Minerco Resources, Inc.
Form 10-K
November 23, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

þ ANNUAL REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JULY 31, 2012

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)

20 Trafalgar Square
Suite 455
Nashua, NH 03063
(Address of principal executive offices, including zip code.)

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

Securities registered pursuant to Section 12(b) of the Act:	Securities registered pursuant to section 12(g) of the Act:
NONE	Common Stock $0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO þ

Indicate by check mark if the registrant is required to file reports pursuant to Section 13 or Section 15(d) of the Act: YES þ NO o

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 þ NO o

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 (or for such shorter period that the registrant was required to submit and post such files). YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this

chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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	o	Accelerated Filer	o
Non-accelerated Filer (Do not check if a smaller reporting company)	o	Smaller Reporting Company	þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO þ
State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of January 31, 2012: $145,360.

At November 21, 2012, 126,085,067 shares of the registrant's common stock were outstanding.

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PART I
ITEM 1. BUSINESS.

Forward-Looking Statements

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “could”, "may", "will", "should", "expects", "plans”, "anticipates", "believes", "estimates", "predicts", "potential" or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable laws, including the securities laws of the United States, we do not intend to update any of the forward-looking statements so as to conform these statements to actual results.

As used in this annual report, the terms "we", "us", "our" and "Minerco" mean Minerco Resources, Inc., unless otherwise indicated.

All dollar amounts in this annual report refer to U.S. dollars unless otherwise indicated.

Overview

Our principal offices are located at 20 Trafalgar Square, Suite 455, Nashua, NH 03063. Our telephone number is 603-732-6948. Information about our business can be obtained from our website www.minercoresources.com. Information on website is not incorporated by reference into this report.

History

We were incorporated as a Nevada company on June 21, 2007 and we have two subsidiaries: Minerco Honduras 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 until 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. In October 2012, we began development of an additional line of business, our specialty beverage line. 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 run-of-the-river projects (not conventional retention dams). Our Chiligatoro Hydro-Electric Project is in the final permitting stage of development and our Iscan Hydro-Electric Project is currently in the early feasibility stage of development. Our wind project is also in the early feasibility stage of development. To date, we have not completed construction of any of the projects and 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 $200,000,000 in the aggregate. 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. See Managements’ Discussion and Analysis. Additionally, if the projects are completed, there is no guarantee that they will be successfully used to create electricity or that they will generate a consistent revenue stream for us.

Our common stock is quoted on the OTCQB under the symbol "MINE". On March 30, 2010, the Company 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. All share amounts throughout this annual report have been retroactively adjusted for all periods to reflect this stock split.

OUR OPERATIONS

Since May 27, 2010, we have been engaged in the development, production, and provision of clean, renewable energy solutions in Central America. In addition, on October 16, 2012, we added an additional line of business, a progressive specialty beverage line that we intend to develop and sell through our subsidiary, Level 5 Beverage Company, Inc.

Our Renewable Energy 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 in 2013.

The revenue for Chiligatoro (or any hydro or wind project), if any, 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 MWh x 24 hr/day x $124.97 /MWh = US$ 17,995 / day or US$ 6,568,423 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_2.

The Chiligatoro Project is expected eliminate approximately 27,000 tonnes of CO_2.per year, or earn 27,000 CER Credits annually. 27,000 CER /year x $10 /CER = US$ 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 at total 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. As of the date hereof, 13,500,00 shares have been issued to Rota in accordance with the terms of the agreement. 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 shall have the right to terminate this 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. As of July 31, 2012, these assets were impaired due to inactivity, however we are still actively pursuing obtaining necessary permits and negotiating contracts including the Power Purchase Agreement, Congressional Approval and financing for the project.

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, we are actively competing the socialization and feasibility stages of development for this project but 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 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 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 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.

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Business Plan for Minerco Honduras, S.A.

Upon receipt of financing, we plan to concurrently:

- develop & construct new, ground floor projects;
- acquire existing projects in various stages of development;
- acquire existing projects with operations (already generating power);
- acquire rights to future projects in both the private & public sectors; and
- expand our scope of operations to additional Latin countries.

Benefits of Clean, Renewable Energy Projects in Latin America

Due to growing concerns of energy security and climate change, the Central American Region has widely adopted a shift toward Clean, Renewable Energy generation. In 1998, Decrees No. 85-98 and 267-98 were passed into Honduran law to promote the development of renewable energy-generating plants. The decrees include tax breaks to developers and a secure buyer for energy at prices equivalent to the system's short-term marginal cost. The national integrated utility ENEE, which is the default buyer, must pay a premium (10 percent of the same short-run marginal cost) for the electricity generated when the installed capacity is below 50 MW. This framework has facilitated the negotiation of about 30 public/private partnerships with ENEE for small renewable energy plants. In addition, Decree No. 85-98 also establishes tax exemptions in favor of developers including import and sales taxes on equipment and a five-year income tax holiday.. Most countries rely on fossil fuels for the majority of power generation. Very few countries in the region have native fossil fuel resources and spend huge portions of their budgets on "dirty" energy generation. However, they do have the natural resources for "clean" renewable, sustainable energy creation. In fact, these renewable natural resources are abundant, but they are underdeveloped and largely unexploited. In order to encourage and stimulate renewable energy investment and development in Central America the major markets have introduced or adopted additional regulatory and fiscal incentives. In addition, many countries have introduced measures to limit carbon emissions, making renewable energy more desirable.

