serve as our Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer. The agreement is for a term of three years beginning February 1, 2013 and ending April 30, 2016. An Extension to the Term must be agreed upon in writing and executed by the Company and Mr. Powers no later than 5 p.m. Eastern Standard Time on April 30, 2016. Mr. Powers will be paid a salary of \$84,000 per annum beginning on February 1, 2013. If revenues exceed \$5 million, then Mr. Powers salary will be increased to \$144,000 per annum. If revenues exceed \$10 million, then Mr. Powers salary will be increased to \$180,000 per annum. Mr. Powers was issued 15,000,000 shares of common stock, upon the effective date of the agreement. If Mr. Powers voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Powers voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twelve months and before 24 months of the date of the agreement, Ten Million (10,000,000) shares granted to him will be returned. If Mr. Powers voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, Five Million (5,000,000) s shares granted to him will be returned. If there is a sale of all or substantially all of the assets or a merger in which the Company is not the surviving entity, Mr. Powers will be entitled to receive an additional amount of shares of common stock in the Company which would equal Five percent (5%) of the final value of the transaction.

Further, Mr. Powers will be entitled to such additional bonus, if any, as may be granted by the Board or compensation or similar committee thereof in the Board's (or such committee's) sole discretion based upon Employee's performance of his Services under the Agreement.

#### 10. Subsequent Events

- a) On May 16, 2013, the Company issued a \$47,500 note to Asher Enterprises, Inc. The note is payable at 8% and convertible into shares of common stock at a conversion price equal to 45% of the average of the lowest three trading prices for common stock during the 20 day trading period preceding the conversion.
- b) On May 16, 2013, the Company issued 49,107,143 common shares pursuant to a convertible promissory note to dated November 1, 2012.

- c) On May 20, 2013, the Company issued 22,392,857 common shares pursuant to a convertible promissory note to dated November 1, 2012.
- d) On May 20, 2013, the Company issued 15,000,000 common shares to its Chief Executive Officer in Exchange Agreement for accrued salary in the amount of \$24,500.
- e) On May 19, 2013, the Company issued 60,000,000 common shares pursuant to a convertible promissory note dated September 1, 2011.
- f) On May 25, 2013, we entered into a Return of Asset Agreement with Energia Renovable Hondurenas, S.A. (ERSHA) to return one hundred percent (100%) of the Sayab Wind Project back to the originating company in exchange for a six percent (6%) royalty interest after the Project is completed by ESHSA or his assigns.
- g) On May 28, 2013, we entered into a Return of Asset Agreement with ENERCOSA to return one hundred percent (100%) of the Iscan Hydro-Electric Project back to the originating company in exchange for a six percent (10%) royalty interest after the Project is completed by ENERCOSA or his assigns.
- h) On May 30, 2013, the Company issued a \$27,000 note to LG Capital Funding, LLC. The note is payable at 8% and convertible into shares of common stock at a conversion price equal to 45% of the average of the lowest three trading prices for common stock during the 20 day trading period preceding the conversion.
- i) On May 31, 2013, the Company issued 35,000,000 common shares pursuant to a convertible promissory note dated August 6, 2011.
- j) On June 3, 2013, the Company issued 62,400,000 common shares pursuant to a convertible promissory note dated September 1, 2011.
- k) On June 3, 2013, the Company issued 40,000,000 common shares pursuant to a convertible promissory note dated June 6, 2011.
- l) On June 4, 2013, the Company issued 20,800,000 common shares pursuant to a convertible promissory note dated September 1, 2011.
- m) On June 4, 2013, the Company issued 14,400,000 common shares pursuant to a convertible promissory note dated September 1, 2011.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This quarterly report on Form 10-Q for the quarter ended April 30, 2013 contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology including "could", "may", "will", "should", "expect", "anticipate", "believe", "estimate", "predict", "potential" and the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this report.

Business Overview

Minerco Resources, Inc. was incorporated as a Nevada company on June 21, 2007 and our only two subsidiaries are Minerco Honduras S.A. and Level 5 Beverage Company, Inc. We were engaged in the acquisition of interests and leases in oil and natural gas properties from our inception in June 2007 through May 27, 2010. In May 2010 we changed the focus of our business to the development, production and provision of clean, renewable energy solutions in Central America. On October 16, 2012, we added an additional line of business, Level 5 Beverage Company, Inc., a progressive specialty beverage retailer.

