

Minerco Resources, Inc.  
Form 10-Q  
December 21, 2012

---

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 October 31, 2012

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

Edgar Filing: Minerco Resources, Inc. - Form 10-Q

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 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 December 22, 2012 the registrant had 126,085,067 outstanding shares of its common stock.

---

---

---

Table of Contents

PART I – FINANCIAL INFORMATION

Item		
1.	Financial Statements	3
Item		
2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item		
3.	Quantitative and Qualitative Disclosures About Market Risk	20
Item		
4.	Controls and Procedures	21

PART II – OTHER INFORMATION

Item		
1.	Legal Proceedings	22
Item		
2.	Unregistered Sales of Equity Securities	22
Item		
3.	Defaults Upon Senior Securities	23
Item		
4.	Mine Safety Disclosure	23
Item		
5.	Other Information	23
Item		
6.	Exhibits	24

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.

	Index
Consolidated Balance Sheets (unaudited)	4
Consolidated Statements of Expenses (unaudited)	5
Consolidated Statements of Cash Flows (unaudited)	6
Consolidated Notes to the Unaudited Financial Statements	7

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

	October 31, 2012	July 31, 2012
<b>ASSETS</b>		
Cash	\$ -	\$ -
Prepaid Expense	-	-
Current Assets	-	-
Other Assets		
Intangible asset - Chiligatoro rights	-	-
Total Assets	\$ -	\$ -
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 98,761	\$ 93,142
Accounts Payable – Related Party	3,178	-
Convertible Note Payable	138,200	147,200
Derivative Liability	4,303,685	3,089,498
Debenture Payable	181,885	163,868
Total Liabilities	4,725,709	3,493,526
Stockholders' Deficit		
Common stock, \$0.001 par value, 1,175,000,000 shares authorized, 126,083,502 and 87,051,824 outstanding at October 31, 2012 and July 31, 2012, respectively	126,083	87,052
Preferred stock, \$0.001 par value, 25,000,000 shares authorized, 10,000,000 and 10,000,000 outstanding at October 31, 2012 and July 31, 2012, respectively	10,000	10,000
Additional paid-in capital	3,737,836	3,681,262
Deficit accumulated during the exploration stage	(8,599,628)	(7,271,840)
Total Stockholders' Deficit	(4,725,709)	(3,493,526)
Total Liabilities and Stockholders' Deficit	\$ -	\$ -

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

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

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Period from June 21, 2007 (Date of Inception) to October 31, 2012
General and Administrative	\$ 8,797	\$ 257,119	\$ 2,693,298
Chiligatoro Operating Costs	-	-	61,000
Accretion of discount on convertible debt	22,264	283,943	486,635
Impairment of Intangibles	-	-	715,500
Total Operating Expenses	31,061	541,062	3,956,433
Other Expenses:			
Impairment of Note Receivable	-		32,700
Interest Expense	-	3,710	13,993
Loan Recovery	-	-	(13,000 )
Loss on Debt Conversion	-	-	11,033
Gain on Settlement of Debt	-		(14,935 )
Loss on Derivative Liability	1,296,727	219,372	4,613,404
Total Other Expenses	1,296,727	223,082	4,643,195
Net Loss	\$ (1,327,788 )	\$ (764,144 )	\$ (8,599,628 )
Net Loss Per Common Share – Basic and Diluted	\$ (0.01 )	\$ (0.18 )	
Weighted Average Common Shares Outstanding	112,918,969	4,151,866	