According to a publication of the Honduras National Commission of Energy in 2011, Honduras has over 100 approved, renewable energy projects. The project locations and government issued rights have been assigned and transferred to entrepreneurs, but almost 90% of the projects are not developed and will not be built anytime soon. The country and its entrepreneurs lack the money to even complete early stage Feasibility Studies on these projects. They lack equity or collateral to obtain standard bank loans and lack the relationships to further their projects alone.

Additionally, the incentives for clean energy generation in these countries are plentiful. Latin American countries have created numerous incentives to promote and streamline development. Region-wide incentives include income tax holidays, no duty on imports for construction, price premiums and payment guarantees.

Clean Energy Incentives in Honduras

We have chosen Honduras as our initial country of focus because it has a vast quantity of natural resources, opportunities and incentives to launch our company into the "green" future. Honduras has been very proactive in the promotion of its energy renewable sources and offers one of the most attractive incentive packages in Central America with long term purchase agreements, tax exemptions, an additional payment for the energy generated by renewable energy and a dispatch guarantee. Our management team has developed extensive relationships in Honduras, both in

the private and public sectors. In addition, Honduras has adopted some of the most profitable incentives for clean energy within the region. Incentives include:

Clean energy price (10% over “dirty” marginal cost, currently $124.97 /MWh);

Payable in US$ (to counter currency fluctuations);

contract guarantee from National Congress (mitigate political/country risk);

No import or sales taxes on construction materials;

No sales tax on electricity sales;

Income tax holiday (10 years); and

Clean energy required to be purchased first by power grid (Honduras law).

Regulation Renewable Energy

All of our power plants in Central America will be subject to extensive regulation by the Central American governmental authorities, including central governmental authorities such as the Ministry of Commerce, the State Administration for Industry and Commerce, the National Development and Reform Commission, the State Electricity Regulatory Commission, the State Administration of Taxation, the Ministry of Environmental Protection, the Ministry of Communications and Transportation, the Ministry of Water Resources, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development, as well as their provincial and local counterparts. Government regulations will address virtually all aspects of our operations, including, among others, the following:

- planning and construction of our plant in Chiligatoro and new power plants;
- the granting of power generation, dispatch and supply permits;
- the amount and timing of power generation;
- the setting of on-grid tariffs paid to power producers and power tariffs paid by consumers of electricity;
- power grid control and power dispatch, including the setting of preferential policies for the dispatch of renewable energy generated power;
- allocation of water resources and control of water flows;
- environmental protection and safety standards;
- acquisitions by foreign investors; and
- taxes, in particular Enterprise Income Tax and Value Added Tax.

Our costs of compliance with, and reliance on, this regulatory system will be significant to our business. An increase in the cost of compliance could increase our operating costs and expenses and materially and adversely affect our results of operations. Moreover, policy movements against renewable energy power producers could limit our opportunities for growth and materially and adversely affect our revenues.

We will also be required to obtain a permit from the State Electricity Regulatory Commission prior to operating any plant. A new permit system was established in 2005, which requires all existing and new power generating, dispatching and supplying companies to obtain permits from the State Electricity Regulatory Commission. The State Electricity Regulatory Commission has been in the process of implementing the new permit system. By the end of 2008, the State Electricity Regulatory Commission had issued 6,170 power generating permits. We have submitted applications for power generation permits for our plant being constructed, but have not yet received the permits. The granting of a power generation permit for a new power generation project is a time-consuming and complicated process. A failure to obtain a power generation permit may have a material adverse effect on our business operations, including the forfeiture of income and the imposition of fines.

Competition in the Renewal Energy Industry

The renewal energy industry is highly competitive and characterized by rapid change resulting from technological advances and scientific discoveries. Not only will we compete with other hydro electric power generation companies, but we will also compete with producers and suppliers of other forms of energy such as fossil fuel and oil. We will compete in the Central American domestic market with other Central America power generation companies. We face direct competition from Meso America Energy, Globeleq Power, Aggreko, Wartsila, Energy of Central America, Hidrocep Honduras, Hidrocci and face indirect competition from several companies that offer alternative products. These power companies and a number of other power producers have substantially greater financial, infrastructure or other resources than we do. We may also face competition from new entrants to the hydropower industry having business objectives similar to ours, including venture capital and private equity funds, leveraged buyout funds, and other operating businesses that may offer more advanced technological capabilities or that have greater financial resources. The ability of our competitors to access resources that we cannot access may prevent us from acquiring additional hydropower projects in strategic locations or from increasing our generating capacity. There is also increasing competition among operating power plants for increases in dispatched output, higher on-grid tariffs and land use rights. If we are unable to compete successfully, our growth opportunities to increase generating capacity may be limited and our revenue and profitability may be adversely affected. In recent years, the ongoing reform of the Central American power industry has included experimental programs to set on-grid tariffs through competitive bidding among thermal power plants. The tariffs determined by competitive bidding may be lower than the pre-approved tariffs for planned output. In the future, competitive bidding may extend to hydroelectric power plants and further increase price competition among domestic power generation companies.

We also compete with producers and manufacturers of other sources of energy. The demand for power plants that produce electricity from renewable energy sources such as water depends in part on the cost of generation from other sources of energy. The terms under which supplies of petroleum, coal, natural gas and other fossil fuels, as well as uranium, can be obtained are key factors in determining the economic interest of using these energy sources rather than renewable energy sources. The principal energy sources in competition with renewable energy sources are petroleum, coal, natural gas and nuclear energy. The current price levels for fossil fuels, in particular, petroleum and natural gas, have enhanced the price competitiveness of electricity from renewable energy. A decline in the competitiveness of electricity from renewable energy sources in terms of cost of generation, technological progress in the exploitation of other energy sources, discovery of large new deposits of oil, gas or coal, or the recent decline in prices of those fuels from historically high levels, could weaken demand for electricity generated from renewable energy sources.