Clean Energy

We currently have an interest in one Hydro-Electric Project in Honduras. The Hydro-Electric project is classified as run-of-the-river project (not conventional retention dams) and is in the permitting stage of development. To date, we have not completed construction of the project and therefore we have not received any revenue from the project. There can be no assurance given that this project will be completed in a timely manner, if at all. We will require additional funds to complete the development of this project, estimated at \$200,000 in the aggregate. Additionally, even if we complete development of the project, there is no guarantee that it will be successfully used to create electricity or that it will generate a consistent revenue stream for us. As of July 31, 2012, these assets were impaired due to inactivity; however we are still actively pursuing obtaining necessary permits and negotiating contracts for the Chiligatorio Hydro-Electric Project including the Power Purchase Agreement, Congressional Approval, Equity Partner Financing and Senior Debt Financing.

Until May 2013, we had a 100% interest in one other Hydro-Electric Project and a Wind Project. On May 25, 2013, we entered into a Return of Asset Agreement with Energia Renovable Hondurenas, S.A. (ERSHA) to return one hundred percent (100%) of the Sayab Wind Project back to the originating company in exchange for a six percent (6%) royalty interest after the Project is completed by ERSHA or its assigns. On May 28, 2013, we entered into a Return of Asset Agreement with ENERCOSA to return one hundred percent (100%) of the Iscan Hydro-Electric Project back to the originating company in exchange for a six percent (10%) royalty interest after the Project is completed by ENERCOSA or its assigns. The Iscan Hydro-Electric Project is actively completing the Socialization and Feasibility stages of development. The feasibility stage of development is the stage of development where the preliminary permits are obtained, measurement of the water flow for hydro-electric projects or wind and weather patterns for wind projects are observed, and final project size are determined. However, there can be no assurance that the owners of these projects will successfully develop the projects or that we will receive a royalty from the projects.

Retail Beverage

Our subsidiary, Level 5, is being developed to target the consumers who expect a beverage that is functional and healthy.

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On February 26, 2013, we entered into an Agreement (the “Premium Product Development Agreement”) with Power Brands, LLC, a California Limited Liability Company (“Power Brands”) to render product development services for Level 5 Beverage Company, Inc. Power Brands was compensated \$25,000 as per the Premium Product Development Agreement. Our product formulation, labels and artwork are complete.

On February 26, 2013, we also entered into an Agreement (the “Prototype Development Agreement”) with Power Brands to render prototype development services for Level 5 Beverage Company, Inc. Power Brands was compensated \$5,000 as per the Prototype Development Agreement.

The Level 5 product line is a portfolio of functional, all-natural, reduced calorie 2.5 oz. “shots.” The Level 5 product line features four (4) distinct varieties, each with a unique flavor profile and addressing a specific functional need. Level 5 is positioned as a lifestyle brand, with a convenient easy-to-drink shot format to remedy health and wellness needs at any time of day or night.

As of May 22, 2013, we have completed and approved the final formulation of all four (4) of our products.

RISE (Energy Supplement)

Completely unique in the category, no other coffee-based shots currently in the market.

Coffee flavor, perfect as a get-up-and-go morning shot.

100% B-Vitamin blend

Brewed Sumatra coffee

Ginseng

CURVES (Women's Supplement)

Intended to aid Weight Management

Soluble fiber

Green Coffee Bean Extract

100% B-Vitamin blend

Other vitamins and minerals specially formulated for women

ARMOR (Immunity Supplement)

200% Vitamin C

100% Zinc

FLEX (Workout Supplement)

Delivers 5g Protein in each shot

Caffeine designed to enhance performance

Important Amino Acids

100% B-Vitamin blend designed for lasting energy and endurance

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As of June 3, 2013, we completed and approved the final label design and artwork design for the Level 5 brand.

On June 13, 2013, we received our GS1 US membership and company sku identifier for our product line. Our Level 5 GS1 bar code(s) are pending approval. Upon completion and receipt of our bar code(s), we will order our “prototypes” as outlined in the Prototype Development Agreement with Power Brands.

On June 14, 2013, we entered into an Agreement (the “Brand Management Agreement”) with Power Brands, LLC to manage the branding, production, marketing, sales and distribution for Level 5 Beverage Company, Inc. Power Brands was compensated with a \$10,000 retainer as per the Brand Management Agreement.

Common Stock

On March 30, 2010, we effected a 6 for 1 forward stock split, increasing the issued and outstanding shares of common stock from 55,257,500 to 331,545,000 shares. On February 13, 2012, the Company effected a 150 for 1 reverse stock split, increasing the issued and outstanding share of common stock from 1,054,297,534 to 7,028,670 shares. On May 15, 2013. We increased our authorized common stock to 2,500,000,000 shares. All share amounts throughout this Annual Report have been retroactively adjusted for all periods to reflect this stock split.