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

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

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Period from June 21, 2007 (Date of Inception) To October 31, 2012
<b>Cash Flows from Operating Activities</b>			
Net loss	\$ (1,327,788)	\$ (764,144)	\$ (8,599,628)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain/Loss on settlement of debt	-	-	(14,935)
Loss on derivative	1,296,727	219,372	4,593,961
Accretion of discount	22,264	289,943	506,078
Share based compensation	-	94,199	1,510,874
Impairment of Intangibles	-	-	715,500
Impairment of notes receivable	-	-	30,000
Changes in operating assets and liabilities:			
Prepaid expense	-	(1,816)	-
Accounts payable and accrued liabilities	5,619	37,843	147,042
Accounts payable- related party	3,178	68,974	560,394
Net Cash Used in Operating Activities	-	(57,997)	(550,714)
<b>Cash Flows from Investing Activities</b>			
Loan to third party	-	-	(10,000)
Net Cash Used in Investing Activities	-	-	(10,000)
<b>Cash Flows from Financing Activities</b>			
Capital contribution	-	-	1,182
Proceeds from issuance of common stock	-	-	90,514
Proceeds from loan	-	62,500	423,000
Proceeds from related party debt	-	-	51,018
Repayment of related party debt	-	(3,405)	(5,000)
Net Cash Provided by Financing Activities	-	59,095	560,714
Net change in cash	-	1,098	-



Cash, Beginning of Period	-	150	-
Cash, End of Period	\$ -	\$ 1,248	\$ -
Supplemental disclosures of cash flow information			
Cash paid for interest	-	82	-
Cash paid for income taxes	-	-	-
Non cash investing and financing activities:			
Debt discount	\$ -	\$ 280,022	\$ 1,056,299
Settlement of accounts payable in exchange of notes payable	\$ -	\$ 18,000	\$ 45,000
Conversion cancellation	\$ 2,845	\$ -	\$ 2,845
Shares issued upon conversion note payable	\$ 15,910	\$ 105,300	\$ 192,120
Derivative liability re-classed to equity upon conversion of notes payable to common shares	\$ 82,540	\$ 307,542	\$ 1,346,575
Conversion of preferred stock to common stock	\$ -	\$ -	\$ 50,000
Common stock issued for Chiligatoro rights	\$ -	\$ -	\$ 715,500
Common stock issued for note receivable	\$ -	\$ -	\$ 20,000

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

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 October 31, 2012, the Company has an accumulated deficit and no revenue. 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. The Company also is engaged in the development of a specialty beverage retailer, through its subsidiary.

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.



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

## 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 October 31, 2012.

	Level 1	Level 2	Level 3	Total
<b>Assets</b>	-	-	-	-
None	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>	-	-	-	-
Derivative Financial Instruments	\$ -	\$ -	\$ 4,303,685	\$ 4,303,685

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
<b>Assets</b>	-	-	-	-
None	\$ -	\$ -	\$ -	\$ -
<b>Liabilities</b>	-	-	-	-
Derivative Financial Instruments	\$ -	\$ -	\$ 3,089,498	\$ 3,089,498

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

4. Common Stock

On August 6, 2012, the Company issued 3,714,286 common shares pursuant to a convertible promissory note to dated June 22, 2011.

On August 13, 2012, the Company issued 4,500,000 common shares pursuant to a convertible promissory note dated September 1, 2011.

On August 14, 2012, the Company issued 4,500,000 common shares pursuant to a convertible promissory note dated September 1, 2011.

On August 27, 2012, the Company issued 9,000,000 common shares pursuant to a convertible promissory note dated September 1, 2011.

On August 27, 2012, the Company issued 4,500,000 common shares pursuant to a convertible promissory note dated September 1, 2011.

On September 13, 2012, the Company issued 3,928,571 common shares pursuant to a convertible promissory note to dated June 22, 2011.

On September 21, 2012, the Company issued 3,928,571 common shares pursuant to a convertible promissory note to dated June 22, 2011.

On October 2, 2012, the Company issued 3,960,000 common shares pursuant to a convertible promissory note to dated June 6, 2011.

On October 3, 2012, the Company issued 3,928,571 common shares pursuant to a convertible promissory note to dated June 22, 2011.

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

5. Related Parties

As of October 31, 2012, the Company is indebted to the former Chief Financial Officer for \$3,178 (\$0 at July 31, 2012).

