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

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

FORM 10-Q

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

For the quarterly period ended January 31, 2012

or

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

For the transition period from ______To _______

Commission file number: 333-156059

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

Nevada (State or other jurisdiction of incorporation or organization)	27-2636716 (I.R.S. Employer Identification No.)

22503 Katy Highway, #18
Katy, Texas 77450
(Address of principal executive offices)

(281) 994-4187
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 (of for such shorter period that the registrant was required to submit and post such files). Yeso No 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	Non-accelerated filer	o
Accelerated filer	o	Smaller reporting company	þ

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of March 21, 2012 the registrant had 69,494,428 outstanding shares of its common stock.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

Minerco Resources, Inc.

(A Development Stage Company)
Consolidated Balance Sheets
(unaudited)

	January 31, 2012	July 31, 2011
ASSETS		
Cash	$115	$150
Prepaid Expense	-	1,816
Current Assets	-	1,966
Other Assets		
Intangible asset - Chiligatoro rights	715,500	715,500
Total Assets	$715,615	$717,466
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued liabilities	$84,712	$66,316
Accounts payable – related party	410,869	248,687
Convertible Note Payable (net of discount of $46,079)	288,721	261,659
Derivative Liability	671,984	191,216
Total Liabilities	1,456,286	767,878
Stockholders' Deficit		
Common stock, $0.001 par value, 1,175,000,000 shares authorized, 6,745,317 and 3,025,348 outstanding at January 31, 2012 and July 31, 2011, respectively	6,745	3,025
Preferred stock, $0.001 par value, 25,000,000 shares authorized, 15,000,000 and 10,000,000 outstanding at January 31, 2012 and July 31, 2011, respectively	15,000	10,000
Additional paid-in capital	1,870,544	1,252,535
Deficit accumulated during the development stage	(2,632,960)	(1,315,972)
Total Stockholders' Deficit	(740,671)	(50,412)
Total Liabilities and Stockholders' Deficit	$715,615	$717,466

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

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Minerco Resources, Inc.

(A Development Stage Company)
Consolidated Statements of Expenses
(unaudited)

	Three Months Ended January 31, 2012	Three Months Ended January 31, 2011	Six Months Ended January 31, 2012	Six Months Ended January 31, 2011	Period from 21-Jun-07 (Date of Inception) to January 31, 2012
General and Administrative	$182,587	$319,414	$439,706	$395,150	$1,585,262
Chiligatoro Operating Costs	-	-	-	15,500	61,000
Total Expense	182,587	319,414	439,706	410,650	1,646,262
Impairment of Note Receivable	-	-	-	-	30,000
Loan Recovery	-	-	-	-	(13,000)
Interest Expense	1,969	-	5,679	82	9,155
Gain on settlement of debt	-	(14,935)	-	(14,935)	(14,935)
Accretion of discount on convertible debt	64,341	-	348,284	-	409,943
(Gain)/Loss on derivative liability	303,947	-	523,319	-	565,535
Total Other Expenses	370,257	-	877,282	-	986,698
Net Loss	$(552,844)	$(304,479)	$(1,316,988)	$(395,797)	$(2,632,960)
Net Loss Per Common Share – Basic and Diluted	$(0.10)	$(0.12)	$(0.26)	$(0.16)	
Weighted Average Common Shares Outstanding	5,620,865	2,563,955	5,097,261	2,434,301	