In the renewable energy sector, competition primarily exists with regard to factors such as bidding for available sites, performance of sites in generation, quality of technologies used, price of power produced and scope and quality of services provided, including operation and maintenance services. A decline in the competitiveness of electricity generated from hydroelectric sources in terms of such factors could weaken demand for hydroelectric power.

Beverage Line of Business

Summary

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 anticipates providing 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 is offering an option to the fast-food, gas station, and institutional coffee.

Level 5 plans to offer its patrons hot and cold beverages, specializing in specialty coffees, blended teas, energy shots and other custom drinks. In addition, Level 5 expects to offer soft drinks, fresh-health food snacks such as granola and oatmeal bars, yogurts and other prepackaged ready to serve health food snacks. Seasonally, Level 5 expects to add beverages such as hot apple cider, hot chocolate, frozen coffees, and more.

Level 5 intends to initially focus on two markets:

The Daily Commuter- someone traveling to/from work, out shopping, delivering goods or services, or just out for a drive.

The Captive Consumer- someone who is in a restricted environment that does not allow convenient departure and return while searching for refreshments, or where refreshment stands are an integral part of the environment.

Level 5 intends to penetrate the commuter and captive consumer markets by deploying Drive-thru facilities, Kiosks and Mobile Cafes in the most logical and accessible locations. The Drive-thru facilities will be designed to handle two-sided traffic and dispense customer-designed, specially ordered cups of premium beverages in less time required for a visit to the locally owned cafe or one of the national chains.

In addition to providing a quality product and an extensive menu of delicious items, our focus is to ensure customer awareness and loyalty, as well as good publicity coverage and media support.

Level 5's goal is to become the Drive-thru version of Starbucks between the mountains. Level 5 intends to , obtain funding through the public or private offering of its securities in order to enable it to open new facilities each year in all metropolitan communities in the North, Midwest, and South with a target population of over 150,000. However, there can be no assurance that it will be able to raise funding on terms acceptable to it, if at all..

Product Description

Level 5 intends to provide its customers, whether at a Drive-thru facility or one of the Mobile Cafes, the ability to custom order a coffee beverage that will be blended to their exact specifications. Each of Level 5's Baristas are expected to be trained in the fine art of brewing, blending, and serving the highest quality hot and cold beverages, with exceptional attention to detail.
Besides coffees, Level 5 plans to offer teas, domestic and Italian sodas, frozen coffee beverages, seasonal specialty drinks, pastries, and other baked goods. Through the website and certain locations, Level 5 anticipates marketing premium items such as coffee mugs, T-shirts and sweatshirts, ball caps, and more.

Beverage Industry Government Regulations

The processing, formulation, manufacturing, packaging, labeling, advertising, and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the FDA, the FTC, the Consumer Product Safety Commission, the United States Department of Agriculture, and the Environmental Protection Agency. These activities are also regulated by various state, local, and international laws and agencies of the states and localities in which our products are sold. Government regulations may prevent or delay the introduction, or require the reformulation, of our products, which could result in lost revenues and increased costs to us. For instance, the FDA regulates, among other things, the composition, safety, labeling, and marketing of dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use). The FDA may not accept the evidence of safety for any new dietary ingredient that we may wish to market, may determine that a particular dietary supplement or ingredient presents an unacceptable health risk, and may determine that a particular claim or statement of nutritional value that we use to support the marketing of a dietary supplement is an impermissible drug claim, is not substantiated, or is an unauthorized version of a "health claim." Any of these actions could prevent us from marketing particular dietary supplement products or making certain claims or statements of nutritional support for them. The FDA could also require us to remove a particular product from the market. Any future recall or removal would result in additional costs to us, including lost revenues from any additional products that we are required to remove from the market, any of which could be material. Any product recalls or removals could also lead to liability, substantial costs, and reduced growth prospects. With respect to FTC matters, if the FTC has reason to believe the law is being violated (e.g., failure to possess adequate substantiation for product claims), it can initiate an enforcement action. The FTC has a variety of processes and remedies available to it for enforcement, both administratively and judicially, including compulsory process authority, cease and desist orders, and injunctions. FTC enforcement could result in orders requiring, among other things, limits on advertising, consumer redress, divestiture of assets, rescission of contracts, or such other relief as may be deemed necessary. Violation of these orders could result in substantial financial or other penalties. Any action against us by the FTC could materially and adversely affect our ability to successfully market our products.

Competitive Comparisonin the Beverage Industry

Level 5 plans to be a primary player in the retail coffee house industry. However, it knows that competition for its products range from soft drinks to milk shakes to adult beverages.

Level 5's primary competition is expected to come from three sources:
National coffee houses such as Starbucks, Dunkin' Doughnuts and Panera
Locally owned and operated cafes
Fast food chains and convenience stores

We anticipate that two things will make Level 5 stand out from all its competitors:

Level 5 expects to be providing products in the most convenient and efficient way available - either at one of the two-sided Drive-thru shops, or at one of the Mobile Cafes. This separates Level 5 from the competition in that its customers won't need to find a parking place, wait in a long line, jockey for a seat, and clean up the mess left by a previous patron. Level 5 customers can drive or walk up, order their beverage, receive and pay for the beverage, and drive off.