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## Results of Operations

|   | Three Months<br>Ended<br>April 30,<br>2013 | Three<br>Months<br>Ended<br>April 30,<br>2012 |
|---|--|---|
| Loan Recovery                             | \$-  | \$-   |
| Impairment of Note Receivable             | -  | -   |
| General and Administrative Expenses       | 138,787                                    | 156,031                                       |
| Chiligatoro Operating Expenses            | -  | -   |
| Interest Expense                          | 12,355                                     | 2,355   |
| Accretion of discount on convertible debt | 6,674                                      | 22,264  |
| (Gain) / Loss on derivative liability     | 36,887                                     | 1,544,155                                     |
| Gain on settlement of debt                | -  | -   |
| Loss on Debt Conversion                   | -  | -   |
| <b>Net (Income) Loss</b>                  | <b>\$194,703</b>                           | <b>\$1,724,805</b>                            |
| Net Loss per Share –Basic and Diluted     | \$(0.00 )                                  | \$(0.07 )                                     |
| Weighted Average Shares Outstanding       | 428,324,586                                | 23,784,215                                    |

## Results of Operations for the Three months ended April 30, 2013

During the three months ended April 30, 2013 we incurred a net loss of \$194,703, compared to a net loss of \$1,724,805 during the same period in fiscal 2012. The decrease in our net loss during the three months ended April 30, 2013 was primarily due to decrease on loss on derivative liability.

Our total general and administrative expenses for the three months ended April 30, 2013 were \$138,787, compared to operating expenses of \$156,031 during the same period in fiscal 2012. Our total general and administrative expenses during the three months ended April 30, 2013 consisted of \$22,625 in compensation expense, \$9,221 in professional fees, \$91,500 in consulting fees (mostly to develop our Level 5 beverage line) and \$15,441 in general and administrative expense and during the three months ended April 30, 2012 consisted entirely of general, rent and administrative expenses, and we did not incur any foreign exchange losses, management fees or other operating expenses.

Our general and administrative expenses consist of professional fees, transfer agent fees, investor relations expenses and general office expenses. Our professional fees include legal, accounting and auditing fees.

|   | Nine months<br>Ended<br>April 30,<br>2013 | Nine months<br>Ended<br>April 30,<br>2012 |
|---|---|---|
| Loan Recovery                             | \$-                                       | \$-                                       |
| Impairment of Note Receivable             | -   | -   |
| General and Administrative Expenses       | 167,917                                   | 595,737                                   |
| Chiligatoro Operating Expenses            | -   | -   |
| Interest Expense                          | 31,664                                    | 8,034                                     |
| Accretion of discount on convertible debt | 577,090                                   | 370,548                                   |

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|                                       |              |             |
|---------------------------------------|--------------|-------------|
| (Gain) / Loss on derivative liability | (1,456,855 ) | 2,067,474   |
| Gain on settlement of debt            | -            | -           |
| Loss on Debt Conversion               | -            | -           |
| Net (Income) Loss                     | \$(680,184 ) | \$3,041,793 |
| Net Loss per Share –Basic and Diluted | \$0.00       | \$(0.13 )   |
| Weighted Average Shares Outstanding   | 179,410,491  | 22,677,491  |

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Results of Operations for the Nine months ended April 30, 2013

During the nine months ended April 30, 2013 we incurred a net gain of \$680,184, compared to a net loss of \$3,041,793 during the same period in fiscal 2012. The increase in our net loss during the nine months ended April 30, 2013 was primarily due to increased gain on derivative liability.

Our total general and administrative expenses for the nine months ended April 30, 2013 were \$167,917, compared to operating expenses of \$595,737 during the same period in fiscal 2012. Our total general and administrative expenses during the three months ended April 30, 2013 consisted of \$22,625 in compensation expense, \$25,912 in professional, \$91,500 in consulting fees and \$27,880 in general and administrative expense fees for the development of our Retail Beverage Business and during the nine months ended April 30, 2013 consisted entirely of general and administrative expenses including professional and consulting fees for the development of our Retail Beverage Business, and we did not incur any foreign exchange losses, management fees or other operating expenses.

Our general and administrative expenses consist of consulting fees (beverage product development), professional fees, transfer agent fees, investor relations expenses and general office expenses. Our professional fees include legal, accounting and auditing fees.

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## Liquidity and Capital Resources

As of April 30, 2013 we had \$919 in cash and \$26,419 in total assets, \$1,722,928 in total liabilities and a working capital deficit of \$1,137,710. Our accumulated deficit from our inception on June 21, 2007 to April 30, 2013 was \$6,591,655 and was funded primarily through advances from related parties, equity and debt financing.