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 are due on to former Chief Financial Officer for \$267,998 has been assigned to former Chief Executive officer as of July 31, 2012

6. Convertible Note Payable

As of October 31, 2012, the Company was indebted to an unrelated third party for \$138,200, for monies loaned to the Company. On October 12, 2010, the Company granted a promissory note to this party in the amount of \$200,000 in consideration for monies loaned to the Company. The promissory note is non-interest bearing and due on demand. On September 1, 2011, the Company entered into two agreements, each of which provide for the exchange of the two promissory notes dated October 12, 2010 in the principal amount of \$100,000 for convertible promissory notes (the "Convertible Notes") in the aggregate principal amount of \$100,000. Each Convertible Note plus accrued interest of 0% 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 September 1, 2011, a note holder converted \$52,800 of principal into 880,000 shares of the Company. On August 13, 2012, a note holder converted \$1,800 of principal into 4,500,000 shares of the Company. On August 14, 2012, a note holder converted \$1,800 of principal into 4,500,000 shares of the Company. On August 27, 2012, two note holders converted \$5,400 of principal of 13,500,000 shares of the Company.

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

## 7. Derivative Liabilities

The company has issued a series of convertible notes in the past. Due to there 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.

A summary of changes in Convertible Promissory Notes payable for the period ended October 31, 2012 is as follows:

Beginning balance	\$ 310,886
Gross proceeds from the notes payable	-
Less: debt discount from conversion options	-
Add: amortization of discount	22,264
Less: debt converted to common stock	(15,910)
Add: noncash reclass into notes payable	2,845
Total notes payable	\$ 320,085

## Derivative Liability:

The fair values of the instruments were determined to be \$4,303,685 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 three months ended October 31, 2012, the Company recorded a net loss on mark-to-market of the conversion options of \$1,296,727, respectively.

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

	Level 1	Level 2	Level 3	Total
Assets				
None	\$ -	\$ -	\$ -	\$ -
Liabilities				
Derivative Financial instruments	\$ -	\$ -	\$ 4,303,685	\$ 4,303,685

The following table summarizes the derivative liabilities included in the consolidated balance sheet at October 31, 2012:

Balance at July 31, 2012	\$ 3,089,498
Debt discount	-
Day one loss on fair value	-
October 31, 2012 loss on change in fair value	1,296,727
Reclass due to conversion	(82,540)
Balance at October 31, 2012	\$ 4,303,685

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of both the notes of \$4,303,685, of which \$532,721 is recorded as discount on the notes and the remaining \$1,296,727 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 \$0.00021 to \$0.003, a conversion price of \$0.00014 to \$.001, expected volatility of 74% to 450%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.07% to 0.18%. The discount on the convertible loan is accreted over the term of the convertible loan. During the three months ended October 31, 2012, the Company recorded accretion of \$22,264.

The net loss recorded on the above derivative liabilities for the three months ended October 31, 2012 is \$1,296,727.



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

8. Subsequent Events

- a) On November 1, 2012, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and Asher Enterprises for \$19,250. The convertible note carries an 8% rate of interest and is convertible into common stock at a variable conversion price of 35% of the market price which shall be calculated as the average of the lowest market price during 120 day period prior to the conversion date. The Promissory Note is due on August 5, 2013.
- b) On November 26, 2012, the Company issued 10,000,000 common shares pursuant to a convertible promissory note dated September 1, 2011.
- b) On November 26, 2012, the Company issued 6,071,429 common shares pursuant to a convertible promissory note to dated June 22, 2011.

## 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 October 31, 2012 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", "p", "anticipate", "believe", "estimate", "predict", "potential" and the negative of these terms or other comparable terminology. The 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.

We currently have an interest in two Hydro-Electric Projects and one Wind project in various parts of Honduras. Both of our Hydro-Electric projects are classified as as run-of-the-river projects (not conventional retention dams). Our Chiligatoro Hydro-Electric Project is in the permitting stage of development and our Iscan Hydro-Electric Project is currently in the feasibility stage of development.. To date, we have not completed construction of any of the projects and therefore we have not received any revenue from any of the projects. There can be no assurance given that these projects will be completed in a timely manner, if at all. We will require additional funds to complete these projects, estimated at \$200,000 in the aggregate. Additionally, even if we complete construction of the projects, there is no guarantee that they will be successfully used to create electricity or that will generate a consistent revenue stream for us. 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. 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 Chiligatoro Hydro-Electric Project including the Power Purchase Agreement, Congressional Approval, Equity Partner Financing and Senior Debt Financing. The Iscan Hydro-Electric Project is actively completing the Socialization and Feasibility stages of development.