The second differentiator is Level 5's focus on providing a significant benefit to the community through a possible 7.5% contribution to local Schools, Fire Departments, Police, and other institutions.

The industries in which we operate are is highly competitive. Not only do we compete with other manufacturers of functional beverages and coffee but we also compete with manufacturers of nutraceutical supplements and dietary supplements.

The coffee industry has grown by tremendous amounts in the U.S. over the past five years. Starbucks, the national leader, has a Market Cap of over $35 Billion as quoted on Bloomberg.

Even general coffee sales have increased with international brands such as Folgers, Maxwell House, and Safari coffee reporting higher sales and greater profits.

Our competition in the beverage industry is expected to include products owned by multinational corporations with significant financial resources, including products such as Vitamin Water and Gatorade which are owned by Coca-Cola and Pepsi. Our energy drinks also compete with products such as Monster, Red Bull and Rockstar. We will also compete with companies that sell coffee such as Starbucks and Dunkin Donuts. These competitors can use their resources and scale to rapidly respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities. We also will compete against a variety of smaller, regional and private label manufacturers. Many of our competitors have longer operating histories and have materially greater financial and other resources than we do. They therefore have the advantage of having established reputations, brand names, track records, back office and managerial support systems and other advantages that we will be unable to duplicate in the near future. Moreover, many competitors, by virtue of their longevity and capital resources, have established lines of distribution to which we do not have access, and are not reasonably likely to duplicate in the near term, if ever.

We are also subject to competition in the attraction and retention of employees. Many of our competitors have greater financial resources and can offer employees compensation packages that are difficult for us to compete with.

Funding

To date, we have met our financing needs through private sale of shares of our common stock and other equity securities and loans from investors. Since we do not anticipate generating revenue in the near future, and anticipate requiring financing to fund both our renewable energy business line and our beverage business line, we do not believe our revenue from sales will be not sufficient to meet our ongoing expenses and therefore we will need additional financing.

Employees

As of July 31, 2012, we had 2 full time employees.   We currently expect to hire approximately 5 employees and/or consultants over the next 12 months providing that we have adequate funding to do so, which will cause us to incur additional costs.

Property

Our principal office is located at 20 Trafalgar Square, Suite 455, Nashua, NH 03063. This space consists of approximately 150 square feet. We are currently in a month to month lease for the property. We believe these facilities are adequate to serve our present needs.

Additional or more stringent regulations of beverages and dietary supplements and other products have been considered from time to time. These developments could require reformulation of some products to meet new standards, recalls or discontinuance of some products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of some products, additional or different labeling, additional scientific substantiation, adverse event reporting, or other new requirements. Any of these developments could increase our costs significantly. For example, the Dietary Supplement and Nonprescription Drug Consumer Protection Act (S3546) which was passed by Congress in December 2006, imposes significant regulatory requirements on dietary supplements including reporting of "serious adverse events" to FDA and recordkeeping requirements. This legislation could raise our costs and negatively impact our business. In June 2007, the FDA adopted final regulations on GMPs in manufacturing, packaging, or holding dietary ingredients and dietary supplements, which apply to the products we manufacture and sell. These regulations require dietary supplements to be prepared, packaged, and held in compliance with certain rules. These regulations could raise our costs and negatively impact our business. Additionally, our third-party suppliers or vendors may not be able to comply with these rules without incurring substantial expenses. If our third-party suppliers or vendors are not able to timely comply with these new rules, we may experience increased cost or delays in obtaining certain raw materials and third-party products. Also, the FDA has announced that it plans to publish guidance governing the notification of new dietary ingredients. Although FDA guidance is not mandatory, it is a strong indication of the FDA's current views on the topic discussed in the guidance, including its position on enforcement.

In addition, there are an increasing number of laws and regulations being promulgated by the United States government, governments of individual states and governments overseas that pertain to the Internet and doing business online. In addition, a number of legislative and regulatory proposals are under consideration by federal, state, local and foreign governments and agencies. Laws or regulations have been or may be adopted with respect to the Internet relating to:

- liability for information retrieved from or transmitted over the Internet;
- online content regulation;
- commercial e-mail;
- visitor privacy; and
- taxation and quality of products and services.

Moreover, the applicability to the Internet of existing laws governing issues such as:

- intellectual property ownership and infringement;
- consumer protection;
- obscenity;
- defamation;
- employment and labor;
- the protection of minors;
- health information; and
- personal privacy and the use of personally identifiable information.

This area is uncertain and developing. Any new legislation or regulation or the application or interpretation of existing laws may have an adverse effect on our business. Even if our activities are not restricted by any new legislation, the cost of compliance may become burdensome, especially as different jurisdictions adopt different approaches to regulation.

ITEM 1A. RISK FACTORS.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

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

ITEM 2. PROPERTIES.

The Company is currently in a month to month lease with CEO Nashua, Inc. for a 150 square feet of executive office suite in Nashua, New Hampshire for a rental payment of $150.00 per month during the term.

ITEM 3. 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 4. MINE SAFETY DISCLOSURE

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our stock was listed for trading on the OTC QB operated by pink sheets on February 2009 under the symbol "MINE". There are no outstanding options or warrants to purchase, or securities convertible into, our common stock.