From our inception on June 21, 2007 to April 30, 2013 we used net cash of \$617,545 in operating activities. During the nine months ended April 30, 2013 we used net cash of \$66,831 in operating activities, compared to net cash used \$59,245 in operating activities during the same period in fiscal 2012. The increase in expenditures on operating activities for the nine months ended April 30, 2013 was primarily due to an increased net gain offset by a gain on derivatives.

From our inception on June 21, 2007 to April 30, 2013 we used net cash of \$35,500 on investing activities, all of which was in the form of a loan to a third party. We used net cash of \$25,500 on investing activities during the nine months ended April 30, 2013 and \$0 in the same period for fiscal 2012.

From our inception on June 21, 2007 to April 30, 2013 we received net cash of \$653,964 from financing activities, which consists of \$90,514 from the issuance of our common stock, \$520,250 from debt financing, \$0 in proceeds from a related party, and \$1,182 in capital contributions. During the nine months ended April 30, 2013 we received \$93,250 net cash from financing activities, compared to net cash received of \$59,095 during the same period in fiscal 2012. The increase in receipts from financing activities for the nine months ended April 30, 2013 was primarily higher proceeds from loans and related parties.

As of April 30, 2013, our outstanding debt was \$785,521. There can be no assurance that we generate enough revenue when the debt matures to repay any debt if demand for repayment should be made.

We estimate our planned expenses for the next 24 months (beginning March 2013) to be approximately \$3,619,000, as summarized in the table below.

| Description                                  | Potential completion date | Estimated Expenses (\$) |
|--|---------------------------|-------------------------|
| Energy                                       |                           |                         |
| Complete Feasibility & Environmental Studies | 6 months                  | 100,000                 |
| Project Permitting                           | 6 months                  | 20,000                  |
| Lease/Land Purchase                          | 6 months                  | 125,000                 |
| Final Construction Design                    | 6 months                  | 37,500                  |
| Engineering & Construction Consultants       | 6 months                  | 50,000                  |
| Mobilization of Equipment                    | 6 months                  | 50,000                  |
| Stage 1 Construction                         | 12 months                 | 650,000                 |
| Stage 2 Construction                         | 18 months                 | 700,000                 |
| Stage 3 Construction                         | 24 months                 | 1,000,000               |
| Professional Fees (legal and accounting)     | 12 months                 | 25,000                  |
| Project Supervision                          | 12 months                 | 37,500                  |
| Project Socialization                        | 12 months                 | 15,000                  |
| General and administrative expenses          | 12 months                 | 250,000                 |
| Contingencies (10%)                          |                           | 306,000                 |
| Energy Total                                 |                           | 3,366,000               |
| Beverage                                     |                           |                         |

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|   |          |                  |
|---|----------|------------------|
| Product Formulation                     | Complete | 25,000           |
| Product Samples                         | 1 month  | 5,000            |
| Product Branding                        | 1 month  | 25,000           |
| Product Marketing                       | 1 month  | 25,000           |
| Product Manufacturing                   | 1 month  | 50,000           |
| Product Expansion / Development         | 3 months | 100,000          |
| Contingencies (10%)                     |          | 23,000           |
| Beverage Total                          |          | 253,000          |
| <b>Grand Total (All Business Lines)</b> |          | <b>3,619,000</b> |

Our general and administrative expenses for the year will consist primarily of transfer agent fees, investor relations expenses and general office expenses. The professional fees are related to our regulatory filings throughout the year.

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Based on our planned expenditures, we require additional funds of approximately \$3,618,081 (a total of \$3,619,000 less our approximately \$919 in cash as of April 30, 2013) to proceed with our business plan over the next 24 months. If we secure less than the full amount of financing that we require, we will not be able to carry out our complete business plan and we will be forced to proceed with a scaled back business plan based on our available financial resources.

We anticipate that we will incur substantial losses for the foreseeable future. Although we acquired a 100% interest in the Hydro-Electric project, there is no assurance that we will receive any revenues from this interest. Meanwhile, even if we purchase other non-operated interests in hydro-electric projects or begin construction activities on any properties we may acquire, this does not guarantee that these projects or properties will be commercially exploitable. In addition, our success will depend upon our ability to commercialize and successfully market the Level 5 products, and there can be no assurance that our commercialization or marketing efforts will be successful.

Our activities will be directed by John Powers, our President and Chief Executive Officer, who will also manage our operations and supervise our other planned acquisition activities.

## Future Financings

Our financial statements for the three and nine months ended April 30, 2013 have been prepared on a going concern basis and there is substantial doubt about our ability to continue as a going concern. We have not generated any revenues, have achieved losses since our inception, and rely upon the sale of our securities to fund our operations. We may not generate any revenues from our interest in the various Hydro-Electric and Wind Projects, or from any of the hydro-electric or wind projects in which we acquire an interest. Accordingly, we are dependent upon obtaining outside financing to carry out our operations and pursue any acquisition and exploration activities.