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

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

	Six Months Ended January 31, 2012	Six Months Ended January 31, 2011	Period from June 21, 2007 (Date of Inception) To January 31, 2012
Cash Flows from Operating Activities			
Net loss for the period	$(1,316,988)	$(395,797)	$(2,632,960)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain/Loss on settlement of debt	-	(14,935)	(14,935)
Loss on derivative	523,319	-	565,535
Accretion of discount	348,284	-	409,943
Share based compensation	153,337	165,718	591,701
Impairment of notes receivable	-	-	30,000
Changes in operating assets and liabilities:			
Prepaid expense	1,816	(475)	-
Accounts payable and accrued liabilities	65,515	44,840	131,831
Accounts payable- related party	165,587	41,888	379,786
Net Cash Used in Operating Activities	(59,130)	(158,761)	(539,099)
Cash Flows from Investing Activities			
Loan to third party	-	-	(10,000)
Net Cash Used in Investing Activities	-	-	(10,000)
Cash Flows from Financing Activities			
Capital contribution	-	-	1,182
Proceeds from issuance of common stock	-	-	90,514
Proceeds from loan	62,500	100,000	411,500
Proceeds from related party debt	-	39,351	49,423
Repayment of related party debt	(3,405)	-	(3,405)
Net Cash Provided by Financing Activities	59,095	139,351	549,214
Net change in cash	(35)	(19,140)	115
Cash, Beginning of Period	150	20,916	-
Cash, End of Period	$115	$1,506	$115

Supplemental disclosures of cash flow information			
Cash paid for interest	-	82	-
Cash paid for income taxes	-	-	-
Non cash investing and financing activities:			
Debt discount on convertible notes	$307,022		$456,022
Settlement of accounts payable in exchange of notes payable	$45,000		$45,000
Shares issued upon conversion note payable	$121,700		$121,700
Shares issued upon conversion of accrued interest	$2,120		$2,120
Derivative liability re-classed to equity upon conversion of notes payable to common shares	$349,572		$349,572
Common stock issued for Chiligatoro rights	$-	$-	$715,500
Common stock issued for note receivable	$-	$-	$20,000

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

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Minerco Resources, Inc.

(A Development Stage Company)
Consolidated Notes to the Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited interim financial statements of Minerco Resources, Inc. (“Minerco” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (the “SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in Minerco’s Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Consolidated Notes to the Financial Statements which substantially duplicate the disclosure contained in the audited financial statements for fiscal 2011 as reported in Minerco’s Form 10-K have been omitted.

2. Going Concern

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize it assets and discharge its liabilities in the normal course of business. During the period ended January 31, 2012, the Company has an accumulated deficit and no revenue. The Company is in the business of developing, producing and providing clean, renewable energy solutions in Central America. The Company participates in and invests in development projects with other companies in clean, renewable energy projects. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company intends to fund operations through equity and debt financing arrangements, which may be insufficient to fund its capital expenditures, working capital and other cash requirements for the year ending July 31, 2012.

3. Fair Value of Financial Instruments

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

Level 1

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

Minerco Resources, Inc.

(A Development Stage Company)
Consolidated Notes to the Financial Statements
(unaudited)

3. Fair Value of Financial Instruments (continued)

Level 2

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

Level 3

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

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

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

	Level 1	Level 2	Level 3	Total
Assets	-	-	-	-
Liabilities	-	-	-	-
Derivative Financial Instruments	$ -	$ -	$ 671,984	$ 671,984

The following table sets forth by level with the fair value hierarchy the Company's financial assets and liabilities measured at fair value on July 31, 2011.

	Level 1	Level 2	Level 3	Total
Assets	-	-	-	-
Liabilities	-	-	-	-
Derivative Financial Instruments	$ -	$ -	$ 191,216	$ 191,216

4. Common Stock

Effective December 27, 2011, the Company announced a reverse split of 150:1, resulting in the share and per share information being retroactively change to effect the split from the first day of the first period presented.

On August 8, 2011, the Company issued 47,059 common shares at a conversion rate of $0.255 for the conversion of $12,000 of debt pursuant to a convertible promissory note dated February 3, 2011.

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 133,333 shares at $0.285 of Minerco Resources, Inc for a total compensation expense of $38,000.

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

4. Common Stock (continued)

On August 28, 2011, the Company issued 266,667 common shares to our 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 expense recognized as of January 31, 2012 is 7,595 and 68,405 is unamortized as of January 31, 2012.

On September 1, 2011, the Company issued 880,000 common shares at a conversion rate of $0.06 for the conversion of $52,800 of debt pursuant to a convertible promissory note dated September 1, 2011.