Fiscal Year 2012		High Bid		Low Bid
Fourth Quarter: 5/1/12 to 7/31/12	$	0.01	$	0.001
Third Quarter: 2/1/12 to 4/30/12	$	0.09	$	0.0082
Second Quarter: 11/1/11 to 1/31/12	$	0.1349	$	0.015
First Quarter: 8/1/11 to 10/31/11	$	0.5547	$	0.03
Fiscal Year 2011		**High Bid**		**Low Bid**
Fourth Quarter: 5/1/11 to 7/31/11	$	0.93	$	0.54
Third Quarter: 2/1/11 to 4/30/11	$	1.35	$	0.90
Second Quarter: 11/1/10 to 1/31/11	$	1.50	$	0.90
First Quarter: 8/1/10 to 10/31/10	$	1.725	$	0.45

Holders

On November 13, 2012, we had approximately 85 shareholders of record of our common stock.

Dividends

As of November 13, 2012, we had not paid any dividends on shares of our common stock and we do not expect to declare any or pay any dividends on shares of our common stock in the foreseeable future. We intend to retain earnings, if any, to finance the development and expansion of our business. Our future dividend policy will be subject to the discretion of our Board of Directors and will depend upon our future earnings, if any, our financial condition, and other factors deemed relevant by the Board.

Securities Authorized for Issuance Under Equity Compensation Plans

We have no equity compensation plans and accordingly we have no shares authorized for issuance under an equity compensation plan.

Recent Sales of Unregistered Securities

On August 6, 2011 we issued one convertible promissory note in the principal amount of $18,000 that bears interest at a rate of 5% per annum and converts to common stock 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 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 August 8, 2011, the Company issued 47,059 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On August 9, 2011 we issued one convertible promissory note in the principal amount of $27,500 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 August 28, 2011, the Company entered into a consulting agreement with SE Media for two months with an option to extend for an additional one month. SE Media was issued 133,334 shares of Minerco Resources, Inc as compensation for a total expense of $38,000. The issuance of stock was exempt from registration under Section 4 (2). No underwriter was involved in the offer of sale of the shares. 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 consultant had the necessary investment intent as required by Section 4(2) since they agreed to, and received, securities bearing a legend stating that such securities are restricted. This restriction ensures that these securities will not be immediately redistributed into the market and therefore not part of a public offering.

On August 28, 2011, the Company issued 266,667 common shares to our then Chief Financial Officer pursuant to an amendment to his employment agreement for a total expense of $76,000 which will be amortized using the straight line method over the remainder of the 5 year contract. The issuance of stock was exempt from registration under Section 4 (2). No underwriter was involved in the offer of sale of the shares. 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 consultant had the necessary investment intent as required by Section 4(2) since they agreed to, and received, securities bearing a legend stating that such securities are restricted. This restriction ensures that these securities will not be immediately redistributed into the market and therefore not part of a public offering.

On August 28, 2011, we issued 5,000,000 shares of our Class A Convertible Preferred stock to our then Chief Financial Officer pursuant to an amendment to his employment agreement. The issuance of stock was exempt from registration under Section 4 (2) of the Securities Act. No underwriter was involved in the offer of sale of the shares. 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 employee had the necessary investment intent as required by Section 4(2) since they agreed to, and received, securities bearing a legend stating that such securities are restricted. This restriction ensures that these securities will not be immediately redistributed into the market and therefore not part of a public offering

On September 1, 2011 we issued two convertible promissory notes in the principal amount of $100,000 that bear interest at a rate of 10% per annum and convert at a conversion price of $.0004 per share in exchange for promissory notes issued in the aggregate principal amount of $100,000. . We exchanged our securities with existing stockholders and no remuneration or commission was paid in reliance on under Section 3 (a)(9) of the Securities Act.

On September 1, 2011, the Company issued 880,000 common shares pursuant to a convertible promissory note dated September 1, 2011. These shares of common stock were issued in reliance on Section 9 (3) of the Act. We exchanged our securities with existing stockholders and no remuneration or commission was paid in reliance on under Section 3 (a)(9) of the Securities Act.

On September 2, 2011, the Company issued 133,334 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On September 12, 2011, the Company issued 80,000 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On September 16, 2011, the Company issued 133,334 common shares pursuant to a convertible promiss6ory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On September 27, 2011 we issued one convertible promissory note in the principal amount of $35,000 that bears interest at a rate of 8% per annum at a variable conversion price of 51% of the market price calculated based on the average of the lowest 3 days during the preceding 10 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 October 10, 2011, the Company issued 100,000 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On October 24, 2011, the Company issued 200,000 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On October 31, 2011, the Company issued 200,000 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On November 6, 2011 we issued one convertible promissory note in the principal amount of $27,000 that bears interest at a rate of 5% per annum and converts to common stock 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 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 9, 2011, the Company issued 97,038 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On November 15, 2011, the Company issued 238,096 common shares pursuant to a convertible promissory note to dated March 29, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On November 21, 2011, the Company issued 222,223 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On December 6, 2011, the Company issued 222,223 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On December 28, 2011, the Company issued 283,334 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On January 17, 2012, the Company issued 283,334 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On February 3, 2012, the Company issued 283,333 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

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On February 15, 2012, the Company issued 10,690,000 common shares pursuant to a convertible promissory note to dated June 6, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On February 15, 2012, the Company issued 25,000,000 common shares pursuant to a conversion notice from our then Chief Executive Officer of 2,500,000 shares of Class A Convertible Preferred. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On February 15, 2012, the Company issued 25,000,000 common shares pursuant to a conversion notice from our then Chief Financial Officer of 2,500,000 shares of Class A Convertible Preferred. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On March 9, 2012, the Company issued 1,774,193 common shares pursuant to a convertible promissory note to dated February 3, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On May 10, 2012, the Company issued 3,333,333 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.

On May 16, 2012, the Company issued 3,200,000 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.