Of the \$3,619,000 we require for the next 24 months, we had approximately \$919 in cash as of April 30, 2013. We intend to raise the balance of our cash requirements for the next 24 months (approximately \$3,618,081), private placements, shareholder loans or possibly a registered public offering (either self-underwritten or through a broker-dealer). If we are unsuccessful in raising enough money through such efforts, we may review other financing possibilities such as bank loans. At this time we do not have a commitment from any broker-dealer to provide us with financing other than the equity line, and there is no guarantee that any financing will be successful. We intend to negotiate with our management and any consultants we may hire to pay parts of their salaries and fees with stock and stock options instead of cash.

If we are unable to obtain the necessary additional financing, then we plan to reduce the amounts that we spend on our acquisition and exploration activities and our general and administrative expenses so as not to exceed the amount of capital resources that are available to us. Specifically, we anticipate that we will defer drilling programs and certain acquisitions pending the receipt of additional financing. Still, if we do not secure additional financing our current cash reserves and working capital will be not be sufficient to enable us to sustain our operations and for the next 12 months, even if we do decide to scale back our operations.

## Product Research and Development

We anticipate spending \$100,000 in connection with product research and development activities during the next 12 months for expansion of our Level 5 Retail Beverage business.

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Outstanding Indebtedness

Outstanding Indebtedness

Set forth below is a chart of our outstanding debt obligations as of April 30, 2013:

## Bridge Notes Payable

| Name                        | Amount     | Date of Issuance | Maturity Date | Features  |
|-----------------------------|------------|------------------|---------------|---|
| Convertible Promissory Note | \$ 14,905  | 6/6/11           | On Demand     | 5% interest rate converts at the lower of \$0.001 or 50% of market based on the lowest day during the preceding 5 days  |
| Convertible Promissory Note | \$ 18,000  | 8/6/11           | 2/6/12        | 5% interest rate converts at a variable conversion price of 50% of the market price calculated based on the average of the lowest day during the preceding 5 days             |
| Convertible Promissory Note | \$ 34,200  | 9/1/11           | On Demand     | 0% interest rate converts at the lower of \$0.001 or 50% of market based on the lowest day during the preceding 5 days but in no case less than a 51% interest in the Company |
| Convertible Promissory Note | \$ 5,200   | 9/1/11           | On Demand     | 0% interest rate converts at the lower of \$0.001 or 50% of market based on the lowest day during the preceding 5 days but in no case less than a 51% interest in the Company |
| Convertible Promissory Note | \$ 27,000  | 11/6/11          | 5/6/12        | 5% interest rate converts at a variable conversion price of 50% of the market price calculated based on the average of the lowest day during the preceding 5 days             |
| Convertible Promissory Note | \$ 584,299 | 7/23/12          | 1/23/13       | 5% interest rate converts at a variable conversion price of 50% of the market price calculated based on the average of the lowest   |

|                             |           |          |          |   |
|-----------------------------|-----------|----------|----------|---|
| Convertible Promissory Note | \$ 19,250 | 11/1/12  | 8/5/13   | day during the preceding 5 days<br>8% interest rate<br>converts at a variable conversion price of 45% of the market price calculated based on the lowest day during the preceding 20 days |
| Convertible Promissory Note | \$ 20,000 | 12/11/12 | 9/15/13  | 8% interest rate<br>converts at a variable conversion price of 45% of the market price calculated based on the lowest day during the preceding 20 days                                    |
| Convertible Promissory Note | \$ 4,667  | 2/1/13   | 8/1/13   | 5% interest rate<br>converts at a variable conversion price of 50% of the market price calculated based on the average of the lowest day during the preceding 5 days                      |
| Convertible Promissory Note | \$ 42,500 | 2/4/13   | 11/8/13  | 8% interest rate<br>converts at a variable conversion price of 45% of the market price calculated based on the lowest day during the preceding 20 days                                    |
| Convertible Promissory Note | \$ 15,500 | 3/7/13   | 12/11/13 | 8% interest rate<br>converts at a variable conversion price of 45% of the market price calculated based on the lowest day during the preceding 20 days                                    |
| Convertible Promissory Note | 47,500    | 5/16/13  | 2/17/14  | 8% interest rate<br>converts at a variable conversion price of 45% of the market price calculated based on the lowest day during the preceding 20 days                                    |
| Convertible Promissory Note | \$ 27,000 | 5/30/13  | 11/30/13 | 8% interest rate<br>converts at a variable conversion rate of 45% of the market price calculated based on the lowest day during the preceding 20 days                                     |



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Outstanding Notes

As of April 30, 2013 our obligations under outstanding notes totaled an aggregate principal amount of \$785,521. Of such amount \$670,805 is due on demand, \$19,250 is due August 5, 2013, \$20,000 is due September 15, 2013, \$56,000 is due August 1, 2013, \$42,500 is due November 8, 2013 and \$15,500 is due December 11, 2013. We currently do not have sufficient funds to pay any of the past due or future notes.