Our subsidiary, Level 5, is being developed as a specialty beverage retailer. Level 5 intends to incorporate a proprietary vitamin enhanced system to its beverages. Level 5 is being designed to provide hot and cold beverages and energy shots with an option to incorporate a variety of combined vitamins, providing a vitamins to the consumer in a convenient and time-efficient way. Level 5 will provide its customers the ability to drive up and order (from a trained Barista) their choice of a custom-blended espresso drink, freshly brewed coffee, teas, yogurts or other beverages. Level 5 plans to offer an option to the fast-food, gas station, and institutional coffee.

We have not generated any revenue since inception and during the three months ended October 31, 2012, we had an accumulated deficit of \$8,599,628 a stockholder's deficit of \$4,725,709 and a net loss of \$1,327,788. There is substantial doubt regarding our ability to continue as a going concern. Our operations are dependent upon our ability to obtain necessary financing and our ability to limit our negative cash flow and/or attain profitable operations. As such, the report of our independent certified auditor for the year ended July 31, 2012 is qualified subject to substantial doubt as to our ability to continue as a going concern.

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, we 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. All share amounts throughout this Quarterly Report have been retroactively adjusted for all periods to reflect this stock split.

## The Projects

### Chiligatoro

On May 27, 2010, we acquired 100% of the 6 mega-watt per hour (MWh) Chiligatoro Hydro-Electric Project ("Chiligatoro") in Intibuca, Honduras. This project is classified as a run-of-the-river project (not a conventional retention dam) and is currently in the feasibility stage of development. Acquisition in this phase of development allows us to have full control of the final design and construction of this project. To date, the construction of Chiligatoro has not started, and we have not received any revenues from the project. There is no assurance that Chiligatoro will be completed in a timely manner, if at all. Additionally, if Chiligatoro is completed, there is no guarantee that it will be successfully used to create electricity or that it will generate a consistent revenue stream for us.

Chiligatoro has received approval from the National Energy Commission, signed a 30 Year Operations Contract with SERNA and is currently negotiating its Power Purchase Agreement (PPA) with ENEE. Chiligatoro is awaiting final approval from the Honduran National Congress. This Congressional Approval acts as a “defacto” guarantee. This approval makes Chiligatoro’s Power Purchase Contracts a recorded law in the Honduran National Congress. Final approval and start of construction is anticipated by the end of 2012.

The revenue for Chiligatoro (or any hydro or wind project) is expected to be generated from the following; however there can be no guarantee that such anticipated revenue level or any revenue at all will be generated:

#### Power Generation Sales

Chiligatoro Example:  $6 \text{ MWh} \times 24 \text{ hr/day} \times \$115.97 / \text{MWh} = \text{US\$ } 16,700 / \text{day}$  or  $\text{US\$ } 6,095,000$  per year of Gross Energy Generation Revenue

#### Carbon Credits

Carbon Emission Reduction (CER) Credits can be pre-sold or traded on the open market. The spot price is currently over US\$ 10 per Credit. Carbon Credits are relatively new but are measured in tonnes of CO<sub>2</sub>.

The Chiligatoro Project is expected eliminate approximately 27,000 tonnes of CO<sub>2</sub>.per year, or earn 27,000 CER Credits annually.  $27,000 \text{ CER /year} \times \$10 / \text{CER} = \text{US\$ } 270,000$  per year.

#### Reforestation in Project Buffer Zone

Reforestation generates revenue directly and indirectly. Planting tropical hardwood trees such as mahogany is expected to generate direct revenue in less than 20 years. Current prices yield more than US\$ 8,000 per tree.

More importantly, reforestation of the Project’s Buffer Zone (water supply zone) is expected to increase the Projects total efficiency within a couple years adding additional power generation revenue. This increase in efficiency is typically 2 – 3%. Additional CER Credits are also realized with reforestation.