On May 30, 2012, the Company issued 3,333,333 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.

On June 18, 2012 we issued one convertible promissory note in the principal amount of $11,500 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 July 2, 2012, the Company issued 3,846,154 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.

On July 11, 2012, the Company issued 3,846,154 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.

On July 23, 2012, the Company entered into two Securities Purchase Agreements and Convertible Promissory Notes, one with its former Chief Executive Officer and the other with its 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 issuance of the notes were exempt from registration under Section 4(2) of the Securities Act. 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.

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On August 6, 2012, the Company issued 3,714,286 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.

On August 13, 2012, the Company issued 4,500,000 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 August 14, 2012, the Company issued 4,500,000 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 August 27, 2012, the Company issued 9,000,000 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 August 27, 2012, the Company issued 4,500,000 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 September 13, 2012, the Company issued 3,928,571 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.

On September 21, 2012, the Company issued 3,928,571 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.

On October 2, 2012, the Company issued 3,960,000 common shares pursuant to a convertible promissory note to dated June 6, 2011. These shares of common stock were issued in reliance on Section 3 (a)(9) of the Act.

On October 3, 2012, the Company issued 3,928,571 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 6. SELECTED FINANCIAL DATA.

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

Forward Looking Statements

This Annual Report on Form 10-K 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", "plan", "anticipate", "believe", "estimate", "p "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.

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 twelve months ended July 31, 2012, we had an accumulated deficit of $7,271,840, a stockholder’s deficit of $3,493,526 and a net loss of $5,955,868. 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, 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. All share amounts throughout this Annual Report have been retroactively adjusted for all periods to reflect this stock split.

Significant Accounting Policies

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, valuation of intangible assets and investments, share-based payments, income taxes and litigation. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results that differ from our estimates could have a significant adverse effect on our operating results and financial position. We believe that the following significant accounting policies and assumptions may involve a higher degree of judgment and complexity than others.

Valuation of Intangible Assets

As our business acquires the rights to other Hydro-Electric Projects that will result in the recording of intangible assets, the recorded values of those assets may become impaired in the future. Although we continue to actively pursue obtaining necessary permits and negotiating contracts with respect to our renewable energy projects, due to lack of funding we have not begun construction on such projects. Accordingly, as of July 31, 2012, our intangible assets, net of accumulated amortization, were $0, as these assets were impaired due to inactivity. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements. For intangible assets purchased in a business combination or received in a non-monetary exchange, the estimated fair values of the assets received (or, for non-monetary exchanges, the estimated fair values of the assets transferred if more clearly evident) are used to establish their recorded values, except when neither the values of the assets received or the assets transferred in non-monetary exchanges are determinable within reasonable limits. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value. An estimate of fair value can be affected by many assumptions which require significant judgment. For example, the income approach generally requires assumptions related to the appropriate business model to be used to estimate cash flows, total addressable market, pricing and share forecasts, competition, technology obsolescence, future tax rates and discount rates. Our estimate of the fair value of certain assets may differ materially from that determined by others who use different assumptions or utilize different business models. New information may arise in the future that affects our fair value estimates and could result in adjustments to our estimates in the future, which could have an adverse impact on our results of operations.

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We assess potential impairments to intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recovered. Our judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of our businesses, market conditions and other factors. Although there are inherent uncertainties in this assessment process, the estimates and assumptions we use, including estimates of future cash flows, volumes, market penetration and discount rates, are consistent with our internal planning. If these estimates or their related assumptions change in the future, we may be required to record an impairment charge on all or a portion of our goodwill and intangible assets. Furthermore, we cannot predict the occurrence of future impairment-triggering events nor the impact such events might have on our reported asset values. Future events could cause us to conclude that impairment indicators exist and that goodwill or other intangible assets associated with our acquired businesses are impaired. Any resulting impairment loss could have an adverse impact on our results of operations. As of July 31, 2012, these assets were impaired due to inactivity.

Principles of Consolidation

Our Company consolidates all entities that we control by ownership of a majority voting interest. Currently, we have two subsidiaries, Minerco Honduras S.A. and Level 5 Beverage Company, Inc. which we own 100% interest in both.

Uncertainties

We are a development stage company that has only recently begun operations. We have not generated any revenues from our business activities, and we do not expect to generate revenues for the foreseeable future. Since our inception, we have incurred operational losses, and we have been issued a going concern opinion by our auditors. To finance our operations, we have completed several rounds of financing and raised $516,740 through private placements of our common stock and debt financing.

Our most advanced projects are at the exploration stage and there is no guarantee that any of the projects or properties in which we may acquire an interest will be successful. There is also no guarantee that any development stage clean, renewable energy project we acquire will produce commercially viable quantities of electricity. We plan to undertake exploration activities on any properties in which we acquire an interest, but further exploration beyond the scope of our planned activities will be required before we make a final evaluation regarding the economic feasibility of drilling on any of them. There is no assurance that further exploration will result in a final evaluation that commercially viable quantities of electricity can be produced on any of these properties.

We anticipate that we will require additional financing in order to complete our acquisition and development activities. We currently do not have sufficient financing to fully execute our business plan and there is no assurance that we will be able to obtain the necessary financing to so. Accordingly, there is uncertainty about our ability to continue to operate.

We have recently began development of our beverage line of business inasmuch as we are new to this market there can be no assurance that we will successfully develop or market the beverage line.