On October 12, 2010, we issued a promissory note to an unrelated third party in the amount of \$200,000 in consideration for monies loaned to our company. The promissory note is non-interest bearing and due on demand. We currently do not have the funds necessary to repay this debt if a demand were to be made. The promissory note was subsequently sold to two unrelated parties, each acquiring \$100,000 of the principal amount owed under the promissory note. On September 1, 2011, we entered into two agreements, each of which provide for the exchange of the principal amount of \$100,000 of the promissory notes for convertible promissory notes (the "Convertible Notes") in the aggregate principal amount of \$100,000. Each Convertible Note plus accrued interest of 10% may be converted into shares of common stock of the Company at any time before the maturity date by the Convertible Note holder at a conversion price of \$0.0004 per share at the time of conversion. In the event of a default by the Company, each Convertible Note plus accrued interest may be converted into shares of common stock of the Company at any time after the default date by the Convertible Note holder at a conversion price of the lower of (i) par value or (ii) half of the average bid price over the five trading days prior to the conversion date, but in no case for an amount less than a 51% interest in the Company. The Company is obligated to register the shares underlying the Convertible Notes under the Securities Act of 1933 until shares become available for resale under Rule 144(k). On February 20, 2012, we amended the notes with a remaining aggregate balance of \$73,600 to convert at the lower of \$0.001 or 50% of market based on the lowest day during the preceding 5 days.

On each of November 1, 2012, December 11, 2012, February 4, 2013, March 7, 2013 and May 16, 2013 we entered into a Securities Purchase Agreement and Convertible Promissory Note with Asher Enterprises for \$19,250, \$20,000, \$42,500, \$15,500 and \$47,500, respectively. The convertible notes carries an 8% rate of interest and are convertible into common stock at a variable conversion price of 45% of the market price of which shall be calculated as the average of the lowest 3 days during the preceding 20 days before conversion.

On June 6, 2011, August 6, 2011 and November 6, 2011, we entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and SE Media Partners, Inc. for \$36,000, \$18,000 and \$27,000, respectively. The convertible notes carry a 5% rate of interest and are convertible into common stock at a variable conversion price of 50% of the market price which shall be calculated as the lowest day during the preceding 5 days before conversion. The June Convertible Promissory Note was due on December 6, 2011 and has \$16,105 in principal remaining, the August Convertible Promissory Note was due on February 6, 2012 and the November Convertible Promissory Note is due on May 6, 2012. On February 1, 2012, we amended the note dated June 6, 2011 for \$36,000 to convert at the lower of \$0.001 or 50% of market based on the lowest day during the preceding 5 days.

On July 23, 2012, we entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and its former Chief Executive Officer and former Chief Financial Officer for \$320,301 and \$267,998, respectively. The convertible notes carry a 5% rate of interest and are convertible into common stock at a variable conversion price of 50% of the market price which shall be calculated as the lowest day during the preceding 5 days before conversion. The Convertible Promissory Notes are due on January 23, 2012. On July 23, 2013, the former Chief Financial Officer assigned his note to the former Chief Executive Officer.

On May 30, 2013, the Company issued a \$27,000 note to LG Capital Funding, LLC, payable at 8% and due November 30, 2013. The note is convertible into shares of common stock at a conversion price equal to 45% of the lowest three trading prices during the 20 days preceding the conversion.

#### Acquisition of Plants and Equipment and Other Assets

Apart from our interest in the Hydro-Electric Project, we do not anticipate selling or acquiring any material properties, plants or equipment during the next 12 months unless we are successful in obtaining additional financing.