On September 2, 2011, the Company issued 133,333 common shares at a conversion rate of $0.075 for the conversion of $10,000 of debt pursuant to a convertible promissory note to dated February 3, 2011.

On September 12, 2011, the Company issued 80,000 common shares at a conversion rate of $0.075 for the conversion of $6,000 of debt pursuant to a convertible promissory note to dated February 3, 2011.

On September 16, 2011, the Company issued 133,333 common shares at a conversion rate of $0.06 for the conversion of $8,000 of debt pursuant to a convertible promiss6ory note to dated February 3, 2011.

On October 10, 2011, the Company issued 100,000 common shares at a conversion rate of $0.045 for the conversion of $4,500 of debt pursuant to a convertible promissory note to dated February 3, 2011.

On October 24, 2011, the Company issued 200,000 common shares at a conversion rate of $0.03 for the conversion of $6,000 of debt pursuant to a convertible promissory note to dated February 3, 2011.

On October 31 2011, the Company issued 200,000 common shares at a conversion rate of $0.03 for the conversion of $6,000 of debt pursuant to a convertible promissory note to dated February 3, 2011.

On November 9, 2011, the Company issued 97,037 common shares at a conversion rate of $0.027 for the conversion of $500 of debt pursuant to a convertible promissory note to dated February 3, 2011 along with accrued interest of $2,120.

On November 15, 2011, the Company issued 238,096 common shares at a conversion rate of $0.021 for the conversion of $5,000 of debt pursuant to a convertible promissory note to dated March 29, 2011.

On November 21, 2011, the Company issued 222,223 common shares at a conversion rate of $0.018 for the conversion of $4,000 of debt pursuant to a convertible promissory note to dated March 29, 2011.

On December 6, 2011, the Company issued 222,223 common shares at a conversion rate of $0.009 for the conversion of $2,000 pursuant to a convertible promissory note to dated March 29, 2011.

On December 15, 2011, the Company issued 200,000 common shares at a conversion rate of $0.0075 for the conversion of $1,500 pursuant to a convertible promissory note to dated March 29, 2011.

On December 28, 2011, the Company issued 283,334 common shares at a conversion rate of $0.006 for the conversion of $1,700 pursuant to a convertible promissory note to dated March 29, 2011.

On January 17, 2012, the Company issued 283,334 common shares at a conversion rate of $0.006 for the conversion of $1,700 pursuant to a convertible promissory note to dated March 29, 2011.

5. Preferred Stock

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

On January 11, 2011, the Company designated 5,000,000 shares of its preferred stock as Class A Convertible Preferred Stock (“Class A Stock”). Each share of Class A Stock is convertible into 10 shares of common stock, has 100 votes, has no dividend rights except as may be declared by the Board of Directors, and has a liquidation preference of $1.00 per share.

On August 28, 2011, the Company issued 5,000,000 shares of its Class A Convertible Preferred stock to its Chief Financial Officer pursuant to an amendment to his employment agreement. The compensation expense for the stock grant will be amortized evenly over the remainder of the 5 year employment agreement based on the closing stock price of the Company’s common stock on the date of the grant ($0.0019). Total expense to be recognized over the 5 year term is $95,000, whereby Company recognized $9,494 as of January 31, 2012 and $85,506 is unamortized as of January 31, 2012. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twelve months and before 24 months of the date of the agreement, 3,000,000 shares granted to him will be returned. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, 2,000,000 shares granted to him will be returned. If Mr. Messina voluntarily terminates his employment with us or if a petition for Chapter 7 bankruptcy is filed by us resulting in an adjudication of bankruptcy after thirty six months and before 48 months of the date of the agreement, 1,000,000 shares granted to him will be returned.

6. Related Parties

As of January 31, 2012, the Company was indebted to the current Chief Executive Officer for $213,608 ($127,674 at July 31, 2011) relating to accrued salary and $15,797 for the expenses paid on behalf of the Company. The Company is also indebted to the current Chief Financial Officer for $165,078 ($83,515 at July 31, 2011) relating to accrued salary and $16,386 for the expenses paid on behalf of the company for a total of $410,869.