Results of Operations

Our results of operations are presented below:

	Year Ended July 31, 2012	Year Ended July 31, 2011	Period from June 21, 2007 (Date of Inception) to July 31, 2012
Loan Recovery	$ -	$ -	$ (13,000)
Impairment of Note Receivable	-	-	32,700
General and Administrative Expenses	1,541,646	972,000	2,684,501
Chiligatoro Operating Expenses	-	15,500	61,000
Interest Expense	10,517	3,476	13,993
Accretion of discount on convertible debt	422,155	61,659	464,371
Loss on derivative liability	3,255,018	42,216	3,316,677
Gain on Settlement of debt	-	(14,935)	(14,935)
Impairment of Intangibles	715,500	-	715,500
Loss on conversion	11,033	-	11,033
Net Loss	$ 5,955,868	$ 1,079,916	$ 7,271,840
Net Loss per Share –Basic and Diluted	$ (0.14)	$ (0.41)	N/A
Weighted Average Shares Outstanding	37,029,069	2,619,889	N/A

Results of Operations for the Twelve Months Ended July 31, 2012 compared to the Twelve Months Ended July 31, 2011

During the twelve months ended July 31, 2012 we incurred a net loss of $5,955,868, compared to a net loss of $1,079,916 during the same period in fiscal 2011. Our net loss per share decreased to a loss of $0.14 per share compared to a loss of $0.41 in the same period in fiscal 2011 primarily to the issuance of shares due to the conversion of debt. The increase in our net loss during the twelve months ended July 31, 2012 was primarily due to increased General and Administrative Expense and losses on derivative liabilities, increase in compensation stock expense due to the accelerated amortization of our former Chief Executive Officer and former Chief Financial Officer’s stock compensation, increase in consulting expense and professional fees.

Our total operating expenses for the twelve months ended July 31, 2012 were $2,679,300, compared to operating expenses of $2,094,977 during the same period in fiscal 2011. Our total operating expenses during the twelve months ended July 31, 2012 consisted of $1,388,223 in compensation expense, $38,000 in consulting fees, $51,488 in professional fees, $715,500 in impairment expense, $422,155 in accretion expense, $63,934 in general and administrative expenses, and 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 July 31, 2012

From our inception on June 21, 2007 to July 31, 2012 we did not generate any revenues and we incurred a net loss of $7,271,840. We may not generate significant revenues from our interest in the Chiligatoro Hydro-Electric Project, Iscan Hydro-Electric Project or Sayab Wind Project or any other properties in which we acquire an interest or our beverage line of business, 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 July 31, 2012 were $3,925,372, consisting of compensation expense of $1,924,247, $299,600 in consulting expense, $170,571 in professional fees, $464,371 in accretion expense, $715,500 in impairment expense, general and administrative expenses equal to $290,083 and Chiligatoro Operating costs of $61,000. We have not incurred any foreign exchange losses, management fees, rent expenses or other operating expenses since our inception.

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

From our inception on June 21, 2007 to July 31, 2012 we also received $13,000 in the form of proceeds from loan recovery and incurred $32,700 in expenses related to the impairment of a note receivable.

Liquidity and Capital Resources

As of July 31, 2012 we had $0 in cash, $0 in prepaids, and $0 in total assets, $3,493,526 in total liabilities and a working capital deficit of $3,493,526. Our accumulated deficit from our inception on June 21, 2007 to July 31, 2012 is $7,271,840 and was funded primarily through equity and debt financing.

We are dependent on funds raised through our equity and debt financing, and since our inception on June 21, 2007, we have raised gross proceeds of $90,514 in cash from the sale of our common stock, $423,000 in proceeds from loans, and $51,018 from advances from related parties.

From our inception on June 21, 2007 to July 31, 2012 we spent net cash of $550,714 on operating activities. During the twelve months ended July 31, 2012 we spent net cash of $70,745 on operating activities, compared to net cash spending of $304,254 on operating activities during the same period in fiscal 2011. The expenditures on operating activities for the twelve months ended July 31, 2012 decreased primarily due to a reduction in related party accounts payable.

From our inception on June 21, 2007 to July 31, 2012 we spent net cash of $10,000 on investing activities, all of which was in the form of a loan to a third party. We did not spend net cash on investing activities during the twelve months ended July 31, 2012. We did not spend net cash on investing activities during the same period in fiscal 2011.

From our inception on June 21, 2007 to July 31, 2012 we received net cash of $560,714 from financing activities, of which $90,514 were proceeds from the issuance of our common stock and $423,000 were proceeds from loans and $51,018 from advances from related parties. During the twelve months ended July 31, 2012 we did receive $70,595 net cash from financing activities, compared to net cash received of $283,488 during the same period in fiscal 2011, decrease in receipts from financing activities for the twelve months ended July 31, 2012 was primarily due to an increase in proceeds from loans.

During the twelve months ended July 31, 2012 our monthly cash requirements to fund our operating activities was approximately $232,117. Our cash of $0 as of July 31, 2012 will require us to suspend all operations that require a cash outlay until such time as funding is receivedWe estimate our planned expenses for the next 24 months (beginning

October 2011) to be approximately $13,801,000, as summarized in the table below.

Description Energy	Potential completion date	Estimated Expenses ($)
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
EnergyTotal		13,431,000
Beverage		
Product Formulation	3 months	25,000
Product Samples	3 months	5,000
Product Branding	4 months	25,000
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
Grand Total (All Business Lines)		13,629,000

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 July 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 Chiligatoro Hydro-Electric Project, Iscan Hydro-Electric Project and Sayab Wind Project, there is no assurance that we will receive any revenues from this interest and the seller has rights to reacquire the properties if we fail to make certain payments. Meanwhile, even if we purchase other non-operated interests in hydro-electric projects or wind projects or begin construction activities on any properties we may acquire, this does not guarantee that these projects or properties will be commercially exploitable.