#### Off-Balance Sheet Arrangements

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

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Inflation

The amounts presented in the financial statements do not provide for the effect of inflation on our operations or financial position. The net operating losses shown would be greater than reported if the effects of inflation were reflected either by charging operations with amounts that represent replacement costs or by using other inflation adjustments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) designed to provide reasonable assurance the information required to be reported in our Exchange Act filings is recorded, processed, summarized and reported within the time periods specified and pursuant to Securities and Exchange Commission rules and forms, including controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our Principal Executive Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our management, with the participation of our Principal Executive Officer who is also our Principal Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures. Inasmuch as we only have one individual serving as officer, director and employee we have determined that the company has, per se, inadequate controls and procedures over financial reporting due to the lack of segregation of duties despite the fact that the duties of the Chief Executive Officer and Chief Financial Officer are performed by one individual. Management recognizes that its controls and procedures would be substantially improved if there was a greater segregation of the duties and as such is actively seeking to remediate this issue. Management believes that the material weakness in its controls and procedures referenced did not have an effect on our financial results. Based upon this evaluation, our Principal Executive Officer concluded that our disclosure controls and procedures were ineffective.

Changes in Internal Control

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) during the nine and three months ended April 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not aware of any legal proceedings to which we are a party or of which our property is the subject.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

During the nine month period ending April 30, 2013, the Company issued 617,981,864 shares of common stock for the conversion of \$205,160 of debt principal and accrued interest. During this period, the Company also issued 20,000,000 shares in connection with \$13,125 of services received from various parties. The issuance of the securities was exempt from registration under Section 4 (a)(2) of the Securities Act. The issuance of the securities did not involve a public offering. This issuance was done with no general solicitation or advertising by us. In addition, the investor had the necessary investment intent as required by Section 4 (a)(2) since it agreed to, and received, securities bearing a legend stating that such note are restricted. This restriction ensures that these shares will not be immediately redistributed into the market and therefore not part of a public offering.

On May 16, 2013, the Company issued 49,107,143 common shares pursuant to a convertible promissory note to dated November 1, 2012. The issuance of securities was exempt from registration under Section 3(a)(9).

On May 20, 2013, the Company issued 22,392,857 common shares pursuant to a convertible promissory note to dated November 1, 2012. The issuance of securities was exempt from registration under Section 3(a)(9).

On May 20, 2013, the Company issued 15,000,000 common shares to its Chief Executive Officer in Exchange Agreement for accrued salary in the amount of \$24,500. The issuance of the securities was exempt from registration under Section 4 (a)(2) of the Securities Act. The issuance of the securities did not involve a public offering. This issuance was done with no general solicitation or advertising by us. In addition, the investor had the necessary investment intent as required by Section 4 (a)(2) since it agreed to, and received, securities bearing a legend stating that such note are restricted. This restriction ensures that these shares will not be immediately redistributed into the market and therefore not part of a public offering.

On May 20, 2013, the Company issued 60,000,000 common shares pursuant to a convertible promissory note dated September 1, 2011. The issuance of securities was exempt from registration under Section 3(a)(9).

On May 16, 2013, the Company issued a \$47,500 note to Asher Enterprises, Inc., payable at 8% and due February 17, 2014. The note is convertible into shares of common stock at a conversion price equal to 45% of the lowest three trading prices during the 20 days preceding the conversion. The issuance of the note was exempt from registration under Section 4 (a)(2) of the Securities Act. The issuance of the securities did not involve a public offering. This issuance was done with no general solicitation or advertising by us. In addition, the investor had the necessary investment intent as required by Section 4 (a)(2) since it agreed to, and received, securities bearing a legend stating that such note are restricted. This restriction ensures that the note will not be immediately redistributed into the market and therefore not part of a public offering.

On May 30, 2013, the Company issued a \$27,000 note to LG Capital Funding, LLC, payable at 8% and due November 30, 2013. The note is convertible into shares of common stock at a conversion price equal to 45% of the lowest three trading prices during the 20 days preceding the conversion. The issuance of the note was

exempt from registration under Section 4 (a)(2) of the Securities Act. The issuance of the securities did not involve a public offering. This issuance was done with no general solicitation or advertising by us. In addition, the investor had the necessary investment intent as required by Section 4 (a)(2) since it agreed to, and received, securities bearing a legend stating that such note are restricted. This restriction ensures that the note will not be immediately redistributed into the market and therefore not part of a public offering.

On May 31, 2013, the Company issued 35,000,000 common shares pursuant to a convertible promissory note dated August 6, 2011. The issuance of securities was exempt from registration under Section 3(a)(9).

On June 3, 2013, the Company issued 62,400,000 common shares pursuant to a convertible promissory note dated September 1, 2011. The issuance of securities was exempt from registration under Section 3(a)(9).

On June 3, 2013, the Company issued 40,000,000 common shares pursuant to a convertible promissory note dated June 6, 2011. The issuance of securities was exempt from registration under Section 3(a)(9).

On June 4, 2013, the Company issued 20,800,000 common shares pursuant to a convertible promissory note dated September 1, 2011. The issuance of securities was exempt from registration under Section 3(a)(9).