7. Convertible Note Payable

As of January 31, 2012, the Company was indebted to an unrelated third party for $147,200, for monies loaned to the Company. On October 12, 2010, the Company granted a promissory note to this party in the amount of $200,000 in consideration for monies loaned to the company. The promissory note is non-interest bearing and due on demand. On September 1, 2011, the Company entered into two agreements, each of which provide for the exchange of the two promissory notes dated October 12, 2010 in the principal amount of $100,000 for convertible promissory notes (the "Convertible Notes") in the aggregate principal amount of $100,000. Each Convertible Note plus accrued interest of 0% may be converted into shares of common stock of the Company at any time before the maturity date by the Convertible Note holder at a conversion price of $0.001per share or 50% of the lowest market price of the five trading days immediately preceding a conversion date. In the event of a default by the Company, each Convertible Note plus accrued interest may be converted into shares of common stock of the Company at any time after the default date by the Convertible Note holder at a conversion price of the lower of (i) par value or (ii) half of the average bid price over the five trading days prior to the conversion date, but in no case for an amount less than a 51% interest in the Company.

The Company is obligated to register the shares underlying the Convertible Notes under the Securities Act of 1933 until shares become available for resale under Rule 144(k). On September 1, 2011, a note holder converted $52,800 of principal into 880,000 shares of the company.

On February 3, 2011, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and Asher Enterprises for $53,000. The convertible note carries an 8% rate of interest and is convertible into common stock at a variable conversion price of 31% of the market price which shall be calculated as the average of the lowest 3 days during the preceding 10 days before conversion. The Promissory Note was due on November 7, 2011. On August 8, 2011, the Company and Asher Enterprises entered into an amendment whereas the note converts at a variable conversion price of 31% of the market price which shall be calculated as the average of the lowest 3 days during the preceding 10 days before the conversion.

On March 29, 2011, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and Asher Enterprises for $27,500. The convertible note carries an 8% rate of interest and is convertible into common stock at a variable conversion price of 31% of the market price which shall be calculated as the average of the lowest 3 days during the preceding 10 days before conversion. The Promissory Note is due on December 29, 2011. On September 27, 2011, the Company and Asher Enterprises entered into an amendment whereas the note converts at a variable conversion price of 31% of the market price which shall be calculated as the average of the lowest 3 days during the preceding 10 days before the conversion.

On June 6, 2011, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and SE Media Partners, Inc. for $36,000. The convertible note carries a 5% rate of interest and is 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 Promissory Note was due on December 6, 2011.

On June 22, 2011, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and Asher Enterprises for $32,500. The convertible note carries an 8% rate of interest and is convertible into common stock at a variable conversion price of 55% of the market price which shall be calculated as the average of the lowest 3 days during the preceding 10 days before conversion. The Promissory Note is due on March 26, 2012.

On August 6, 2011, Company converted its accounts payable due to SE Media into entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and SE Media Partners, Inc. for $18,000. The convertible note carries an 5% rate of interest and is 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 Promissory Note is due on February 6, 2012.

On August 8, 2011, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and Asher Enterprises for $27,500. The convertible note carries an 8% rate of interest and is convertible into common stock at a variable conversion price of 55% of the market price which shall be calculated as the average of the lowest 3 days during the preceding 10 days before conversion. The Promissory Note is due on May 11, 2012.

On September 27, 2011, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and Asher Enterprises for $35,000. The convertible note carries an 8% rate of interest and is convertible into common stock at a variable conversion price of 51% of the market price which shall be calculated as the average of the lowest 3 days during the preceding 10 days before conversion. The Promissory Note is due on June 29, 2012.

On November 6, 2011, the Company converted its accounts payable due to SE Media into a Securities Purchase Agreement and Convertible Promissory Note between the Company and SE Media Partners, Inc. for $27,000. The convertible note carries an 5% rate of interest and is 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 Promissory Note is due on May 6, 2012.