We acquired the rights to Chiligatoro from ROTA INVERSIONES S.DE R.L., a corporation formed under the laws of Honduras (“Rota”), pursuant to the terms of an acquisition agreement we entered into with Rota on May 27, 2010. We agreed to pay Rota atotal of 18,000,000 shares of common stock consisting of 9,000,000 shares of our common stock within 3 days of closing, 4,500,000 shares of our common stock within 180 days of closing and 4,500,000 shares of our common stock upon us raising of \$12,000,000 no later than 24 months after closing. We also agreed to pay Rota a royalty of 10% of the adjusted gross revenue, derived after all applicable taxes, from Chiligatoro prior to completion of the payment of the foregoing. Further, we agreed to pay Rota a royalty of 20% of the adjusted gross revenue, derived after all applicable taxes, from Chiligatoro after the completion of the payout for the life of Chiligatoro, including any renewal, transfer or sale, if any, in perpetuity. “Payout” is defined as all associated costs related to the development of Chiligatoro. If we are unable to obtain the financing requirements of this agreement, Rota will have the right to terminate the agreement with full rights of rescission, and all rights, title and interest to Chiligatoro shall be transferred back to Rota. 13,500,000 shares of common stock were issued to ROTA on June 4, 2010. On May 27, 2012, the company and ROTA INVERSIONES S. DER.L. signed a one year extension to satisfy the financing requirements of this agreement.



## Iscan

On January 5, 2011, we acquired 100% of the 4 mega-watt per hour (MWh) Iscan Hydro-Electric Project (“Iscan”) in Olancho, Honduras. This project is classified as a run-of-the-river project (not a conventional retention dam) and is currently in the feasibility stage of development. Acquisition in this phase of development allows us to have full control of the final design and construction of this project. To date, the construction of Iscan has not started, and we have not received any revenues from the project. There is no assurance that Iscan will be completed in a timely manner, if at all. Additionally, if the Iscan project is completed, there is no guarantee that it will be successfully used to create electricity or that it will generate a consistent revenue stream for us.

We acquired the rights to Iscan from Energetica de Occidente S.A. de C.V., a corporation formed under the laws of Honduras (the “Energetica”), pursuant to the terms of an acquisition agreement we entered into with the Iscan Seller on January 5, 2011. We agreed to pay Energetica a total of 1,000,000 shares of common stock consisting of 500,000 shares of our common stock within 30 days of closing and 500,000 shares of our common stock upon us raising \$8,500,000 no later than 36 months after closing. We also agreed to pay the Energetica a royalty of 10% of the adjusted gross revenue, derived after all applicable taxes, from Iscan prior to completion of the payment of the foregoing. If we default on financing obligations under this agreement, Energetica can terminate this agreement, rescind the sale of these rights to us, and all rights, title and interest to Iscan will be transferred back to Energetica. Minerco has not issued any shares because it is awaiting approval from SERNA for the project before the transfer of title and we expect title to be transferred in the first quarter of calendar 2013.

## Sayab

On January 18, 2011, we acquired 100% of the 100 mega-watt per hour (MWh) Sayab Wind Project (“Sayab”) in Choluteca, Honduras. This project is currently in the feasibility stage of development. Acquisition in this phase of development allows us to have full control of the final design and construction of this project. To date, the construction of Sayab has not started, and we have not received any revenues from the project. There is no assurance that Sayab will be completed in a timely manner, if at all. Additionally, if Sayab is completed, there is no guarantee that it will be successfully used to create electricity or that it will generate a consistent revenue stream for us.