On June 4, 2013, the Company issued 14,400,000 common shares pursuant to a convertible promissory note dated September 1, 2011. The issuance of securities was exempt from registration under Section 3(a)(9).

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. REMOVED AND RESERVED

N/A

ITEM 5. OTHER INFORMATION

None.

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## ITEM 6. EXHIBITS

## EXHIBIT INDEX

| Exhibit     | Document Description  | Incorporated by reference |           |        | Filed<br>herewith |
|-------------|---|---------------------------|-----------|--------|-------------------|
|             |   | Form                      | Date      | Number |                   |
| 10.1        | Securities Purchase Agreement with Asher Enterprises, Inc. dated December 11, 2012                          | 10-Q                      | 3/25/13   | 10.1   |                   |
| 10.2        | Securities Purchase Agreement with Asher Enterprises, Inc. dated February 4, 2013                           | 10-Q                      | 3/25/13   | 10.2   |                   |
| <u>10.3</u> | Securities Purchase Agreement with Asher Enterprises, Inc. dated March 7, 2013                              |                           |           |        | X                 |
| <u>10.4</u> | Securities Purchase Agreement with Asher Enterprises, Inc. dated May 4, 2013                                |                           |           |        | X                 |
| <u>10.5</u> | Convertible Promissory Note with Braeden Storm Enterprises, Inc. dated February 1, 2013                     |                           |           |        | X                 |
| <u>10.6</u> | Securities Purchase Agreement with LG Capital Funding, LLC dated May 30, 2013                               |                           |           |        | X                 |
| <u>10.7</u> | Premium Product Development Agreement with Power Brands Consulting LLC dated February 26, 2013              |                           |           |        | X                 |
| <u>10.8</u> | Prototype Development Agreement with Power Brands Consulting LLC dated February 26, 2013                    |                           |           |        | X                 |
| 10.9        | Brand Management Agreement with Power Brands Consulting LLC dated June 14, 2013                             | 8-K                       | 6/18/2013 |        |                   |
| 10.10       | Return of Asset Agreement with Energia Renovable Hondureñas S.A. (ERHSA) dated May 25, 2013                 | 8-K                       | 5/28/2013 |        |                   |
| 10.11       | Return of Asset Agreement with ENERCOSA dated May 28, 2013  | 8-K                       | 5/29/2013 |        |                   |
| <u>31.1</u> | Certification of Principal Executive Officer and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |                           |           |        | X                 |
| <u>32.1</u> |   |                           |           |        | X                 |

Certification of Principal Executive Officer  
pursuant to Section 906 of the Sarbanes-Oxley  
Act of 2002.

EX-101.INS XBRL INSTANCE DOCUMENT

EX-101.SCH XBRL TAXONOMY EXTENSION SCHEMA

EX-101.CAL XBRL TAXONOMY EXTENSION  
CALCULATION LINKBASE

EX-101.LAB XBRL TAXONOMY EXTENSION LABEL  
LINKBASE

EX-101.PRE XBRL TAXONOMY EXTENSION  
PRESENTATION LINKBASE

EX-101.DEF XBRL TAXONOMY EXTENSION  
DEFINITION LINKBASE



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MINERCO RESOURCES INC.

June 19, 2013

BY:                   /s/ John Powers  
John Powers,  
President, Secretary and Treasurer  
(Principal Executive and  
Accounting Officer)

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| <u>10.3</u> | Securities Purchase Agreement with Asher Enterprises, Inc. dated March 7, 2013                              |                           |           |        | X                 |
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| <u>10.5</u> | Convertible Promissory Note with Braeden Storm Enterprises, Inc. dated February 1, 2013                     |                           |           |        | X                 |
| <u>10.6</u> | Securities Purchase Agreement with LG Capital Funding, LLC dated May 30, 2013                               |                           |           |        | X                 |
| <u>10.7</u> | Premium Product Development Agreement with Power Brands Consulting LLC dated February 26, 2013              |                           |           |        | X                 |
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| <u>31.2</u> | Certification of Principal Executive Officer and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |                           |           |        | X                 |

|             |   |   |
|-------------|---|---|
| <u>32.1</u> | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | X |
| EX-101.INS  | XBRL INSTANCE DOCUMENT  |   |
| EX-101.SCH  | XBRL TAXONOMY EXTENSION SCHEMA  |   |
| EX-101.CAL  | XBRL TAXONOMY EXTENSION CALCULATION LINKBASE  |   |
| EX-101.LAB  | XBRL TAXONOMY EXTENSION LABEL LINKBASE  |   |
| EX-101.PRE  | XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE   |   |
| EX-101.DEF  | XBRL TAXONOMY EXTENSION DEFINITION LINKBASE   |   |