Future Financings

Our financial statements for the year ended July 31, 2012 have been prepared on a going concern basis and contain an additional explanatory paragraph in Note 1 which identifies issues that raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 Chiligatoro Hydro-Electric Project, Iscan Hydro-Electric Project or Sayab Wind Project, or from any of the hydro-electric projects in which we acquire an interest. As a new competitor in the beverage line of business, there can be no assurance we will generate any revenue from the sale of any such products and our future cash needs vary from those estimated. Accordingly, we are dependent upon obtaining outside financing to carry out our operations and pursue any acquisition and exploration activities. In addition, we require funds to meet our current operating needs and to repay certain demand note obligations and other convertible debt obligations that will mature shortly.

Of the $13,629,000 we require for the next 24 months, we had approximately $0 in cash as of July 31, 2012. We intend to raise the balance of our cash requirements for the next 24 months (approximately $13,801,000) from 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, and there is no guarantee that any financing will be available to us or if available, on terms that will be acceptable to us. 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. Although we have an equity line with Centurion Private Equity, LLC , we have been unable to derive any financing from the equity line due to our inability to meet the volume conditions necessary to initiate a put under such equity line. There can be no assurance that we will ever meet such conditions or therefore ever be able to utilize the equity line.

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.

Outstanding Indebtedness

Set forth below is a chart of our outstanding debt obligations as of July 31, 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 the market price calculated based on the lowest day during the preceding 120 days
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	$	11,500	6/18/12	3/20/13	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	$	320,301	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	$	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

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, and June 18, 2012 we entered into a Securities Purchase Agreement and Convertible Promissory Note with Asher Enterprises for $32,500, $27,500, $35,000 and $11,500 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 Note is 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. 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.

Product Research and Development

We do not anticipate spending any material amounts in connection with product research and development activities during the next 12 months.

Acquisition of Plants and Equipment and Other Assets

Apart from our interest in the Chiligatoro Hydro-Electric Project, the Iscan Hydro-Electric Project and Sayab Wind 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.

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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The 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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REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Minerco Resources, Inc.
(A Development Stage Company)
Katy, Texas

We have audited the accompanying consolidated balance sheets of Minerco Resources, Inc. and its subsidiaries (collectively the "Company"), as of July 31, 2012 and 2011 and the related consolidated statement of expenses, stockholders' equity (deficit), and cash flows for the years ended July 31, 2012 and July 31, 2011, and the period from June 21, 2007 (inception) to July 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration over of internal control over financial reporting as a basis for design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts of disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minerco Resources, Inc. and its subsidiaries, as of July 31, 2012 and 2011 and the results of their operations, their cash flows for years ended July 31, 2012, and July 31, 2011, and the period from June 21, 2007 (inception) to July 31, 2012 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements the Company's present financial situation raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ MALONE & BAILEY LLP
www.malonebailey.com
Houston, Texas

November 21, 2012

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

	July 31, 2012	July 31, 2011
ASSETS		
Current Assets		
Cash	$-	$150
Prepaid rent	-	1,816
Total Current Assets	-	1,966
Intangible asset - Chiligatoro rights	-	715,500
Total Assets	$-	$717,466
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	$93,142	$66,316
Accounts payable – related party	-	214,199
Advance from related party	-	34,488
Convertible notes payable	147,200	200,000
Derivative liability	3,089,498	191,216
Debenture payable	163,686	61,659
Total Liabilities	3,493,526	767,878
Stockholders' Equity (Deficit)		
Common stock, $0.001 par value, 1,175,000,000 shares authorized, 87,051,824 and 3,025,048 at July 31, 2012 and 2011, respectively.	87,052	3,025
Preferred stock, $0.001 par value, 25,000,000 shares authorized, 10,000,000 at July 31, 2012 and 2011, respectively.	10,000	10,000
Additional paid-in capital	3,681,262	1,252,535
Deficit accumulated during the exploration stage	(7,271,840)	(1,315,972)
Total Stockholders' Equity (Deficit)	(3,493,526)	(50,412)
Total Liabilities and Stockholders' Equity (Deficit)	$-	$717,466

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

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

	Year Ended July 31, 2012	Year Ended July 31, 2011	Period from June 21, 2007 (Date of Inception) to July 31, 2012
General and Administrative	$1,541,645	$972,000	$2,684,501
Chiligatoro Operating Costs	-	15,500	61,000
Accretion of discount on convertible debt	422,155	61,659	464,371
Impairment of intangibles	715,500	-	715,500
Total Operating Expenses	2,679,300	1,049,159	3,925,372
	,		,
Other Expenses:			
Impairment of Note Receivable	–	-	32,700
Interest Expense	10,517	3,476	13,993
Loan Recovery	–	-	(13,000)
Loss on debt conversion	11,033	-	11,033
Gain on settlement of debt	-	(14,935)	(14,935)
Loss on derivative liability	3,255,018	42,216	3,316,677
Total Other Expenses	3,276,568	30,757	3,346,468
Net Loss	$(5,955,868)	$(1,079,916)	$(7,271,840)
Net Loss Per Common Share – Basic and Diluted	$(0.14)	$(0.41)	
Weighted Average Common Shares Outstanding	37,029,068	2,619,889	

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

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

Year Ended July 31, 2012	Year Ended July 31, 2011	Period from June 21, 2007 (Date of Inception) To July 31, 2012