We acquired the rights to Sayab from Energia Renovable Hondurenas S.A., a corporation formed under the laws of Honduras (the “Sayab Seller”), pursuant to the terms of an acquisition agreement we entered into with the Sayab Seller on January 18, 2011. We agreed to pay the Sayab Seller a total of 1,000,000 shares of common stock consisting of 500,000 shares of our common stock within 30 days of closing and 500,000 shares of our common stock upon us raising \$10,000,000 no later than 18 months after closing. We also agreed to pay the Sayab Seller a royalty of 6% of the adjusted gross revenue, derived after all applicable taxes, from Sayab prior to completion of the payment of the foregoing. Further, we agreed to pay the Sayab Seller a royalty of 12% of the adjusted gross revenue, derived after all applicable taxes, from Sayab after the completion of the payout for the life of Sayab, including any renewal, transfer or sale, if any, in perpetuity. “Payout” is defined as all associated costs related to the development of Sayab. As additional consideration for this Agreement, the Sayab Seller will have the right to, upon written notice delivered to us, to purchase back from us up to an additional 8% of Sayab. The buyback purchase price will be determined by actual costs incurred by us relating to Sayab. The Sayab Seller can buy back or obtain 0.5% increments until a maximum 20% total interest is obtained. If we are unable to obtain the financing requirements of this agreement, the Sayab Seller shall have the right to terminate this agreement with full rights of rescission, and all rights, title and interest to Sayab shall be transferred back to the Sayab Seller. Minerco has not issued any shares because it is awaiting approval from SERNA for the project before the transfer of title and we expect title to be transferred in the middle of the second quarter of calendar 2013.



## Results of Operations

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Period from June 21, 2007 (Date of Inception) to October 31, 2012
Loan Recovery	\$ -	\$ -	\$ (13,000)
Impairment of Note Receivable	-	-	32,700
General and Administrative Expenses	8,797	257,119	2,693,298
Chiligatoro Operating Expenses	-	-	61,000
Interest Expense	-	3,710	13,993
Accretion of discount on convertible debt	22,264	283,943	486,635
(Gain) / Loss on derivative liability	1,296,727	219,372	4,613,404
Gain on settlement of debt	-	-	(14,935)
Loss on Debt Conversion	-	-	11,033
<b>Net Loss</b>	<b>\$ 1,327,788</b>	<b>\$ 764,144</b>	<b>\$ 8,599,628</b>
Net Loss per Share –Basic and Diluted	\$ (0.01)	\$ (0.18)	
Weighted Average Shares Outstanding	112,918,969	4,151,866	

## Results of Operations for the Three Months Ended October 31, 2012

During the three months ended October 31, 2012 we incurred a net loss of \$1,327,788, compared to a net loss of \$764,144 during the same period in fiscal 2012. The increase in our net loss during the three months ended October 31, 2012 was primarily due to increased loss on derivative liability.

Our total general and administrative expenses for the three months ended October 31, 2012 were \$31,061, compared to operating expenses of \$541,062 during the same period in fiscal 2012. Our total general and administrative expenses during the three months ended October 31, 2012 consisted of \$0 in compensation expense, \$8,797 in professional fees, and \$0 in general and administrative expense and during the three months ended October 31, 2012 consisted of general and administrative expenses, and accretion expense of 22,264. We did not incur any foreign exchange losses, management fees, rent expenses 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.

## Results of Operations for the Period from June 21, 2007 (Date of Inception) to October 31, 2012

From our inception on June 21, 2007 to October 31, 2012 we did not generate any revenues and we incurred a net loss of \$8,599,628. We may not generate significant revenues from our interest in our Hydro-Electric or Wind Projects or any other properties in which we acquire an interest, and we anticipate that we will incur substantial losses for the foreseeable future.

Our total operating expenses from our inception on June 21, 2007 to October 31, 2012 were \$3,956,433. 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.



From our inception on June 21, 2007 to October 31, 2012 we also received \$13,000 in the form of proceeds from loan recovery and incurred \$30,000 in expenses related to the impairment of a note receivable. Also, there was a loss of \$4,613,404 and accretion of \$486,635 associated with the derivative in the convertible debt

## Liquidity and Capital Resources

As of October 31, 2012 we had \$0 in cash and \$0 in total assets, \$4,725,709 in total liabilities and a working capital deficit of \$4,725,709. Our accumulated deficit from our inception on June 21, 2007 to October 31, 2012 was \$8,599,628 and was funded primarily through advances from related parties, equity and debt financing.