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

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

Beginning balance	$ 261,659
Gross proceeds from the notes payable	62,500
Accounts payable re-classed to note payable	45,000
Less: debt discount from conversion options	(307,022)
Less: Conversion of notes payable	(121,700)
Add: amortization of discount	348,284
Total notes payable	$ 288,721

8. Derivative liabilities

Derivative Liability:

The fair values of the instruments were determined to be $671,984 using a Black-Scholes option-pricing model. Upon the issuance dates of the new Convertible Promissory Notes, $307,022 was recorded as debt discount and $630,281 was recorded as day one loss on derivative liability. During the six months January 31, 2012, the Company recorded a net loss on mark-to-market of the conversion options of $523,319.

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

Beginning Balance	$ 191,216
New issuance derivative value accounted for as debt discount	307,022
Day one loss on excess of fair value over proceeds received	630,281
	(349,572)

Derivative re-classed to equity upon conversion of notes payable to common stock	
Six months ended January 31, 2012 gain on change in fair value	(106,962)
Balance at January 31, 2012	$ 671,984

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The following table summarizes the derivative liabilities included in the consolidated statement of expenses at January 31, 2012:

Day one loss on fair value	$ 630,281
Six months ended January 31, 2012 gain on change in fair value	(106,962)
Total loss on derivative as of January 31, 2012	$ 523,319

The valuation of the above derivative instruments are determined primarily using the Black-Scholes option pricing model. To determine the fair value of the derivatives, Minerco evaluates assumptions regarding the probability of certain future events. The fair values of the derivatives as of January 31, 2012 were estimated using the Black-Sholes model with the following assumption: $0.03 quoted stock price; $0.00465 to $0.06 exercise price; 499.84% to 831.44% volatility; less than 1 year estimated life; zero dividends and a 0.04% to 0.08% discount rate.

9. Commitments

Employment Agreements

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

10. Subsequent Events

a) On February 1, 2012, the Company and SE Media Partners, Inc. entered into amendment to the convertible promissory note dated June 6, 2011 for $36,000 to amend the conversion price to the lesser or $0.001 or 50% of the lowest Per share market value of the five trading days immediately preceding the conversion date.

b) On February 3, 2012, the Company issued 283,334 common shares at a conversion rate of $0.006 for the conversion of $1,700 of debt pursuant to a convertible promissory note dated March 29, 2011.

c) On February 17, 2012, the Company issued 10,690,000 common shares at a conversion rate of $0.001 for the conversion of $10,690 of debt pursuant to a convertible promissory note dated June 6, 2011.

d) On February 17, 2012, the Chief Execute Officer converted 2,500,000 shares of Class A Preferred Convertible Stock to 25,000,000 shares of common stock.

e) On February 17, 2012, the Chief Financial Officer converted 2,500,000 shares of Class A Preferred Convertible Stock to 25,000,000 shares of common stock.

f) On February 20, 2012, the Company and MSF International Inc. entered into amendment to the convertible promissory note dated September 1, 2011 for $100,000 to amend the conversion price to the lesser or $0.001 or 50% of the lowest Per share market value of the five trading days immediately preceding the conversion date for the remaining $73,600 of the balance due and owing.

g) On February 20, 2012, the Company and FTB Enterprises Inc. entered into amendment to the convertible promissory note dated September 1, 2011 for $100,000 to amend the conversion price to the lesser or $0.001 or 50% of the lowest Per share market value of the five trading days immediately preceding the conversion date for the remaining $73,600 of the balance due and owing.

h) On March 9, 2012, the Company issued 1,774,194 common shares at a conversion rate of $0.0062 for the conversion of $11,000 pursuant to a convertible promissory note to dated March 29, 2011.

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

Forward Looking Statements

This quarterly report on Form 10-Q for the quarter ended January 31, 2012 contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology including "could", "may", "will", "should", "expect", "p "anticipate", "believe", "estimate", "predict", "potential" and the negative of these terms or other comparable terminology. Th 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

We were incorporated as a Nevada company on June 21, 2007 and we have one subsidiary Minerco Honduras. 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. 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 through this quarterly report have been retroactively adjusted for all periods to reflect this stock split.

The Projects

Chiligatoro

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