From our inception on June 21, 2007 to October 31, 2012 we used net cash of \$550,714 in operating activities. During the three months ended October 31, 2012 we used net cash of \$0 in operating activities, compared to net cash used \$57,997 in operating activities during the same period in fiscal 2012. The decrease in expenditures on operating activities for the three months ended October 31, 2012 was primarily due to an increased net loss offset by a loss on derivatives.

From our inception on June 21, 2007 to October 31, 2012 we used net cash of \$10,000 on investing activities, all of which was in the form of a loan to a third party. We used net cash of \$0 on investing activities during the three months ended October 31, 2012 and 2011.

From our inception on June 21, 2007 to October 31, 2012 we received net cash of \$560,714 from financing activities, which consists of \$90,514 from the issuance of our common stock, \$423,000 from debt financing, \$51,018 in proceeds from a related party, and \$1,182 in capital contributions offset by a \$5,000 payment. During the three months ended October 31, 2012 we received \$0 net cash from financing activities, compared to net cash received of \$59,095 during the same period in fiscal 2012. The decrease in receipts from financing activities for the three months ended October 31, 2012 was primarily lower proceeds from loans and related parties.

We estimate our planned expenses for the next 24 months (beginning December 2012) to be approximately \$13,629,000, as summarized in the table below.

Description	Potential completion date	Estimated Expenses (\$)
Energy		
Complete Feasibility & Environmental Studies	6 months	500,000
Project Permitting	6 months	85,000
Lease/Land Purchase	6 months	500,000
Final Construction Design	6 months	150,000
Engineering & Construction Consultants	6 months	200,000
Mobilization of Equipment	6 months	200,000
Stage 1 Construction	12 months	2,600,000
Stage 2 Construction	18 months	2,800,000
Stage 3 Construction	24 months	3,700,000
Professional Fees (legal and accounting)	12 months	100,000
Project Supervision	12 months	150,000
Project Socialization	12 months	75,000
General and administrative expenses	12 months	1,150,000
Contingencies (10%)		1,221,000
Energy Total		13,431,000
Beverage		
Product Formulation	3 months	25,000
Product Samples	3 months	5,000
Product Branding	4 months	25,000

Edgar Filing: Minerco Resources, Inc. - Form 10-Q

Product Marketing	6 months	25,000
Product Manufacturing	6 months	50,000
Product Expansion / Development	12 months	50,000
Contingencies (10%)		18,000
Beverage Total		198,000
<b>Grand Total (All Business Lines)</b>		<b>13,629,000</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.

Based on our planned expenditures, we require additional funds of approximately \$13,629,000 (a total of \$13,629,000 less our approximately \$0 in cash as of October 31, 2012) 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 various Hydro-Electric and Wind Projects, 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.

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 months ended October 31, 2012 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 or our beverage business. Accordingly, we are dependent upon obtaining outside financing to carry out our operations and pursue any acquisition and exploration activities.

Of the \$13,629,000 we require for the next 24 months, we had approximately \$0 in cash as of October 31, 2012. We intend to raise the balance of our cash requirements for the next 24 months (approximately \$13,629,000), 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 \$55,000.00 in connection with product research and development activities during the next 12 months for our beverage retail business.

## Outstanding Indebtedness

Set forth below is a chart of our outstanding debt obligations as of December 20, 2012:  
Bridge Notes Payable

Name	Amount	Date of Issuance	Maturity Date	Features
Convertible Promissory Note	\$ 25,310	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	\$ 32,500	6/22/11	3/26/12	8% interest rate converts at a variable conversion price of 35% of the market price calculated based on the lowest day during the preceding 120 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	\$ 27,500	8/9/11	5/11/12	8% interest rate converts at a variable conversion price of 35% of the market price calculated based on the lowest day during the preceding 120 days
Convertible Promissory Note	\$ 73,600	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	\$ 73,600	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	\$ 35,000	9/27/11	6/29/12	8% interest rate converts at a variable conversion price of 35% of

Convertible Promissory Note	\$	27,000	11/6/11	5/6/12	the market price calculated based on the lowest day during the preceding 120 days
Convertible Promissory Note	\$	11,500	6/18/12	3/20/13	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	\$	320,301	7/23/12	1/23/13	8% interest rate converts at a variable conversion price of 35% of the market price calculated based on the lowest day during the preceding 120 days
Convertible Promissory Note	\$	267,998	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 day during the preceding 5 days
Convertible Promissory Note		\$19,250	11/1/12	8/15/13	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					8% interest rate converts at a variable conversion price of 35% of the market price calculated based on the lowest day during the preceding 120 days

## Outstanding Notes

As of July 31, 2012 our obligations under outstanding notes totaled an aggregate principal amount of \$912,309. Of such amount \$172,510 is due on demand, \$18,000 was due February 6, 2012, \$32,500 was due March 26, 2012, \$27,000 was due May 6, 2012, \$35,000 was due June 29, 2012, \$27,500 was due May 11, 2012, \$11,500 is due March 20, 2013, \$320,301 is due January 23, 2013 and \$267,998 is due January 23, 2012. 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 June 22, 2011, August 9, 2011, September 27, 2011, June 18, 2012 and November 1, 2012 we entered into a Securities Purchase Agreement and Convertible Promissory Note with Asher Enterprises for \$32,500, \$27,500, \$35,000, \$11,500 and \$19,250 respectively. The convertible notes carries an 8% rate of interest and the June 2011 and August 2011 Notes were convertible into common stock at a variable conversion price of 55% of the market price and the September Note is convertible into common stock at a variable conversion price of 51% of which shall be calculated as the average of the lowest 3 days during the preceding 10 days before conversion. The June 2012 and November 2012 Notes are convertible into common stock at a variable conversion price of 35% of which shall be calculated as the lowest trading day during the preceding 120 days before conversion. The promissory note issued on June 22, 2011 was due on March 26, 2012, the promissory note issued on August 9, 2011 was due on May 11, 2012 and the promissory note issued on September 27, 2011 was due on June 29, 2012 and the promissory note issued on June 18, 2012 is due on March 20, 2013 and the promissory note issued on November 1, 2012 is due August 5, 2013. On June 14, 2012, we amended the remaining balance on the June 2011, August 2011 and September 2011 notes of \$69,000 as convertible into common stock at a variable conversion price of 35% of which shall be calculated as the lowest trading day during the preceding 120 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 \$25,310 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.

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

Apart from our interest in the various Hydro-Electric and Wind Projects, 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.

#### 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 who is also our Principal Financial 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. Management recognizes that its controls and procedures would be substantially improved if there was a greater segregation of the duties of Principal Executive Officer who is also our Principal Financial Officer 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 who is also our Principal Financial 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 three months ended October 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

On November 11, 2012 we issued one convertible promissory note in the principal amount of \$19,250 that bears interest at a rate of 8% per annum at a variable conversion price of 35% of the market price calculated based on the lowest day during the preceding 120 trading days before conversion. The issuance of the note was exempt from registration under Section 4 (2) of the Securities Act. No underwriter was involved in the offer of sale of the note. The issuance of the note 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(2) since it agreed to, and received, securities bearing a legend stating that such note are restricted. This restriction ensures that this note will not be immediately redistributed into the market and therefore not part of a public offering.

On November 26, 2012, the Company issued 10,000,000 common shares pursuant to a convertible promissory note dated September 1, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On November 26, 2012, the Company issued 6,071,429 common shares pursuant to a convertible promissory note to dated June 22, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

23

---

## ITEM 6. EXHIBITS

## EXHIBIT INDEX

Exhibit	Document Description	Incorporated by reference			Filed herewith
		Form	Date	Number	
10.1	Securities Purchase Agreement with Asher Enterprises, Inc. dated November 1, 2012				X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Certification of Chief Financial 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				

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.

December 24, 2012

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

## EXHIBIT INDEX

Exhibit	Document Description	Incorporated by reference			Filed herewith
		Form	Date	Number	
10.1	Securities Purchase Agreement with Asher Enterprises, Inc. dated November 1, 2012				X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Certification of Chief Financial 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				